Sheffield Resources LIMITED

ANNUAL REPORT 2023

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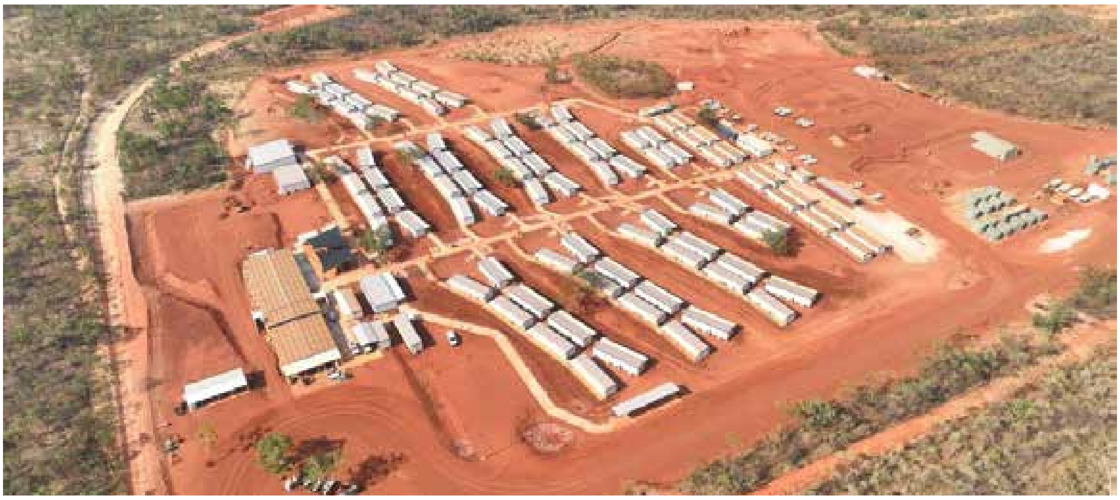

Sheffield Resources is focused on the development of the flagship Thunderbird Mineral Sands Project, one of the world's largest, undeveloped zircon-rich mineral sands deposits.

Chair's Letter

Bruce Griffin | Executive Chair

"I am pleased to present to you the 2023 Annual Report for Sheffield Resources. It has been an exciting and successful year for your Company."

Dear Shareholders,

The 2023 financial year was company defining, with several major milestones achieved at the Thunderbird Mineral Sands Project.

We were delighted to make a final investment decision (FID) on Thunderbird Mineral Sands Project, an outstanding, world class mineral sands project, and see construction substantially completed during the year.

At FID, Thunderbird Project economics demonstrated the significant value that will be created from the development of one of the world's largest zircon reserves. With a total after-tax NPV of $1.39 billion and an IRR of 27% for Stage 1 & 2 of Thunderbird, the project was fully funded during the financial year and is set to deliver $695m in NPV to Sheffield's shareholders over its 36 year life. Development of Thunderbird commenced in mid-2021 utilising equity proceeds provided by Yansteel following inception of the 50/50 Kimberley Mineral Sands joint venture. With Thunderbird construction now entering the commissioning phase, the project remains on track for first customer shipment in the March 2024 quarter, enabling the delivery of strong cashflows and benefits to all stakeholders across the mine life.

A total of $484 million was secured to fund Thunderbird into first production during the year. A $160 million facility, including a $40 million cost overrun facility from the Northern Australia Infrastructure Facility (NAIF), combined with a US$110 million facility from Orion Resource Partners (Orion) contributed $315 million in project financing. The NAIF and Orion project finance package was complimented by $169 million of equity contributed since the inception of the joint venture in 2021 from Kimberley Mineral Sands shareholders, with Yansteel contributing $135m and Sheffield $34 million.

Construction activities at Thunderbird continued to advance rapidly and in line with schedule and budget throughout the year. With construction activities substantively complete, commissioning activities commenced in July 2023 with first production scheduled in the December 2023 quarter. First delivery of product to customers is expected in the March 2024 quarter. Given the backdrop of inflationary pressures and economic headwinds globally experienced throughout this financial year, delivery of the Thunderbird project into production within our original $484 million funding envelope is a tremendous achievement.

The Kimberley Mineral Sands team has been preparing for the start-up of operations throughout the year. Maintaining our commitment to employ as many local people as possible and maintaining a large proportion of the permanent residential workforce and their families based in the West Kimberley is a core focus for Kimberley Mineral Sands. This approach ensures that as much economic benefit as possible is retained in the region, through increased spend and population growth which contribute to both economic and social benefits. To date, over 80% of the Kimberley Mineral Sands workforce are resident in the Kimberley region, with more than half of them recruited from the Kimberley and the remainder relocating to the region. Kimberley Mineral Sands has also been very successful in recruiting a diverse workforce with 25% of employees identifying as indigenous and female employees accounting for nearly 30% of the workforce recruited to date.

In addition to our investment in Kimberley Mineral Sands, we were able to add to our portfolio of mineral sands interests during the financial year with the execution of a binding investment agreement with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, current owners of Rio Grande Mineração S/A (RGM), providing Sheffield with an option to acquire a 20% interest in RGM, the 100% owner of the South Atlantic Project in Brazil, via an initial option contribution of US$2.5m, with further staged payments totalling US$12.5m based upon the achievement of key milestones. The South Atlantic Project consists of four main deposits, Retiro, Estreito, Capao do Meio and Bujuru with Exploration Targets developed for the Retiro and Bujuru deposits. RGM is planning a drilling program of up to 10,000m in late 2023, with milestones for the project scheduled during the first half of 2024 prior to the proposed option exercise date in the 2024 September quarter.

Your company has $24m in cash, following a successful $23m equity raising during the year, and is fully funded for expected activities at South Atlantic including exercise of the option and corporate costs through to late 2025 when we anticipate initial cash distributions from Kimberley Mineral Sands. I appreciate the support of existing and new shareholders demonstrated by their participation in the equity raise.

With Thunderbird commissioning activity underway, the next year will see your Company move to transition from developer to mineral sands producer. This is a great achievement, and I would like to thank my fellow Directors, our employees, the Kimberley Mineral Sands team and their contractors, our joint venture partner Yansteel, along with our financiers NAIF and Orion for their efforts in achieving these key milestones for your Company this year.

In closing, I sincerely thank Sheffield's shareholders for your support as we look forward to commencing production at Thunderbird, ahead of customer shipments in early 2024.

Bruce Griffin
Executive Chair

Review of Operations

Figure 1: Construction in progress at the Thunderbird Mineral Sands Project

The following key achievements took place during the reporting period, supporting the future operation of the Thunderbird Mineral Sands Project:

- Final Investment Decision (FID) secured for the Thunderbird Mineral Sands Project in the Kimberley region of Western Australia.
- FID followed financial close of a A$160m loan facility from the Northern Australia Infrastructure Facility (NAIF) and US$110m production linked facility with Orion Resource Partners (Orion).
- Award of major commercial agreements, including a $179m fixed price engineering, procurement and construction (EPC) contract with GR Engineering Services Limited and the award of gas supply, power generation, mining services and port lease agreements.
- Construction of Thunderbird advanced rapidly and in line with schedule throughout the reporting period, with commissioning activities having commenced in July 2023 and first production expected during the December 2023 quarter.

Kimberley Mineral Sands (KMS)

During the reporting period, through its 50% interest in Kimberley Mineral Sands Pty Ltd (KMS), Sheffield Resources Limited (Sheffield, the Company or the Group) advanced construction of the flagship Thunderbird Mineral Sands Project (Thunderbird) in the Kimberley region of Western Australia following a Final Investment Decision in October 2022.

Kimberley Mineral Sands Pty Ltd is a 50/50 joint venture between Sheffield and YGH Australia Investment Pty Ltd (Yansteel). Yansteel is a wholly-owned subsidiary of Tangshan Yanshan Iron & Steel Co. Ltd, a privately owned steel manufacturer headquartered in Hebei, China producing approximately 10mt per annum of steel products.

Thunderbird – Economics	Stage 1 only	Stage 1 & 2
NPV8 post-tax	**A$842m**	**A$1.39B**
IRR post-tax	**26.6%**	**26.6%**
Total Funding Requirement (Stage 1)	**A$484m**	**A$484m**
Life of Mine EBITDA	**A$4.8B**	**A$8.7B**
Process Rate (tonnes p/hour)	**1,085**	**2,170**
Product sales (avg kt pa; all products)	**913**	**1,365**
Mine Life	**33 years**	**36 years**
Long Term Average FX Rate (A$/US$)	**0.75**	**0.75**
Long Term Zircon Price – FOB (TZMI)	**US$1,607**	**US$1,607**

Table 1: Key Metrics – Final Investment Decision – Thunderbird Mineral Sands Project

Sheffield announced that the Northern Australia Infrastructure Facility (NAIF) had ratified and executed binding documentation for a A$160 million loan facility comprising a 12-year tenor to support the development of Thunderbird. In addition to the NAIF loan facility, KMS and OMRF (Th) LLC, a related entity of the Orion Mineral Royalty Fund (Orion), executed binding and definitive documentation for a US$110 million Production Linked Facility. The A$315m debt financing package from NAIF and Orion, combined with $169 million of equity from Kimberley Mineral Sands shareholders (with Yansteel contributing $135m and Sheffield $34 million) completed the project financing requirements for Thunderbird, enabling KMS to achieve financial close in October 2022.

A forecast timeline to first production is shown below. Construction activities will be largely complete during the September 2023 quarter with commissioning activities having commenced. Commencement of ore mining and sequential commissioning of the Dry Mining Unit (DMU) and process plant is expected to occur during the December 2023 quarter with first customer shipment remaining on track for the March 2024 quarter.

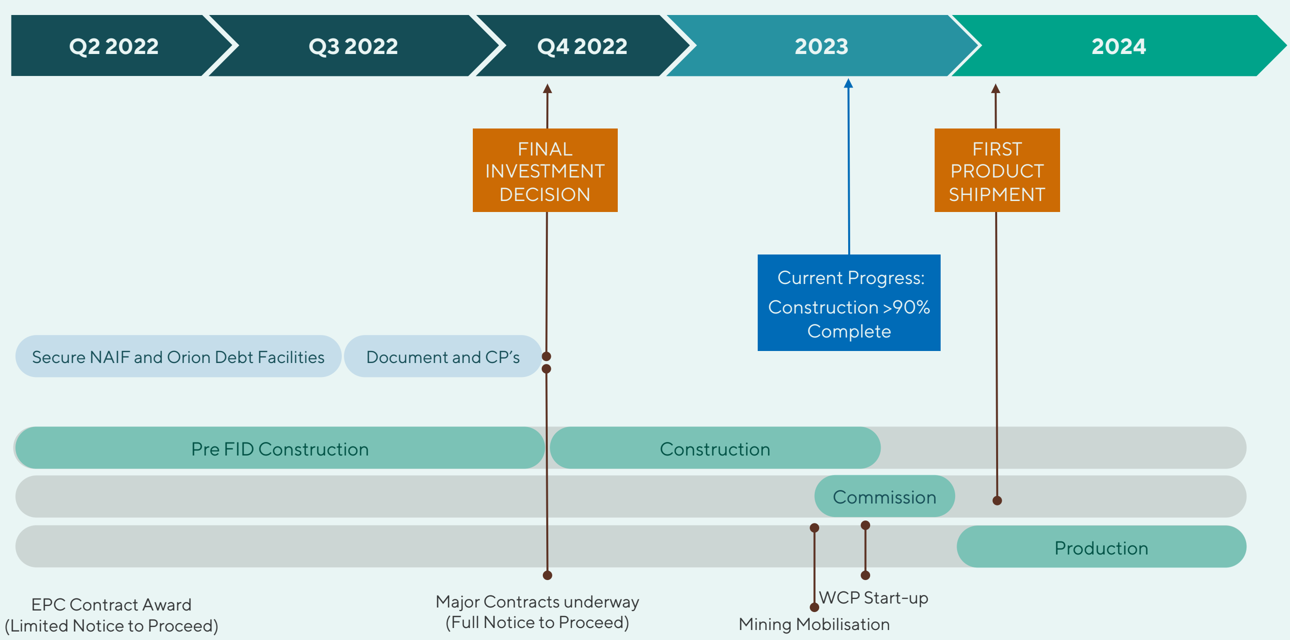

Figure 2: Forecast Timeline to First Customer Shipment

Review of Operations

Figure 3: Progressive installation of power generation units

Thunderbird Construction Activities

Process plant construction and installation activities continued to advance toward completion during the reporting period in line with planned schedules.

As at the end of the reporting period the Wet Concentrate Plant (WCP) and Concentrate Upgrade Plant (CUP) areas, tailing storage facility, stormwater storage pond and bore fields were substantially complete ahead of scheduled commissioning.

Final sealing of the 30km mine access road was completed during the September 2023 quarter.

