



SheffieldResources
LIMITED

ABN 29 125 811 083

Interim Financial Report

For the half-year ended 31 December 2014

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

| | |
|----------------|--------------------|
| WILL BURBURY | Executive Chairman |
| BRUCE MCQUITTY | Managing Director |
| DAVID ARCHER | Technical Director |

REVIEW OF OPERATIONS

MAJOR PROJECTS

During the reporting period, the Company maintained its operational focus on its flagship Thunderbird Heavy Mineral Sands (HMS) project, located near Derby in the Canning Basin region of Western Australia.

The Thunderbird deposit is one of the largest and highest grade mineral sands discoveries in the last 30 years. A Scoping Study, released on 14 April 2014, showed the project has potential to generate consistently strong cash margins from globally significant levels of production over an initial 32-year mine life. The Company is currently undertaking a Pre-feasibility Study on the Thunderbird project.

Sheffield is also actively exploring the Fraser Range region for nickel sulphide deposits. The Company has over 2,300km² of tenure in the region. Currently, the Red Bull and Big Bullocks projects are the Company's main focus within its Fraser Range portfolio of tenements.

Thunderbird HMS

The 2014 Thunderbird drilling campaign was completed in late October. In total, 119 aircore drill holes for 7,644m were completed at Thunderbird and 61 aircore drill holes for 3,081m on regional exploration targets.

The results of extensional drilling in the up-dip and down-dip regions of the Thunderbird deposit were incorporated into a mineral resource update announced on 12 December 2014. The results of 51 infill drill holes, received after the reporting period, were not available in time for inclusion in the December resource update and will be included in the next resource update scheduled for Q3 2015.

The updated total mineral resource for Thunderbird is **3.2Bt @ 6.8% HM** (Measured, Indicated and Inferred) (at 3% HM cut-off), containing 95Mt of valuable heavy mineral (VHM), including 19.3Mt of zircon (Tables 1 & 2).

Within this is a coherent high grade zone of **1.080Bt @ 11.8% HM** (Measured, Indicated and Inferred) (at 7.5% HM cut-off), containing 10.0Mt of zircon, 3.1Mt of high-titanium leucoxene, 2.8Mt of leucoxene and 36Mt of ilmenite. This is a 46% increase in the high grade component from the precious March 2014 resource.

The high in-situ VHM grades for this zone of 0.92% zircon, 0.28% high-titanium leucoxene, 0.25% leucoxene and 3.3% ilmenite place Thunderbird in the top tier of mineral sands deposits globally.

The resource includes a significant new high grade component in the near-surface, up-dip region of the deposit. This component, comprising **95Mt @ 12.0% HM** (Indicated) and **25Mt @ 12.2% HM** (Inferred) (at 7.5% HM cut-off), is expected to further enhance the already robust project economics by adding more years of high grade feed to the front end of the mining schedule.

The proportion of the resource in the Indicated category has substantially increased. Of the total mineral resource, 82% is now in Measured and Indicated categories. The April 2014 Scoping Study excluded Inferred Resources, most of which have now been upgraded to the Indicated Resource category and will be incorporated into the Pre-feasibility Study.

The updated resource sets a strong foundation for the Pre-feasibility Study which is on scheduled for completion in April 2015.

Field based pre-feasibility work completed during the reporting period included the drilling of 20 sonic drill core holes (total 781m) for geotechnical information and the drilling and pump testing of three full-sized production water bores (total 294m) for hydrological studies.

Other work relating to the current pre-feasibility study, which is largely complete, includes:

- Bulk sample metallurgical testwork on full scale or scalable equipment;
- Geotechnical investigations based on core from 20 sonic drill holes;
- Mining studies;
- Infrastructure and power studies;
- Hydrogeological investigations.

Remaining work, currently in progress, includes: tailings co-disposal testwork, process engineering design, product appraisal and marketing studies, optimization studies, mine scheduling and financial modelling.

