Sheffield Resources Limited

ABN 29 125 811 083

2020

Annual Report

Directors

Mr John Richards, Non-Executive Chairman
Mr Bruce McFadzean, Managing Director
Mr Bruce Griffin, Commercial Director
Mr David Archer, Non-Executive Director
Mr Will Burbury, Non-Executive Director
Mr Ian Macliver, Non-Executive Director

Company Secretary

Mr Mark Di Silvio

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Bankers

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Auditors

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Australian Securities Exchange (ASX: **SFX**)

Website

www.sheffieldresources.com.au

Australian Business Number (ABN)

29 125 811 083

Dear Shareholders,

The past year has seen your Company actively engaged in seeking a strategic partner to enable the development of the Thunderbird Mineral Sands Project.

Key milestones during this year have included the completion of an Updated Bankable Feasibility Study (the BFSU), completion of all required permitting to commence construction of the Thunderbird Project and the restructure of the Board's composition to ensure that your Company is best placed to achieve success and drive value for Shareholders and Stakeholders.

During the year we welcomed Mr Bruce Griffin to the Board as Commercial Director. Mr Griffin has extensive knowledge of the global mineral sands industry and recently led the Company through a study to assess a range of project development options for the Thunderbird Project. We look forward to drawing on Mr Griffin's experience during the future phases of the project. November 2019 also saw the retirement of one of the founding Directors of Sheffield Resources, Mr Bruce McQuitty. Mr McQuitty had been a Director for nearly 10 years and was Managing Director from 2010 to 2015. He has been a pivotal part of the discovery and advancement of the Thunderbird Mineral Sands Project. We wish Mr McQuitty all the best for his retirement.

While substantial progress was made, 2020 was not without its challenges. The process of identifying a strategic partner and concluding an acceptable funding solution was not achieved within our original timeline which targeted a Final Investment Decision by early 2020.

To address these challenges, the Company completed a project development review and implemented cost management initiatives. The project development review, led by Mr Griffin, had the objective of identifying a project scope with the scale and product mix to reduce upfront capital expenditure and maximise investment returns. Activities were scaled back to focus on only the protection of assets, additionally an organisational review saw a reduction in staff located in both Perth and the Kimberley, and a sale of non core assets was undertaken to ensure the Company had adequate cash reserves to support the ongoing strategic partner process.

As the project development review and cost management activities progressed, focus has remained on identifying an appropriate strategic partner to develop the Thunderbird Mineral Sands Project. Subsequent to the end of the financial year, your Company was very pleased to announce that a non-binding term sheet to form a 50:50 Joint Venture for the development of the Thunderbird Project was signed with Yangang (Hong Kong) Co., Ltd's wholly owned subsidiary YGH Australia Investment Pty Ltd (Yansteel). This joint venture means that Stage 1 of the Thunderbird Project would be fully funded. The agreement is subject to the Foreign Investment Review Board approval process, negotiation and execution of formal agreements and any other applicable regulatory or shareholder approval. Yansteel have also entered into an offtake agreement to take or pay for 100% of the ilmenite produced from stage 1 of the project.

In addition to the joint venture, I would also like to extend a welcome to Yansteel as a significant shareholder of Sheffield Resources Limited. A placement approved by the Board and completed on 11 August 2020 has seen Yansteel invest A$12.9m for a 9.9% shareholding of the Company.

So whilst the past 12 months have been challenging for the Company, the dedication of the team at Sheffield Resources have culminated in an exceptional outcome and clear pathway for development of the Thunderbird Project.

In closing, I thank all Sheffield Resources shareholders for your continued support and faith in our Company.

John Richards
Chairman

OVERVIEW

During the reporting period, Sheffield Resources Limited (Group, Company or Sheffield) continued to focus on the Thunderbird Mineral Sands Project (Thunderbird or Project), located near Derby in the Canning Basin region of Western Australia. The completion of the Bankable Feasibility Study Update (BFSU) in July 2019 enabled the continuation of the strategic partner funding process. This structured and formal process evaluated and progressed potential equity funding partners to support the development of Thunderbird, along with established debt financing arrangements by Taurus Mining Finance (Taurus) and the Northern Australia Infrastructure Facility (NAIF). The Company actively pursued expressions of interest and proposals received from credible third parties, although the Company was unable to conclude an acceptable equity funding solution during the reporting period.

In early 2020, following a strategic business review and in the context of the elevated cost level associated with maintaining the Project in a “shovel-ready” state, the Company paused the strategic partner funding process, whilst the Company underwent an assessment to deliver a materially lower capital and financeable Project development strategy with reduced operational and corporate costs.

The Company implemented appropriate corporate and organisational changes to preserve cash and allow the Project development review to advance under a materially lower cost structure, with estimated savings of A$7.5 million per annum. Consequently, the number of executive management and employee positions in both Perth and the Kimberley were materially reduced, including the closure of care and maintenance activities at Thunderbird. Closure of the Thunderbird Project site included the implementation of new security and caretaking arrangements whilst maintaining the integrity of all environmental and other approvals, permits and licences for the Project. Environmental and statutory monitoring and reporting will ensure the Project can be readily restarted once funding has been secured.

The Company reviewed non-core assets resulting in the disposal of non-core accommodation units to realise A$1.75m and has rationalised non-core exploration tenements resulting in further savings of approximately $0.5m in annual expenditure commitments. Our key partners Taurus and NAIF, along with corporate advisors supported and endorsed this new approach with financing commitment fees payable to Taurus being suspended from the end of the March 2020 quarter, until such time that a Final Investment Decision (FID) is reached for Thunderbird.

The Project development review, led by mineral sands expert Mr Bruce Griffin, considered a range of scale and product mix options to identify a project scope with reduced upfront capital expenditure and maximised investment returns. A small range of development strategies that all include the production of a zircon rich non-magnetic concentrate in conjunction with alternate ilmenite streams was identified by the review. The market for zircon rich non-magnetic concentrates has emerged as an alternative route to market for zircon in recent years and continues to grow strongly.

Moving forward, Sheffield is focused on the following key objectives:

- Defining a revised project scope for Thunderbird which will provide a lower capital cost and a more readily financeable project.
- Through engagement with potential strategic and funding partners, pursue funding strategies to support Thunderbird’s development.
- Undertake further evaluation of ilmenite product options to identify ilmenite streams suitable for direct sale into the sulfate pigment or chloride slag markets, significantly reducing the ilmenite product market risk.
- Preserving cash reserves to ensure that the Company has a cash runway well into 2021.
- Securing Foreign Investment Review Board approval and signing definitive agreements for the Yansteel Joint Venture.

The current Project status, is described as follows:

- ✓ Granted State and Federal environmental approval
- ✓ Executed Native Title Agreement
- ✓ Granted Thunderbird mining lease
- ✓ Establish support infrastructure enabling rapid commencement of construction activities
- ✓ Executed US$175 million project finance facility with Taurus Mining Finance
- ✓ A$95m Northern Australia Infrastructure Fund term sheet approved
- ✓ Material agreements in a ‘shovel-ready’ state, subject to FID
- ✓ Executed binding offtake agreements
- ✓ Ore Reserve at Thunderbird of 748 million tonnes at 11.2% HM
- ✓ Inferred Mineral Resource at Night Train of 130 million tonnes at 3.3% HM
- ✓ Signed Non-binding term sheet with Joint Venture Partner Yansteel

Bankable Feasibility Study Update

In the first quarter of the reporting period, Sheffield concluded an update to the Bankable Feasibility Study originally published in March 2017. The BFSU estimated a material reduction in Project capital requirements and execution risk, increased zircon production and Project revenue by more than 30%, substantially enhancing the Project financial metrics. The mining and processing feed rate increased by 38% to 1,085 dry tph to the Wet Concentrate Plant (WCP), targeting an average annual zircon production of 202ktpa over the 37 year Life of Mine (LOM), which would elevate Thunderbird into the top tier of global zircon producers.

The BFSU estimated a new Ore Reserve of 748 million tonnes at 11.2% Heavy Mineral (HM), an increase of 68 million tonnes or approximately 10% to the 2017 BFS Ore Reserve. The new Ore Reserve reflected the change in market product pricing and increased certainty in costs and revenue for Thunderbird. The Ore Reserve increased the period of mining higher grade ore from 7 years to 10 years and removed lower grade ore from the process plant feed during that period, increasing the in-situ zircon grade in the Proved Category to 1.02% zircon.

A staged development strategy was implemented to materially reduce pre-development capital, lower construction risk and increase revenues by focusing on a substantial increase in zircon production:

- Stage 1: Single Mining Unit Plant (MUP) and processing plant underpinning a 10.4Mtpa mining operation
- Stage 2: Duplication in year 5 of Stage 1 mining and processing circuits underpinning a 20.8Mtpa mining operation

The BFSU delivered a pre-finance and post tax NPV_8 of A$0.98 billion over the 37 year LOM. The approach targeted negligible variation to current debt carrying capacity levels, reduced construction and commissioning risk and materially lowered equity funding requirements to A$143 million.

Project Construction Readiness

During the strategic partner funding process, Project readiness activities focused on maintaining communications with key Project stakeholders and aligning executed or negotiated agreements with the BFSU scope of works until such time that FID may be matured.

Early Works Program

A small team of Kimberley and Aboriginal employees implemented care and maintenance programs for the established site infrastructure at Thunderbird. These activities included the regular inspection of infrastructure and completion of minor improvements, fire protection and drainage works.

Following a strategic business review in early 2020 and in the context of the high costs associated with maintaining the Project in a “shovel-ready” state, the care and maintenance programs were suspended and the Project was placed into a long term suspension, in conjunction with security, fire protection and environmental and water monitoring activities. The Company assisted redundant Kimberley based employees in their transition to other employment opportunities.

A twenty-tonne bulk sample from the Thunderbird deposit was homogenised and dispatched to Bengbu Zhongheng New Materials S&T Co. Ltd (‘Bengbu’) to undertake metallurgical test work relating to the production of an ilmenite concentrate as a chloride slag feedstock.

There are currently 52 accommodation units and associated ancillary buildings, potable and wastewater treatment equipment and communications infrastructure installed at the Project, securely stored and available for reactivation upon the decision to commence construction activities.

Aboriginal Engagement

Following the completion of the 2019 Certificate 3 training program in Civil Construction, five graduating trainees commenced employment at Thunderbird in the care and maintenance work programs. At the completion of these programs, Sheffield assisted the graduates with their transition to other employment opportunities.

Sustainability

After achieving the significant Project milestones with the grant of the Mining Lease and State and Federal environmental approvals in the previous year, the Company continued with secondary Western Australian Government approvals with the Department of Mines, Industry, Regulation and Safety and the Department of Water and Environmental Regulation regarding the change in the scope of the BFSU. The Mining Proposal and the Works Approval for the BFSU activities were approved during the year. The Company continued to maintain compliance activities and all approvals, to ensure the Project remained in a construction ready state.

The execution of the Co-existence Agreement with the Traditional Owners established a framework for the Company to communicate directly with the Traditional Owners regarding the protection of Aboriginal heritage, the environment and the delivery of sustainable employment and business outcomes for Traditional Owners and the wider Aboriginal community. The Company held regular implementation committee meetings with the nominated representatives of the Traditional Owners. The meetings established committee governance systems and capacity building in readiness for the commencement of Project construction.

Through the implementation committee, the Traditional Owners nominated heritage monitors to work with the Company to complete final artefact clearance surveys over 285 hectares of land required for construction and operations activities.

Sheffield continued its engagement activities with community and government stakeholders to ensure they were informed on Company activities and consulted in relation to their interests in Thunderbird. The Company engaged with industry, business, government and community across the broader Kimberley region and the metropolitan area.

Marketing and Offtake

As the Company considered a range of lower capital and operating scenarios, all binding offtake agreements have remained in place. Sheffield continued to regularly update offtake partners on the development of the Project and support from these groups has continued to be very positive. Communication will continue with all groups as the Company pursues each potential operating scenario and affirms the product mix to be produced.

The mineral sands market has performed well considering the global economic conditions and the COVID-19 uncertainty that has prevailed in 2020.

Zircon prices softened throughout the financial year following concerns over weaker demand. China's demand was weak in early 2020 due to COVID-19 before recovering later in financial year. European and Indian demand were impacted and recovered later than China. With reduced production supply from key suppliers, supply and demand has achieved a balance, keeping prices relatively steady.

The titanium feedstock market started the financial year in a healthy position and despite concerns around the impacts of COVID-19 demand remained strong throughout the financial year. China is the largest producer of titanium pigment, and with an extended Chinese New Year due to the pandemic, market uncertainty was evident during the earlier part of 2020. However, with industry restarting after an extended break, supply of titanium feedstock in China was tight for domestic and international supply. In the later part of the financial year COVID-19 impacted pigment demand in the other key markets of North America and Europe and sales and production of pigment were both reduced by major producers. This is expected to weaken titanium feedstock demand in the second half of the 2020 calendar year.

While some near term weakness is expected during the remainder of 2020 both zircon and titanium feedstock markets are forecast to have significant supply constraints in the mid to long term and Sheffield is well placed to supply material into what will be a tight market in the future.

Project Financing

In November 2018, a Project Facility Agreement (Facility) with Taurus Mining Fund and Taurus Mining Finance Annex Fund (Taurus) was executed based on the 2017 Bankable Feasibility Study development strategy. Under the terms of the Facility, Taurus provided a US$175 million senior loan facility to fund the construction of Thunderbird. Execution of the Facility followed thorough technical due diligence by Taurus of process design criteria and commercial, operational and construction agreements.

In September 2018, the NAIF Board made an investment decision to offer financial assistance to support the development of Thunderbird through the provision of long term debt facilities totalling A$95 million. The NAIF facilities enable the Company to construct on-site LNG power generation and storage facilities at Thunderbird, in addition to enabling the upgrading of mine site roads, in-sourcing of mine site accommodation and facilitate the construction and revitalisation of ship loading and logistics assets within the Port of Derby in Western Australia.

Going forward, the Company is seeking to maintain the existing debt capacity with Taurus and NAIF. The NAIF facilities are subject to definitive written agreements entered into between the Company and the State of Western Australia. The Company continues to work towards the completion of financing arrangements in conjunction with securing strategic partners to complement debt financing arrangements and Project development.

The Company has engaged third party advisers to assist in the identification of potential strategic partners and achieve the objective of funding Thunderbird into operations. The introduction of a strategic party to Thunderbird via this process could have the effect of reducing the equity funding requirement attributable to Sheffield, as the strategic partner would likely be responsible for their proportionate share of residual capital requirements in the case of a project level investment.

In September 2019, the Company concluded an institutional placement which raised approximately A$18 million. The funds raised were allocated to fund committed initiatives at Thunderbird, along with working capital and corporate costs.