Electricity supply systems, including installation of the first of the gas engines was completed. Planning for first fills of LNG gas supply for scheduled commissioning activities during the second half of 2023 commenced. Fabrication of the DMU by Piacentini & Son was underway with planned transport to site scheduled during the September 2023 quarter.

Thunderbird Operations Activities

Preparations for the commencement of operations commenced during the reporting period. Recruitment of key leadership roles and progressive onboarding of senior operational personnel was completed. To date, over 80% of the Kimberley Mineral Sands workforce are resident in the Kimberley region, with more than half of them recruited from the Kimberley and the remainder relocating to the region. Kimberley Mineral Sands has also been very successful in recruiting a diverse workforce with 25% of employees identifying as indigenous and female employees accounting for nearly 30% of the workforce recruited to date.

Figure 4: Thunderbird mine site overview

Waste mining contractor, Carey Mining, mobilised excavation and trucking fleet to site, commencing clearing and grubbing activities, with commenced waste mining to enable mining contractor Piacentini & Son to access the starter pit location in the September 2023 quarter.

During the reporting period the preferred product logistics path from site to port was concluded. Rotainers will be loaded at the Thunderbird site and transported by road train to a storage yard near the Port of Broome. Upon vessel arrival for loading, rotainers will be transferred to the Broome jetty for loading onto vessels using the existing crane. A rotainer supply agreement is in place with rotainers to be delivered to Broome during the December 2023 quarter.

Markets

Premium zircon from major producers moved from c.US$1,350 per tonne in mid-2019 through to a peak of c.US$2,200 per tonne in 2022 and then softening to c.US$2,100 per tonne in late 2022. Global zircon supply remains balanced, and inventory levels remain low, with some new supply coming online during 2023. Major producer prices are expected to remain above US$2,000 per tonne through 2023, well above long term price forecasts.

The medium to long term supply outlook for zircon continues to indicate an emerging supply deficit with supply from the three leading producers representing c. 55% of current supply, primarily from mature operations with flat or declining forecast production.

Global sulfate ilmenite prices were essentially flat in 2022 and have weakened during 2023 but remain very high relative to long term forecasts at around US$330 per tonne FOB. Sulfate ilmenite prices are expected to soften further. Longer-term, high-grade pigment feedstock demand for production of chloride grade pigment is forecast to grow, and chloride slag (produced from sulfate ilmenite) is the most likely source of new supply.

The trend towards China importing and processing concentrates to supply zircon and titanium feedstocks continued throughout 2023 and is expected to continue into the future.

Review of Operations

Aboriginal and Community Engagement

The Kimberley Mineral Sands team continued community engagement and consultation processes throughout the reporting period, providing community, government representatives and traditional owners with opportunities for engagement on Thunderbird activities.

Kimberley Mineral Sands maintains a policy to employ as many local people as possible and have a large proportion of the permanent residential workforce and their families based in the West Kimberley. This ensures that as much economic benefit as possible is retained in the region, through increased spend and population growth which contribute to both economic and social benefits. To date, over 80% of the Kimberley Mineral Sands workforce are residents of the Kimberley region, with 25% identifying as indigenous. Female employees of KMS account for nearly 30% of the workforce.

South Atlantic Project

During the reporting period, Sheffield executed a binding investment agreement (RGM Option Agreement) with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, current owners of Rio Grande Mineração S/A (RGM), providing Sheffield with an option to acquire a 20% interest in RGM, the 100% owner of the South Atlantic Project in Brazil, via an initial option contribution of US$2.5m, with further staged payments totalling US$12.5m based upon the achievement of key milestones. Should Sheffield elect to exercise the option, subject to various conditions being satisfied, including project financing being obtained and all funds required for project construction being secured, Sheffield may exercise a further option to increase its interest in RGM up to 80% (refer ASX announcement dated 28 February 2023 for further details). An initial part contribution of US$1.0m was remitted to RGM during the reporting period.

The South Atlantic Project is located within the Rio Grande do Sul Coastal Plain, a region located in the southernmost state of Brazil, Rio Grande do Sul, along the coast of the Atlantic Ocean. The tenements are held by RGM.

Four main deposits have been identified within the project area: Retiro, Estreito, Capao do Meio and Bujuru with Exploration Targets developed for the Retiro and Bujuru deposits. RGM intends to commence a drilling program of up to 10,000m in late 2023.

Figure 5: South Atlantic Project – prospects, including Retiro and Bujuru Exploration Targets

Board of Directors and Company Secretary

The Directors and Company Secretary of the Company during and until the date of this report are:

Bruce Griffin

Executive Chair

B.Ch.Eng, B.A.Econ, MBA

Appointed

10 June 2020
(Previously Commercial Director, appointed Executive Chair 13 April 2021)

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.

Responsibilities

Member of the Board

Interest in shares, options and rights

514,558 ordinary shares
587,365 options
1,636,364 performance rights

Other current directorships

CVW CleanTech Inc. (since 2019)

Mawson Gold Limited (appointed 13 February 2023)

Savannah Resources Plc (appointed 12 September 2023)

Past directorships last 3 years

None

John Richards

Lead Independent Director

B. Econ (Hons)

Appointed

1 August 2019
(Previously Non-Executive Chair, appointed Lead Independent Director 13 April 2021)

Experience

Mr Richards is an economist with more than 35 years' experience in the resources industry; holding various positions within mining companies, investment banks and private equity groups. He has been involved in a wide range of mining M&A transaction in multiple jurisdictions. Mr Richards is an Independent Non-Executive Director; holding previous positions at Normandy Mining Ltd, Standard Bank, Buka Minerals and Global Natural Resource Investments; he is a Non-Executive Director of Northern Star Resources Limited and Non-Executive Chair of Sandfire Resources Limited.

Responsibilities

Member of the Board, Chair of the Remuneration & Nomination Committee, Member of the Audit & Risk Committee

Interest in shares, options and rights

400,000 ordinary shares
480,000 options

Other current directorships

Northern Star Resources Limited (appointed 12 February 2021)

Sandfire Resources Limited (appointed 1 January 2021)

Past directorships last 3 years

Saracen Mineral Holdings Ltd (appointed May 2019, resigned February 2021)

Adriatic Metals PLC (appointed November 2019, resigned July 2020)

Ian Macliver

Non-Executive Director

BCom, FCA, SF Fin, FAICD

Appointed

1 August 2019

Experience

Ian Macliver is the Chairman of Grange Consulting Group Pty Ltd & Grange Capital Partners. Prior to establishing Grange, he held positions in various listed and corporate advisory companies. His experience covers all areas of corporate activity including capital raisings, acquisitions, divestments, takeovers, business and strategic planning, debt and equity reconstructions. Mr Macliver is the Non-Executive Chair of MMA Offshore Limited, and an Alternate Director of Wright Prospecting Pty Ltd.

Responsibilities

Member of the Board, Chair of the Audit & Risk Committee, Member of the Remuneration & Nomination Committee

Interest in shares, options and rights

107,142 ordinary shares
480,000 options

Other current directorships

MMA Offshore Limited (appointed January 2020)

Wright Prospecting Pty ltd (appointed Alternate Director December 2022)

Past directorships last 3 years

Western Areas Limited (appointed October 2011, resigned June 2022)

Vanessa Kickett
Non-Executive Director

Appointed

1 January 2022

Experience

Vanessa Kickett has extensive experience and involvement with Aboriginal engagement, native title and heritage matters throughout Western Australia. A member of the Whadjuk Noongar community, Mrs Kickett is currently Deputy Chief Executive Officer of the South West Aboriginal Land and Sea Council, responsible for the recent implementation and operation of the South West (Western Australia) native title settlement. Mrs Kickett has also held a variety of roles in the public sector, leading the development of heritage and native title policy and frameworks on behalf of Water Corporation in Western Australia.

Responsibilities

Member of the Board, Member of the Remuneration & Nomination Committee

Interest in shares, options and rights

480,000 options

Other current directorships

None

Past directorships last 3 years

None

Gordon Cowe
Non-Executive Director

BSc (Hons) Mechanical Engineering, GAICD

Appointed

12 March 2021

Experience

Gordon Cowe is a qualified mechanical engineer with over 30 years' experience, Mr Cowe has had significant involvement in leading business start-up, planning and delivery of multiple complex projects including Mining & Mineral Processing, Oil & Gas and Resources based infrastructure projects globally. He has enjoyed an extensive career with leading contractors (including Bechtel and Worley Parsons) and project owners on a wide range of projects.

Responsibilities

Member of the Board, member of the Audit & Risk Committee

Interest in shares, options and rights

480,000 options

Other current directorships

None

Past directorships last 3 years

None

Mark Di Silvio
Company Secretary

B.Bus, CPA, MBA, GAICD

Appointed

15 February 2016

Experience

Mark Di Silvio is a CPA and MBA qualified finance professional with over 30 years' resources industry experience. Mr Di Silvio's professional career includes operations and project development experience both in Australia and overseas, including senior finance roles with Woodside Petroleum Limited in Australia and Africa prior to joining Central Petroleum Limited and Centamin Plc as CFO. Mr Di Silvio has significant commercial and financial management experience including project financing, commercial agreement structuring and product offtake agreements.

Ore Reserves and Mineral Resources

Ore Reserve for Dampier Project held by Kimberley Mineral Sands Pty Ltd (Sheffield interest – 50%) as at 30 June 2023

Dampier Project Ore Reserve[1,2,3,4,5,6,7]

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes[7] (millions)	HM Grade (%)	Valuable HM Grade (In-situ)[5] Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	239	31	12.9	0.96	0.29	0.28	3.4	16	14
	Probable	514	52	10.1	0.79	0.26	0.27	2.9	15	11
	Total	754	83	11.0	0.84	0.27	0.27	3.1	15	12

Deposit	Ore Reserve Category	Ore Tonnes (millions)	In-situ HM Tonnes[7] (millions)	HM Grade (%)	Mineral Assemblage[6] Zircon (%)	HiTi Leuc (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
Thunderbird	Proved	239	31	12.9	7.5	2.2	2.2	27	16	14
	Probable	514	52	10.1	7.8	2.6	2.6	28	15	11
	Total	754	83	11.0	7.7	2.4	2.5	28	15	12

Note 1: The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012). Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.
Note 2: Ore Reserve is a sub-set of Mineral Resource.
Note 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.
Note 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.
Note 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.
Note 6: Mineral assemblage as a percentage of HM Grade, it is derived by dividing the in-situ grade by the HM grade.
Note 7: The contained in-situ tonnes are derived from HM and material tonnes from information in the Ore Reserve 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.

Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively, subject to mine design, modifying factors and economic evaluation.

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.

Ore Reserve changes 30 June 2022 to 30 June 2023

Both the 2022 and 2023 Ore Reserve estimates were prepared by Entech Pty Ltd. There has been no change between 2022 and 2023 Ore Reserve and no new information that materially affects the Ore Reserve has been received.

Ore Reserves and Mineral Resources

continued

Mineral Resources for Dampier Project held by Kimberley Mineral Sands Pty Ltd (Sheffield interest – 50%) as at 30 June 2023

Dampier Project Mineral Resources[1,2,3,4,5,6,7]

						Mineral Assemblage					
Deposit (cut-off)	Mineral Resource Category	Cut-off (THM%)	Material Tonnes (millions)	In-situ HM Tonnes[7] (millions)	HM Grade (%)	Zircon (%)	HiTi Leuc[6] (%)	Leuc (%)	Ilmenite (%)	Slimes (%)	Oversize (%)
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
	Total	2.0	50	3.0	5.9	14	5.6	49	18	10	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

Note 1: Night Train: The Mineral Resources estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). Thunderbird: The Mineral Resource estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves.

Note 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.

Note 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.

Note 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.

Note 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: ZrO_2+HfO_2/0.667 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.

Note 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

Note 7: The contained in-situ HM tonnes were derived from the HM Grade and material tonnes in the Mineral Resource table.

Changes to Mineral Resources between 30 June 2022 and 30 June 2023

Both the 2022 and 2023 Mineral Resources were prepared by Snowden Optiro, or their predecessors. There has been no change between the 2022 and 2023 Mineral Resource Estimates and no new information that materially affects the Mineral Resources has been received.

Governance and internal controls

Mineral Resource and Ore Reserve are compiled by qualified Kimberley Mineral Sands 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 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 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 (Snowden Optiro) 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 Thunderbird Operations 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 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.

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.

