



SheffieldResources
LIMITED

2021
Annual Report

CORPORATE DIRECTORY	3
CHAIRMAN'S LETTER	4
REVIEW OF OPERATIONS	5
ORE RESERVES AND MINERAL RESOURCES	9
DIRECTORS' REPORT	16
REMUNERATION REPORT (AUDITED).....	21
AUDITOR'S INDEPENDENCE DECLARATION	33
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	34
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	35
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	36
CONSOLIDATED STATEMENT OF CASH FLOWS.....	37
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	38
DIRECTORS' DECLARATION.....	62
INDEPENDENT AUDITOR'S REPORT.....	63
ASX ADDITIONAL INFORMATION	67
TENEMENT SCHEDULE	69

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

Company Secretary

Mr Mark Di Silvio

Registered Office

Level 2, 41-47 Colin Street
West Perth WA 6005
T: +61 8 6555 8777
F: +61 8 6555 8787
W: www.sheffieldresources.com.au

Postal Address

PO Box 205
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

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

Bankers

Australia and New Zealand Banking Group Ltd (ANZ)
Level 5, 240 St Georges Terrace
Perth WA 6000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Australian Business Number (ABN)

29 125 811 083

CHAIRMAN'S LETTER

Dear Shareholders,

The 2021 financial year heralded a significant milestone by your Company. As described in last year's Annual Report, in August of 2020, Sheffield announced that a non-binding term sheet to form a 50:50 Joint Venture for the development of the Thunderbird Mineral Sands Project (Thunderbird Project) had been signed with YGH Australia Investment Pty Ltd (Yansteel). The agreement was approved by the Foreign Investment Review Board on 15 December 2020, and binding agreements executed on 6 January 2021.

Sheffield and Yansteel have now formally established the Kimberley Mineral Sands Joint Venture (KMSJV) with Yansteel subscribing for a 50% interest in the joint venture entity Kimberley Mineral Sands Pty Ltd (KMS) through a cash investment of \$130.1m on 12 March 2021. This investment, combined with the effort our team has made to secure offtake and financing from existing partners, has meant that development of the Thunderbird Project has made a significant step forward. Yansteel are a cornerstone offtake partner, having entered into an offtake agreement to take or pay for 100% of the ilmenite produced from Stage 1 of the Thunderbird Project.

The Yansteel \$130.1m joint venture equity funding, together with project financing to be secured from lenders, is expected to deliver a fully funded project. In accordance with terms of the Joint Venture agreement, Sheffield will provide funding of \$10m following a final investment decision in relation to the Thunderbird Project, with any further joint venture equity to be funded 50:50 by Yansteel and Sheffield.

In addition to being a joint venture partner, we also extended a warm welcome to Yansteel as a significant shareholder of Sheffield Resources Limited, with a share placement approved by the Board and completed on 11 August 2020 seeing Yansteel invest \$12.9m for a 9.9% shareholding of the Company.

Following the formation of KMS in March 2021, the KMS team have led an early works program with expenditure of approximately \$8m to the end of August 2021 and commitments of \$20m to date. The early works program includes completion of trial mining activities, commencement of mine access road construction and continuation of engineering and design activities ahead of a proposed final investment decision expected during the course of the 2022 financial year. Coupled with new key management appointments, the KMS team is led by several executives and staff previously engaged by Sheffield, having joined KMS upon its inception in March 2021.

A number of changes were made to the Board and management during the year substantially completing the reformulation of the Board and management which commenced two years ago with the appointment of Mr John Richards and Mr Ian Macliver as independent Non-Executive Directors. With the Thunderbird Project moving towards execution, the Company welcomed Mr Gordon Cowe to the Board as an independent Non-Executive Director. A qualified mechanical engineer with over 30 years' experience leading and managing major resource construction projects globally, Mr Cowe has enjoyed an extensive career with leading contractors on a wide range of projects.

Following formation of the joint venture, founding directors Mr Will Burbury and Mr David Archer stepped down from the Sheffield Board. Along with my fellow Board members, I extend my sincere thanks and gratitude to Mr Burbury, the Company's former Chair, and Mr Archer, the former Technical Director, for their valued contributions in guiding and positioning the Company for this exciting next stage in its evolution.

Having successfully delivered the \$143 million KMSJV transaction with Yansteel, in April 2021 we announced that Mr Bruce McFadzean, Sheffield's Managing Director and Chief Executive Officer since November 2015, would step down from his executive role effective from 1 July 2021. Mr McFadzean has most recently retired from the Board, and I'd like to thank Bruce for his great achievements in steering the Company and the Thunderbird Project to where it is today.