Subsequent Event – Yansteel

On 11 August 2020, the Company announced that it had entered into a Non-Binding Term Sheet with Yangang (Hong Kong) Co., Ltd's wholly owned subsidiary YGH Australian Investment Pty Ltd (Yansteel) to form a joint venture to develop the Thunderbird Mineral Sands Project. Yansteel will invest A$130.1m in equity to acquire a 50% interest in the Project. Formation of the Yansteel and Sheffield Joint Venture is subject to final negotiation, agreement, and execution of formal agreements, Foreign Investment Review Board process completion and, where required, any other applicable regulatory or shareholder approval.

The Company also welcomed Yansteel as a significant shareholder after the Board approved the issue of 34,259,421 fully paid ordinary shares (comprising 9.9% of the post-issue share capital) in Sheffield to Yansteel for a total consideration of approximately A$12.9m (Share Placement). The Share Placement occurred on August 11, 2020.

Yansteel and Sheffield have also executed a take-or-pay offtake agreement for 100% of the ilmenite produced from Stage 1 of the Project.

Exploration

During the reporting period, the Company performed a review of its exploration assets to maintain core tenements in support of the Thunderbird Mineral Sands Project and to relinquish non-core tenements to reduce ongoing exploration commitments. At the Dampier Project, a voluntarily tenement reduction of a material portion of the 2019 land holding was achieved, reducing expenditure commitments and overheads by approximately A$1 million per annum. Retention status was achieved over all Mineral Resources at the Eneabba and McCalls Projects, reducing the requirement for committed exploration expenditure. The Company withdrew exploration licence applications for the South Australian Barton and Ceduna Projects, prior to initiation of expenditure commitments.

The outcome of the exploration assets review has focused the Company exploration in support of the development of the Thunderbird Mineral Sands Project. Sheffield now holds a total 1,940 square km of granted exploration and mining tenements across three key mineral sand projects with 1,526 square km surrounding Thunderbird.

Dampier Project

An updated Thunderbird Ore Reserve (refer to ASX announcement 31 July 2019) delivered an increase of 68 million tonnes or 10% (ore tonnes) and approximately 9% (HM tonnes) to 748 million tonnes @ 11.2% HM (Proved and Probable) compared to the previous Ore Reserve of 680.5 million tonnes at 11.3% HM (refer to ASX announcement 16 March 2017).

The Thunderbird Ore Reserve contains exceptionally high in-situ zircon grades of 1.02% in the Proved Category and high in-situ zircon grades of 0.86% in the Proved and Probable categories. The updated Ore Reserve includes a substantial increase in contained zircon of 500,000 tonnes to 6.4 million tonnes.

The Dampier Project contains a total Mineral Resource of 3.36 billion tonnes at an average grade of 6.8% HM (Measured, Indicated and Inferred), containing 96 million tonnes of valuable heavy mineral (VHM), across both the Thunderbird (3.0% HM cut-off) and Night Train (1.2% HM cut-off) deposits. The Dampier Mineral Resources estimate has increased by 4% for ore tonnes and by 2% for contained in-situ HM tonnes when compared with the Dampier Mineral Resources estimate for 2018, due to the addition of the maiden Inferred Night Train Mineral Resource.

The Thunderbird Mineral Resource remains unchanged at 3.23 billion tonnes @ 6.9% HM above a 3.0% HM cut-off (Measured, Indicated and Inferred) containing 93 million tonnes of VHM. The Mineral Resource includes a high-grade component of 1.05 billion tonnes @ 12.2% HM above 7.5% HM cut-off (Measured, Indicated and Inferred) containing 50 million tonnes of VHM (refer to ASX announcement 5 July 2016).

Sheffield has undertaken a review of its Dampier Project assets to voluntarily reduce holdings of non-core Dampier Project tenements. The reductions include the final surrender of fifteen tenements and the partial surrender of eight tenements within the wider Project area.

Eneabba Project

Sheffield's 100% owned Eneabba Project is located about 230km north of Perth in Western Australia's Midwest region. The Project consists of seven Mineral Resources (Measured, Indicated and Inferred) Yandanooka, Durack, Ellengail, West Mine North, Drummond Crossing, Thomson and Robbs Cross. The prospects of Beekeepers, Corridor and Ding Road are also included in the Eneabba Project. During the reporting period, retention status was achieved for the

Drummond Crossing (E70/3814) and Robbs Cross (E70/4292) Mineral Resources. All Eneabba Project Mineral Resources are now under retention status or are located on granted Mining Leases.

The total combined Mineral Resources for Sheffield's Eneabba Project are 193 million tonnes @ 3.0% HM (Measured, Indicated and Inferred) containing 4.8 million tonnes of VHM. This includes in-situ Total Heavy Mineral (THM) of 5,723kt at various cut-offs containing 705kt zircon, 392kt rutile, 242kt leucoxene, 3,423kt ilmenite (Measured, Indicated and Inferred) totalling 4,762kt of Valuable Heavy Mineral (see ASX 24 September 2019).

McCall's Project

Sheffield's 100% owned McCall's Project is located about 110km north of Perth near the town of Gingin. Across two deposits (McCall's and Mindarra Springs) the Project contains a total combined Indicated and Inferred Mineral Resource of 5,800 million tonnes @ 1.4% HM (applying a cut-off of 1.1% HM). This includes in-situ THM of 84.0 million tonnes at a 1.1% HM cut-off with 3,950kt zircon, 2,020kt rutile, 2,570kt leucoxene and 66,810kt of ilmenite totalling 75,340kt of VHM.

The McCall's Project contains 67 million tonnes of chloride ilmenite grading 59-66% TiO_2 and is considered a longer-term strategic asset (refer to ASX announcement 03 October 2018 and 24 September 2019). Retention status was approved for tenement E70/4922 during the period. All McCall's Project Mineral Resource are now under retention.

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. A technical report was completed for the Derby East Project. Samples attained from drilling are planned to be analysed to test for end-user requirements.

Barton and Ceduna Project

The exploration licence applications of Sherrin (ELA2018/0046), Sleeper (ELA2019/0152) and Camel (ELA2019/0145) were withdrawn removing Sheffield's interest from South Australia.

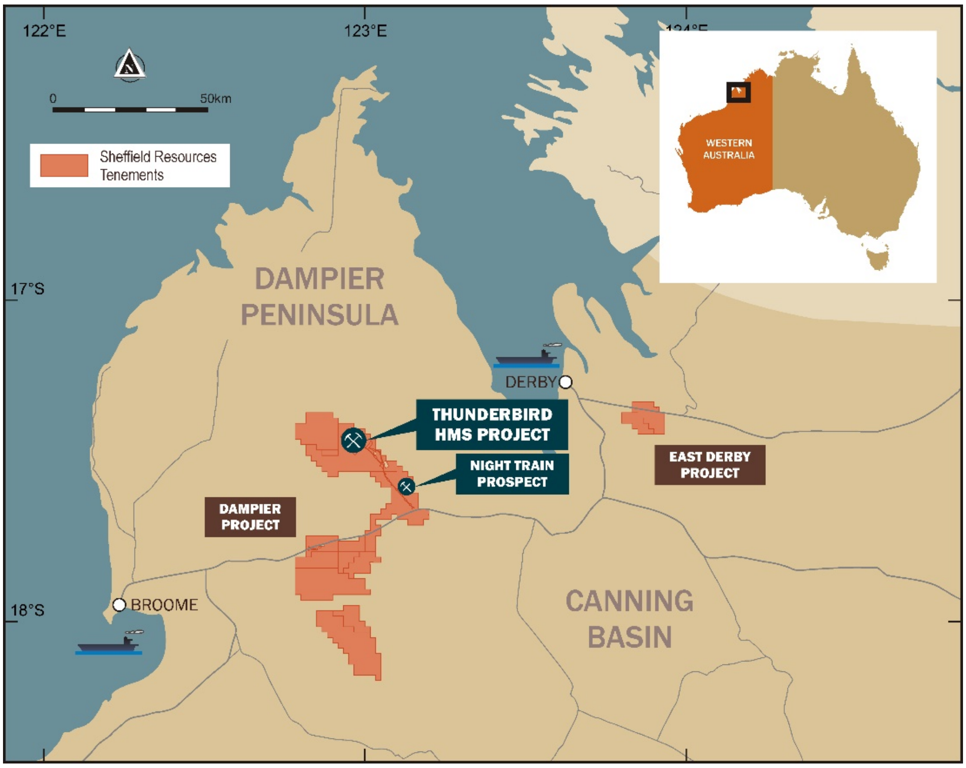

Figure 1: Location of Sheffield's Dampier Mineral Sands Projects

Ore Reserve

Sheffield announced an updated Ore Reserve totalling 748 million tonnes @ 11.2% HM for the Thunderbird deposit, in the Kimberley Region of Western Australia, on 31 July 2019, and has completed a Bankable Feasibility Study Update for development of the Thunderbird Mineral Sands Project, on 31 July 2019. The Ore Reserve estimate is based on the current, July 2016 Thunderbird Mineral Resource estimate, announced to the ASX on 5 July 2016. Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively, subject to mine design, modifying factors and economic evaluation.

Ore Reserve for Dampier Project at 30 June 2020

Dampier Project Ore Reserve [1,2,3,4]

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes[7] (millions)	HM Grade (%)	Valuable HM Grade (In-situ)[5]				Slimes (%)	Oversize (%)
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)		
Thunderbird	Proved	**219**	30.0	13.7	1.02	0.30	0.28	3.68	16.1	14.0
	Probable	**529**	53.4	10.1	0.79	0.26	0.27	2.87	14.5	10.5
	Total	**748**	**83.8**	**11.2**	**0.86**	**0.27**	**0.27**	**3.11**	**15.0**	**11.6**

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes[7] (millions)	HM Grade (%)	Mineral Assemblage[6]				Slimes (%)	Oversize (%)
					Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)		
Thunderbird	Proved	**219**	30.0	13.7	7.4	2.2	2.0	26.9	16.1	14.0
	Probable	**529**	53.4	10.1	7.8	2.6	2.7	28.4	14.5	10.5
	Total	**748**	**83.8**	**11.2**	**7.7**	**2.4**	**2.4**	**27.8**	**15.0**	**11.6**

1) The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012), refer to ASX announcement 31 July 2019 for further details including Table 1. Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.

2) Ore Reserve is a sub-set of Mineral Resource

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

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

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

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

7) The contained in-situ tonnes derived from HM and material tonnes from information in the Mineral Resource tables

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

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

Mineral Resource

The Company's Mineral Resources are detailed below:

Mineral Resources for Dampier Project at 30 June 2020

Dampier Project Mineral Resources [1,2,3]

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

1) Night Train: The Mineral Resources estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 31 January 2019 for further details including Table 1. The Mineral Resource reported above 1.2% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 2.0% HM cut-off. Thunderbird: The Mineral Resource estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement5 July 2016 fur further details including Table 1. The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves. Thunderbird: The Mineral Resource reported above 3.0% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 7.5% HM cut-off.

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

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

4) Thunderbird: Estimates of Mineral Assemblage are presented as percentages of the Heavy Mineral (HM) component of the deposit, as determined by magnetic separation, QEMSCAN™ and XRF. Magnetic fractions were analysed by QEMSCAN™ for mineral determination as follows: Ilmenite: 40-70% TiO_2 >90% Liberation; Leucoxene: 70-94% TiO_2 >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene): >94% TiO_2 >90% Liberation; and Zircon: 66.7% ZrO_2+HfO_2 >90% Liberation. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO_2+HfO_2/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO_2/0.94.

5) Night Train: Estimates of Mineral Assemblage are presented as percentages of the Heavy Mineral (HM) component of the deposit, as determined by magnetic separation, QEMSCAN™ and XRF for one of 12 composite samples. Magnetic fractions were analysed by QEMSCAN™ for mineral determination as follows: Ilmenite: 40-70% TiO_2 >90% Liberation; Leucoxene: 70-90% TiO_2 >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene) and Rutile 90% TiO_2 >90% Liberation, and Zircon: 66.7% ZrO_2+HfO_2 >90% Liberation. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO2+HfO2/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO_2/0.94. HM assemblage determination- was by the QEMSCAN™ process for 11 of 12 composite samples which uses observed mass and chemistry to classify particles according to their average chemistry, and then report mineral abundance by dominant % mass in particle. For the TiO_2 minerals the following breakpoints were used to distinguish between Ilmenite 40% to 70% TiO_2, Leucoxene 70% to 90% TiO_2, High Titanium Leucoxene and Rutile > 90%, Screening of the heavy mineral was not required.

6) HiTi Leucoxene and Rutile (%) combined for Night Train at a >90% TiO_2 (as one assemblage sample utilised=> 90% rutile and HiTi Leucoxene), HiTi Leucoxene for Thunderbird > 94% TiO_2

7) The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Mineral Resources for Eneabba Project at 30 June 2020

Eneabba Project Mineral Resources [1,2]

Deposit (cut-off)	Mineral Resource Category	Cut-off (THM%)	Material Tonnes (millions)	In-situ HM Tonnes[11] (thousands)	HM Grade (%)	Mineral Assemblage				Slimes (%)	Over size (%)
						Zircon (%)	Rutile (%)	Leuc (%)	Ilmenite (%)		
Yandanooka[4,6,8]	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	15	11.3
	Indicated	1.4	57.7	1,726	3.0	12	3.6	3.7	69	15	11.4
	Inferred	1.4	0.4	7	1.5	11	3.0	4.4	68	20	21.9
	Total	**1.4**	**60.8**	**1,845**	**3.0**	**12**	**3.5**	**3.6**	**70**	**15**	**11.5**
Durack[4,6,7,8]	Indicated	1.4	20.7	600	2.9	14	2.9	3.7	71	14	14.7
	Inferred	1.4	5.6	148	2.6	14	2.6	7.4	64	16	18.3
	Total	**1.4**	**26.3**	**748**	**2.8**	**14**	**2.9**	**4.4**	**70**	**14**	**15.5**
Drummond Crossing[3,4,6,8]	Indicated	1.4	35.5	838	2.4	14	10.3	3.4	53	14	7.7
	Inferred	1.4	3.3	77	2.3	11	9.0	2.7	56	12	7.2
	Total	**1.4**	**38.8**	**915**	**2.4**	**14**	**10.2**	**3.4**	**54**	**14**	**7.7**
Robbs Cross[5,6,8]	Indicated	1.4	14.0	261	1.9	15	12.7	5.0	47	6	6.2
	Inferred	1.4	3.8	77	2.0	14	10.9	4.1	50	6	8.1
	Total	**1.4**	**17.8**	**338**	**1.9**	**15**	**12.3**	**4.8**	**48**	**6**	**6.6**
Thomson[5,8]	Inferred	1.4	26	516	2.0	19	13.8	5.4	42	18	6.9
	Total	**1.4**	**26**	**516**	**2.0**	**19**	**13.8**	**5.4**	**42**	**18**	**6.9**
West Mine North[3,4,6,9]	Indicated	2.0	10.2	748	7.3	6	6.5	1.8	48	11	2.3
	Inferred	2.0	1.8	48	2.7	9	8.6	2.1	50	17	3.0
	Total	**2.0**	**12.0**	**796**	**6.6**	**6**	**6.6**	**1.8**	**48**	**12**	**2.4**
Ellengail[3,4,9,10]	Indicated	2.0	6.5	346	5.3	10	8.0	10.4	66	15	3.2
	Inferred	2.0	5.3	218	4.1	10	8.2	8.4	62	15	2.5
	Total	**2.0**	**11.8**	**565**	**4.8**	**10**	**8.1**	**9.6**	**64**	**15**	**2.9**
All Eneabba Project (various)	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	15	11
	Indicated	Various	144.6	4,519	3.1	12	6.1	3.9	62	14	9
	Inferred	Various	46.0	1,091	2.4	15	10.3	5.8	51	16	8
	Total	**Various**	**193.3**	**5,723**	**3.0**	**12**	**6.8**	**4.2**	**60**	**14**	**9**

1) The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). Refer to ASX announcement 03 October 2018 for Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail for further details and table 1. Refer to December 2017 Quarterly Activities Report for Robbs Cross and Thomson deposits for further details and table 1.