Ore Reserves and Mineral Resources

continued

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 Update: "THUNDERBIRD ORE RESERVE UPDATE" 24 March 2022
- Thunderbird BFS Update: "THUNDERBIRD BFS, FINANCING AND PROJECT UPDATE", 24 March 2022
- Night Train Inferred Resource and Mineral Assemblage results "HIGH GRADE MAIDEN MINERAL RESOURCE AT NIGHT TRAIN" 31 January 2019
- Thunderbird Mineral Resource: "SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD" 5 July 2016
- Thunderbird drilling: "EXCEPTIONALLY HIGH GRADES FROM INFILL DRILLING AT THUNDERBIRD MINERAL SANDS PROJECT" 9 February 2015

These announcements are available to view on Sheffield's website at 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 Update, 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 Persons' findings are presented have not been materially modified from the relevant original market announcements.

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

Item	Report title	Report Date	Competent Person(s)
Mineral Resource Reporting	Thunderbird Ore Reserve Update	24 March 2022	P. Scrimshaw
Mineral Resource Estimation	Sheffield Doubles Measured Mineral Resource at Thunderbird	5 July 2016	M. Teakle, C. Standing
Ore Reserve	High Grade Maiden Mineral Resource at Night Train	31 January 2019	C. Standing

Item	Name	Company	Professional Affiliation
Mineral Resource Reporting	Mr Mark Teakle	Thunderbird Operations	MAIG, MAusIMM
Mineral Resource Estimation	Mrs Christine Standing	Optiro	MAIG, MAusIMM
Ore Reserve	Mr Per Scrimshaw	Entech	MAusIMM

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.

Directors' Report

The Directors present their report on Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity) for the year ended 30 June 2023.

Principal activities

The principal activities during the year were mineral sands evaluation and development in Australia and mineral sands evaluation in Brazil.

Directors and Company Secretary

Please refer to pages 10 to 11.

Directors' meetings

The number of meetings held and attended by each Director during the year are as follows:

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
B Griffin	10	10	-	-	-	-
J Richards	10	10	2	2	4	4
I Macliver	10	10	2	2	4	4
G Cowe[1]	10	10	2	2	1	1
V Kickett[2]	10	10	-	-	2	2

Note 1: Mr Cowe retired as member of Remuneration & Nomination Committee on 14 September 2022.
Note 2: Mrs Kickett appointed member of Remuneration & Nomination Committee on 14 September 2022.

Options

Total unlisted options on issue at the date of this report are as follows:

Date of expiry	**Grant date**	**Exercise price**	**Number under options**
30 November 2023	19 November 2019	$0.65	960,000
30 November 2025	25 November 2021	$0.65	480,000
30 October 2026	25 November 2021	$0.33	700,000
30 November 2026	22 November 2022	$0.84	480,000
1 December 2027	22 November 2022	$0.59	421,271
			3,041,271

Performance rights

Total unlisted performance rights on issue at the date of this report are as follows:

Date of expiry	**Grant date**	**Exercise price**	**Number under rights**
26 October 2025	6 November 2018	Nil	32,257
1 December 2025	22 December 2018	Nil	750,999
30 October 2026	25 November 2021	Nil	67,273
30 October 2026	25 November 2021	Nil	3,318,182
1 December 2027	22 November 2022	Nil	119,023
			4,287,734

Directors' Report

continued

Operating and financial review

The Group's operations during the year ended 30 June 2023 are set out in the Review of Operations and Ore Reserves and Mineral Resources sections. The Group recorded a net loss after tax for the year ended 30 June 2023 of $8.6m (2022: net profit after tax of $26.1m). At 30 June 2023, the Group had $24.4m in cash and cash equivalents (2022: $40.2m) and the Group's net assets were $169.6m (2022: $155.6m).

COVID-19 impact

COVID-19 impacts have not been significant to the Group during the period. The Company does not expect any negative impacts to the financial statements or triggers for any significant uncertainties with respect to events or conditions that may adversely impact the Group.

Dividends

No dividends were paid or declared during the year ended 30 June 2023.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at www.sheffieldresources.com.au.

Likely developments and expected results

Through its 50% investment in Kimberley Mineral Sands Pty Ltd, Sheffield is on track to deliver mineral sands products to markets across the globe, through the successful construction and operation of the Thunderbird Mineral Sands Project in Western Australia.

Sheffield continued to assess and consider growth opportunities within the mineral sands sector during the year, executing an investment agreement with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, owners of Rio Grande Mineração S/A (RGM), providing Sheffield with an option to acquire a 20% interest in RGM.

Environmental regulation

The Group's exploration and mining 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 applicable environmental legislation and is not aware of any material breach of those requirements during the year and up to the date of the Directors' Report.

Indemnification and insurance of Directors and Officers

The Company 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 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*.

Indemnification of insurance of Auditor

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the 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 (2022: 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.

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.

Auditor's Independence

This Auditor's Independence Declaration is set out on page 31 and forms part of the Directors' report for the year ended 30 June 2023.

Events subsequent to reporting period

There has been no matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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 2023. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

Key management personnel (KMP)

For the purposes of this report, KMP 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. The Executive Chair and other executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

Name	Position
Non-Executive Directors	
John Richards	Lead Independent Director
Ian Macliver	Non-Executive Director
Gordon Cowe	Non-Executive Director
Vanessa Kickett	Non-Executive Director
Senior Executives	
Bruce Griffin	Executive Chair
Mark Di Silvio	Chief Financial Officer and Company Secretary

Board policy

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.

Role of the Remuneration & Nomination Committee

Acting on behalf of the Board, the Remuneration & Nomination Committee is responsible for oversight of the remuneration policies, evaluating and monitoring the performance of the Senior Executives. The Board, following recommendation of the Remuneration & Nomination Committee, determines the remuneration of Senior Executives.

The objective of the Remuneration & Nomination Committee is to ensure that the Company's remuneration policies and practices attract and retain executives and directors who will create long term value for shareholders.

Use of external remuneration consultants

The Remuneration & Nomination Committee engaged The Reward Practice to provide benchmarking and market data analysis in relation to the remuneration of Senior Executives and Non-Executive Directors during the year ended 30 June 2023.

Engagement of The Reward Practice sought to assist the Committee and the Board in assessing the competitiveness of remuneration and compensation arrangements. The Reward Practice was engaged by the Remuneration & Nomination Committee Chair and reported to the Committee and the Board. The Committee and the Board considered the information provided by The Reward Practice, along with other factors, in making their respective ultimate remuneration decisions.

The Board is satisfied that the interactions between The Reward Practice and the Senior Executives were negligible, involving provision of remuneration data and related payroll information for consideration. The Reward Practice has relevant procedures in place to minimise potential opportunities for collaboration or undue influence from Senior Executives. The Board is therefore satisfied that the market data provided was free from undue influence from Senior Executives.

Total fees paid to The Reward Practice for services during the year ended 30 June 2023 were $12,650.

Remuneration structure – Non-Executive Directors

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.

All Non-Executive Directors have their indemnity insurance paid by the Company. Non-Executive Directors receive fixed remuneration consisting of a base fee and statutory superannuation contributions as set out below:

	2023 $	2022 $
Base fees excluding statutory superannuation		
Lead Independent Non-Executive Director	**100,000**	100,000
Other Non-Executive Directors	**80,000**	80,000

Share options grants

480,000 share options (with an exercise price of $0.84 per share) were granted to a non-executive director (Mrs Vanessa Kickett) during the year.

Share options vested

480,000 share options (with an exercise price of $0.84 per share) vested in favour of a non-executive director (Mrs Vanessa Kickett) during the year.

Share options expired

No share options awarded to non-executive directors expired during the year.

Measurement of share options

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.

Remuneration structure – Senior Executives

Sheffield is committed to aligning Senior Executive remuneration to long term shareholder return. To this end, the Company's remuneration practices are designed to attract and retain employees by identifying and rewarding high performers and recognising their contribution to the continued growth and success of the organisation.

Key objectives of Sheffield's remuneration policy and practices 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;
- 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 2023 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;
- maintain a Long Term Incentive (LTI) scheme designed to create alignment with the Kimberley Mineral Sands objectives 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 50th percentile of market.

Remuneration Report (audited)

continued

Senior Executive remuneration guidance and practices

Remuneration mix

Senior Executive remuneration consists of fixed annual remuneration (**FAR**), short term incentives (**STI**) and long term incentives (**LTI**).

How is the mix of fixed and at-risk remuneration determined?

The mix of fixed and at-risk remuneration may vary and is dependent upon the organisational seniority of an executive, also considering Company and individual performance factors. The Executive Chair has a greater proportion of remuneration at-risk, compared to other Senior Executives.

For all Senior Executives, it may be possible that during a particular year, no at-risk remuneration will be earned, with fixed remuneration representing 100% of their total remuneration.

For the year ended 30 June 2023, the outcomes and relative proportions of fixed and at-risk remuneration of Senior Executives are described on page 27.

Fixed Annual Remuneration (FAR)

What is included in fixed remuneration?

FAR includes base salary, inclusive of superannuation. Allowances and other benefits may be provided, including additional superannuation, provided that, in the case of extra superannuation, no extra cost is incurred by the Company.

How is fixed remuneration determined and reviewed?

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 is reviewed annually with any adjustments to FAR for Senior Executives ultimately approved by the Board following consideration by the Remuneration Committee.

Sheffield seeks to position FAR at the 50th market percentile of salaries for comparable companies within the mining industry, utilising information provided by independent remuneration consultants.

FAR applicable to the Executive Chair and Chief Financial Officer was reviewed by the Remuneration Committee during the year ended 30 June 2023, with no changes proposed to FAR by the Remuneration Committee.

Short Term Incentive (STI)

What are considered as Short Term Incentives?

STIs are performance measures governing the cash component of at-risk remuneration, payable annually based on a mix of Company and individual performance criteria.

Why are short term incentives provided?

At-risk remuneration strengthens the bond between pay and performance. The purpose of providing STIs is to incentivize and reward Senior Executives for annual performance relative to the expectations of their role accountabilities, required behaviours and KPI's as well as for execution of annual business plans.

A compensation and benefits structure that provides at-risk remuneration is also a necessary part of a competitive remuneration arrangements within the Australian and global marketplace for executives.

Do the STIs consider variable performance levels compared to objectives?

Yes. The quantum of any STI award is linked to the extent of achievement of applicable performance criteria.

Performance levels for each performance criteria are set at the following three levels:

- **Threshold** - a performance level representative of minimum achievement. It represents the minimum level of performance for which a minimum STI award would be payable above this level. The STI is designed such that there is a >75% probability the executive will meet or exceed this level of achievement.
- **Target** - a performance level that represents a challenging but achievable level of performance. The STI is designed such that there is a 50% probability of achievement in any given year.
- **Stretch** - a performance level that represents the upper limit of what may be achievable. The STI is designed such that there is a less than 25% probability the executive will reach or exceed this level of achievement.

The probabilities of achievement are set at these levels such that, over time and assuming performance to role awards approximately equal to the target level would be payable.

What are the STI performance criteria for the year ending 30 June 2023?

For the year ended 30 June 2023, the following performance financial and non-financial measure were reviewed and considered by the Remuneration Committee to be appropriate, aligned with the Company's strategy:

- Achievement of construction schedule & budget milestones for the Thunderbird Mineral Sands Project, measured against forecast performance contained within public disclosures by the Company prior to commencement of construction in 2022.

The STI performance criteria for actual Group EBITDA for the 2023 financial year were set at the following levels:

	STI Performance Criteria
Construction Milestones	
Stretch	1 month ahead of Project Schedule (Feb 2024)
Target	On Project Schedule (March 2024)
Threshold	2 months behind Project Schedule (May 2024)
Budget Milestones	
Stretch	5% Below Budget - $461m
Target	On Budget - $484m
Threshold	10% Above Budget - $532m

Are there any overriding financial performance or other conditions?

The Remuneration Committee also recommended that above performance measures should be further qualified by the following factors:

- Health, Safety, Environmental and Governance objectives being met. In the event of a fatality or other catastrophic event, the Board would be expected to exercise its discretion to award no STI cash or equity bonus for the period; and
- Satisfactory individual performance by the executive, whereby the executive must achieve a minimum personal scorecard target of 50% or greater to be eligible for the award; and
- The executive must be employed during the entire period to be eligible for the award (noting applicable good leaver provisions may apply).

How much value is ascribed to the STI opportunity?

The Executive Chair had a target STI opportunity of 37.5% of FAR, with a minimum opportunity (if only threshold level is met) of 0% of FAR and a maximum opportunity (if the stretch targets are achieved) of 50% of TFR.

Other Senior Executives had a target STI opportunity of 30% of FAR, with a minimum opportunity (if only threshold level is met) of 0% of TFR and a maximum opportunity (if the stretch targets are achieved) of 40% of TFR.

These percentages were set based on mining industry benchmark data to achieve the remuneration policy intent at the 50th market percentile.

What is the STI assessment process?

Individual criteria: Based upon a scale in respect of a particular area of accountability, with consideration given to the extent to which the behaviours and performance indicators have been modelled and observed. The assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board.

Corporate criteria: Based upon objective performance measures and data points collected, the Board determines the extent to which corporate performance criteria has been satisfied and achieved.