Sheffield continues to progress the permitting of the Thunderbird project. A 4,525Ha mining lease application, M04/459, was lodged over the Thunderbird deposit on 16 July 2014. In December 2014, applications were lodged for miscellaneous licences for access roads and a camp.

A polygonal native title claim, Mt Jowlaenga Polygon #2 – NNTT number WC2014/005, covering Application for Mining Lease 04/459 was formally entered on the National Native Title Tribunal register on 15 December 2014. The Company anticipates commencing negotiations with the claimants in the near future.

Fraser Range Nickel

During the reporting period, Sheffield's footprint in the Fraser Range and the adjacent Tropicana Belt increased to 12 granted tenements and 4 tenement applications with a combined area of 2,300km². This includes the Red Bull project (E69/3033 & E69/3052) which is within 20km of Sirius Resources NL's (ASX:SIR) Nova Ni-Cu deposit.

At Red Bull, a single diamond drill hole targeting a strong, deep conductor was completed at 771m depth. A 5m wide zone of graphitic schist from 728m depth was determined to be the source of the conductor (see ASX release dated 9 September 2014). Despite the absence of nickel sulphides in this drill hole, the Ni-Cu-Co geochemical anomalies at Stud, Sleeper, Hook and Earlobe (collectively the "Northern Targets") remain untested by RC/diamond drilling. Moving loop EM surveys have been designed for the Northern Targets region and are scheduled for completion during Q1 2015.

Big Bullocks (E39/1733) is another highly prospective nickel project within the Company's Fraser Range tenement portfolio. The project is located in the northeast sector of the Fraser Range and straddles the major regional gravity ridge associated with the Fraser Complex. A bedrock geological interpretation was completed using all available datasets, including recently acquired 100m-spaced aeromagnetic survey data. Magnetic lows, representing possible ultramafic intrusions, were identified and will be prioritised for initial aircore drilling during Q1 2015 (see December 2014 Quarterly Report).

OTHER PROJECTS

Sheffield has a pipeline of other projects, on which it continues to undertake low cost, value adding activities. The Company periodically reviews its project portfolio with a view to realising value from its non-core assets.

Oxley Potash

The Oxley potash project is located near Three Springs in Western Australia's Mid-west region. Oxley has an unconventional, hard rock style of potash mineralisation which is hosted by a series of ultrapotassic microsyenite lavas which typically contain over 90% sanidine (potash) feldspar.

During the reporting period, regional geological reconnaissance sampling and mapping was undertaken to outline the full extent of the Oxley microsyenite lavas.

Subsequent to the reporting period, Sheffield agreed to sell the Oxley potash project tenements to Centrex Metals Ltd (ASX:CXM) for \$2.5 million in cash (see ASX release dated 9 March 2015).

Eneabba HMS

The Eneabba project comprises five mineral sands deposits: West Mine North, Ellengail, Yandanooka, Durack and Drummond Crossing with combined resources of 6.76Mt of HM (Tables 1 & 2). Sheffield's strategy is to evaluate these deposits with a view to developing a sequential mining operation, whilst actively exploring the region for further deposits.

During the reporting period, Robbins Metallurgical undertook mineral characterization studies on heavy mineral concentrates prepared from composite drill samples from the West Mine North, Drummond Crossing and Durack deposits. Although indicative only, all samples behaved as expected, with likely saleable product specifications for primary and secondary ilmenite, rutile and zircon.

A short aircore drilling program is scheduled for H1 2015 to test dunal heavy mineral targets previously outlined by surface sampling.

McCalls HMS

The McCalls project, located 110km north of Perth, has an Inferred Resource of 4.4Bt @ 1.2% HM containing 53Mt of HM (Tables 1 & 2). Of this, 43 million tonnes is chloride grade ilmenite (66% TiO₂).

A mineral resource update for the project commenced during the half year but the work was postponed to H1 2015 in order to expedite the Thunderbird mineral resource.