2) All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

3) HM %: Samples from 1989 and 1996 (Drummond Crossing, Ellengail and West Mine North) were analysed using a -75 µm slimes / +2 mm oversize screen. Separation of HM% was by heavy liquid TBE (density 2.84 g/ml) from the -710µm+75µm fraction.

4) HM %: RGC samples from 1998 and Iluka samples (Drummond Crossing, Durack, Ellengail, West Mine North and Yandanooka) were analysed using a -53 µm slimes / +2 mm oversize screen. Separation of total HM% was by heavy liquid TBE (density 2.90 g/ml) from the -710µm+53µm fraction.

5) HM %: Samples from Robbs Cross and Thomson analysed by Diamantina Laboratories in Perth using a -45 µm slimes / +1 mm oversize screen (method DIA_HLS_45µm_1mm). Separation of total HM% was by heavy liquid TBE (density 2.96g/ml) from the -45 µm+1mm fraction.

6) HM %: Samples from Drummond Crossing, Durack, West Mine North and Yandanooka were analysed by Western Geolabs in Perth using a -53 µm slimes / +1 mm oversize screen. Separation of total HM% was by heavy liquid TBE (density 2.96 g/ml) from the +53µm-1mm fraction.

7) Reported below an upper cut-off grade of 35% slimes.

8) Estimates of mineral assemblage are presented as percentages of the total heavy mineral (THM) component of the deposit, as determined by QEMSCAN analysis. For the TiO_2 minerals specific breakpoints are used to distinguish between rutile (>95% TiO_2), leucoxene (85-95% TiO_2) and ilmenite (<55-85% TiO_2).

9) At West Mine North and Ellengail mineral assemblage data determined by Iluka using Method 4 (HMC is separated into magnetics and non-magnetics) was used with the Sheffield QEMSCAN™ data.

10) At Ellengail mineral assemblage data determined by Iluka using Method 3 (magnetic separation and XRF analysis) was used with the Sheffield QEMSCAN™ data and Iluka Method 4 data.

11) The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Mineral Resources for McCalls Project at 30 June 2020

McCalls Project Mineral Resources [1,2,3,4,7]

Deposit (cut-off)	Mineral Resource Category	Cut-off (THM%)	Material Tonnes (millions)	In-situ HM Tonnes[6] (millions)	HM Grade (%)	Mineral Assemblage[5]				Slimes (%)	Oversize (%)
						Zircon (%)	Rutile (%)	Leuc (%)	Ilmenite (%)		
McCalls	Indicated	1.1	1,630	23.3	1.4	5.2	3.3	2.8	77	21	1.1
	Inferred	1.1	1,980	24.4	1.2	5.0	3.8	3.2	81	26	1.1
	Total	**1.1**	**3,600**	**47.7**	**1.3**	**5.1**	**3.6**	**3.0**	**79**	**24**	**1.1**
Mindarra Springs	Inferred	1.1	2,200	36.3	1.6	4.2	0.9	3.1	80	20	5.1
	Total	**1.1**	**2,200**	**36.3**	**1.6**	**4.2**	**0.9**	**3.1**	**80**	**20**	**5.1**
All McCalls Project	Indicated	1.1	1,630	2.3	1.4	5.2	3.3	2.8	77	21	1.1
	Inferred	1.1	4,180	60.7	1.5	4.5	2.1	3.2	81	23	3.2
	Total	**1.1**	**5,800**	**84.0**	**1.4**	**4.7**	**2.4**	**3.1**	**79**	**22**	**2.6**

1) The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 03 October 2018 for McCalls and Mindarra Spring details and table 1.

2) All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

3) HM is within the 45μm to 1mm size fraction and reported as a percentage of the total material, slimes is the -45μm fraction and oversize is the +1mm fraction.

4) Reported below an upper cut-off grade of 35% slimes.

5) Estimates of mineral assemblage (Sheffield) are presented as percentages of the total heavy mineral (HM) component of the deposit, as determined by QEMSCAN analysis. For the TiO_2 minerals specific breakpoints are used to distinguish between rutile (>95% TiO_2), leucoxene (85-95% TiO_2) and ilmenite (<55-85% TiO_2). Estimates of mineral assemblage (BHP) HM assemblage determination was by magnetic separation and observation (grain-counting)

6) The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

7) Excludes Mineral Resources within the Mogumber Nature Reserve

GOVERNANCE AND INTERNAL CONTROLS

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

COMPETENT PERSONS AND COMPLIANCE STATEMENTS

The information in this report that relates to Exploration Results is based on information compiled by Mr Seb Gray, a Competent Person who is a Member of Australian Institute of Geoscientists (AIG). Mr Gray is a full-time employee of Sheffield Resources Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 the Eneabba and McCalls Projects, are prepared and disclosed under the JORC Code 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant original market announcement continue to apply and have not materially changed.

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

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

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

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

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 10% Ore Reserve Increase	31 July 2019	P. Scrimshaw
Thunderbird Mineral Resource	Sheffield Doubles Measured Mineral Resource at Thunderbird	05 July 2016	M. Teakle C. Standing
Night Train Mineral Resource	High Grade Maiden Mineral Resource at Night Train	31 January 2019	C. Standing
Robbs Cross Mineral Resource	Quarterly Activities Report for The Period Ended 31 December 2017	30 January 2018	C. Standing
Thomson Mineral Resource	Quarterly Activities Report for the Period Ended 31 December 2017	30 January 2018	C. Standing
Yandanooka Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
Durack Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
Drummond Crossing Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
West Mine North Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
Ellengail Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
McCalls Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing
Mindarra Springs Mineral Resource	Mineral Resource and Ore Reserve Statement	03 October 2018	C. Standing

Item	Name	Company	Professional Affiliation
Exploration Results	Mr Seb Gray	Sheffield Resources	MAIG
Mineral Resource Reporting	Mr Mark Teakle	Sheffield Resources	MAIG, MAusIMM
Mineral Resource Estimation	Mrs Christine Standing	Optiro	MIAG, MAusIMM
Ore Reserve	Mr Per Scrimshaw	Entech	MAusIMM

SUPPORTING INFORMATION REQUIRED UNDER ASX LISTING RULES, CHAPTER 5

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

PREVIOUSLY REPORTED INFORMATION

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

- Mineral Resource and Ore Reserve Statement: "*MINERAL RESOURCE AND ORE RESERVE STATEMENT*" 24 September, 2019
- Thunderbird Ore Reserve: "THUNDERBIRD ORE RESERVE UPDATE" 31 July 2019
- Thunderbird BFS Update: "BFS UPDATE MATERIALLY REDUCES CAPITAL", 31 July 2019
- Quarterly activities "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2020" 07 July, 2020
- Quarterly activities "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2019" 08 April, 2020
- Quarterly activities "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019" 31 January, 2020
- Quarterly activities "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019" 28 October, 2019
- Night Train Inferred Resource and Mineral Assemblage results "*HIGH GRADE MAIDEN MINERAL RESOURCE AT NIGHT TRAIN*" 31 January 2019
- Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail, McCalls and Mindarra Springs Resource Estimates and including Mineral Resource and Ore Statement "*MINERAL RESOURCE AND RESERVE STATEMENT*" 03 October, 2018
- Thomson and Robbs Cross Mineral Resources: "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017" 30 January, 2018
- Thunderbird Mineral Resource: *"SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD"* 5 July, 2016

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

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources, Ore Reserves and the Bankable Feasibility Study, 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 relevant original market announcements.

FORWARD LOOKING, CAUTIONARY STATEMENTS AND RISK FACTORS

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

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

The Directors present their report together with the financial statements of the consolidated entity consisting of Sheffield Resources Limited and the entities it controlled for the year ended 30 June 2020. Sheffield Resources Limited ('Sheffield' or 'parent entity' or 'Company') and its controlled entities (collectively known as the 'Group' or 'consolidated entity') are domiciled in Australia.

DIRECTORS

The names of the directors in office at any time during or since the end of year are:

Mr David Archer

Mr Will Burbury

Mr Bruce Griffin (appointed 10 June 2020)

Mr Ian Macliver (appointed 1 August 2019)

Mr Bruce McFadzean

Mr Bruce McQuitty (retired 19 November 2019)

Mr John Richards (appointed 1 August 2019)

Other than as denoted above, all Directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

Mr Mark Di Silvio held the position of Company Secretary at the end of the financial year.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group during the course of the financial year were mineral sands exploration and development within Australia. There have been no significant changes to the state of affairs of the Group to the date of this report.

DIVIDENDS

No dividends have been paid or declared during the financial year ended 30 June 2020 and the Directors do not recommend the payment of a dividend in respect of the financial year.

REVIEW OF OPERATIONS

Refer to pages 5-9 for the Review of Operations and pages 10-16 for Ore Reserves and Mineral Resources.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

CORPORATE GOVERNANCE STATEMENT

The Board of Sheffield Resources has adopted the spirit and intent of the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

The Company's Corporate Governance Statement may be accessed from the Governance section of the Company's website, www.sheffieldresources.com.au. This document is regularly reviewed to address any changes in governance practices and the law.

ENVIRONMENTAL REGULATION

The Group's exploration activities are governed by environmental regulation. To the best of the Directors' knowledge the Group believes it has adequate systems in place to ensure the compliance with the requirements of applicable environmental legislation and is not aware of any material breach of those requirements during the financial year and up to the date of the Directors' Report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and key management personnel of the Company for any liabilities to another person (other than the company or related body corporate) that may arise from their designated position of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

NON-AUDIT SERVICES

During the year the Company has not used its auditors, HLB Mann Judd, to complete any non-audit related work (2019: nil).

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AFTER BALANCE DATE EVENTS

On 11 August 2020, the Company announced that it had entered into a Non-Binding Term Sheet with Yangang (Hong Kong) Co., Ltd's wholly owned subsidiary YGH Australian Investment Pty Ltd (Yansteel) to form a joint venture to develop the Thunderbird Mineral Sands Project. Yansteel will invest A$130.1m in equity to acquire a 50% interest in the Project. Formation of the Yansteel and Sheffield Joint Venture is subject to final negotiation, agreement, and execution of formal agreements, Foreign Investment Review Board process completion and, where required, any other applicable regulatory or shareholder approval.

The Company also welcomed Yansteel as a significant shareholder after the Board approved the issue of 34,259,421 fully paid ordinary shares (comprising 9.9% of the post-issue share capital) in Sheffield to Yansteel for a total consideration of approximately A$12.9m (Share Placement). The Share Placement occurred on August 11, 2020.

Yansteel and Sheffield have also executed a take-or-pay offtake agreement for 100% of the ilmenite produced from Stage 1 of the Project.

SHARES ISSUED SINCE THE END OF THE FINANCIAL YEAR

On 11 August 2020, the Company issued 34,259,421 fully paid ordinary shares to YGH Australia Investment Pty Ltd (Yansteel) for a total consideration of approximately A$12.9m.

ROUNDING

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

INFORMATION ON DIRECTORS

Mr John Richards	Non-Executive Chair
Qualifications:	B. Econ (Hons)
Appointed:	1 August 2019 (Appointed as Non-Executive Chair on 19 March 2020)
Experience:	Mr Richards is an economist with more than 35 years' experience in the resources industry. During this time, he has held strategy and business development positions within mining companies as well as in investment banks and private equity groups. He has been involved in a wide range of mining M&A transactions in multiple jurisdictions. Previous positions include Group Executive – Strategy and Business Development at Normandy Mining Ltd, Head of Mining and Metals Advisory (Australia) at Standard Bank, Managing Director at Buka Minerals Ltd and Operating Partner at GNRI.
Special responsibilities:	Non-Executive Chair, Chair of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee
Interest in shares, options and rights at the date of this report:	480,000 Options
Other current public company directorships:	Saracen Mineral Holdings Ltd (appointed May 2019)
Past pubic company directorships held over the last three years:	Adriatic Metals PLC (resigned 8 July 2020)

Mr Bruce McFadzean	Managing Director
Qualifications:	Dip. Mining, FAusIMM
Appointed:	November 2015
Experience:	A qualified mining engineer with more than 40 years' experience in the global resources industry. Mr McFadzean has led the financing, development and operation of several new mines around the world. Mr McFadzean's technical, operating and corporate experience includes gold, silver, nickel, diamonds, iron ore and mineral sands. Mr McFadzean's professional career includes 15 years with BHP Billiton and Rio Tinto in a variety of positions and four years as Managing Director of successful ASX gold miner Catalpa Resources Limited. Under his management, Catalpa's market capitalisation grew from $10 million to $1.2 billion following the merger to create Evolution Mining Limited.
Special responsibilities:	Managing Director
Interest in shares, options and rights at the date of this report:	1,716,445 Ordinary Shares 2,060,701 Performance Rights
Other current public company directorships:	None
Past public company directorships held over the last three years:	Indiana Resources Limited (resigned January 2019)

Mr Bruce Griffin	Commercial Director
Qualifications:	B.Ch.Eng, B.A.Econ, MBA
Appointed:	10 June 2020
Experience:	Mr Griffin most recently held the position of Senior Vice President Strategic Development of Lomon Billions Group, the world's third largest producer of high-quality titanium dioxide pigments. Bruce previously held executive management positions in several resource companies, including acting as the Chief Executive Officer and a director of TZ Minerals International Pty. Ltd. (TZMI), the leading independent consultant on the global mineral sands industry, Chief Executive Officer and a director of World Titanium Resources Ltd, a development stage titanium project in Africa and as Vice President Titanium for BHP Billiton.
Special responsibilities:	Commercial Director
Interest in shares, options and rights at the date of this report:	3,000,000 Performance Rights (issued subject to Shareholder approval)
Other current public company directorships:	Titanium Corporation Inc. (since 2019)
Past public company directorships held over the last three years:	None