How is the STI paid?

STI award outcomes are typically paid as cash remuneration to an employee. However, in order to provide greater alignment with shareholder value, Sheffield provides 50% of the STI award in cash, with the remaining 50% balance awarded via vesting of performance rights, subject to shareholder approval provisions.

What happens to the STI award opportunity if a Senior Executive ceases employment?

Unless the Board determines otherwise, where a participant ceases to be employed by the Company, their award opportunity for the applicable financial year will be reduced to reflect the portion of the financial year not completed at the end of their employment. For the purposes of determining the actual STI award, assessment of the extent of their achievement of individual criteria will be based on performance up to the cessation of their employment, while the extent of achievement of the corporate criteria will be assessed by the Board in the ordinary course at the conclusion of the financial year.

Long Term Incentive (LTI)

What does the LTI mean?

The LTI governs the equity component of at-risk remuneration, with the amount of remuneration ultimately received by a participant in respect of an award determined by reference to long term performance criteria of the Company.

How often are LTI awards determined and made?

The LTI contains two segments, each operating on a three year cycle. Each segment commences on 1 July (or any other appropriate date as determined by the Board) and is followed by a 3 year performance period, with testing occurring as at the final day of the performance period.

The two LTI segments comprise the following:

- Performance Rights: Upon each triennium anniversary, the grant of performance rights comprising 3 year performance criteria and hurdles for achievement during the triennium period; and
- Share Options: Annually, the grant of share options with a life of 3 years, with appropriate market based performance hurdles.

Why are LTIs required?

Provision of LTIs provide the Company with the opportunity to attract executives with the appropriate skills, and provide an incentive and reward aligned with the interests of the Company's shareholders.

The objective of the LTI 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.

What types of equity may be granted under the LTIP?

Performance rights and Share Options are granted as LTIs.

Performance rights are a right to be allocated one share in Sheffield, subject to satisfying any specified thresholds, standards and performance criteria. A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and been exercised and a share has been allocated to the participant.

Share Options are an option to be allocated one share in Sheffield, subject to satisfying any specified thresholds, standards and performance criteria. A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and been exercised and a share has been allocated to the participant.

How much value is ascribed to the LTI opportunity?

The Executive Chair is awarded performance rights worth 100% of FAR. Other Senior Executives are awarded performance rights worth 80% of their TFR. LTI performance criteria are designed to target 50% vesting of awarded performance rights over time. Award opportunities and targeted vesting outcome are based on industry benchmarks to achieve the remuneration policy intent of positioning FAR at the 50th market percentile.

What are the LTI performance criteria for the year ending 30 June 2023?

The LTI program comprises the Performance Rights and Share Option segments, with long term targets and performance hurdles aligned with the Company's strategy. Each segment contains performance hurdles that need to be achieved prior to award.

During the prior year ended 30 June 2022, the first LTI segment comprised performance rights aligned with the Company's strategy of achieving initial production from Thunderbird, whilst also considering superior growth in the Company's share price compared to a nominated sector per group. For the triennium cycle commencing on 1 July 2021 and ending 30 June 2024, the Board determined that the following performance hurdles to apply:

- Achievement of first commercial shipment of zircon or ilmenite product from the Thunderbird Mineral Sands Project on or before 31 March 2024;
- Construction of the Thunderbird Mineral Sands Project is completed on or before 30 June 2024 and in accordance with the total funding requirement for the Thunderbird Mineral Sands Project as disclosed by the Company to ASX on or before 30 June 2022;
- Achievement of a minimum of 90% of throughput production capacity at the Thunderbird Mineral Sands Project, measured over a consecutive 10-day period on or before 30 June 2024.

The second segment of LTIs comprises share options with appropriate market based performance hurdles. For the annual cycle commencing on 1 July 2022 and ending 30 June 2025, the Board determined that the following performance hurdles shall apply:

- Superior performance of Compound Annual Growth Rate (CAGR) calculated in respect of the Company's share price less the percentage CAGR calculated in respect of the S&P/ASX 300 Materials Index, calculated for the period commencing between 1 July 2022 and ending on 30 June 2025.

How does the Company consider industry benchmarks when granting LTIs?

In the case of the current financial year, remuneration consultants engaged by the Company considered a range of ASX listed resource peer companies by market capitalisation and sector similarity. The benchmark comparator group for the year ended 30 June 2023 is described below:

ASX Companies – Comparator Group

Hastings Technology Metals Limited	Catalyst Metals Limited
Strandline Resources Limited	Bougainville Copper Limited
Andromeda Metals Limited	Musgrave Minerals Limited
Base Resources Limited	Nova Minerals Limited
Prospect Resources Limited	Green Technology Metals Limited
Queensland Pacific Metals Limited	Ten Sixty Four Limited
Poseidon Nickel Limited	Jindalee Resources Limited
Arizona Lithium Limited	Cokal Limited
Northern Minerals Limited	AIC Mines Limited
EcoGraf Limited	Sunstone Metals Limited
VHM Limited	Element 25 Limited
Red Hill Iron Limited	Dreadnought Resources Limited
Vital Metals Limited	Morella Corporation Limited
Image Resources NL	Red Dirt Metals Limited
European Metals Holdings Limited	Anson Resources Limited
Cobalt Blue Holdings Limited	Hot Chili Limited
Lithium Power International Limited	Euro Manganese Inc.
Black Rock Mining Limited	Capral Limited
Ionic Rare Earths Limited	Tulla Resources Plc
Morella Corporation Limited	Australian Vanadium Limited
Anson Resources Limited	Latrobe Magnesium Limited
Euro Manganese Inc.	Altech Chemicals Limited
Australian Vanadium Limited	Peel Mining Limited
Ardea Resources Limited	

Was a LTI grant made during the year ended 30 June 2023?

No LTI performance rights were granted to employees during the year. The triennium cycle ends on 30 June 2024 and the next grant of LTI performance rights is scheduled in the 2025 financial year.

For the year ended 30 June 2023, share options outlined above aligned with CAGR share price performance have been granted to Senior Executives. 421,271 share options were granted to employees during the year.

Did any LTI performance rights vest in the reporting period?

No. 135,455 STI performance rights vested in favour of Senior Executives with no LTI performance right vesting events having occurred.

The next LTI performance right and share option vesting event is subject to testing on or before 30 June 2024.

Remuneration Report (audited)

continued

What happens to LTIs when a participant ceases employment?

Where a participant ceases to be employed by the Company, unvested performance rights are typically automatically forfeited. In limited circumstances in accordance with the Performance Incentive Plan, the Board may exercise discretion as to whether any unvested performance rights that will remain on foot and become capable of vesting in accordance with Performance Incentive Plan rules. Reasons may include, but are not limited to, death, total and permanent disablement, retirement or redundancy.

What happens to LTIs the event of a change of control?

In accordance with Performance Incentive Plan rules, vesting conditions attached to LTIs will be deemed to be automatically waived in the circumstances where a Change of Control occurs, such that all LTIs will vest and become capable of exercise.

Does the Group have a policy in relation to hedging at-risk remuneration?

Yes, the Performance Incentive Plan rules prohibit participants from entering an arrangement where the effect would result in limiting their exposure to risk relating to performance rights that have not vested.

What other rights of participation exist in relation to performance rights and share options?

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 & Employee Share Options – other key facts

Grant of performance rights

271,526 performance rights were granted to Senior Executives during the year following receipt of shareholder approval at the Annual General Meeting held on 22 November 2022.

Performance rights vested

574,474 performance rights vested in favour of Senior Executives during the year.

Performance rights expired

316,061 performance rights previously awarded to Senior Executives expired during the year.

Share options grants

For the year ended 30 June 2023, long term incentives outlined above aligned with CAGR share price performance have been granted to Senior Executives. 421,271 share options were granted to Senior Executives during the year.

Share options vested

No share options vested in favour of Senior Executives during the year.

Share options expired

No share options awarded to Senior Executives expired during the year.

Proposed 2024 executive incentive planning & strategy

The Remuneration Committee has considered an incremental update to the executive incentive plan which will be subject to shareholder approval. Senior Executive incentives for 2024 shall consist of STI performance measures and a LTI share options linked to market measures.

The STI would be based upon annual performance targets and paid 50% in cash and 50% in the form of performance rights which vest after one further year with 3 years to exercise. The share options would consider an annual grant of at market options vesting after three years subject to satisfaction of market-based performance criteria and with one further year to exercise. No further LTI is proposed for award for 2024, as the triennium cycle commenced on 1 July 2021 and ending on 30 June 2024 was considered and granted in the 2022 financial year, in the form of a performance rights vesting after three years and subject to satisfaction of performance criteria and with three further years to exercise.

Further details in relation to the proposed 2024 remuneration structure will be made available to shareholders in conjunction with the 2023 Notice of Annual General Meeting, scheduled for release in October 2023.

Overview of company performance

The table below sets out summary of information about the movements in shareholder wealth for the following financial periods:

	2023	2022	2021	2020	2019
Profit/(loss) before tax ($'000)	**(8,610)**	24,991	29,096	(8,370)	(10,250)
Net profit/(loss) after tax ($'000)	**(8,610)**	26,079	28,008	(8,370)	(10,250)
Dividend (cents)	**-**	–	–	–	–
Basic earnings/(loss) per share (cents)	**(2.39)**	7.53	8.19	(2.81)	(4.18)
Diluted earnings/(loss) per share (cents)	**(2.39)**	7.44	7.82	(2.81)	(4.18)
Share price at year end (cents)	**47.5**	48.0	35.5	12.5	36.0

Senior executive employment agreements

Remuneration and other terms of employment for the following KMP 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	Total Fixed Remuneration	Termination benefit
B Griffin[1]	Executive Chair	10 June 2020	$500,000	1 months' notice
M Di Silvio	CFO & Company Secretary	15 February 2016	$388,500	4 months' notice

Note 1: Mr Griffin's Total Fixed Remuneration was amended from $300,000 per annum to $500,000 per annum effective 1 April 2023.

Remuneration of Key Management Personnel

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

	Fixed remuneration		Remuneration linked to performance	
	2023	**2022**	**2023**	**2022**
Non-Executive Directors				
J Richards	**100%**	100%	**-**	–
I Macliver	**100%**	100%	**-**	–
G Cowe	**100%**	67%	**-**	33%
V Kickett	**44%**	100%	**56%**	–
Senior Executives				
B Griffin	**52%**	51%	**48%**	49%
M Di Silvio	**51%**	55%	**49%**	45%

Remuneration Report (audited)

continued

The tables below show the fixed and variable remuneration for KMP:

2023	Short-term Salary & fees $	Short-term Bonus $	Short-term Non-monetary[2] $	Post-employment Superannuation $	Share based payments Options & rights[1] $	Total $
Non-Executive Directors						
J Richards	110,500	–	14,288	–	–	124,788
I Macliver	80,000	–	14,288	8,400	–	102,688
G Cowe[3]	120,000	–	14,288	8,400	–	142,688
V Kickett	80,000	–	14,288	8,400	131,520	234,208
Senior Executives						
B Griffin[4]	372,500	22,500	14,288	–	333,831	743,119
M Di Silvio	361,000	22,200	14,288	27,500	365,216	790,204
	1,124,000	44,700	85,728	52,700	830,567	2,137,695

Note 1: The fair value is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuation which comprised of a hybrid option pricing model incorporating a Monte-Carlo simulation. Please refer to Note 16 in the consolidated financial statements for further details.
Note 2: Non-monetary benefits include either cost to the Company in providing fringe benefits and/or attributable non-cash benefit applied by virtue of the Company's Directors and Officer Liability policy.
Note 3: Compensation included $40,000 consulting fees paid to Mr Cowe. Further details disclosed in Other Transactions with KMP and their Related Parties section, which forms part of the Directors' Report.
Note 4: Compensation included consulting fees paid to Mr Griffin. Further details disclosed in Other Transactions with KMP and their Related Parties section, which forms part of the Directors' Report.

2022	Short-term Salary & fees $	Short-term Non-monetary[2] $	Post-employment Superannuation $	Share based payments Options & rights[1] $	Total $
Non-Executive Directors					
J Richards	100,000	12,925	10,000	–	122,925
I Macliver	80,000	12,925	8,000	–	100,925
G Cowe[3]	123,000	12,925	8,000	70,080	214,005
V Kickett[4]	40,000	6,155	4,000	–	50,155
B McFadzean[5]	14,564	3,077	1,456	–	19,097
Senior Executives					
B Griffin[6]	300,000	12,925	–	306,068	618,993
M Di Silvio	342,500	12,925	27,500	311,026	693,951
	1,000,064	73,857	58,956	687,174	1,820,051

Note 1: The fair value is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuation which comprised of a hybrid option pricing model incorporating a Monte-Carlo simulation.
Note 2: Non-monetary benefits include either cost to the Company in providing fringe benefits and/or attributable non-cash benefit applied by virtue of the Company's Directors and Officer Liability policy.
Note 3: Compensation included $43,000 consulting fees paid to Mr Cowe. Further details disclosed in Other Transactions with KMP and their Related Parties section, which forms part of the Directors' Report.
Note 4: Mrs Kickett appointed on 1 January 2022.
Note 5: Mr McFadzean retired on 6 September 2021.
Note 6: Compensation included consulting fees paid to Mr Griffin. Further details disclosed in Other Transactions with KMP and their Related Parties section, which forms part of the Directors' Report.