An Exploration Target¹ of 1.7-2.2Bt at 1.4%-1.6% HM was outlined for the Mindarra Springs HMS prospect, located on exploration licence E70/4584, 20km to the south of McCalls. In the mid-1990's, BHP explored Mindarra Springs for mineral sands and drilled approximately 150 aircore drill holes in the area now under E70/4584 (refer to September 2014 Quarterly Report for full details). Historic mineral assemblage data reported by BHP from 55 drillholes, based on magnetic separation and grain counts, indicate a heavy mineral assemblage of 77% ilmenite, 4.4% zircon, 0.7% rutile and 4% leucoxene.

A short aircore drilling program to confirm the grade and mineral assemblage is scheduled for H1 2015.

Pilbara Iron

The Pilbara iron project comprises three granted exploration licences, including Mt Vettel (E45/4029-I) which is located 150km from Port Hedland and 20km to the west of Atlas Iron's (ASX:AGO) Mt Webber iron project.

During the reporting period, results were returned from a 34 hole RC drilling program, completed at Mt Vettel in June 2014. The results, announced on 19 August 2014, include higher grade iron intervals (+55% Fe) from shallow depths, within broader lower grade intervals. Phosphorous and alumina contaminant levels are low. At 50% Fe cut-off, the iron mineralisation occurs as a relatively flat dipping zone between 9m and 150m wide and extends from surface to vertical depths of up to 20m.

Currently the scale of Mt Vettel does not meet Sheffield's threshold for stand-alone development. The Company will assess its options for extracting value from the project.

Moora Talc

The Moora Talc project comprises a single tenement, E70/3776, containing the Fowlers talc deposit. Fowlers talc has an elevated iron content and low brightness which limit the commercial applications. Metallurgical testwork on core samples has shown that a talc with potentially commercial specifications could be produced through simple beneficiation, however the potential market is very small. Subsequent to the reporting period the tenement was surrendered.

¹ Sheffield Resources has not yet reported any Mineral Resources for Mindarra Springs and any discussion in relation to the potential quantity of the targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

COMPLIANCE STATEMENTS

PREVIOUSLY REPORTED INFORMATION

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

- Thunderbird Resource Update: *"THUNDERBIRD HIGH GRADE RESOURCE SURPASSES ONE BILLION TONNES"*, 12 December 2014
- Thunderbird Scoping Study: *"SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS"*, 14 April, 2014
- Red Bull Nickel: *"LARGE Ni-Cu-Co ANOMALIES IDENTIFIED IN THE FRASER RANGE"*, 11 February, 2014
- Red Bull EM Conductor: *"LARGE BEDROCK CONDUCTOR IDENTIFIED AT RED BULL Ni-Cu PROJECT, FRASER RANGE"*, 7 July 2014
- Red Bull Drilling: *"RED BULL DRILLING UPDATE"*, 9 September 2014
- Mt Vettel drilling results: *"MT VETTEL IRON PROJECT DRILLING RESULTS"*, 19 August 2014
- Mindarra Springs HM Exploration Target: *"QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2014"*, 28 October 2014
- Oxley Potash and Moora Talc: *"QUARTERLY REPORT FOR PERIOD ENDING JUNE 2014"*, 30 July 2014

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

- Ellengail Mineral Resource: *"1MT CONTAINED HM INFERRED RESOURCE AT ELLENGAIL"*, 25 October 2011.
- West Mine North Mineral Resource: *"WEST MINE NORTH MINERAL RESOURCE ESTIMATE EXCEEDS EXPECTATIONS"*, 7 November 2011.
- McCalls Mineral Resource: *"4.4 BILLION TONNE MAIDEN RESOURCE AT MCCALLS HMS PROJECT"*, 20 February 2012.
- Durack Mineral Resource: *"ENEABBA PROJECT RESOURCE INVENTORY EXCEEDS 5MT HEAVY MINERAL"*, 28 August 2012.
- Yandanooka Mineral Resource: *"YANDANOOKA RESOURCE UPGRADE AND METALLURGICAL RESULTS"*, 30 January 2013.
- Oxley Potash: *"QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2013"*, 31 October 2013.
- Drummond Crossing Mineral Resource and Sampling Results from Dunal-Style HM Targets, Eneabba Project: *"1Mt HEAVY MINERAL RESOURCE ADDED TO ENEABBA PROJECT"*, 30 October 2013.