Mr David Archer	Non-Executive Director
Qualifications:	B.Sc (Hons)
Appointed:	December 2009 (Previously Technical Director until 19 March 2020)
Experience:	Mr Archer is a geologist with over 30 years' experience in exploration and mining in Australia. He has held senior positions with major Australian mining companies, including Renison Goldfields Consolidated Ltd and ten years as a Director of Archer Geological Consulting specialising in project generation, geological mapping and project evaluation. Mr Archer was a consultant to ASX listed Atlas Iron Limited and Warwick Resources Limited and was responsible for significant iron ore discoveries for both companies in the Pilbara. Other major West Australian discoveries include the Raleigh and Paradigm gold mines and the Magellan lead mine.
Special responsibilities:	Non-Executive Director
Interest in shares, options and rights at the date of this report:	8,411,549 Ordinary Shares 1,066,189 Performance Rights 550,000 Options
Other current public company directorships:	Carawine Resources Limited (since 2017)
Past public company directorships held over the last three years:	None

Mr Will Burbury	Non-Executive Director
Qualifications:	B.Comm, LLB
Appointed:	June 2007
Experience:	Mr Burbury practised as a corporate lawyer with a leading Australian law firm prior to entering the mining and exploration industry in 2003. During this time, he has been actively involved in the identification and financing of many resources' projects in Australia and overseas and has held senior management positions and served on boards of several private and publicly listed companies.
Special responsibilities:	Non-Executive Director, member of the Audit and Risk Committee, member of the Remuneration and Nomination Committee
Interest in shares, options and rights at the date of this report:	8,255,483 Ordinary Shares
Other current public company directorships:	Carawine Resources Limited (since 2017)
Past public company directorships held over the last three years:	None

Mr Ian Macliver	Non-Executive Director
Qualifications:	BCom, FCA, SF Fin, FAICD
Appointed:	1 August 2019
Experience:	Mr Macliver is a highly experienced listed company director and Chartered Accountant with significant experience as a senior executive and director of both resource and industrial companies, with particular responsibility for company strategy development, capital raising and all other forms of corporate development initiatives. Mr Macliver is Executive Chairman of Grange Consulting Group Pty Ltd which provides specialist corporate advisory services to both listed and unlisted companies.
Special responsibilities:	Non-Executive Director, Chair of the Remuneration and Nomination Committee, member of the Audit and Risk Committee
Interest in shares, options and rights at the date of this report:	100,000 Ordinary Shares 480,000 Options
Other current public company directorships:	Western Areas Limited – Chairman (since October 2011) MMA Offshore Limited (appointed January 2020)
Past pubic company directorships held over the last three years:	Otto Energy Limited (resigned November 2019)

Mr Bruce McQuitty	Non-Executive Director
Qualifications:	B.Sc, MEconGeol
Appointed:	December 2009 (retired 19 November 2019)
Experience:	Mr McQuitty has more than 35 years' experience in the mining and civil construction industries and was previously Managing Director of Warwick Resources Limited prior to its merger with Atlas Iron Limited in 2009. Prior to that he held senior positions with Consolidated Minerals Limited, Renison Goldfields Consolidated Limited and Gympie Gold Limited. Mr McQuitty has significant technical expertise in exploration, project generation, feasibility, underground mining and engineering geology and has managed exploration teams in Australia and overseas.
Interest in shares, options and rights at the date of this report:	Not applicable as no longer a director
Other current public company directorships:	None
Past public company directorships held over the last three years:	Carawine Resources Limited (retired November 2019)

Mr Mark Di Silvio	Company Secretary
Qualifications:	B.Bus, CPA, MBA
Appointed	15 February 2016
Experience:	Mr. Di Silvio is a CPA qualified accountant with experience in the resources sector spanning three decades. Mr Di Silvio held a variety of finance-based roles within the gold mining sector early in his career, before gaining oilfield experience with Woodside Energy Limited through the financial management of joint ventures and the financial management of Woodside's Mauritanian oilfield assets. Mr Di Silvio has held executive positions including Central Petroleum Limited, Centamin Plc, Ausgold Limited and Mawson West Limited.

DIRECTOR'S MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is shown in the table below:

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Meetings held while a director	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended
Mr W Burbury	13	13	1	1	-	-
Mr B McFadzean	13	13	-	-	-	-
Mr B McQuitty	7	7	-	-	-	-
Mr Ian Macliver	11	11	1	1	-	-
Mr John Richards	11	11	1	1	-	-
Mr Bruce Griffin	1	1	-	-	-	-
Mr D Archer	13	13	-	-	-	-

OPTIONS

At the date of this report, the unissued ordinary shares of Sheffield Resources Limited under option are as follows:

Date of expiry	Exercise price A$	Series	Number under option
19 March 2021	1.16	4	1,358,998
24 November 2020	0.001	8,9	1,300,000
24 November 2020	0.001	10	663,039
24 November 2020	0.84	11	235,000
30 November 2023	0.65	13	960,000
			4,517,037

RIGHTS

At the date of this report, the unissued ordinary shares of Sheffield Resources Limited under right are as follows:

Date of expiry	Exercise price A$	Number under right
30 November 2021	Nil	1,700,000
1 March 2022	Nil	267,438
26 October 2025	Nil	792,960
1 December 2025	Nil	5,430,920
31 December 2021[1]	Nil	3,000,000
		11,191,318

[1]*Issued subject to shareholder approval*

REMUNERATION REPORT (AUDITED)

This report sets out the remuneration strategy and arrangements for Key Management Personnel (KMP) of Sheffield Resources Limited for year ended 30 June 2020. This report forms part of the Directors' Report and has been audited in accordance with the requirements of the Corporations Act 2001 and its regulations.

KEY MANAGEMENT PERSONNEL

For the purposes of this report KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company and are detailed in the table below:

Name	Position
Non-Executive Directors	
J Richards	Chairman
D Archer	Director
W Burbury	Director
I Macliver	Director
Senior Executives	
B McFadzean	Managing Director
B Griffin	Commercial Director
M Di Silvio	Chief Financial Officer and Company Secretary
S Pether	Chief Operating Officer

BOARD POLICY ON KEY MANAGEMENT PERSONNEL REMUNERATION

The Board is responsible for the nomination and appointment of Directors and the remuneration of its Directors, Managing Director and Senior Executives. To assist the Board in meeting its obligations and to address all matters pertaining to Board nomination and executive remuneration, the Board has set in place a Nomination & Remuneration Committee during the reporting period, operating through the previously adopted Nomination and Remuneration Committee Charter.

NON-EXECUTIVE DIRECTOR REMUNERATION

In accordance with best practice corporate governance, the structure of Non-Executive Director and Senior Executive remuneration is separate and distinct. Shareholders approve the aggregate or total fees payable to Non-Executive Directors, with the current approved limit being $600,000 (excluding share-based payments). The fees paid to Non-Executive Directors are set at levels that reflect both the responsibilities of, and the time commitments required from, each Non-Executive Director to discharge their duties and are not linked to the performance of the Company.

Shareholders approved the issue of options to Non-Executive Directors and share-based payments were made to Mr John Richards and Mr Ian Macliver during the reporting period.

All Non-Executive Directors have their indemnity insurance paid by the Group.

Non-Executive Directors receive a fixed fee remuneration consisting of a base fee and statutory superannuation contributions made by the Group as set out below:

	2020 A$	2019 A$
Base fees[1]		
Non- Executive Chairman	100,000	75,000
Other Non-Executive Directors	80,000	50,000

[1]All Non-Executive Directors agreed to a reduction in base fees of 25 - 50% commencing on 1 April 2020 until further notice.

Share Options

Grants Made in 2020

During the year the Company granted 960,000 share options to Non-Executives as approved at the Company Annual General Meeting held on 19 November 2019. The options were issued for nil consideration and have an exercise price of $0.65 per option. The options expire on 30 November 2023.

Measurement of Share Options

Options have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model for options outstanding to Non-Executives during the period:

	Series 13
Dividend yield (%)	-
Expected volatility (%)	70
Risk free interest rate (%)	0.75
Expected life of options (years)	4.03
Exercise price ($)	0.65
Grant date share price ($)	0.34
Fair value at grant date ($)	0.128
Grant date	19 Nov 2019
Expiry date	30 Nov 2023
Number issued	960,000
Number outstanding	960,000

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. All shares allotted upon the exercise of options will rank pari passu in respect with other shares.

SENIOR EXECUTIVE REMUNERATION

External and independent executive remuneration advice may be sought by the Board in determining remuneration strategy.

In determining the level and composition of Senior Executive remuneration year on year, the Board takes into consideration the operational and economic circumstances the Company is facing and likely to face in the medium term together with the complexity and responsibility associated with each role.

The Policy of the Board in determining Senior Executive remuneration levels is to:

- provide total remuneration and employment conditions which will enable the Company to attract and retain high quality senior executives to the business;
- align remuneration with the creation and maximisation of shareholder value and the achievement of Company strategy, business objectives and core values;
- ensure the structure and quantum of remuneration is competitive and reflective of the external market in which the Company operates;
- target positioning of total remuneration against market at generally between the 50th and 75th percentile;
- provide a mix of fixed and variable, performance-based remuneration to drive superior performance;
- reward the achievement of individual and Company objectives thus promoting a balance of individual performance and teamwork across the executive management team;
- provide a fair, equitable and scalable system that allows for sustainable business growth and is regularly reviewed for relevance and reliability; and
- is transparent, easily understood and is acceptable to Shareholders.

The Board's specific remuneration aims for the year ending 30 June 2020 were to:

- retain a core group of Senior Executives at the early stage in the Company's development;
- ensure cash preservation measures were set in place across the Company. This included a reduction in the number of Senior Executives employed by the Company and agreed targeted base salary reductions for Senior Executives retained by the Company;
- maintain a Long Term Incentive (LTI) scheme measured over a four-year period and designed to create alignment with the Thunderbird project objectives, sustainability aims and maximise overall shareholder value;
- ensure effective benchmarking of fixed and variable remuneration for Senior Executives for a clearly defined peer group of similar companies to ensure remuneration is fair and competitive; and
- retain total remuneration at or around the 50^{th} percentile of market.

Use of External Remuneration Consultants in year ending 30 June 2020

No External Remuneration Consultants were engaged during the financial year.

Remuneration Mix

Senior Executive remuneration consists of the following key elements:

- fixed annual remuneration (FAR); and
- variable remuneration (LTI).

Fixed Annual Remuneration

The level of FAR is set to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. FAR includes a base salary, inclusive of superannuation. Allowances and other benefits may be provided, including leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Group.

FAR is reviewed annually. Any adjustments to FAR for Senior Executives must be approved by the Board. The Managing Director determines the FAR of other Senior Executives within specific guidelines approved by the Board

Consistent with a Company-wide strategy review in early 2020, Senior Executive remuneration was reviewed. As a result of this review and in conjunction with the previous remuneration strategy, the cash component of the Senior Executive's FAR was reduced up to 25% as a contribution to the Company's strategy of cash preservation.

Long Term Incentive Plan

The LTI program comprises of the Employee Share Option Plan (ESOP) and Performance Rights Plan (PRP). Each plan contains performance hurdles that need to be achieved prior to award.

The objective of the LTI program is to:

- align the interest of Senior Executives more closely with the interests of Shareholders by providing an opportunity to earn shares in the Company;
- provide Senior Executives with the opportunity to share in any future growth in value of the Company; and
- provide greater incentive for Senior Executives to focus on the Company's longer-term goals.

Employee Share Option Plan

The ESOP is an equity component of at-risk remuneration. The Board determined the quantum of options to be issued to the relevant Senior Executive dependent on FAR and seniority of position in the Company.

Share options have certain non-market-based performance conditions. These non-market-based performance conditions have previously included performance measures such as:

- Completion of feasibility study
- Project financing completion
- Securing offtake agreements
- Milestone construction and production measures

Change of Control Measures

In the event of a change of control event occurring, options that are not exercisable will become exercisable on and from the date of the change of control event occurring.

Grants Made in 2020

There were no share options granted during 2020.

Share Options Vested in 2020

No share options vested during 2020.

Share Options Expired

During the year 2,500,000 share options issued under the Employee Share Option Plan expired without meeting the non-market-based performance vesting conditions.

Measurement of Share Options

Under the terms and conditions of the options issued to employees, each option gives the holder the right to subscribe to one fully paid ordinary share. Any option not exercised before the expiry date will lapse on the expiry date.

Options have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model for options outstanding to Senior Executives during the period:

	Series 9
Dividend yield (%)	-
Expected volatility (%)	87
Risk free interest rate (%)	2.00
Expected life of options (years)	3.02
Exercise price ($)	0.001
Grant date share price ($)	0.53
Fair value at grant date ($)	0.529
Grant date	17 Nov 2016
Expiry date	24 Nov 2020
Number issued	2,100,000
Number outstanding	1,300,000

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. All shares allotted upon the exercise of options will rank pari passu in respect with other shares.

Performance Rights Plan

The PRP is a long term (4 year), performance centred, at risk scheme based on the issue of performance rights. An amount calculated as a percentage of the Senior Executive's FAR is used to calculate the number of performance rights to be granted. The percentage can range from 50% to 100% of FAR based on the seniority of position in the Company.

A performance right is a right which, upon the satisfaction or waiver of the relevant vesting conditions entitles its holder to receive fully paid ordinary shares for nil consideration.

Performance Hurdles

The Group uses two performance hurdle measures to determine the proportion of performance rights which vest, if at all, as follows:

- 80% of the performance rights are subject to an Absolute Total Shareholder Return (ATSR); and
- 20% of the performance rights are subject to a Sustainability Performance hurdle.

<u>Absolute TSR Performance Hurdle</u>

The Board considers that ATSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

TSR measures the return received by shareholders from holding shares in the Company over a particular period. TSR is calculated by taking into account the growth in a Company's share price over the period as well as the capital returns and dividends received during that period.

ATSR refers to the setting of threshold, target and stretch levels of TSR for the Company at the beginning of the performance period. Thus, they are determined in advance having regard to expectations of the Company's performance. The ATSR performance rights are separated into two tranches, each with equal weighting of 50%.