Equity instruments

Share options

The table below outlines the movement of the options held by each key management personnel:

2023	Opening balance	Granted	Exercised	Lapsed	Closing balance	Vested & exercisable	Unvested
Non-Executive Directors							
J Richards	480,000	-	-	-	480,000	480,000	-
I Macliver	480,000	-	-	-	480,000	480,000	-
G Cowe	480,000	-	-	-	480,000	480,000	-
V Kickett	-	480,000	-	-	480,000	480,000	-
Senior Executives							
B Griffin[1]	363,636	223,729	-	-	587,365	-	587,365
M Di Silvio	336,364	197,542	-	-	533,906	-	533,906
	2,140,000	901,271	-	-	3,041,271	1,920,000	1,121,271

Note 1: Mr Griffin serves as Executive Chair of Sheffield. Options are being held by Farview Solutions Limited (Farview). Mr Griffin is a director and controlling shareholder of Farview.

Performance rights

The table below outlines the movement of the rights held by each KMP:

				Rights to deferred shares						
	Year granted	Opening balance	Granted	Vested		Forfeited/Lapsed		Closing balance (unvested)	Closing balance (vested)	Value yet to vest
2023		**Number**	**Number**	**Number**	**%**	**Number**	**%**	**Number**	**Number**	**$**
Non-Executive Directors										
J Richards	-	-	-	-	-	-	-	-	-	-
I Macliver	-	-	-	-	-	-	-	-	-	-
G Cowe	-	-	-	-	-	-	-	-	-	-
V Kickett	-	-	-	-	-	-	-	-	-	-
Senior Executives										
B Griffin[1]	2022	1,863,637	139,831	(68,182)	4%	(159,091)	9%	1,776,195	68,182	515,693
M Di Silvio	2022	2,345,080	131,695	(506,292)	22%	(156,970)	7%	1,813,513	506,292	510,638
		4,208,717	271,526	(574,474)		(316,061)		3,589,708	574,474	1,026,331

Note 1: Mr Griffin serves as Executive Chair of Sheffield. Performance Rights are being held by Farview Solutions Limited (Farview). Mr Griffin is a director and controlling shareholder of Farview.

Remuneration Report (audited)

continued

Shareholdings

The table below outlines the relevant interest of each KMP in the share capital (held directly or indirectly of the Company) as at 30 June 2023:

2023	Opening balance	Granted as remuneration	Received on exercise	Other changes[1]	Closing balance
Non-Executive Directors					
J Richards	–	–	–	400,000	400,000
I Macliver	100,000	–	–	7,142	107,142
G Cowe	–	–	–	–	–
V Kickett	–	–	–	–	–
Senior Executives					
B Griffin[2]	200,000	–	–	120,000	320,000
M Di Silvio	641,854	–	–	30,000	671,854
	941,854	–	–	557,142	1,498,996

Note 1: Include on-market purchases by KMP.

Note 2: Mr Griffin serves as Executive Chair of Sheffield. Shares are being held in part by Mr Griffin's spouse and Farview Solutions Limited (Farview). Mr Griffin is a director and controlling shareholder of Farview.

Other transactions with KMP and their related parties

Farview Solutions Limited (Farview) provides consultancy services to the Group. Mr Griffin is a director and controlling shareholder of Farview and also serves as Executive Chair of Sheffield. The total amount paid to Farview during the year was $395,000 (2022: $300,000). The payment was disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

Ozscot Trust (Ozscot) provides general consultancy services and workshop participation to the Group. Mr Cowe is a director of Ozscot and also serves as Non-Executive Director of Sheffield. The total amount paid to Ozscot during the year was $40,000 plus GST (2022: $43,000). The payment was disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

Loans to Key Management Personnel

No loans were granted to KMP during the year.

End of Audited Remuneration Report

Signed in accordance with a resolution of the Directors.

For and on behalf of the Directors

Bruce Griffin
Executive Chair
Perth, Western Australia

26 September 2023

Auditor's Independence Declaration

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 2023, 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	**N G Neill**
26 September 2023	**Partner**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Continuing operations			
Interest income		**608**	83
Gain on sale of assets		**–**	29,160
Employee benefits expenses		**(1,605)**	(1,263)
Share-based payments expenses	16	**(914)**	(1,160)
Other corporate expenses		**(1,330)**	(961)
Share of joint venture loss	8	**(5,368)**	(866)
Bank fees and finance charges		**(1)**	(2)
Net profit/(loss) before income tax		**(8,610)**	24,991
Income tax benefit	9	**–**	1,088
Net profit/(loss) after income tax		**(8,610)**	26,079
Other comprehensive income		**–**	–
Total comprehensive income/(loss), net of tax		**(8,610)**	26,079
Earnings/(Loss) per share attributable to ordinary equity holders			
Basic earnings/(loss) per share (cents per share)	18	**(2.39)**	7.53
Diluted earnings/(loss) per share (cents per share)	18	**(2.39)**	7.44

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	10	**24,407**	40,223
Trade and other receivables	11	**64**	42
Total current assets		**24,471**	40,265
Non-current assets			
Investment in joint venture	8	**143,938**	115,535
Convertible loan	12	**1,508**	–
Total non-current assets		**145,446**	115,535
Total assets		**169,917**	155,800
Current liabilities			
Trade and other payables	13	**183**	112
Provisions	14	**119**	62
Total current liabilities		**302**	174
Total liabilities		**302**	174
Net assets		**169,615**	155,626
Equity			
Issued capital	15	**155,309**	133,091
Reserves	16	**13,691**	13,310
Retained earnings	17	**615**	9,225
Total equity		**169,615**	155,626

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2022	133,091	13,310	9,225	155,626
Comprehensive income/(loss)				
Net loss for the year	–	–	(8,610)	(8,610)
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	(8,610)	(8,610)
Transactions with owners				
Shares issued	23,219	(533)	–	22,686
Share issue costs	(1,001)	–	–	(1,001)
Share-based payments	–	914	–	914
Total transactions with owners	22,218	381	–	22,599
Balance as at 30 June 2023	155,309	13,691	615	169,615

	Issued capital $'000	Reserves $'000	Retained earnings/ (Accumulated losses) $'000	Total $'000
Balance as at 1 July 2021	133,091	12,150	(16,854)	128,387
Comprehensive income/(loss)				
Net profit for the year	–	–	26,079	26,079
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	26,079	26,079
Transactions with owners				
Share-based payments	–	1,160	–	1,160
Total transactions with owners	–	1,160	–	1,160
Balance as at 30 June 2022	133,091	13,310	9,225	155,626

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		–	117
Payments to suppliers and employees		(2,808)	(2,326)
Interest received		583	83
Bank fees and finance charges		(1)	(2)
Net cash used in operating activities	10	(2,226)	(2,128)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		–	(195)
Proceeds from disposal of assets (net of GST)		–	36,000
Investment in joint venture		(33,771)	–
Loan to Rio Grande Mineração (RGM)		(1,534)	–
Release of bonds/securities		–	27
Net cash from/(used in) investing activities		(35,305)	35,832
Cash flows from financing activities			
Proceeds from issue of shares		22,685	–
Payments for share issue costs		(970)	–
Net cash from financing activities		21,715	–
Net increase/(decrease) in cash and cash equivalents		(15,816)	33,704
Cash and cash equivalents at the beginning of the year		40,223	6,519
Cash and cash equivalents at the end of the year	10	24,407	40,223

The consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

1. Coporate information

The consolidated financial report for the year ended 30 June 2023 covers Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity). The principal activities during the year were mineral sands evaluation and development in Australia and mineral sands evaluation in Brazil.

Sheffield is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and its controlled entities 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 consolidated financial report of Sheffield for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 26 September 2023.

2. 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 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.

(a) 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.

(b) Rounding of amounts

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.

(c) Historical cost convention

These financial statements have been prepared under the historical cost convention and on an accrual basis, except for certain financial assets and liabilities which are required to be measured at fair value.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sheffield as at 30 June 2023. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

3. Significant 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 payments 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 by a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuation which comprised of a hybrid option pricing model incorporating a Monte Carlo simulation.

3. Significant accounting estimates and judgements (continued)

Investment in joint venture

The Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and carrying value, and then recognises the loss within "Share of joint venture profit/loss" in the statement of profit or loss.

Upon loss of significant influence or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Convertible loan

The Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

4. New and revised accounting standards and interpretations

The Group adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and are mandatory for the current financial reporting period beginning 1 July 2022. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Management is not expecting a significant impact on the financial report when the new standards/interpretations are adopted.

5. 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. Current taxes and deferred taxes are not allocated to the segments as they are managed on a group basis.

The Group's operating segments are as follows:

- South Atlantic project – Project consists of mineral sands tenements located in Southeast Brazil. On 28 February 2023, Sheffield executed a binding investment agreement (RGM Option Agreement) with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, owners of Rio Grande Mineração S/A (RGM). Please refer to Note 12 for additional information.
- Thunderbird project – Project consists of mineral sands tenements located in the Canning Basin that form part of the Thunderbird mineral sand mining operation held by Thunderbird Operations Pty Ltd, subsidiary of Kimberley Mineral Sands Pty Ltd (KMS). Please refer to Note 8 for additional information.
- Other unallocated items – corporate expenses and share-based payments expenses are examples of items that are not allocated to operating segments as they are not considered part of the core operation of any segment.

2023	South Atlantic Project $'000	Thunderbird Project $'000	Other $'000	Total $'000
Segment Reporting				
Other income	–	–	608	608
Employee benefits expenses	–	–	(1,605)	(1,605)
Share-based payments expenses	–	–	(914)	(914)
Corporate expenses	–	–	(1,331)	(1,331)
Share of joint venture loss	–	(5,368)	–	(5,368)
Segment loss before tax	–	(5,368)	(3,242)	(8,610)
Segment assets	1,508	143,938	24,471	169,917
Segment liabilities	–	–	302	302
Other disclosures				
Investment in joint venture	–	143,938	–	143,938
Convertible loan	1,508	–	–	1,508

5. Segment reporting (continued)

2022	Sheffield Project[1] $'000	Thunderbird Project $'000	Other $'000	Total $'000
Segment Reporting				
Other income	–	–	83	83
Employee benefits expenses	–	–	(1,263)	(1,263)
Share-based payments expenses	–	–	(1,160)	(1,160)
Corporate expenses	–	–	(963)	(963)
Share of joint venture loss	–	(866)	–	(866)
Gain on sale of assets	29,160	–	–	29,160
Segment profit/(loss) before tax	29,160	(866)	(3,303)	24,991
Segment assets	–	115,535	40,265	155,800
Segment liabilities	–	–	174	174
Other disclosures				
Investment in joint venture	–	115,535	–	115,535
Capital expenditure	192	–	–	192

Note 1: Sheffield project consisted of mineral sands exploration tenements held by Sheffield. Sheffield sold its 100% owned Eneabba and McCalls Project during the year ended 30 June 2022.

6. Financial risk 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 does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk;
- Credit risk;
- Liquidity risk; and
- Foreign currency risk;

Risk management

The Group's principal financial instruments comprise of cash, receivables, and payables. The Group monitors and manages its exposure to key financial risks in accordance with the Group's financial management policy.

Interest rate risk management

The Group is exposed to interest rate risk as the Group holds cash at both fixed and floating interest rates. The Group constantly analyses its interest rate exposure. The Group's exposure to interest rate risk is limited to the amount of interest income it can potentially earn on surplus cash deposits.

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'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 Directors periodically.

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.