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

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

SCOPING STUDY

The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised

The Company believes it has a reasonable basis for making the forward looking statements in this report, including with respect to any production targets, based on the information contained in the announcement *"SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS"*, dated 14 April 2014, and with respect to the Mineral Resource for Thunderbird as at 19 March 2014, independently compiled by QG Pty Ltd, together with independent metallurgical, processing design, engineering, mining and marketing studies, product quality assessment, external commodity price and exchange rate forecasts and global operating cost data. The Company confirms that all the material assumptions underpinning the Thunderbird production target or forecast financial information derived from the production target which first appeared in the announcement *"SCOPING STUDY HIGHLIGHTS THUNDERBIRD'S EXCEPTIONAL FINANCIAL RETURNS"*, dated 14 April 2014, continue to apply and have not materially changed.

Table 1: Sheffield's contained Valuable HM (VHM) Resource inventory at 12 December 2014

| Deposit | Resource Category | Zircon (kt)* | Rutile (kt)* | HiTi Leuc. (kt)* | Leuc. (kt)* | Ilmenite (kt)* | Total VHM (kt)* |
|-------------------|-------------------|---------------|--------------|------------------|---------------|----------------|-----------------|
| Thunderbird | Measured | 500 | - | 200 | 200 | 1,800 | 2,600 |
| Thunderbird | Indicated | 15,900 | - | 5,200 | 6,500 | 50,400 | 78,100 |
| Thunderbird | Inferred | 2,800 | - | 1,000 | 1,300 | 9,000 | 14,100 |
| Yandanooka | Measured | 13 | 2 | | 3 | 87 | 105 |
| Yandanooka | Indicated | 240 | 81 | | 83 | 1,440 | 1,840 |
| Yandanooka | Inferred | 4 | 1 | | 2 | 23 | 29 |
| Durack | Indicated | 144 | 29 | | 52 | 703 | 928 |
| Durack | Inferred | 26 | 5 | | 13 | 121 | 164 |
| Drummond Crossing | Indicated | 143 | 101 | | 37 | 542 | 823 |
| Drummond Crossing | Inferred | 7 | 5 | | 1 | 28 | 41 |
| Ellengail | Inferred | 92 | 90 | | 19 | 658 | 859 |
| West Mine North | Measured | 18 | 33 | | 42 | 200 | 293 |
| West Mine North | Indicated | 71 | 87 | | 46 | 506 | 709 |
| McCalls | Inferred | 3,490 | 1,060 | | 2,580 | 42,910 | 50,040 |
| Total | Measured | 530 | 35 | 200 | 245 | 2,090 | 3,100 |
| Total | Indicated | 16,500 | 300 | 5,200 | 6,720 | 53,590 | 82,310 |
| Total | Inferred | 6,420 | 1,160 | 1,000 | 3,915 | 52,740 | 65,235 |
| Total | All | 23,450 | 1,500 | 6,400 | 10,880 | 108,420 | 150,650 |

All tonnages have been rounded to reflect the relative uncertainty of the estimate, thus sum of columns may not equal. The contained VHM tonnages in the above table are derived from Mineral Resource Estimates for the Yandanooka, Ellengail, West Mine North, McCalls, Durack deposits (estimated using a 0.9% HM cut-off), the Drummond Crossing deposit (estimated using a 1.1% HM cut-off) and the Thunderbird deposit (estimated using a 3% HM cut-off) as detailed in Table 2.