The Tranche 1 ATSR performance rights were calculated by reference to the 30-day VWAP for the period ended 31 August 2018. The Tranche 2 ATSR performance rights will be calculated by reference to the 30-day VWAP for the period ending 30 November 2020. The Board may, in its absolute discretion, set a different reference price for the Tranche 2 ATSR performance rights where it could potentially be unfair or unjust to the Senior Executive or the Group.

To the extent that the performance hurdles are not satisfied by the applicable testing dates, the performance rights will automatically lapse.

The proportion of the Tranche 1 ATSR performance rights and Tranche 2 ATSR performance rights that will vest will be determined on the basis of the following scale.

Weighting	Measure	ATSR (%)	Performance Rights vested (%)	Performance Period
Tranche 1: 50%	Tranche 1: Increase in Sheffield share price between 31 Aug 2018 and 30 Nov 2020	Less than 16% 16% (lower threshold) Between 16% to 26% (being the upper threshold)	0% 25% Pro rata between 25% and 50%	Tranche 1: 31 Aug 2018 to 30 Nov 2020
Tranche 2: 50%	Tranche 2: Increase in Sheffield share price between 30 Nov 2020 and 30 Nov 2022	Between 26% to 40% (being the target) Between 40% to 50% (being the stretch) 50% or above	Pro rata between 50% and 75% Pro rata between 75% and 100% 100%	Tranche 2: 30 Nov 2020 to 30 Nov 2022

Sustainability Performance Hurdles

The Company aims to optimise shared value and develop long term trusting relationships with the communities in which we operate.

The Board therefore considers that sustainability measures are important inclusions as performance hurdles due to the Thunderbird projects success being central to an effective Social Licence to Operate in the Kimberley region, particularly in relation to local and Aboriginal economic, social and cultural advancement.

The Sustainability Performance Rights are subject to up to three separate hurdles, allocated and weighted to the Senior Executive by the Board, according to the individual's role. These hurdles are as follows;

- Meet Aboriginal Employment Targets
- Meet Local Content Employment Targets
- Develop and Implement Succession Planning system

The Aboriginal and Local Employment targets relate to the make-up of the Company's employee base for the Thunderbird Project (Employment Hurdle), particularly in relation to developing a locally based workforce, employed on a Drive in and Drive out (DIDO) basis rather than a Fly in and Fly out (FIFO) basis, with high rates of Aboriginal employment.

Specifically, the Employment Hurdles are as follows:

Aboriginal Employment

Threshold: a minimum of 3% Aboriginal employment by end calendar Year 1 of Thunderbird operations (in production) and a minimum of 8% by end Year 2 of operations.

Target: a minimum of 5% Aboriginal employment by end calendar Year 2 of Thunderbird operations (in production) and a minimum of 10% by end Year 2 of operations.

Local Content Employment

Threshold: ensure 40% Thunderbird employees (excluding EPC contractor) are employed on a DIDO basis by end calendar Year 1 of Thunderbird operations (in production) and 60% by end Year 2 of operations.

Target: ensure 60% Thunderbird employees (excluding EPC contractor) are employed on a DIDO basis by end calendar Year 1 of Thunderbird operations (in production) and 75% by end Year 2 of operations.

For the performance rights subject to the Employment Hurdles:

(a) 50% of those performance rights will vest if relevant Threshold is achieved;
(b) 100% of those performance rights will vest if relevant Target is achieved;
(c) pro rata vesting of those performance rights will occur for achievements between the relevant Threshold and Target and;
(d) none of those performance rights will vest if the relevant Threshold is not achieved.

Succession Plan

The Board considers an effective Succession Plan as an important tool in both talent management and risk management for the Company. The hurdle involves the development and implementation of the Succession Plan for specified Senior Executive roles across the four-year measurement period until 30 November 2022 (Succession Plan Hurdle).

For the performance rights subject to the Succession Plan Hurdle:

(e) 100% of those performance rights will vest if the Succession Plan Hurdle is achieved; and
(f) None of those performance rights will best if the Succession Plan Hurdle is not achieved.

The performance period for both the Employment Hurdles and the Succession Plan Hurdle is 30 November 2022, but it is noted that the Thresholds and Target for the Employment Hurdles will be measured as at the end of calendar years 1 and 2 after the Thunderbird Project is in operation.

<u>Performance Rights Grants Made in 2020</u>

Performance rights were granted to eligible participants in June 2020 and are subject to Shareholder approval.

<u>Performance Rights on Cessation of Employment</u>

Employment cessation on or before 30 November 2020

Unless performance rights held by a Senior Executive who ceases to hold a position of employment, office, or engagement with the Company on or before 30 November 2020 have vested and become capable of exercise before the Senior Executive leaves or vested and become capable or exercise as a result of the Senior Executive leaving, those performance rights will not be exercisable by the Senior Executive and will lapse, unless otherwise determined at the Board's discretion.

Employment cessation after 30 November 2020 but prior to 1 January 2023

Vested performance rights held by a Senior Executive who ceases to, or has ceased to, hold a position of employment, office, or engagement with the Company after 30 November 2020 but before 1 January 2023 will be exercisable by the Senior Executive unless the Board has determined that the Senior Executive's position of employment, office or engagement was terminated for cause.

<u>Performance Rights on Change of Control</u>

All vesting conditions attached to performance rights will be deemed to be automatically waived on a change of control event occurring. Accordingly, in the case of a change of control event occurring, all performance rights will be deemed to have vested and will be eligible for exercise.

<u>Commercial Director Performance Rights</u>

Performance Hurdles

Performance Rights issued to the Commercial Director upon receipt of Shareholder approval are subject to the following performance hurdles:

- Announcement to the ASX that the Company has made a Final Investment Decision for the development of the Company's Thunderbird Mineral Sands Project.

The performance period for these rights is 31 December 2021.

Performance Rights on Cessation of Agreement

All unvested Performance Rights will lapse in accordance with the Company's Performance Rights Plan.

<u>Hedging of At-Risk Remuneration</u>

A participant in the PRP must not enter into an arrangement if the arrangement would have the effect of limiting the exposure of the participant to risk relating to performance rights that have not vested.

<u>Performance Rights Vested in 2020</u>

No performance rights have vested during 2020.

During the year ending 30 June 2020, the Group revised the target vesting date relating to rights with performance measures. The following table describes the change in vesting date:

Measure	Original vesting date	Revised vesting date	Grant date	Condition vesting date related to
1	30 Jun 2019	30 Nov 2021	22 Nov 2017	Construction complete
2	31 Dec 2019	30 Nov 2021	22 Nov 2017	Commercial production

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The table below shows the fixed and variable remuneration for key management personnel.

	Short-term employee benefits			Post -employment benefits	Long term employee benefits	Share based payments	
	Salary & fees	Cash bonus	Non-monetary[2]	Superannuation	Long service leave	Options & rights[1]	Total
2020	$	$	$	$	$	$	$
Non-Executive Directors							
J Richards	72,083	-	8,327	6,966	-	61,288	148,664
D Archer[3]	199,148	-	10,536	13,320	-	317,355	540,359
W Burbury[4]	49,063	-	9,184	4,661	-	-	62,908
I Macliver	68,334	-	8,327	6,492	-	61,288	144,441
B McQuitty[5]	24,375	-	3,428	2,316	-	-	30,119
Senior Executives							
B McFadzean[6]	379,616	-	12,395	21,986	-	556,282	970,279
B Griffin[7]	20,000	-	770	-	-	15,290	36,060
M Di Silvio[8]	321,091	-	12,001	21,096	-	322,912	677,100
S Pether[9]	321,455	-	12,001	21,003	-	62,228	416,687
	1,455,165	**-**	**76,969**	**97,840**	**-**	**1,396,643**	**3,026,617**

Note 1: The fair value of the options is calculated at the date of grant using a Black-Scholes valuation model and allocated to each reporting period starting from grant date to vesting date.
Note 2: Non-monetary benefits include, where applicable, the cost to the Company of providing fringe benefits and the fringe benefits and the fringe benefits tax on those benefits and the attributable non-cash benefit applied by virtue of the Company's Directors and Officer Liability policy.
Note 3: Mr Archer resigned as Technical Director on 29 February 2020. $58,940 of salary and fees described above relates to the payment of accrued annual and long service leave entitlements. In the prior financial year, Mr Archer entered into an agreement with the Company to defer a portion of his salary and superannuation. Mr Archer has waived his right to repayment of all amounts deferred under the agreement.

Note 4: In the prior financial year, Mr Burbury entered into an agreement with the Company to defer a portion of his salary and superannuation. Mr Burbury has waived his right to repayment of all amounts deferred under the agreement.
Note 5: Mr McQuitty retired as Non-Executive Director on 19 November 2019. In the prior financial year, Mr McQuitty entered into an agreement with the Company to defer a portion of his salary and superannuation. $10,950 of Mr McQuitty's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.
Note 6: During the prior financial year, Mr McFadzean entered into an agreement with the Company to defer a portion of his salary and superannuation. $95,813 of Mr McFadzean's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.
Note 7: Mr Griffin commenced as Commercial Director on 10 June 2020.
Note 8: During the prior financial year, Mr Di Silvio entered into an agreement with the Company to defer a portion of his salary and superannuation. $82,125 of Mr Di Silvio's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.
Note 9: During the prior financial year, Mr Pether entered into an agreement with the Company to defer a portion of his salary and superannuation. $82,125 of Mr Pether's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.

	Short-term employee benefits			Post -employment benefits	Long term employee benefits	Share based payments	
	Salary & fees	Cash bonus	Non-monetary	Superannuation	Long service leave	Options & rights	Total
2019	$	$	$	$	$	$	$
Non-Executive Directors							
W Burbury	75,000	-	9,196	7,125	-	-	91,321
B McQuitty	50,000	-	12,873	4,750	-	-	67,623
Senior Executives							
B McFadzean	292,768	-	13,541	24,850	-	523,029	854,188
D Archer	242,830	-	15,101	21,431	37,523	211,060	527,945
M Di Silvio	312,494	-	14,433	24,159	-	210,072	561,158
S Pether	290,541	-	13,207	24,373	-	704,957	1,033,078
	1,263,633	-	78,351	106,688	37,523	1,649,118	3,135,313

The relative proportions of those elements of remuneration of key management personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2020	2019	2020	2019
Non-Executive Directors				
J Richards	59%	-	41%	-
D Archer	41%	60%	59%	40%
W Burbury	100%	100%	-	-
I Macliver	58%	-	42%	-
B McQuitty	100%	100%	-	-
Senior Executives				
B McFadzean	43%	39%	57%	61%
B Griffin	58%	-	42%	-
M Di Silvio	52%	63%	48%	37%
S Pether	85%	32%	15%	68%

EQUITY INSTRUMENTS

Options

The table below outlines the movement of the options held by Non-Executive Directors and Senior Executives during the year:

2020	Grant date	Opening balance vested & exercisable	Opening balance unvested	Granted as compensation	Vested	Vested %	Exercised	Forfeited	Closing balance vested and exercisable	Closing balance unvested
J Richards										
Performance	n/a	-	-	-	-	-	-	-	-	-
Remuneration	19 Nov 2019	-	-	480,000	480,000	100%	-	-	480,000	-
I Macliver										
Performance	n/a	-	-	-	-	-	-	-	-	-
Remuneration	19 Nov 2019	-	-	480,000	480,000	100%	-	-	480,000	-
B McFadzean										
Performance	2 Nov 2015	-	2,500,000	-	-	-	-	(2,500,000)	-	-
Remuneration	n/a	-	-	-	-	-	-	-	-	-
D Archer										
Performance	1 May 2016	-	550,000	-	-	-	-	-	-	550,000
Remuneration	n/a	-	-	-	-	-	-	-	-	-
M Di Silvio										
Performance	15 Feb 2016	-	500,000	-	-	-	-	-	-	500,000
Remuneration	n/a	-	-	-	-	-	-	-	-	-

Exercised

No options granted as compensation were exercised during the current year.

EQUITY INSTRUMENTS

Rights

3,000,000 performance rights were issued to eligible participants of the Performance Rights plan subject to shareholder approval. The table below outlines the movement of the rights held by Senior Executives during the year:

	Grant date	Opening balance unvested	Granted	Issue Price $	Vested	Vested %	Exercised	Forfeited	Closing balance unvested	Fair value $
B Griffin[1]										
2020	10 Jun 20	-	3,000,000	$0.145	-	-	-	-	3,000,000	$435,000
B McFadzean										
2020	29 Nov 18	2,060,701	-	-	-	-	-	-	2,060,701	$1,586,740
D Archer										
2020	29 Nov 18	1,066,189	-	-	-	-	-	-	1,066,189	$820,966
M Di Silvio										
2020	29 Nov 18	1,097,547	-	-	-	-	-	-	1,097,547	$845,111
S Pether										
2020	22 Nov 17	1,700,000	-	-	-	-	-	-	1,700,000	$1,256,300

[1]*Rights issued to Mr B Griffin are subject to shareholder approval*

Exercised

No performance rights granted as compensation in the current and/or prior year were exercised.

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The relevant interest of each key management personnel in the share capital (held directly or indirectly of the Company at 30 June 2020 were:

2020	Balance at 1 July 2019	Granted as remuneration	Received on exercise of options	Other changes	Balance at 30 June 2020
Non-Executive Directors					
J Richards	-	-	-	-	-
D Archer	8,373,117	-	-	38,462	8,411,579
W Burbury	8,205,483	-	-	50,000	8,255,483
I Macliver	-	-	-	100,000	100,000
Senior Executives					
B McFadzean	1,666,445	-	-	50,000	1,716,445
B Griffin	-	-	-	-	-
M Di Silvio	591,854	-	-	50,000	641,854
S Pether	302,009	-	-	128,206	430,215

SENIOR EXECUTIVE EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the following key management personnel are formalised in employment agreements. All contracts with Senior Executives may be terminated early by either party with notice, per individual agreement, and subject to the termination payments as detailed below:

Name	Position	Commencement date	Base salary (including superannuation)	Termination benefit
B McFadzean	Managing Director	2 Nov 2015	$287,438	3 months' notice
B Griffin	Commercial Director	10 June 2020	$240,000	1 months' notice
M Di Silvio	CFO & Company Secretary	15 Feb 2016	$246,375	4 months' notice
S Pether	Chief Operating Officer	1 Apr 2017	$246,375	4 months' notice

OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

There were no other transactions with KMP or their related parties.

END OF AUDITED REMUNERATION REPORT

AUDITOR INDEPENDENCE

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 audit of the annual report.

This Independence Declaration is set out on page 40 and forms part of this Directors' report for the year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.

Bruce McFadzean
Managing Director
Perth, 26 August 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sheffield Resources Limited for the year ended 30 June 2020, 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 audit.