6. Financial risk management (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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 and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's financial instruments are as follows:

							Weighted average interest rate	
2023	**Floating interest rate $'000**	**< 1 year $'000**	**1 to 5 years $'000**	**> 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**	**Fixed**	**Floating**
Financial assets								
Cash and cash equivalents	24,057	–	–	–	349	24,406	5.01%	4.25%
Trade and other receivables	–	30	–	–	34	64	5.20%	–
Convertible loan	–	–	1,508	–	–	1,508	–	–
Total financial assets	24,057	30	1,508	–	383	25,978		
Financial liabilities								
Trade and other payables	–	–	–	–	184	184	–	–
Total financial liabilities	–	–	–	–	184	184		

							Weighted average interest rate	
2022	**Floating interest rate $'000**	**< 1 year $'000**	**1 to 5 years $'000**	**> 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**	**Fixed**	**Floating**
Financial assets								
Cash and cash equivalents	39,965	–	–	–	258	40,223	0.25%	0.36%
Trade and other receivables	–	30	–	–	12	42	0.25%	–
Total financial assets	39,965	30	–	–	270	40,265		
Financial liabilities								
Trade and other payables	–	–	–	–	112	112	–	–
Total financial liabilities	–	–	–	–	112	112		

6. Financial risk management (continued)

The Group's expected contractual outflows and maturities of financial liabilities are as follows:

	Current liabilities		Non-current liabilities	
2023	< 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	> 5 years $'000
Financial liabilities				
Trade and other payables	184	–	–	–
	184	–	–	–

	Current liabilities		Non-current liabilities	
2022	< 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	> 5 years $'000
Financial liabilities				
Trade and other payables	112	–	–	–
	112	–	–	–

The Group's exposure to USD foreign currency risk, expressed in Australian dollars are as follows:

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	1,526	–
Convertible loan	1,508	–
	3,034	–

The estimated sensitivity analysis of +/- 10% movement in the US dollar spot exchange rate, with all other variables held constant, in which financial assets are held, are as follows:

	Effect of 10% increase in exchange rate		Effect of 10% decrease in exchange rate	
2023	Profit/(Loss) $'000	Equity $'000	Profit/(Loss) $'000	Equity $'000
Financial assets				
Cash and cash equivalents	(139)	-	169	-
Convertible loan	(137)	-	168	-
	(276)	-	337	-

	Effect of 10% increase in exchange rate		Effect of 10% decrease in exchange rate	
2022	Profit/(Loss) $'000	Equity $'000	Profit/(Loss) $'000	Equity $'000
Financial assets				
Cash and cash equivalents	–	–	–	–
	–	–	–	–

7. Subsidiaries

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

	Country of incorporation	Ownership interest %	
		2023	**2022**
Sheffield Resources Limited			
Sheffield Brazil Holdings Pty Ltd (formerly Ironbridge Resources Pty Ltd)	Australia	**100%**	100%
Sheffield Exploration (WA) Pty Ltd	Australia	**100%**	100%
Sheffield Brazil Holdings Pty Ltd			
Sheffield Brazil Investments Pty Ltd (formerly Moora Talc Pty Ltd)	Australia	**100%**	100%

8. Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when the decisions about relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss.

Kimberley Mineral Sands Pty Ltd Joint Venture

YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird Mineral Sands project (Thunderbird project) in 2021. The ownership of the Thunderbird project was previously held by Sheffield through its 100% owned subsidiary Kimberley Mineral Sands Pty Ltd (KMS) prior to the formation of the joint venture. The project is located in north-west Western Australia. As per the terms of the agreement, Yansteel subscribed for a 50% interest in KMS and provided $130.1 million in project equity funding. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements.

KMS made a Final Investment Decision (FID) to construct and develop the Thunderbird project on 7 October 2022. KMS reached financial close on a combined $315m senior loan facilities provided by Northern Australia Infrastructure Facility (NAIF) and OMRF (Th) LLC, a related entity of Orion Mineral Royalty Fund (Orion). The additional project equity of $169m is funded from a combination of $111m in historical Yansteel equity funding, $24m in new equity funding from Yansteel and $34m of equity from Sheffield. The Sheffield new equity of $34m includes the $10m due in accordance with the KMS Joint Venture agreement. The Thunderbird project is fully funded through to first production and remains on track for first product shipment in Q1 2024.

Site construction activities at Thunderbird project continued to advance during the year and were over 92% complete as of 30 June 2023. Preparations for the commencement of operations has commenced with ongoing recruitment of key leadership roles.

KMS is governed by a four-person Board of Directors with Sheffield and Yansteel each nominating, and being represented by, two directors. Key decisions require unanimous approval of both shareholders.

8. Investment in joint venture (continued)

Carrying amount in joint venture investment is as follows:

	2023 $'000	2022 $'000
Reconciliation of carrying amount in joint venture investment – KMS		
Share of joint venture investment	**115,535**	126,401
Equity contribution at final investment decision[1]	**10,000**	–
Additional equity contribution in KMS[2]	**23,771**	–
Sheffield's share of joint venture results – 50%	**(5,368)**	(866)
Carrying amount of interest in joint venture	**143,938**	125,535
Less contingent liabilities[1]	**-**	(10,000)
Closing carrying amount of interest in joint venture	**143,938**	115,535

Note 1: The payment made was contingent upon KMS reaching a final investment decision with regards to the Thunderbird project.
Note 2: Additional equity funding required to ensure that the Thunderbird project was fully funded through to first production.

KMS also had commitments and contingent liabilities as at 30 June 2023, for which the Group has corresponding commitments and contingent liabilities as disclosed in Notes 21 and 22.

Summarised consolidated audited statement of profit or loss and other comprehensive income of KMS for the years ended 30 June 2022 and 2023 is as follows:

	Joint venture (100%) 2023 $'000 (Audited)	Joint venture (100%) 2022 $'000 (Audited)
Other income	**158**	135
Expenses	**(15,549)**	(1,141)
Loss before income tax	**(15,391)**	(1,006)
Income tax expense	**4,654**	(727)
Loss after income tax	**(10,737)**	(1,733)
Other comprehensive income/(loss)	**-**	–
Total comprehensive loss, net of tax	**(10,737)**	(1,733)
Reconciliation of share of joint venture loss – continuing operations		
Sheffield's share of joint venture loss – 50%	**(5,368)**	(866)

8. Investment in joint venture (continued)

Consolidated audited statement of financial position of KMS as at 30 June 2022 and 2023 is as follows:

	Note	Joint venture (100%) 2023 $'000 (Audited)	Joint venture (100%) 2022 $'000 (Audited)
Current assets			
Cash and cash equivalents		**95,211**	53,197
Trade and other receivables		**1,565**	1,536
Prepayments		**1,234**	344
Inventories		**186**	194
Total current assets		**98,196**	55,271
Non-current assets			
Other financial assets		**1,074**	511
Prepayments	8 (c)	**117,288**	–
Plant and equipment	8 (a)	**22,849**	10,572
Right of use asset	8 (a)	**1,739**	2,099
Mine assets under development	8 (a)	**383,629**	160,960
Exploration and evaluation assets		**7,314**	5,351
Total non-current assets		**533,893**	179,493
Total assets		**632,089**	234,764
Current liabilities			
Trade and other payables		**19,727**	21,778
Lease liabilities		**293**	360
Provisions		**3,402**	1,220
Total current liabilities		**23,422**	23,358
Non-current liabilities			
Lease liabilities		**1,751**	2,000
Borrowings	8 (b)	**229,818**	–
Other financial liabilities	8 (c)	**112,696**	–
Provisions		**16,966**	4,120
Deferred tax liabilities		**3,147**	7,802
Total non-current liabilities		**364,378**	13,922
Total liabilities		**387,800**	37,280
Net assets		**244,289**	197,484
Equity			
Issued capital		**187,660**	130,118
Reserves		**88,713**	88,713
Accumulated losses		**(32,084)**	(21,347)
Total equity		**244,289**	197,484

8. Investment in joint venture (continued)

Consolidated audited statement of cash flows of KMS for the years ended 30 June 2022 and 2023 is as follows:

	Joint venture (100%) 2023 $'000 (Audited)	Joint venture (100%) 2022 $'000 (Audited)
Cash flows from operating activities		
Receipts from customers	**23**	135
Payments to suppliers and employees	**(4,086)**	(300)
Interest received	**25**	40
Other finance costs paid	**(5)**	–
Net cash used in operating activities	**(4,043)**	(125)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	**(1,990)**	(877)
Payments for plant and equipment	**(14,794)**	(87)
Payments for mine assets under development expenditure	**(210,609)**	(73,014)
Payments for bank guarantees	**(572)**	(600)
Net cash used in investing activities	**(227,965)**	(74,578)
Cash flows from financing activities		
Proceeds from issue of shares	**57,542**	–
Proceeds from borrowings	**216,840**	–
Payments for lease liabilities	**(360)**	(317)
Net cash (used in)/from financing activities	**274,022**	(317)
Net increase/(decrease) in cash and cash equivalents	**42,014**	(75,020)
Cash and cash equivalents at the beginning of the year	**53,197**	128,217
Cash and cash equivalents at the end of the year	**95,211**	53,197

8. Investment in joint venture (continued)

(a) Plant and equipment, right of use assets and mine assets under development

	Joint venture (100%)			
2023	**Plant & equipment $'000 (Audited)**	**Right of use assets $'000 (Audited)**	**Mine assets under development $'000 (Audited)**	**Total $'000 (Audited)**
Non-current assets				
Carrying amount – at cost	26,915	2,792	383,629	413,336
Accumulated depreciation	(4,066)	(1,053)	–	(5,119)
	22,849	1,739	383,629	408,217
Reconciliation				
Opening balance at the beginning of the year	10,572	2,099	160,960	173,631
Additions	72	–	217,455	217,527
Transfer between asset classes	14,723	–	(14,723)	–
Modification to finance lease assets	–	42	–	42
Addition to mine rehabilitation asset	–	–	11,541	11,541
Capitalised borrowing costs	–	–	8,396	8,396
Depreciation expenses	(2,518)	(402)	–	(2,920)
	22,849	1,739	383,629	408,217

	Joint venture (100%)			
2022	**Plant & equipment $'000 (Audited)**	**Right of use assets $'000 (Audited)**	**Mine assets under development $'000 (Audited)**	**Total $'000 (Audited)**
Non-current assets				
Carrying amount – at cost	12,121	2,749	160,960	175,830
Accumulated depreciation	(1,549)	(650)	–	(2,199)
	10,572	2,099	160,960	173,631
Reconciliation				
Opening balance at the beginning of the year	3,208	1,831	72,226	77,265
Additions	88	–	92,923	93,011
Transfer between asset classes	7,751	–	(7,751)	–
Recognition of finance lease assets	–	675	–	675
Addition to mine rehabilitation asset	–	–	3,562	3,562
Depreciation expenses	(475)	(407)	–	(882)
	10,572	2,099	160,960	173,631

8. Investment in joint venture (continued)

(b) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probably that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probably that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Carrying amount of borrowings is as follows:

	Joint venture (100%) 2023 $'000 (Audited)	Joint venture (100%) 2022 $'000 (Audited)
Non-current liabilities		
Facility 1 – secured liabilities		
Northern Australia Infrastructure Facility		
Principal loan	96,725	–
Borrowing costs	(3,492)	–
Amortisation of borrowing costs	117	–
	93,350	–
Facility 2 – secured liabilities		
Orion Mineral Royalty Fund		
Principal loan	132,364	–
Borrowing costs	(6,874)	–
Amortisation of borrowing costs	12,747	–
Foreign exchange movement	(1,769)	–
	136,468	–
	229,818	–

Facility 1 - Northern Australia Infrastructure Facility

On 4 October 2022, Kimberley Mineral Sands Pty Ltd's (KMS) wholly owned subsidiary, Thunderbird Operations Pty Ltd (TOPL) entered into a Facility Agreement with the Northern Australia Infrastructure Facility (NAIF) for $160m inclusive of a term loan and cost overrun facility.

Loan

- The facility comprises of AU$120m debt facility (Facility A) and a A$40m cost overrun facility (Facility B).
- Interest charged at a base rate based upon the Commonwealth Government Security cost plus a margin of 3.5% which increases to 8% from year 6 onwards. Interest is payable quarterly in arrears.
- Principal repayments are made in line with the repayment schedule commencing 31 December 2027 with the final payment made 31 December 2033.
- The facility is secured against TOPL's assets.

As at 30 June 2023, $96.7m was drawn from the facility with $23.3m available under the facility subject to compliance with debt covenants. Total interest paid for the year was $2.3m.

8. Investment in joint venture (continued)

Facility 2 - Orion Mineral Royalty Fund

On 30 September 2022, KMS and TOPL entered into a Production Linked Loan Agreement with OMFR (Th) LLC, a related entity of Orion Mineral Royalty Fund (Orion) for US$110m. The facility comprises of US$110m debt facility and a production linked royalty.

Loan

- Interest is charged at a margin of 5% plus the higher of a) adjusted term SOFR, and b) 2% per annum. Minimum interest rate is 7%.
- Principal repayments are made in line with the repayment schedule commencing 30 June 2025 with the final payment made 31 December 2028.
- The facility is secured against TOPL's assets.

Royalty

- Quarterly payments commence at the earliest of a) full repayment of the loan or b) 7 years following the date of the loan agreement.
- Royalty payment is 1.60% of FOB gross revenue for the period. Revenue is based upon the quantity, type and price of the commodity extracted. The royalty payment is limited to Stage 1 production capacity capped at an annual production rate of 8.2m tonnes of ore.
- The repayment term is 25 years and is subject to a buyback provision curtailing the term to 12.5 years.