* Valuable Heavy Minerals are classified as zircon, rutile, HiTi leucoxene, leucoxene and ilmenite.

Table 2: Sheffield's HMS Mineral Resource Inventory at 12 December 2014

| Project | Deposit | Resource Category | Cut-off (% HM) ³ | Material (Mt)* | Bulk Density | HM % | Slimes % ³ | Osize % | Insitu HM (Mt)* | Zircon ² % | Rutile ² % | HiTi ² Leuc. % | Leuc. ² % | Ilm. ² % |
|----------------|----------------------|-------------------|-----------------------------|----------------|--------------|------------|-----------------------|------------|-----------------|-----------------------|-----------------------|---------------------------|----------------------|---------------------|
| Dampier | Thunderbird | Measured | 3.0 | 75 | 2.1 | 7.9 | 19 | 11 | 6 | 9.3 | - | 2.7 | 2.7 | 30 |
| | Thunderbird | Indicated | 3.0 | 2,550 | 2.1 | 7.0 | 16 | 9 | 180 | 8.9 | - | 2.9 | 3.6 | 28 |
| | Thunderbird | Inferred | 3.0 | 580 | 2.0 | 5.6 | 16 | 9 | 32 | 8.8 | - | 3.0 | 4.1 | 28 |
| | Total Dampier | All | 3.0 | 3,205 | 2.1 | 6.8 | 16 | 9 | 218 | 8.9 | - | 2.9 | 3.7 | 28 |
| Eneabba | Yandanooka | Measured | 0.9 | 3 | 2.0 | 4.1 | 15 | 14 | 0.1 | 11 | 1.9 | - | 2.2 | 72 |
| | Yandanooka | Indicated | 0.9 | 90 | 2.0 | 2.3 | 16 | 15 | 2.1 | 11 | 3.9 | - | 3.9 | 69 |
| | Yandanooka | Inferred | 0.9 | 3 | 2.0 | 1.2 | 18 | 21 | 0.03 | 11 | 3.9 | - | 4.6 | 68 |
| | Yandanooka | All | 0.9 | 96 | 2.0 | 2.3 | 16 | 15 | 2.2 | 11 | 3.8 | - | 3.9 | 69 |
| | Durack | Indicated | 0.9 | 50 | 2.0 | 2.0 | 15 | 21 | 1.0 | 14 | 2.8 | - | 5.1 | 69 |
| | Durack | Inferred | 0.9 | 15 | 1.9 | 1.2 | 14 | 17 | 0.2 | 14 | 2.5 | - | 7.2 | 66 |
| | Durack | All | 0.9 | 65 | 2.0 | 1.8 | 15 | 20 | 1.2 | 14 | 2.8 | - | 5.6 | 68 |
| | Drummond Crossing | Indicated | 1.1 | 49 | 2.0 | 2.1 | 16 | 9 | 1.0 | 14 | 10 | - | 3.6 | 53 |
| | Drummond Crossing | Inferred | 1.1 | 3 | 2.0 | 1.5 | 16 | 8 | 0.05 | 13 | 10 | - | 2.8 | 55 |
| | Drummond Crossing | All | 1.1 | 52 | 2.0 | 2.1 | 16 | 9 | 1.1 | 14 | 10 | - | 3.5 | 53 |
| | Ellengail | Inferred | 0.9 | 46 | 2.0 | 2.2 | 16 | 2 | 1.0 | 8.9 | 8.7 | - | 1.9 | 64 |
| | Ellengail | All | 0.9 | 46 | 2.0 | 2.2 | 16 | 2 | 1.0 | 8.9 | 8.7 | - | 1.9 | 64 |
| | West Mine North | Measured | 0.9 | 6 | 2.0 | 5.6 | 15 | 1 | 0.4 | 4.9 | 9.1 | - | 12 | 55 |
| | West Mine North | Indicated | 0.9 | 36 | 1.9 | 2.3 | 13 | 3 | 0.8 | 8.4 | 10 | - | 5.4 | 60 |
| | West Mine North | All | 0.9 | 43 | 1.9 | 2.8 | 13 | 3 | 1.2 | 7.9 | 10 | - | 6.4 | 59 |
| | Total Eneabba | Measured | var. | 9 | 2.0 | 5.2 | 15 | 5 | 0.5 | 6.7 | 6.8 | - | 8.7 | 60 |
| | Total Eneabba | Indicated | var. | 225 | 2.0 | 2.2 | 15 | 13 | 5.0 | 12 | 6.0 | - | 4.4 | 64 |
| | Total Eneabba | Inferred | var. | 68 | 2.0 | 1.9 | 15 | 6 | 1.3 | 10 | 7.2 | - | 3.2 | 64 |
| | Total Eneabba | All | var. | 302 | 2.0 | 2.2 | 15 | 11 | 6.8 | 12 | 6.3 | - | 4.2 | 64 |
| McCalls | McCalls | Inferred | 0.9 | 4,431 | 2.3 | 1.2 | 27 | 1.4 | 53 | 6.6 | 2.0 | - | 4.9 | 81 |
| | Total McCalls | All | 0.9 | 4,431 | 2.3 | 1.2 | 27 | 1.4 | 53 | 6.6 | 2.0 | - | 4.9 | 81 |