Perth, Western Australia
26 August 2020

D I Buckley
Partner

hlb.com.au

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	Notes	2020	2019
		$'000	$'000
Continuing operations			
Other income	5	196	138
Employee benefits expense	5	(4,794)	(6,365)
Corporate expenses	5	(2,957)	(4,051)
Other expenses	5	(736)	(47)
Results from operating activities		(8,291)	(10,325)
Net financing income/(cost)	5	(79)	75
Net loss before income tax		(8,370)	(10,250)
Income tax benefit	6	-	-
Loss for the year		(8,370)	(10,250)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(8,370)	(10,250)
Basic and diluted loss per share	7	(2.81)	(4.18)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

	Notes	2020	2019
		$'000	$'000
Current assets			
Cash and cash equivalents	10	7,083	2,698
Trade and other receivables	11	500	324
Inventories		-	11
Total current assets		7,583	3,033
Non-current assets			
Other non-current assets	12	3,364	6,624
Plant and equipment	13	3,719	4,232
Right of use asset	13	1,393	2,058
Mine development	13	64,979	53,952
Exploration and evaluation expenditure	14	10,137	9,641
Total non-current assets		83,592	76,507
Total assets		**91,175**	**79,540**
Current liabilities			
Trade and other payables	15	2,576	4,334
Interest bearing liabilities	16	19	164
Employee benefits	8	205	364
Total current liabilities		2,800	4,862
Non-current liabilities			
Interest bearing liabilities	16	1,492	1,975
Provisions		63	63
Total non-current liabilities		1,555	2,038
Total liabilities		**4,355**	**6,900**
Net assets		**86,820**	**72,640**
Equity			
Issued capital	17	120,559	99,469
Reserves		11,123	9,663
Accumulated losses		(44,862)	(36,492)
Total equity		**86,820**	**72,640**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

	Notes	Issued capital $'000	Accumulated losses $'000	Share-based payment reserve $'000	Total $'000
Balance at 1 July 2018		80,602	(26,242)	7,325	61,685
Loss for the year		-	(10,250)	-	(10,250)
Total comprehensive loss for the year		-	(10,250)	-	(10,250)
Shares issued during the year		19,843	-	-	19,843
Share issue costs		(976)	-	-	(976)
Recognition of share-based payments		-	-	2,338	2,338
Balance as at 30 June 2019		**99,469**	**(36,492)**	**9,663**	**72,640**
Loss for the year		-	(8,370)	-	(8,370)
Total comprehensive loss for the year		-	(8,370)	-	(8,370)
Shares issued during the year		22,463	-	-	22,463
Share issue costs		(1,373)	-	-	(1,373)
Recognition of share-based payments		-	-	1,460	1,460
Balance as at 30 June 2020		**120,559**	**(44,862)**	**11,123**	**86,820**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customer		7	-
Payments to supplier and employees		(4,384)	(6,265)
Interest received		74	262
Interest paid		(154)	(157)
Net cash (used in) operating activities	10	**(4,457)**	**(6,160)**
Cash flows from investing activities			
Research and development tax refund		670	1,046
Payments for exploration and evaluation expenditure		(1,349)	(2,453)
Payments for plant and equipment		-	(102)
Proceeds from disposal assets		1,755	-
Payments for development expenditure		(5,403)	(24,503)
Payments for bank guarantees		(67)	-
Payments for financial liability		(3,260)	(4,580)
Net cash (used in) investing activities		**(7,654)**	**(30,592)**
Cash flows from financing activities			
Proceeds from issue of shares		18,000	17,448
Payments for share issue costs		(1,373)	(1,127)
Payments for lease liability	16	(131)	(13)
Net cash provided by financing activities		**16,496**	**16,308**
Net increase in cash and cash equivalents		4,385	(20,444)
Cash and cash equivalents at the beginning of the year		2,698	23,142
Cash and cash equivalents at the end of the year	10	**7,083**	**2,698**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

BASIS OF PREPARATION

PERFORMANCE FOR THE YEAR

EMPLOYEE BENEFITS

ASSETS

EQUITY AND LIABILITIES

FINANCIAL INSTRUMENTS

GROUP COMPOSITION

OTHER INFORMATION

ACCOUNTING POLICIES

BASIS OF PREPARATION

This section of the financial report sets out the Group's (being Sheffield Resources Limited and its controlled entities) accounting policies that relate to the Financial Statements as a whole. Where an accounting policy is specific to one Note, the policy is described in the Note to which it relates.

The Notes include information which is required to understand the Financial Statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if:

- the amount is significant due to its size or nature
- the amount is important in understanding the results of the Group
- it helps to explain the impact of significant changes in the Group's business
- it relates to an aspect of the Group's operations that is important to its future performance

Accounting policies have been consistently applied to all of the years presented unless otherwise stated.

NOTE 1: CORPORATE INFORMATION

The consolidated financial report of Sheffield Resources Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 26 August 2020. The Board of Directors has the power to amend the Consolidated Financial Statements after issue.

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

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

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

NOTE 2: REPORTING ENTITY

The Financial Statements are for the Group consisting of Sheffield Resources Limited and its subsidiaries. A list of the Group's subsidiaries is provided in Note 20.

NOTE 3: BASIS OF PREPARATION

These general purpose Financial Statements have been prepared in accordance with Australia Accounting Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) and the Corporations Act 2001. The Consolidated Financial Statements of Sheffield Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis.

These Financial Statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are required to be measured at fair value.

a) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

b) Foreign currency translation

Functional and Presentation Currency

Both the functional and presentation currency of Sheffield is Australian Dollars. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that currency.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.

All translation differences relating to transactions and balances denominated in foreign currency are taken to the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

c) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of amount of GST recoverable from, or payable to, the taxation authority.

d) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

PERFORMANCE FOR THE YEAR

The section provides additional information about those individual line items in the Statement of Comprehensive Income that the Directors consider most relevant in the context on the operations of the entity.

NOTE 4: SEGMENT REPORTING

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

Description of Projects

i. Thunderbird Project

This project consists of mineral sands tenements located in the Canning Basin that form part of the potential Thunderbird mineral sand mining operation.

ii. Sheffield Project

This project consists of mineral sand exploration tenements located in Western Australia.

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 4: SEGMENT REPORTING (continued)

2020	Sheffield project $'000	Thunderbird project $'000	Other $'000	Total $'000
Other income	-	-	196	196
Employees benefit expense	-	-	(3,334)	(3,334)
Corporate expenses	-	-	(2,236)	(2,236)
Depreciation - non-mine site assets	-	(426)	(86)	(512)
Depreciation – right of use assets	-	(70)	(139)	(209)
Other income/(expenses)	-	-	151	151
Impairment of deferred exploration and evaluation	(120)	(767)	-	(887)
Share-based payments	-	-	(1,460)	(1,460)
Net financing income	-	(119)	40	(79)
Segment results				
Tax benefit				-
Net loss after tax				(8,370)
Segment assets	6,806	78,651	5,718	91,175
Segment liabilities	-	3,171	1,184	4,355
Capital expenditure	323	14,508	-	14,831

2019	Sheffield project $'000	Thunderbird project $'000	Other $'000	Total $'000
Other income	-	-	138	138
Employees benefit expense	-	-	(4,027)	(4,027)
Corporate expenses	-	-	(3,501)	(3,501)
Depreciation - non-mine site assets	-	(216)	(102)	(318)
Depreciation – right of use assets	-	(81)	(151)	(232)
Other income/(expenses)	-	-	-	-
Impairment of deferred exploration and evaluation	(47)	-	-	(47)
Share-based payments	-	-	(2,338)	(2,338)
Net financing income	-	(140)	215	75
Segment results	(47)	(437)	(9,766)	
Tax benefit				-
Net loss after tax				(10,250)
Segment assets	6,604	69,132	3,804	79,540
Segment liabilities	-	4,960	1,940	6,900
Capital expenditure	585	1,847	2,615	5,047

NOTE 5: REVENUE AND EXPENSES

	2020 $'000	2019 $'000
Other income		
Other	196	138
	196	**138**

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

	2020 $'000	2019 $'000
Employee benefits expense		
Wages and salary	2,921	3,198
Superannuation	219	280
Share-based payments – employee benefits	1,460	2,338
Other	194	549
	4,794	**6,365**

	2020 $'000	2019 $'000
Corporate expenses		
Legal fees	48	586
Conferences and seminars	18	26
Operating lease variable outgoings	127	120
Consultancy fees	2,309	2,690
Depreciation – non-mine site assets	475	318
Depreciation – right of use assets	209	232
Other	(229)	79
	2,957	**4,051**

	2020 $'000	2019 $'000
Other expenses		
Impairment of deferred exploration and evaluation expenditure	887	47
Profit on disposal of asset	(151)	-
	736	**47**

NOTE 5: REVENUE AND EXPENSES (continued)

	2020 $'000	2019 $'000
Net financing income/(cost)		
Interest income	75	233
Interest expense on lease liability	(154)	(158)
	(79)	75

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

NOTE 6: INCOME TAX

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2020 $'000	2019 $'000
Accounting loss before income tax	**(8,370)**	**(10,250)**
Income tax benefit calculated at 27.5%	(2,302)	(2,819)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	687	643
Capital gain on Carawine demerger	-	-
Accounting gain on Carawine demerger	-	-
Accruals	(1)	17
Other non-deductible expenses	759	199
Other deductible items	(1,306)	(557)
Share issue costs	(408)	(333)
Immediate deduction for exploration	(380)	(669)
Unrecognised tax losses	2,951	3,519
Research & development tax offset	-	-
	-	-

NOTE 6: INCOME TAX (continued)

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by certain Australian corporate entities on taxable profits under Australian tax law.

The Company has tax losses arising in Australia. The tax benefit of these losses of $18.392m (2019: $16.519m) is available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to ongoing conditions for deductibility being met.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2020 $'000	2019 $'000
Deductible temporary differences	1,304	(336)
Tax losses	18,392	16,519
Exploration and evaluation	(6,801)	(2,651)
Development expenditure	(2,636)	(5,438)
	10,259	**8,094**

The deductible temporary difference and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits thereof. The tax rate used to express the temporary differences as deferred tax balances is 26%, being the likely tax rate applicated to the Group for the 30 June 2021 financial year.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTE 6: INCOME TAX (continued)

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Sheffield Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, directly in equity or as a result of a business combination. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTE 7: LOSS PER SHARE

	2020	2019
	$'000	$'000
Loss used in calculating basic and diluted loss per share	(8,370)	(10,250)
Loss used in calculating basic and diluted loss per share from continuing operations	(8,370)	(10,250)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	297,735,185	245,390,657

As the Group is in a loss position the conversion of options to shares is not considered dilutive because conversion would cause the loss position to decrease.

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

EMPLOYEE BENEFITS

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the remuneration of employees and consultants of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 8: EMPLOYEE BENEFITS

	2020	2019
	$'000	$'000
Employee benefits	205	364

The provision for employee benefits represents annual leave and long service leave payable.

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised as current liabilities in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current liabilities in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expect future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 9: SHARE-BASED PAYMENTS

The Company provides benefits to employees (including Directors) in the form of share-based payments whereby employees render services in exchange for shares or rights over shares ('share-based payments').

The cost of these share-based payments with employees is measured by reference to the fair value at the date they are granted. The value is determined using an appropriate valuation model. In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sheffield ('market conditions') if applicable.

The cumulative expense is recognised for share-based payments at each reporting date until vesting date and reflects the extent to which the vesting period has expired and the number of awards, that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of a share-based payment are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

NOTE 9: SHARE-BASED PAYMENTS (continued)

Where a share-based payment is cancelled (other than cancellation when a vesting condition has not been satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is submitted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee share option plan

Employees of the Group (including Directors) may be issued with options over ordinary shares of Sheffield. Options are issued for nil consideration and are subject to performance criteria established by the Directors of Sheffield.

Employees do not possess any rights to participate in the Employee Share Options Plan as participation is determined by the Directors of Sheffield. Options may be exercised at any time from the date of vesting to the date of expiry. The exercise price for employee options granted under the Employee Share Option Plan will be fixed by the Directors prior to the grant of the option. Each employee share option converts to one fully paid ordinary share of Sheffield. The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

The objective of the grant of options to employees is to assist in the recruitment, retention, reward and motivation of the employees of the Group.

A total of 3,557,038 options over ordinary shares issued to employees were in place at the end of year. During the year 3,000,000 options lapsed on expiry and 277,962 options were cancelled on termination of employment. As at 30 June 2020, 1,593,998 options issued under the Employee Share Option Plan have vested and 1,963,040 options remain unvested. During the year ended 30 June 2020, no options over ordinary shares were exercised (2019: 1,147,599).

Performance options

Certain performance options on issue during the year have non-market-based performance conditions. As at 30 June 2020, these performance options have not yet vested.

The non-market-based performance conditions include:

- 781,520 performance options on the completion of financing for the construction of the Thunderbird project; and
- 1,181,520 performance options on the delivery of the first shipment to market of mineral sands product from the Thunderbird project.

Options issued in consideration for services

On 31 August 2016, the Company granted 4,000,000 options to consultants in consideration for ongoing market advisory services (Series 7). The options had a 3-year term and expiry date of 31 August 2019. 333,333 options have been exercised and 3,666,667 options have lapsed on expiry.

Options granted as remuneration

During the year 960,000 options were issued to Non-Executive Directors as part of their remuneration. The following table lists the inputs to the model for remuneration options issued during the financial year.

	Series 13
Dividend yield	0%
Expected volatility	70%
Risk-free interest rate	0.75%
Expected life of options	3.42 years
Exercise price	$0.650
Grant date share price	$0.340
Number	960,000
Fair value at grant date	$0.128
Grant date	19 Nov 19
Expiry date	30 Nov 23

NOTE 9: SHARE-BASED PAYMENTS (continued)

Movement in options

The table illustrates the number and weighted average exercise prices of and movements in unlisted options on issue during the year:

	2020		2019	
	Options Number	Weighted average exercise price	Options Number	Weighted average exercise price
Outstanding at the beginning of the year	10,501,667	0.465	13,382,599	0.470
Granted during the year	960,000	0.650	-	-
Exercised during the year	-	-	(1,480,932)	0.375
Expired during the year	(6,666,667)	0.372	(1,400,000)	0.660
Cancelled during the year	(277,963)	1.006	-	-
Outstanding at the end of the year	4,517,037	0.572	10,501,667	0.465
Exercisable at the end of the year	**2,553,998**	**0.939**	**1,717,500**	**1.139**

The weighted average contractual remaining life of the share options outstanding as at 30 June 2020 is 1.89 years (2019: 0.795 years).

The range of exercise prices for options outstanding as at 30 June 2020 is $0.001 - $1.16 (2019: $0.001 - $1.16).

The fair value of the options is measured at grant date using the Black-Scholes option valuation method taking into account the terms and conditions upon which the instrument was granted. The services received and liabilities to pay for those services are recognised over the vesting period.