As at 30 June 2023, US$88.3m (A$132.4m) was drawn down from the facility with US$21.7m available under the facility subject to compliance with debt covenants. Total interest paid for the year was US$3.4m (A$4.9m).

(c) Production linked royalty

The Facility 2 royalty arrangement contains a "make whole" condition. Accordingly, a valuation of the make whole condition is required in conjunction with recognition of a financial liability and a corresponding recognition of a prepaid expense as at the issuance date of the loan. The make whole amount is effectively the present value of the expected royalty payment which will be expensed through the life of the Facility 2 loan. On each financial reporting date, the make whole amount is recalculated with any difference recognised through the statement of profit or loss.

The key terms for the make whole amount are as below:

- Triggered upon an acceleration (make whole) event occurring, being customary Events of Default for a facility of this type.
- The amount due is the greater of:
  a. an amount, after taking into account all payments (including royalty) made under the agreement which provides the lenders with an agreed & commercially confidential after-tax internal rate of return; or
  b. an amount equal to the NPV of the lender's rights to all payments (including the royalty) made under this agreement calculated on the basis of the most recent forecast commodity price for the mineral sands products.

For the 2023 financial year, item (b) above applies for the purposes of the calculation.

	Joint venture (100%) 2023 $'000 (Audited)	Joint venture (100%) 2022 $'000 (Audited)
Non-current assets		
Prepayments – prepaid expense on financing costs on royalty obligations	119,597	–
Revaluation	(2,309)	
	117,288	–
Non-current liabilities		
Other financial liabilities – royalty make whole	119,597	–
Remeasurement	(4,592)	–
Foreign currency revaluation	(2,309)	–
	112,696	–

9. Income tax

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

The carrying amount of deferred 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 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. 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.

The deductible temporary difference and tax losses do not expire under current tax legislation. Deferred 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 tax liabilities

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

- when the deferred tax liability arises from initial recognition 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 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 tax assets

Deferred 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 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.

Tax consolidation

Sheffield Resources Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation. 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. The current and deferred tax are recognised in the statement of profit or loss.

Reconciliation of income tax expense to prima facie tax is as follows:

	2023 $'000	2022 $'000
Profit/(Loss) before income tax	**(8,610)**	24,991
Prima facie tax calculated at 30% (2022: 25%)	**(2,583)**	6,248
Adjusted for the tax effect of:		
Prior period adjustments	**1**	(681)
Change in tax rate	**2,547**	(16)
Non-deductible share-based payments	**274**	290
Other deductible items	**(300)**	–
Movement to unrecognised deferred taxes	**61**	(6,929)
Income tax benefit reported in the statement of profit or loss	**–**	(1,088)

9. Income tax (continued)

Reconciliation of unrecognised deferred tax balances is as follows:

	2023 $'000	2022 $'000
Unrecognised deferred tax		
Joint venture investment	**(29,543)**	(25,961)
Carried forward tax losses	**16,032**	12,473
Other timing differences	**837**	752
Unrecognised deferred tax liabilities	**(12,674)**	(12,736)

Deferred tax liabilities are not recognised as the balance is associated with the interest in the joint venture, the timing of the reversal of the temporary difference can be controlled and it is probable that it will not be reversed in the foreseeable future.

10. Cash and cash equivalents

Cash comprises of cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

The Group's cash and cash equivalents are as follows:

	2023 $'000	2022 $'000
Current assets		
Cash at bank and on hand	**1,881**	27,723
Short-term deposits	**22,526**	12,500
	24,407	40,223

Reconciliation of cash used in operating activities is as follows:

	2023 $'000	2022 $'000
Profit/(Loss) after income tax	**(8,610)**	26,079
Adjustments for non-cash items		
Income tax benefit	**–**	(1,088)
Share-based payments expenses	**914**	1,160
Gain on disposal of assets	**–**	(29,160)
Share of joint venture loss	**5,368**	866
Net foreign exchange gain	**(4)**	–
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	**(22)**	231
Increase/(Decrease) in trade and other payables	**71**	(223)
Increase in provisions	**57**	7
Net cash used in operating activities	**(2,226)**	(2,128)

11. Trade and other receivables

Trade and other 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. Impairment of trade and other receivables is continually reviewed and those that are considered uncollectable are written off by reducing the carrying amount directly.

Security deposits are non-derivative financial assets with various fixed or determinable payments and maturities. They are included in current assets, except for those with maturities greater than 12 months which are then classified as non-current assets.

The Group's trade and other receivables are as follows:

	2023 $'000	2022 $'000
Current assets		
Trade receivables	**34**	12
Other receivables – security deposits	**30**	30
	64	42

12. Convertible loan – South Atlantic Project

Loan provided is recognised at the fair value of the consideration, net of transaction costs. The component of the convertible loan that exhibits characteristics of a receivable is therefore recognised as a financial asset in the statement of financial position. Loans are classified as non-current financial assets when there are unconditional rights to defer settlement for at least 12 months after the reporting period.

The Group considers a financial asset to be in default when contractual payments are 90 days overdue. The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset will be written off when there is no reasonable expectation of recovering the contractual cash flow.

South Atlantic Project

On 28 February 2023, Sheffield executed a binding investment agreement (RGM Option Agreement) with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, owners of Rio Grande Mineração S/A (RGM).

Sheffield was to provide US$2.5m to fund project related activities over an 18-month period and earn an option to acquire up to 20% of RGM with the payment of a further US$12.5m (US$15.0m in total) to acquire a 20% interest. Should Sheffield elect to exercise the option, subject to various conditions being satisfied, including project financing being obtained and all funds required for project construction being secured, Sheffield may exercise a further option to increase its interest in RGM up to 80%. Please refer to ASX announcement on 28 February 2023 for further details.

Four main deposits have been identified within the project area: Retiro, Estreito, Capao do Meio and Bujuru with Exploration Targets developed for the Retiro and Bujuru deposits. The combined Exploration Target for Retiro and Bojuru is estimated between 500 and 720 Mt of material at an average grade of 4.0% to 3.2% HM. The tenements are held by RGM.

An initial part contribution of US$1.0m (A$1.5m equivalent) was remitted to RGM during the year.

The Group's convertible loan to RGM is as follows:

	2023 $'000	2022 $'000
Non-current assets		
Convertible loan – US$1m	**1,508**	–
	1,508	–

13. Trade and other payables

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 to 60-day payment terms.

The Group's trade and other payables are as follows:

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	**135**	62
Other payables	**48**	50
	183	112

14. Provisions

Provisions are measured at the present value of management's 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 an expense.

Liabilities accruing to employees 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.

The Group's provisions are as follows:

	2023 $'000	2022 $'000
Current liabilities		
Provision for employee benefits	**119**	62
	119	62

15. Issued capital

Ordinary shares are classified as equity. Costs attributable to the issue of new shares or options are shown in equity as a deduction, net of tax. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Reconciliation of movements in issued capital is as follows:

	2023		2022	
	Number	**$'000**	**Number**	**$'000**
Equity				
Opening balance at the beginning of the year	**346,587,555**	**133,091**	346,054,761	133,091
Performance rights redeemed as shares[1]	**547,368**	**421**	–	–
Performance rights redeemed as shares[2]	**126,683**	**112**	–	–
Issued of fully paid ordinary shares[3]	**45,369,505**	**22,686**	–	–
Performance rights redeemed as shares[4]	**–**	**–**	532,794	–
Share issue costs	**–**	**(1,001)**	–	–
	392,631,111	**155,309**	346,587,555	133,091

Note 1: On 13 December 2022, Sheffield issued 547,368 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company. The consideration has been transferred from Reserves.

Note 2: On 20 January 2023, Sheffield issued 126,683 fully paid ordinary shares for nil consideration to former employees of Sheffield. The former employees exercised the performance rights previously granted to them during their employment with the Company. The consideration has been transferred from Reserves.

Note 3: During March and April 2023, Sheffield issued 45,369,505 fully paid ordinary shares for $0.50 per share as part of a capital raising exercise to support growth options with Kimberley Mineral Sands, the South Atlantic Project opportunity and corporate activities.

Note 4: Mr Bruce McFadzean stepped down from the Managing Director role on 1 July 2021 and subsequently retired from his position as Non-Executive Director on 6 September 2021. In addition to cash benefits made in favour of Mr McFadzean, the Board determined that Mr McFadzean could retain a portion of awards totalling 532,794 performance rights for nil consideration. Sheffield issued 532,794 fully paid ordinary shares to Mr McFadzean on 6 August 2021.

16. Reserves

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.

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.

Reconciliation of movements in reserves is as follows:

	2023 $'000	2022 $'000
Equity Reserve		
Opening balance at the beginning of the year	**13,310**	12,150
Performance rights redeemed as shares (transferred to Issued Capital)	**(533)**	–
Share-based payments expenses	**914**	1,160
	13,691	13,310

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. 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.

Options granted 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 and are not quoted on the Australian Securities Exchange.

The following options were in place at the end of the year:

Expiry date	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	$0.65	960,000
30 November 2025	25 November 2021	$0.65	480,000
30 October 2026	25 November 2021	$0.33	700,000
30 November 2026	22 November 2022	$0.84	480,000[1]
1 December 2027	22 November 2022	$0.59	421,271[1]
			3,041,271

Note 1: Options issued during the year as part of remuneration to key management personnel, as approved by the 2022 Annual General Meeting of Shareholders. Detailed disclosures regarding vesting conditions of the options are also set out in the Remuneration Report, which forms part of the Directors' Report.

16. Reserves (continued)

The table lists the inputs to the model for the options issued during the year:

Number	480,000	421,271
Expiry date	30 November 2026	1 December 2027
Grant date	22 November 2022	22 November 2022
Vesting date	22 November 2022	30 June 2025
Exercise price	$0.84	$0.59
Dividend yield	0%	0%
Expected volatility	70%	70%
Risk-free interest rate	3.355%	3.225%
Expected life of options	3.42 years	4.42 years
Grant date share price	$0.59	$0.59
Fair value at grant date per option	$0.27	$0.31

480,000 options issued with vesting date of 22 November 2022 were fully expensed during the year. 421,271 options issued with a vesting date of 30 June 2025 will be expensed over the vesting period. 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. The weighted average contractual remaining life of the share options outstanding as at 30 June 2023 is 2.44 years (2022: 2.82 years).

Movement in options

	2023		2022	
	Number under options	**Weighted average exercise price**	**Number under options**	**Weighted average exercise price**
Movement in options				
Outstanding at the beginning of the year	**2,140,000**	**$0.55**	960,000	$0.65
Granted during the year	**901,271**	**$0.72**	1,180,000	$0.46
Outstanding at the end of the year	**3,041,271**	**$0.60**	2,140,000	$0.55
Exercisable at the end of the year	**1,920,000**	**$0.54**	1,440,000	$0.55

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

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 and are not quoted on the Australian Securities Exchange. If an employee ceases to be employed by the Group within the period, the unvested performance rights will be forfeited.

16. Reserves (continued)

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

Expiry date	Grant date	Exercise price	Number under rights
26 October 2025	6 November 2018	Nil	32,257
1 December 2025	22 December 2018	Nil	750,999
30 October 2026	25 November 2021	Nil	135,455
30 October 2026	25 November 2021	Nil	3,318,182
1 December 2027	22 November 2022	Nil	271,526[1]
			4,508,419

Note 1: Performance rights issued during the year as part of remuneration to key management personnel, as approved by the 2022 Annual General Meeting of Shareholders. Detailed disclosures regarding vesting conditions of the Performance Rights are also set out in the Remuneration Report, which forms part of the Directors' Report.

The table lists the inputs to the model for rights issued during the year:

Number	**271,526**
Expiry date	**1 December 2027**
Grant date	**22 November 2022**
Vesting date	**30 June 2023**
Exercise price	**Nil**
Dividend yield	**0%**
Expected volatility	**70%**
Risk-free interest rate	**3.13%**
Expected life of rights	**4.42 years**
Grant date share price	**$0.59**
Fair value at grant date	**$0.59**

271,526 rights issued with vesting date of 30 June 2023 were fully expensed during the year. The fair value of the performance rights 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 2023 is 3.24 years (2022: 4.08 years).