* All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate and maintain consistency throughout the table, thus sum of columns may not equal. ¹ See the compliance statements in this report for important information relating to the reporting of these Mineral Resources. ² The Mineral Assemblage is represented as the percentage of the Heavy Mineral (HM) component of the deposit, determined by QEMSCAN for Eneabba & McCalls, with TiO₂ minerals defined according to the following ranges: Rutile >95% TiO₂; Leucoxene 85-95% TiO₂; Ilmenite <55-85% TiO₂; for Dampier the mineral assemblage was determined by screening and magnetic separation. Magnetic fractions were analysed by QEMSCAN for mineral determination as follows: Ilmenite: 40-70% TiO₂ >90% Liberation; Leucoxene: 70-94% TiO₂ >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene): >94% TiO₂ >90% Liberation; and Zircon: 66.7% ZrO₂+HfO₂ >90% Liberation. Non-magnetic fractions were submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94. ³ West Mine North, Drummond Crossing, Durack and McCalls deposits are reported below 35% slimes cut-off.

Events Subsequent To Reporting Date

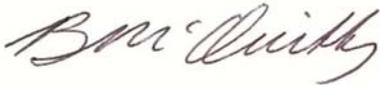
On 9 March 2015, the Group announced it had entered into a purchase agreement with Centrex Metals Limited for 100% of the Oxley Potash Project in Western Australia for \$2.5 million subject to Foreign Investment Review Board approval, any necessary government consents and execution of deeds of assumption with third parties on or before 31 May 2015.

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

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2014.

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



Bruce McQuitty
Director

10 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sheffield Resources Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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



Perth, Western Australia
10 March 2015

N G Neill
Partner

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | Consolidated | |
|---|---------------------------|---------------------------|
| | 31 December 2014 \$ | 31 December 2013 \$ |
| Continuing operations | | |
| Interest income | 142,891 | 102,234 |
| Employee benefit expense | (178,161) | (164,365) |
| Depreciation expense | (43,533) | (53,472) |
| Share based payment expense | - | (94,466) |
| Impairment of deferred exploration and evaluation expenditure | (29,011) | (395,318) |
| Other expenses | (493,745) | (443,698) |
| Loss before income tax | (601,559) | (1,049,085) |
| Income tax benefit | 1,523,586 | 1,199,726 |
| Profit after tax from continuing operations | 922,027 | 150,641 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 922,027 | 150,641 |
| | | |
| Basic earnings per share (cents per share) | 0.69 | 0.13 |
| Dilutive earnings per share (cents per share) | 0.67 | 0.12 |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