The following table lists the inputs to the model for options outstanding during the financial year.

	Series 4	Series 9	Series 10	Series 11	Series 13
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	55%	75%	75%	71%	70%
Risk-free interest rate	3.4%	2.1%	2.1%	2.1%	0.75%
Expected life of options	0.72 years	0.40 years	0.40 years	0.40 years	3.42 years
Exercise price	$1.16	$0.01	$0.01	$0.84	$0.65
Grant date share price	$0.68	$0.53	$0.60	$0.60	$0.340
Number	1,358,998	1,300,000	663,039	235,000	960,000
Fair value at grant date	$0.224	$0.53	$0.60	$0.27	$0.128
Grant date	20 Mar 13	27 Nov 16	24 Nov 16	24 Nov 16	19 Nov 19
Expiry date	19 Mar 21	24 Nov 20	24 Nov 20	24 Nov 20	30 Nov 23

The expected life of an option is based on historical data and is not necessarily indicative of exercise payments 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 the options granted were incorporated into the measurement of fair value.

NOTE 9: SHARE-BASED PAYMENTS (continued)

Employee Incentive Plan

The Employee Incentive Plan was established to enable employees of the Group to be issued with performance rights entitling each participant to a fully paid ordinary share. The performance rights issued for nil consideration are issued in accordance with the terms and conditions approved at a General Meeting by shareholders and in accordance with performance criteria established by the Directors.

Employees do not possess any rights to participate in the Employee Incentive Plan as participation is solely determined by the Directors. Performance rights convert to one fully paid ordinary share in Sheffield at an exercise price of nil upon meeting certain non-market-based performance conditions. The performance rights do not provide any dividend or voting rights. The performance rights are not quoted on the ASX. If an employee ceases to be employed by the Group within the period, the unvested performance rights will be forfeited.

The objective of the Employee Incentive Plan is to assist in the recruitment, reward, retention and motivation of employees of the Group.

During the year ended 30 June 2020, 3,000,000 performance rights were issued, subject to shareholder approval with certain non-market-based performance conditions. As at 30 June 2020, these performance rights have not yet vested.

The following performance rights were issued during the year to employees and were subject to the Company Performance Rights plan:

Number	Grant date	Expiry date	Share price at grant date
3,000,000[1]	10/06/2020	31/12/2021	0.145

[1]The Company granted 3,000,000 performance rights to a senior executive subject to shareholder approval and specific performance conditions.

The following vesting conditions are attached to these rights:

I. 3,000,000 Rights: Upon the Company announcing to the ASX that a Final Investment Decision has been made for the development of the Company's Thunderbird Mineral Sands Project, on or before 31 December 2021.

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
267,438	21/02/2018	01/03/2022	0.71
792,960	06/11/2018	26/10/2025	0.89
5,430,920	30/11/2018	01/12/2025	0.78
[1]3,000,000	10/06/2020	31/12/2021	0.145

[1]3,000,000 performance rights have been issued subject to shareholder approval.

For details regarding the vesting conditions of the Performance Rights refer to Pages 28 to 30 of the remuneration report.

During the year ending 30 June 2020, the Group revised the target vesting date relating to rights with performance measures. The following table describes the change in vesting date:

Measure	Original vesting date	Revised vesting date	Grant date	Number	Condition vesting date related to
1	30 Jun 2019	30 Nov 2021	22 Nov 2017	850,000	Construction complete
2	31 Dec 2019	30 Nov 2021	22 Nov 2017	850,000	Commercial production

The change in accounting estimate has resulted in a reduction to the share-based payments expense of $0.12m.

NOTE 9: SHARE-BASED PAYMENTS (continued)

Movement in performance rights

The table illustrates the number and weighted average grant prices of and movements in unlisted rights on issue during the year:

	2020		2019	
	Rights Number	Weighted average grant price	Rights Number	Weighted average grant price
Outstanding at the beginning of the year	9,338,359	0.78	2,012,500	0.74
Granted during the year	3,000,000	0.15	7,325,859	0.80
Vested during the year	-	-	-	-
Expired during the year	-	-	-	-
Cancelled on termination of employment	(1,147,041)	0.843	-	-
Outstanding at the end of the year	11,191,318	0.603	9,338,359	0.78
Exercisable at the end of the year	-	-	-	-

The fair value of the performance rights is measured at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received on the performance rights during the vesting period.

The weighted average remaining contractual life of the performance rights as at 30 June 2020 is 3.67 years (2019: 5.56 years).

ASSETS

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

NOTE 10: CASH AND CASH EQUIVALENTS

	2020	2019
	$'000	$'000
Cash at bank and on hand	3,083	2,698
Short-term deposits	4,000	-
	7,083	**2,698**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTE 10: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of loss after tax for the year to net cash flows from operations is as follows:

	2020 $'000	2019 $'000
Loss after tax for the year	(8,370)	(10,250)
[1]Share-based payments	2,923	2,338
Settlement of creditors in shares	-	960
Depreciation	684	550
Impairment of exploration and evaluation expenditure	887	47
Profit on sale of assets	(151)	-
Other	(203)	18
Movements in operating assets and liabilities		
Decrease/(Increase) in receivables	17	(2)
Increase in trade and other payables	34	241
Increase/(Decrease) in provisions	(198)	107
Net cash used in operating activities	**(4,377)**	**(5,991)**

[1]On 9 April 2020, the Company issued 2,836,120 fully paid ordinary shares for $1.057 per share for consideration to Kimberley Sustainable Development Pty Ltd pursuant to the Thunderbird Project Co-existence Agreement dated 31 October 2018.

NOTE 11: TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Other receivables	320	212
Bank guarantees [1]	180	112
	500	**324**

[1]Bank guarantees include $0.0624m (2019: $0.0624m) held as security for the office lease and bears 0.67% per annum interest, $0.067m held as security for the Derby Port lease and bears 0.67% per annum interest and $0.050m (2019: $0.050m) held as security for the credit card facilities and bears 2.1% per annum interest.

There are no balances within trade and other receivables that contain amounts that are past due but not impaired. It is expected the balances will be received when due as there is no recent history of default or expectation that they will default. On this basis no expected credit loss has been provided for.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In determining the recoverability of a trade receivable, the Company considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The directors believe that there is no allowance for impairment required.

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms.

NOTE 11: TRADE AND OTHER RECEIVABLES (continued)

Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTE 12: OTHER NON-CURRENT ASSETS

	2020 $'000	2019 $'000
Transaction costs[1]	3,364	6,624
	3,364	**6,624**

[1]The amount relates to transaction costs that are directly attributable to the establishment to the establishment of the funding facilities negotiated for the Thunderbird Project. These amounts will be reclassified to borrowings upon drawdown of the facilities.

During the year the Group transferred $3.3m in relation to commitment fees paid on the undrawn US$175m Taurus Mining Fund Facility. These fees are classified as borrowing costs and have been capitalised to Mine Property and Development.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2020	Plant & Equipment $'000	Right of Use Assets $'000	Mine Property & Development $'000	Total $'000
At cost	4,891	1,544	64,979	71,414
Accumulated depreciation	(1,172)	(151)	-	(1,323)
Closing carrying amount	**3,719**	**1,393**	**64,979**	**70,091**
Reconciliation of carrying amounts:				
Balance at 1 July 2019	4,232	2,058	53,952	60,242
Additions	-	-	9,971	9,971
[1]Transfers between asset classes	-	-	3,331	3,331
[2]Derecognition of right of use asset	-	(456)	-	(456)
Capitalisation of research & development grant	-	-	(670)	(670)
Disposal of assets	(38)	-	(1,605)	(1,643)
Depreciation expense	(475)	(209)	-	(684)
Balance at 30 June 2020	**3,719**	**1,393**	**64,979**	**70,091**

[1]During the year the Group transferred $3.3m in relation to commitment fees paid on the undrawn US$175m Taurus Mining Fund Facility.

[2]During the year the lease for the corporate office lease reached the expiry date for the initial term. The Group elected not to renew for the option term of a further 3 years. The Group has renegotiated the lease for a fixed term 6 months, then monthly by agreement with the lessor.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant & Equipment	Right of Use Assets	Mine Property & Development	Total
As at 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**
At cost	4,928	2,431	53,952	61,311
Accumulated depreciation	(696)	(373)	-	(1,069)
Closing carrying amount	**4,232**	**2,058**	**53,952**	**60,242**
Reconciliation of carrying amounts:				
Balance at 1 July 2018	228	282	36,838	37,348
Additions	102	2,008	22,254	24,364
Transfers from exploration & evaluation	4,220	-	(4,220)	-
Capitalisation of research & development grant	-	-	(983)	(983)
Additions to mine rehabilitation asset	-	-	63	63
Depreciation expense	(318)	(232)	-	(550)
Balance at 30 June 2019	**4,232**	**2,058**	**53,952**	**60,242**

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Motor vehicles	4 years
Plant and equipment	2-10 years
Buildings	10 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, the impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that its reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs. Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Under disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Right of use leased assets

Leased assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received.

On initial adoption of AASB 16 the Group adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset and shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired. The right of use asset is depreciated over the lease term.

Mine properties and development

Mine development costs are accumulated when economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes all capitalised exploration and evaluation expenditure in respect of the area of interest, direct costs of construction, overheads and where applicable borrowing costs capitalised during construction. Once mining of the area can commence, the aggregated capitalised costs are classified under non-current assets as an appropriate class of property, plant and equipment.

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

During the financial year the Company underwent a process to source a strategic partner for the funding and development of the Thunderbird Project. It was anticipated that this process would be completed by January 2020. This process has been ongoing but did not complete within the preferred timeframe and as such the Company announced measures to reduce expenditure and preserve cash. As such Management has carried out an impairment test.

The recoverable amount which makes up these development costs was estimated on the present value of the future cash flows expected to be derived from the Project, using a pre-tax discount rate of 10%. The recoverable amount of the Thunderbird Mineral Sands Project was estimated to be higher than the carrying amount and no impairment was required.

NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE

	2020 $'000	2019 $'000
Exploration and evaluation phase – at cost		
Balance as at 1 July 2019	9,641	7,256
Expenditure incurred	1,383	2,432
Impairment of exploration expenditure	(887)	(47)
Balance as at 30 June 2020	**10,137**	**9,641**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

a) the rights to tenure of the area of interest are current; and
b) at least one of the following conditions is also met:

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

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

EQUITY AND LIABILITIES

This section provides additional information about those individual line items in the Statement of Financial Position that the Directors consider most relevant in the context of the operations of the entity.

NOTE 15: TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Trade payables	1,584	3,230
Other payables	992	1,104
	2,576	**4,334**

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60-day payment terms. They are recognised initially at fair value and subsequently at amortised cost.

NOTE 16: INTEREST BEARING LIABILITIES

	2020 $'000	2019 $'000
Current		
Lease liability	19	164
Non-current		
Lease liability	1,492	1,975
	1,511	**2,139**

During the year the commercial lease to rent office space expired. The lease had an option to renew for a further 3 years. The Group decided not to renew the lease for the option period. The Group has recognised the Right of Use asset and associated finance lease liability in relation to this lease.

In July 2018 the Group entered into a lease for the use of land and wharf facilities at the port in Derby. The lease has a term of 20 years.

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against Statement of Comprehensive Income.

Reconciliation of movements in interest bearing liabilities to cash flows arising from financing activities:

	2020 $'000
Balance as at 1 July 2019	2,139
Derecognition of finance lease liability	(497)
Payments for lease liability	(131)
Balance as at 30 June 2020	**1,511**

NOTE 17: CAPITAL AND RESERVES

	2020 $'000	2019 $'000
311,795,340 (2019: 260,555,374) fully paid ordinary shares	**120,559**	**99,469**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

	2020		2019	
	Number	$'000	Number	$'000
Balance as at 1 July	260,555,374	99,469	228,990,124	80,602
Issue of fully paid ordinary shares [1]	46,153,846	18,000	25,986,945	16,891
Issued on exercise of share options	-	-	1,480,932	556
Issued in payment for services	-	-	1,565,570	960
Issued pursuant to a Facility Agreement[2]	2,250,000	1,463	2,531,803	1,436
Issued pursuant to an Agreement[3]	2,836,120	3,000		
Share issue costs	-	(1,373)	-	(976)
Balance as at 30 June	**311,795,340**	**120,559**	**260,555,374**	**99,469**

[1] *On 16 September 2019, the Company issued 26,550,002 fully paid ordinary shares for $0.39 per share to sophisticated and professional investors as part of a share placement to raise $18 million. On 30 October 2019, the Company completed the share placement by issuing a further 19,603,844 fully paid ordinary shares for $0.39 per share.*

[2] On 1 August 2019, the Company issued 2,250,000 fully paid ordinary shares for $0.650 per share to Taurus Mining Finance and Taurus Mining Finance Annex Fund L.P. in partial satisfaction of a front end fee associated with the bridge facility mandate dated 25 June 2019. The shares were valued using the closing share price on the day prior to issue, being 31 July 2019.

[3] On 9 April 2020, the Company issued 2,836,120 fully paid ordinary shares for $1.057 per share for consideration to Kimberley Sustainable Development Pty Ltd pursuant to the Thunderbird Project Co-existence Agreement dated 31 October 2018. The shares were valued using the 20-day VWAP up to and including 31 October 2018. These shares are held in escrow until 9 September 2020.

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 9 for details.

NOTE 18: CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements.

NOTE 18: CAPITAL MANAGEMENT (continued)

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

FINANCIAL INSTRUMENTS

This section of the Notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

FAIR VALUE AND RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables and payables.

The Group monitors and manages its exposure to key financial risks in accordance with the Group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest risk, credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk as the Group holds cash and interest-bearing liabilities at both fixed and floating interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to the potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. The Group's exposure to interest rate risk is limited to the amount of interest income it can potentially earn on surplus cash deposits and the discount rate used to determine the present value of lease payments for the interest bearing liabilities, and as such interest rate risk is considered immaterial.