Movement in performance rights

	2023		2022	
	Number under rights	Weighted average grant price	Number under rights	Weighted average grant price
Movement in performance rights				
Outstanding at the beginning of the year	**5,227,005**	**$0.45**	7,916,861	$0.53
Granted during the year	**271,526**	**$0.59**	3,769,698	$0.33
Vested during the year	**(674,051)**	**$0.79**	(532,794)	$0.78
Lapsed during the year	**(316,061)**	**$0.33**	(4,751,235)	$0.36
Forfeited/Cancelled during the year	**–**	**–**	(1,175,525)	$0.79
Outstanding at the end of the year	**4,508,419**	**$0.42**	5,227,005	$0.45
Exercisable at the end of the year	**918,712**	**$0.71**	–	–

17. Retained earnings

Reconciliation of movements in retained earnings is as follows:

	2023 $'000	2022 $'000
Equity		
Retained earnings/(Accumulated losses) at the beginning of the year	**9,225**	(16,854)
Profit/(Loss) after income tax	**(8,610)**	26,079
	615	9,225

18. Earnings/(Loss) per share

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

The conversion of options and performance rights to shares for purposes of dilutive calculation is not required when the Group is in a loss position because the conversion would cause the loss position to decrease.

The Company's basic and diluted earnings/(loss) per share are as follows:

	2023 Cents per share	2022 Cents per share
From continuing operations		
Basic earnings per share	**(2.39)**	7.53
Diluted earnings per share[1]	**(2.39)**	7.44

Note 1: The potential ordinary shares are anti-dilutive so no change was made to the basic earnings per share for the year 2023.

The profit/(loss) after income tax used in the calculation is as follows:

	2023 $'000	2022 $'000
Earnings used in calculating earnings per share – continuing operations		
Profit/(Loss) after income tax	**(8,610)**	26,079

The weighted average number of shares used in the calculation is as follows:

	2023 Number ('000)	2022 Number ('000)
Weighted average number of shares used as denominator		
Weighted average number of ordinary shares for basic earnings per share	**360,573**	346,534
Effects of dilution from:		
- Options	**249**	105
- Performance rights	**4,401**	3,699
Weighted average number of ordinary shares for diluted earnings per share	**365,223**	350,338

19. Related parties

Loans to subsidiaries

Loans made by Sheffield to its controlled entities are made to meet required expenditure. The loans are payable on demand and are not interest bearing.

Transactions with other related parties

Farview Solutions Limited (Farview) provides consultancy services to the Group. Mr Griffin is a director and controlling shareholder of Farview and also serves as Executive Chair of Sheffield. The total amount paid to Farview during the year was $395,000 (2022: $300,000). The payment was disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

Ozscot Trust (Ozscot) provides general consultancy services and workshop participation to the Group. Mr Cowe is a director of Ozscot and also serves as Non-Executive Director of Sheffield. The total amount paid to Ozscot during the year was $40,000 plus GST (2022: $43,000). The payment was disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

20. Key management personnel

The key management personnel of the Group are as follows:

Name	Position
Non-Executive Directors	
John Richards	Lead Independent Director
Ian Macliver	Non-Executive Director
Gordon Cowe	Non-Executive Director
Vanessa Kickett	Non-Executive Director
Senior Executives	
Bruce Griffin	Executive Chair
Mark Di Silvio	Chief Financial Officer and Company Secretary

The aggregate compensation made to the key management personnel of the Group is as follows:

	2023 $	2022 $
Short-term employee benefits	**1,254,428**	1,073,921
Post-employment benefits	**52,700**	58,956
Share-based payments expenses	**830,567**	687,174
	2,137,695	1,820,051

Other key management personnel transactions with the company

There were no other key management personnel transactions with the Company other than the fees paid to Farview Solutions Limited and Ozscot Trust as detailed in Note 19.

Loans to key management personnel

No loans were granted to key management personnel during the year.

21. Commitments

Kimberley Mineral Sands Pty Ltd Joint Venture

YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project in 2021. The ownership of the high-grade mineral sands Thunderbird project was previously held by Sheffield through its 100% owned subsidiary Kimberley Mineral Sands Pty Ltd (KMS) prior to the formation of the joint venture. The project is located in north-west Western Australia. As per the terms of the agreement, Yansteel subscribed for a 50% interest in KMS and provided $130.1 million in project equity funding. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements. Please refer to Note 8 for additional information.

KMS reported exploration commitments of $1.72m for 2023 (2022: $1.53m). KMS also has the following capital commitments relating to Thunderbird Operations Pty Ltd:

- $0.4m annual support payment; and
- $1.0m payable within 20 days of the commencement of production of the Thunderbird project.

KMS has no contingent liabilities as at 30 June 2023 (2022: nil). These liabilities relate to contractual payments due to pending successful project construction and testing activities for the Thunderbird project.

South Atlantic Project

On 28 February 2023, Sheffield executed a binding investment agreement (RGM Option Agreement) with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, owners of Rio Grande Mineração S/A (RGM).

Sheffield was to provide US$2.5m to fund project related activities over an 18-month period and earn an option to acquire up to 20% of RGM with the payment of a further US$12.5m (US$15.0m in total) to acquire a 20% interest. Should Sheffield elect to exercise the option, subject to various conditions being satisfied, including project financing being obtained and all funds required for project construction being secured, Sheffield may exercise a further option to increase its interest in RGM up to 80%. Please refer to ASX announcement on 28 February 2023 for further details.

An initial part contribution of US$1.0m (A$1.5m equivalent) was remitted to RGM during the year.

22. Contingent liabilities

The Group has no other contingent liabilities as at 30 June 2023 (2022: nil).

23. Events subsequent to reporting period

There has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

24. Parent entity

	Parent entity 2023 $'000	Parent entity 2022 $'000
Assets		
Current assets	**24,471**	40,265
Non-current assets	**145,446**	115,535
Total assets	**169,917**	155,800
Liabilities		
Current liabilities	**302**	174
Non-current liabilities	**-**	-
Total liabilities	**302**	174
Net assets	**169,615**	155,626
Equity		
Issued capital	**155,309**	133,091
Reserves	**13,691**	13,310
Retained earnings	**615**	9,225
Total equity	**169,615**	155,626
Financial performance		
Profit/(Loss) after income tax	**(8,610)**	26,079
Other comprehensive income	**-**	-
Total comprehensive income/(loss), net of tax	**(8,610)**	26,079

25. Remuneration of auditors

The auditor of Sheffield is HLB Mann Judd.

	2023 $	2022 $
HLB Mann Judd		
Amounts received or receivable for audit or review of the financial report	**41,027**	39,731

Directors’ Declaration

1. In the opinion of the Directors of 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 2023 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 year ended 30 June 2023.

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

Bruce Griffin
Executive Chair
Perth, Western Australia

26 September 2023

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 2023, the consolidated statement of profit or loss and other 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 2023 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 (including Independence Standards)* ("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.

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Key Audit Matter	How our audit addressed the key audit matter
Accounting for the Group's interest in the Kimberley Mineral Sands Pty Ltd Joint Venture Note 8 in the financial statements	
The carrying amount of the investment in the joint venture as at 30 June 2023 is $144 million and the share of joint venture loss for the financial year then ended was $5.4 million. This accounting for the joint venture was considered a key audit matter as it forms a large component of the overall result of the Group for the year.	Our procedures included but were not limited to the following: • Reviewed management's accounting treatment of the joint arrangement; • Examined the recognition of the share of joint venture loss in comparison to the joint venture's audited financial statements and ensured it has been correctly recorded and disclosed; and • Evaluating management's assessment that no indicators of impairment existed for the Group's Investment in the Joint Venture. • 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 2023, 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, actions taken to eliminate threats or safeguards applied.

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.

Independent Auditor's Report

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 2023.

In our opinion, the Remuneration Report of Sheffield Resources Limited for the year ended 30 June 2023 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

Perth, Western Australia
26 September 2023

Norman Glad

N G Neill
Partner

Shareholder Information

The Company was admitted to the official list of ASX on 15 December 2010. The shareholder information set out below was applicable as at 30 August 2023.

Distribution of equity securties

Spread of Holdings	Total holders	Number held
1 – 1,000	263	106,544
1,001 – 5,000	660	1,868,226
5,001 – 10,000	356	2,880,802
10,001 – 100,000	1,082	39,570,922
100,001 and over	389	348,399,175
Total	**2,750**	**392,825,669**

Unmarketable parcels amount to 114,796 shares held by 271 shareholders.

Substantial shareholders

Ordinary shareholders – fully paid ordinary shares	Number held	Percentage %
YGH AUSTRALIA INVESTMENT PTY LTD	38,870,771	9.9%
MR & MRS WALTER MG YOVICH	31,596,135	8.0%
BLACKROCK INVESTMENT MANAGEMENT (UK)	25,161,397	6.4%
Total	**95,628,303**	**24.3%**

Restricted securities

There were no restricted securities.

Voting rights

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

Unlisted options

Expiry date	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	$0.65	960,000
30 November 2025	25 November 2021	$0.65	480,000
30 October 2026	25 November 2021	$0.33	700,000
30 November 2026	22 November 2022	$0.84	480,000
1 December 2027	22 November 2022	$0.59	421,271
Total			**3,041,271**

Shareholder Information

Unlisted performance rights

Expiry date	Grant date	Exercise price	Number under options
26 October 2025	6 November 2018	Nil	32,257
1 December 2025	22 December 2018	Nil	750,999
30 October 2026	25 November 2021	Nil	67,273
30 October 2026	25 November 2021	Nil	3,318,182
1 December 2027	22 November 2022	Nil	119,023
Total			**4,287,734**

Twenty largest shareholders

Details of the twenty largest shareholders by registered shareholding are as follows:

Ordinary shareholders – fully paid ordinary shares	Number held	Percentage %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,024,515	11.0%
YGH AUSTRALIA INVESTMENT PTY LTD	38,870,771	9.9%
CITICORP NOMINEES PTY LIMITED	20,829,223	5.3%
MR WALTER MICK GEORGE YOVICH & MRS JEANETTE JULIA YOVICH	17,375,524	4.4%
MR WALTER MICK GEORGE YOVICH	14,220,611	3.6%
UBS NOMINEES PTY LTD	13,272,985	3.4%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	11,090,957	2.8%
MR BRUCE MORRISON MCQUITTY	7,710,722	2.0%
MR WILLIAM BURBURY	7,482,000	1.9%
SATORI INTERNATIONAL PTY LTD	6,819,042	1.7%
BNP PARIBAS NOMS PTY LTD	6,749,136	1.7%
ARCHER ENTERPRISES (WA) PTY LTD	5,698,200	1.5%
TUCARNDI PTY LTD	4,120,000	1.0%
BRAZIL FARMING PTY LTD	3,191,431	0.8%
SEVEN FOUR SEVEN PTY LTD	2,989,054	0.8%
KIMBERLEY SUSTAINABLE DEVELOPMENT PTY LTD	2,836,120	0.7%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,566,060	0.7%
MR DAVID LINDSAY ARCHER & MRS SIMONE ELIZABETH ARCHER	2,503,945	0.6%
SHARNEM PTY LTD	2,210,000	0.6%
ALMESH PTY LTD	2,180,000	0.6%
Total	**215,740,296**	**54.9%**

Tenement Schedule

Kimberley Mineral Sands Pty Ltd Joint Venture (Sheffield interest – 50%)[1]

Project	Tenement	Holder	Interest	Location	Status
Mineral Sands	E04/2081	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2083	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2084	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2171	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2349	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2390	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2456	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2478	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2494	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2509	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2540	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2554	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2571	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2597	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/82	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/83	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/84	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/85	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/86	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/92	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/93	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	M04/459	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted

Note 1: Thunderbird Operations Pty Ltd is a wholly owned subsidiary of Kimberley Mineral Sands Pty Ltd (refer to ASX announcement 12 March 2021). Kimberley Mineral Sands Pty Ltd is a 50:50 incorporated joint venture between Sheffield Resources Limited and YGH Australia Investment Ltd (Yansteel).

Corporate Directory

Directors

Mr Bruce Griffin
Executive Chair

Mr John Richards
Lead Independent Non-Executive Director

Mr Ian Macliver
Non-Executive Director

Mr Gordon Cowe
Non-Executive Director

Mrs Vanessa Kickett
Non-Executive Director

Company Secretary

Mr Mark Di Silvio

Registered Office

Level 2, 41-47 Colin Street
West Perth WA 6005

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F: +61 8 6555 8787

W: www.sheffieldresources.com.au

Postal Address
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West Perth WA 6872

Share Register

Link Market Services

Level 12 QV1 Building
250 St Georges Terrace
Perth WA 6000

T: +61 8 9211 6670

Auditors

HLB Mann Judd (WA Partnership)

Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange

Australian Securities Exchange

Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code: **SFX**

Solicitors

HWL Ebsworth Lawyers

Level 20, 240 St Georges Terrace
Perth WA 6000

Norton Rose Fulbright Australia

Level 30, 108 St Georges Terrace
Perth WA 6000

Bankers

Australia and New Zealand Banking Group Ltd (ANZ)

Level 5, 240 St Georges Terrace
Perth WA 6000

Westpac Banking Corporation

109 St Georges Terrace

Perth WA 6000

Australian Business Number (ABN)

29 125 811 083

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