| | Notes | Consolidated | |
|---|-------|---------------------------|-----------------------|
| | | 31 December 2014 \$ | 30 June 2014 \$ |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 4,647,674 | 10,879,408 |
| Trade and other receivables | | 1,969,358 | 267,717 |
| Other financial assets | | 108,651 | 280,755 |
| Total Current Assets | | 6,725,683 | 11,427,880 |
| Non-Current Assets | | | |
| Plant and equipment | 2 | 130,442 | 141,675 |
| Deferred exploration and evaluation expenditure | 3 | 24,672,574 | 18,730,709 |
| Total Non-Current Assets | | 24,803,016 | 18,872,384 |
| Total Assets | | 31,528,699 | 30,300,264 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 433,758 | 689,176 |
| Employee benefits | | 139,850 | 120,341 |
| Total Current Liabilities | | 573,608 | 809,517 |
| Total Liabilities | | 573,608 | 809,517 |
| Net Assets | | 30,955,091 | 29,490,747 |
| Equity | | | |
| Issued capital | 4 | 33,337,705 | 32,795,388 |
| Reserves | | 1,449,105 | 1,449,105 |
| Accumulated losses | | (3,831,719) | (4,753,746) |
| Total Equity | | 30,955,091 | 29,490,747 |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | Consolidated | | | |
|--|-------------------|-----------------------|-------------------|-------------------|
| | Issued Capital | Accumulated Losses | Option Reserve | Total Equity |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 32,795,388 | (4,753,746) | 1,449,105 | 29,490,747 |
| Profit for the period | - | 922,027 | - | 922,027 |
| Total comprehensive profit for the period | - | 922,027 | - | 922,027 |
| Shares issued during the half-year | 550,000 | - | - | 550,000 |
| Share issue costs | (7,683) | - | - | (7,683) |
| Balance at 31 December 2014 | 33,337,705 | (3,831,719) | 1,449,105 | 30,955,091 |

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

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 December 2014 | 31 December 2013 |
| | \$ | \$ |
| | Inflows/(Outflows) | |
| Cash flows from operating activities | | |
| Research and development tax refund | - | 1,199,726 |
| Payments to suppliers and employees | (783,902) | (855,787) |
| Interest received | 159,259 | 129,984 |
| Net cash (outflows)/inflows from operating activities | (624,643) | 473,923 |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation expenditure | (6,117,108) | (5,868,072) |
| Payments for plant and equipment | (32,300) | (8,843) |
| Net cash (outflows) from investing activities | (6,149,408) | (5,876,915) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 550,000 | 385,714 |
| Payments for share issue costs | (7,683) | (14,542) |
| Net cash inflows from financing activities | 542,317 | 371,172 |
| Net (decrease)/increase in cash held | (6,231,734) | (5,031,820) |
| Cash and cash equivalents at the beginning of the period | 10,879,408 | 8,401,226 |
| Cash and cash equivalents at the end of the period | 4,647,674 | 3,369,406 |

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Sheffield Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

Accounting policies and method of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 2: PLANT AND EQUIPMENT

| | Consolidated | | |
|--|----------------|---------------------|-----------|
| | Motor Vehicles | Plant and equipment | Total |
| | \$ | \$ | \$ |
| At 1 July 2014, net of accumulated depreciation and impairment | 11,838 | 129,837 | 141,675 |
| Additions | - | 32,300 | 32,300 |
| Depreciation charge for the period | (7,771) | (35,762) | (43,533) |
| At 31 December 2014, net of accumulated depreciation | 4,067 | 126,375 | 130,442 |
| At 31 December 2014 | | | |
| Cost or fair value | 62,172 | 462,909 | 525,081 |
| Accumulated depreciation | (58,105) | (336,534) | (394,639) |
| Net carrying amount | 4,067 | 126,375 | 130,442 |