2020	Floating interest rate	< 1 year	1 to 5 years	> 5 years	Non-interest bearing	Total	Weighted average interest rate	
	$'000	$'000	$'000	$'000	$'000	$'000	Fixed %	Floating %
Financial assets								
Cash and cash equivalents	863	4,000	-	-	2,220	7,083	0.67	0.40
Trade and other receivables	-	180	-	-	320	500	0.67	-
Total financial assets	**863**	**4,180**	**-**	**-**	**2,540**	**7,583**		
Financial liabilities								
Trade and other payables	-	-	-	-	2,576	2,576	-	-
Interest bearing liabilities	-	19	154	1,338	-	1,511	7.90	-
Total financial liabilities	**-**	**19**	**154**	**1,338**	**2,576**	**4,087**		

NOTE 18: CAPITAL AND CAPITAL MANAGEMENT (continued)

2019	Floating interest rate	< 1 year	1 to 5 years	> 5 years	Non-interest bearing	Total	Weighted average interest rate	
	$'000	$'000	$'000	$'000	$'000	$'000	Fixed %	Floating %
Financial assets								
Cash and cash equivalents	2,507	-	-	-	191	2,698	-	1.40
Trade and other receivables	-	112	-	-	212	324	2.03	-
Total financial assets	**2,507**	**112**	**-**	**-**	**403**	**3,022**		
Financial liabilities								
Trade and other payables	-	-	-	-	4,334	4,334	-	-
Interest bearing liabilities	-	148	574	1,417	-	2,139	7.81	-
Total financial liabilities	**-**	**148**	**574**	**1,417**	**4,334**	**6,473**		

Interest rate risk sensitivity analysis

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. Interest rate risk is considered immaterial.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors periodically.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTE 19: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

The following table details the Group's expected contractual outflows and maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2020	Current		Non-Current	
	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000
Trade and other payables	2,551	-	-	-
Finance lease obligations	68	69	727	2,253
	2,619	**69**	**727**	**2,253**

2019	Current		Non-Current	
	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000
Trade and other payables	3,334	1,000	-	-
Finance lease obligations	156	172	1,080	2,556
	3,490	**1,172**	**1,080**	**2,556**

Fair values

The fair values of financial assets and liabilities approximate the carrying amounts shown in the Consolidated Statement of Financial Position.

GROUP COMPOSITION

This section of the Notes includes information that must be disclosed to comply with accounting standards and other pronouncements relating to the structure of the Group, but that is not immediately related to individual line items in the Financial Statements.

NOTE 20: LIST OF SUBSIDIARIES

Subsidiary Entities

The consolidated financial statements include the financial statements of Sheffield Resources Limited and the subsidiaries listed in the followings table.

Name	Country of Incorporation	Equity Interest %		Investment %	
		2020	2019	2020	2019
Moora Talc Pty Ltd	Australia	100	100	100	100
Ironbridge Resources Pty Ltd	Australia	100	100	100	100
Thunderbird Operations Pty Ltd	Australia	100	100	100	100
Thunderbird Finance Pty Ltd[1]	Australia	100	100	100	100
Thunderbird Infraco Holdings Pty Ltd[1]	Australia	100	100	100	100
Thunderbird Infraco Pty Ltd[1]	Australia	100	100	100	100
Sheffield Exploration (WA) Pty Ltd[1]	Australia	100	100	100	100

[1]*The Company's remain dormant.*

NOTE 21: PARENT ENTITY INFORMATION

	2020 $'000	2019 $'000
Assets		
Current assets	5,592	2,868
Non-current assets	82,412	71,564
Total assets	88,004	74,432
Liabilities		
Current liabilities	1,168	1,329
Non-current liabilities	16	463
Total liabilities	1,184	1,792
Equity		
Issued capital	120,559	99,469
Reserves	11,123	9,662
Accumulated losses	(44,862)	(36,491)
Total equity	86,820	72,640
Financial performance		
Loss for the year	(8,371)	(10,249)
Other comprehensive income	-	-
Total comprehensive income	**(8,371)**	**(10,249)**

The Company had no contingent liabilities or contractual commitments as at 30 June 2020 (2019: nil). The Company has bank guarantees as noted in Note 11.

OTHER INFORMATION

This section of the Notes includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

NOTE 22: CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2020 (2019: nil).

NOTE 23: REMUNERATION OF AUDITORS

The auditor of Sheffield Resources Limited is HLB Mann Judd.

	2020 $	2019 $
Amounts received or due and receivable by HLB Mann Judd for the audit or review of the financial report of the entity	57,125	62,370

NOTE 24: COMMITMENTS

Exploration commitments

To maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The minimum amounts required to retain tenure in 2021 is $1.6m (2020: $2.08m). These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2020 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

Capital commitments

The Group has the following capital commitments relating to the Thunderbird Co-existence Agreement:

- $0.4m annual support payment; and
- $1.5m payable on a positive final investment decision for the Thunderbird Mineral Sands Project.

Facility commitments

Under the Taurus Facility Agreement commitment fees of 2% p.a are payable on undrawn amounts quarterly in arrears. The maximum commitment fee payable within one year is US$3.5m (2019: US$3.5m). Taurus and the Company have agreed that the facility fees be suspended until the Company reaches a final investment decision.

NOTE 25: RELATED PARTIES TRANSACTIONS

Loans to subsidiaries

Loans made by Sheffield Resources Limited to wholly-owned subsidiaries are contributed to meet required expenditure payable on demand and are not interest bearing.

Transactions with other Related Parties

There were no other transactions entered into with related parties for the financial year.

NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons acted as Directors of the Company during the financial year:

- Mr John Richards (Non-Executive Chair)
- Mr Bruce McFadzean (Managing Director)
- Mr Bruce Griffin (Commercial Director)
- Mr David Archer (Non-Executive Director)
- Mr Will Burbury (Non-Executive Director)
- Mr Ian Macliver (Non-Executive Director)
- Mr Bruce McQuitty (Non-Executive Director)

The following persons are the key management personnel of the Company during the financial year:

- Mr Mark Di Silvio (Company Secretary & Chief Financial Officer)
- Mr Stuart Pether (Chief Operating Officer)

NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	2020	2019
	$	$
Short-term employee benefits	1,532,134	1,341,984
Long-term employee benefits	-	37,523
Post-employment benefits	97,840	106,688
Share-based payments	1,393,643	1,649,118
	3,026,617	**3,135,313**

NOTE 27: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 11 August 2020, the Company announced that it had entered into a Non-Binding Term Sheet with Yangang (Hong Kong) Co., Ltd's wholly owned subsidiary YGH Australian Investment Pty Ltd (Yansteel) to form a joint venture to develop the Thunderbird Mineral Sands Project. Yansteel will invest A$130.1m in equity to acquire a 50% interest in the Project. Formation of the Yansteel and Sheffield Joint Venture is subject to final negotiation, agreement, and execution of formal agreements. Foreign Investment Review Board process completion and, where required, any other applicable regulatory or shareholder approval.

Yansteel has also subscribed for 34,259,421 fully paid ordinary shares (comprising 9.9% of the post-issue share capital) in Sheffield Resources Limited for consideration of approximately A$12.9m (Share Placement). The Share Placement occurred on August 11 2020.

Yansteel and Sheffield have also executed a take or pay offtake agreement for 100% of the ilmenite produced from Stage 1 of the Project.

OTHER INFORMATION

This section of the notes includes information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the Financial Statements.

NOTE 28: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. However, actual outcomes would differ from these estimates if different assumptions were used and different conditions existed.

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 9.

As a performance incentive, senior employees were granted options and performance rights during the financial year ended 30 June 2020 which contain assumptions of a real risk of forfeiture where performance targets are not achieved. Management has ascribed various probabilities based upon stretch criteria and operations factors toward the achievement of nominated performance targets. Accordingly, the said probability was taken into account when calculating the share-based payment expense of the options and in the formulation of the resultant expense to profit or loss.

During the year ended 30 June 2020, as a result of the changes in the timeline for the development of the Thunderbird mineral sands project, the Group has revised vesting target dates relating to its share-based payments. This revision in timeline has resulted in a change to share-based payments expense and corresponding reserve. The change in vesting conditions is described in Note 9.

NOTE 28: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related area of interest 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 or reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental 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 rights to tenure of the area of interest are current and 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.

Impairment of Mine Development Expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices.

To the extent that capitalised mine development 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.

Determination of Mineral Resources and Ore Reserves

The determination of reserves impacts the accounting asset carrying values, depreciation and amortisation rates, and provision for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM “Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves 2012”. The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

NOTE 29: NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the year ended 30 June 2020, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, no new standards have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group’s financial statements.

1. In the opinion of the directors of Sheffield Resources Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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

Mr Bruce McFadzean
Managing Director
26 August 2020

INDEPENDENT AUDITOR'S REPORT
To the members of Sheffield Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sheffield Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of mine property and development Note 13 of the financial report	
The carrying amount of the Thunderbird Mineral Sands Project mine property and development assets as at 30 June 2020 was $64.979 million. Our audit focussed on the Group's assessment of the carrying amount of the mine property and development assets, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standards. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of the mine property and development assets may exceed their recoverable amount.	Our audit procedures included but were not limited to: • Considered and assessed the Directors' assessment of impairment under AASB 136 *Impairment of Assets* ; • Assessed the reasonableness of key assumptions within the feasibility model and the mathematical accuracy of the model; • Substantiated a sample of expenditure by agreeing to supporting documentation; and • Examined the disclosures made in the financial report.
Carrying amount of exploration and evaluation expenditure Note 14 of the financial report	
The carrying amount of exploration and evaluation expenditure as at 30 June 2020 was $10.137 million. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • Obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • Considered the Directors' assessment of potential indicators of impairment; • Obtained evidence that the Group has current rights to tenure of its areas of interest; • Examined the exploration budget for the year ended 30 June 2020 and discussed with management the nature of planned ongoing activities; • Enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; • Substantiated a sample of expenditure by agreeing to supporting documentation; and • Examined the disclosures made in the financial report.

Key Audit Matter	How our audit addressed the key audit matter
Going concern Note 3 of the financial report	
The Group recorded a consolidated loss of \$8.370 million and had cash outflows from operating and investing activities of \$4.377 million and \$7.654 million respectively. As at 30 June 2019 the Group had cash and cash equivalents of \$7.083 million. If the going concern basis of preparation of the financial statements was inappropriate, the carrying amount of certain assets and liabilities may have significantly differed. The going concern basis of accounting was a key audit matter due to the significance to users of the financial report and the significant judgement involved with forecasting cash flows.	Our procedures included but were not limited to the following: • We considered the appropriateness of the going concern basis of accounting by evaluating the underlying assumptions in cash flow projections prepared by the Group including sensitivity analysis and subsequent events; • Our responsibilities in respect of the going concern basis of accounting are included below under *Auditor's responsibilities* for the audit of the financial report; and • We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sheffield Resources Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
26 August 2020

The Company was admitted to the official list of ASX on 15 December 2010. Since listing, the Company has used its cash (and assets in a form readily convertible to cash) in a manner consistent with its business objectives.

In accordance with the ASX Listing Rules, the Company is required to disclose the following information which was prepared based on share registry information processed up to 24 August 2020.

Ordinary Share Capital

As at 24 August 2020, 343,218,641 fully paid ordinary shares are held by 2,582 individual shareholders.

Spread of Holdings	Total Holders	Ordinary Shares
1 – 1,000	229	92,835
1,001 – 5,000	501	1,518,568
5,001 – 10,000	377	3,023,023
10,001 – 100,000	1,084	41,139,566
100,001 – and over	391	297,444,649
Number of Holders/Shares	**2,583**	**346,054,761**

Unmarketable parcels as at 24 August 2020 amount to 207,075 shares held by 315 shareholders.

Substantial Shareholders

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage
YGH Australia Investment Pty Ltd	34,259,421	9.9
Mr Walter Mick George Yovich & Mrs Jeanette Julia Yovich <Dubrava Family A/C>	28,621,843	8.3
BlackRock Group	27,069,823	7.8

Voting rights

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

Statement of Quotation and Restrictions

- Listed on the ASX are 346,054,761 fully paid shares. 2,836,120 fully paid shares are subject to escrow conditions until 9 Sept, 343,218,641 fully paid shares are free of escrow conditions.
- All 4,517,037 options are not quoted on the ASX. All options are free of escrow conditions.
- All 8,191,318 rights are not quoted on the ASX. All rights are free of escrow conditions.

The following unlisted securities have been issued as at the date of this report:

Unlisted Options

	Number
Exercisable at $1.16 each on or before 19 March 2021	1,358,998
Exercisable at $0.01 each on or before 24 November 2020	1,300,000
Exercisable at $0.001 each on or before 24 November 2020	663,039
Exercisable at $0.84 each on or before 24 November 2020	235,000
Exercisable at $0.65 each on or before 30 November 2023	960,000
	4,517,037

Unlisted Performance Rights

	Number
Exercisable at $0.00 each on or before 30 November 2021	1,700,000
Exercisable at $0.00 each on or before 1 March 2022	267,438
Exercisable at $0.00 each on or before 26 October 2025	792,960
Exercisable at $0.00 each on or before 1 December 2025	5,430,920
	8,191,318

Twenty Largest Shareholders

Details of the 20 largest shareholders by registered shareholding as at the date of this report are:

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage %
YGH Australia Investment Pty Limited	34,259,421	9.9
BlackRock Group	27,069,823	7.8
Mr Walter Mick George Yovich & Mrs Jeanette Julia Yovich	16,444,327	4.7
Mr Walter Mick George Yovich	12,177,516	3.5
Citicorp Nominees Pty Limited	10,332,071	2.9
BNP Paribas Nominees Pty Limited	9,109,136	2.6
J P Morgan Nominees Australia Pty Limited	8,435,922	2.4
Mr Bruce Morrison McQuitty	8,127,157	2.3
UBS Nominees Pty Ltd	7,990,000	2.3
Mr William Burbury	7,548,500	2.1
Satori International Pty Ltd	6,680,000	1.9
Archer Enterprises (WA) Pty Ltd	3,680,000	1.0
Kimberley Sustainable Development Pty Limited	2,836,120	0.8
Seven Four Seven Pty Limited	2,395,000	0.6
Knappick Investments Pty Ltd	2,375,795	0.6
Crescent Nominees Limited	2,237,085	0.6
Archer Enterprises (WA) Pty Ltd	2,227,634	0.6
Reneagle Pty Ltd	2,210,000	0.6
Penmaen Limited	2,200,000	0.6
Tucarndi Pty Ltd	2,000,000	0.6
TOTAL	**170,335,507**	**49.2**

Project	Tenement	Holder[2]	Interest	Location	Status
Mineral Sands	E04/2081[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2083[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2084[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2171[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2349[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2390[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2494[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2509[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2540[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2554[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2571[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2597[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/82[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/83[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/84[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/85[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/86[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/92[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/93[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	M04/459[2]	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2456	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2478	Sheffield Resources Ltd	100%	Canning Basin	Granted
Mineral Sands	E70/3762	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3813	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3814	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3859	Sheffield Resources Ltd	100%	Perth Basin	Pending
Mineral Sands	E70/3929	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3967	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4190	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4292	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4584	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4719	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4747	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4922	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/872[1]	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/965[1]	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/1153[1]	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	R70/35[1]	Sheffield Resources Ltd	100%	Perth Basin	Granted

[1]Iluka Resources Ltd (ASX:ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153.
[2]Thunderbird Operations Pty Ltd is a 100% owned subsidiary of Sheffield Resources Ltd.