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|--|-------------------|-------------------|
| | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| Costs carried forward in respect of areas of interest in the following phases: | | |
| Exploration and evaluation phase – at cost | | |
| Balance at beginning of period | 18,730,709 | 12,345,246 |
| Expenditure incurred | 5,970,876 | 8,193,860 |
| Exploration expenditure written-off | (29,011) | (1,808,397) |
| Total deferred exploration and evaluation expenditure | 24,672,574 | 18,730,709 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: ISSUED CAPITAL

| | Consolidated | |
|------------------------|---------------------|-----------------|
| | 31 December 2014 | 30 June 2014 |
| <i>Ordinary shares</i> | \$ | \$ |
| Issued and fully paid | 33,337,705 | 32,795,388 |

| | Consolidated | | | |
|--|---------------------|-----------------|---------------------|-----------------|
| | No. | | \$ | |
| | 31 December 2014 | 30 June 2014 | 31 December 2014 | 30 June 2014 |
| <i>Movements in ordinary shares on issue</i> | | | | |
| At start of period | 133,385,685 | 118,297,502 | 32,795,388 | 21,895,227 |
| Issue of fully paid ordinary shares at \$0.81 each | 395,062 | 13,802,469 | 320,000 | 11,180,000 |
| Issued for cash on exercise of share options | 650,000 | 1,285,714 | 230,000 | 385,714 |
| Share issue costs | - | - | (7,683) | (665,553) |
| At end of period | 134,430,747 | 133,385,685 | 33,337,705 | 32,795,388 |

NOTE 5: DIVIDENDS

No dividends were paid or declared during the half year ended 31 December 2014.

NOTE 6: SEGMENT REPORTING

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 7: OPTIONS

| | Consolidated | |
|---|----------------------------|------------------------|
| | 31 December 2014 No. | 30 June 2014 No. |
| <i>Movements in options over ordinary shares on issue</i> | | |
| Balance at beginning of period | 8,075,000 | 7,575,000 |
| Exercise of unlisted options exercisable at \$0.44 each expiring 6 September 2014 | (250,000) | - |
| Exercise of unlisted options exercisable at \$0.30 each expiring 13 December 2015 | (400,000) | - |
| Issue of unlisted options exercisable at \$0.66 each on or before 26 September 2018 | - | 500,000 |
| Issue of unlisted options exercisable at \$0.87 each on or before 19 March 2019 | - | 1,400,000 |
| Exercise of unlisted options exercisable at \$1.16 each expiring 19 March 2021 | - | 1,600,000 |
| Exercise of unlisted options exercisable at \$0.30 each expiring 30 November 2013 | - | (1,285,714) |
| Lapsing of unlisted options | - | (1,714,286) |
| At end of period | 7,425,000 | 8,075,000 |

NOTE 8: FINANCIAL INSTRUMENTS

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

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

| | Fair value as at | |
|-------------------------------|---------------------------|---------------------------|
| | 31 December 2014 \$ | 31 December 2013 \$ |
| Financial assets | | |
| - Trade and other receivables | 1,969,358 | 341,380 |
| - Bank guarantees | 108,651 | 228,289 |
| Financial liabilities | | |
| - Trade and other payables | 433,758 | 240,145 |

NOTE 9: CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 31 December 2014 (2013: nil).

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 9 March 2015, the Group announced it had entered into a purchase agreement with Centrex Metals Limited for 100% of the Oxley Potash Project in Western Australia for \$2.5 million subject to Foreign Investment Review Board approval, any necessary government consents and execution of deeds of assumption with third parties on or before 31 May 2015.

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

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Bruce McQuitty
Director

10 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sheffield Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sheffield Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

Norman Judd

**N G Neill
Partner**

**Perth, Western Australia
10 March 2015**