I've been honoured to step into the Executive Chair role. I wish to thank Mr John Richards, Sheffield's previous Non-Executive Chair, for his continued stewardship as he moved into the Lead Independent Director role.

I would like to thank each of my fellow Directors, our management team, dedicated employees and the management and employees of KMS for their efforts over this transformational year for your Company.

With the KMSJV formed and the offtake required to support financing in place, the next 12 months will see your Company take further significant steps toward the execution of the Thunderbird Project. A bankable feasibility study will be completed for the revised project scope, ahead of concluding project finance arrangements and an expected Final Investment Decision during the 2022 financial year.

In closing, I thank Sheffield's loyal shareholders for your continued support of our Company as we look forward to an exciting year ahead as we commence construction at Thunderbird.



Bruce Griffin
Executive Chair

REVIEW OF OPERATIONS

KIMBERBERLY MINERAL SANDS (KMS)

Joint Venture Overview

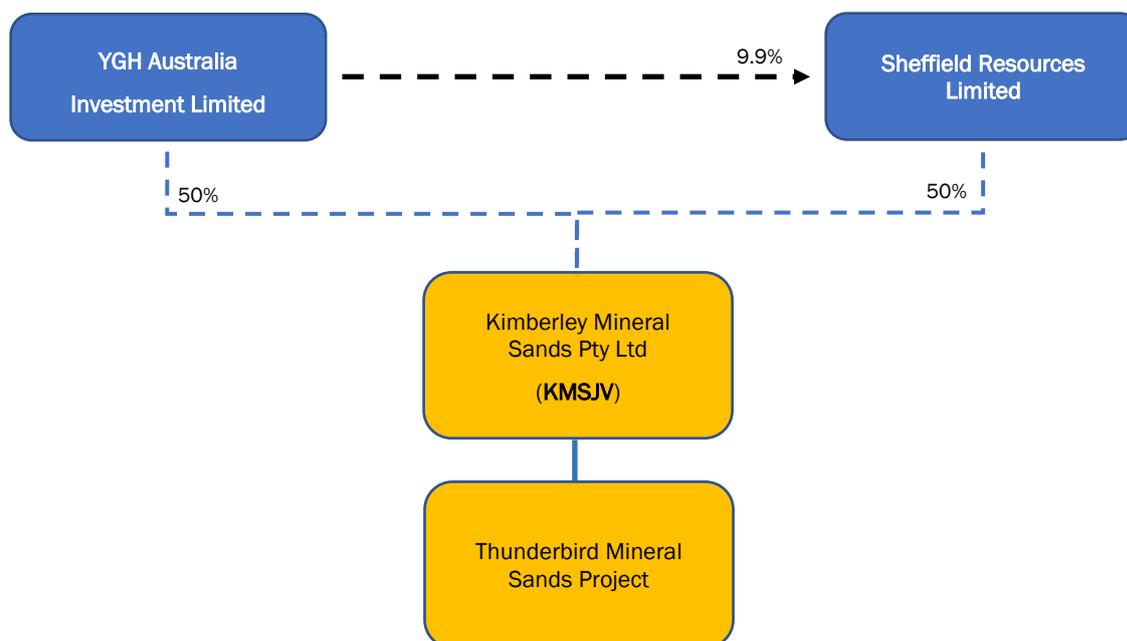
During the reporting period, Sheffield Resources Limited (Sheffield, the Company or the Group) made significant progress to advance the Thunderbird Mineral Sands Project (Thunderbird, Project or Thunderbird Project), located near Derby in the Canning Basin region of Western Australia, toward construction.

On 12 March 2021, the Kimberley Mineral Sands Joint Venture (KMS or KMSJV) was formally established, with YGH Australia Investment Pty Ltd (Yansteel) subscribing for a 50% interest in the Joint Venture, providing \$130.1m in joint venture equity funding at that time. The Yansteel \$130.1m joint venture equity funding, together with project financing to be secured from lenders by the KMSJV, is expected to deliver a fully funded project. In accordance with terms of the Agreement, Sheffield will fund any excess equity shortfall up to a maximum of \$10.0m with any further joint venture equity thereafter to be funded 50:50 by Yansteel and Sheffield.

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 and having annual revenues of ~A\$6bn. Construction by Yansteel's parent of a 500ktpa integrated titanium dioxide processing facility including a titanium slag smelter has commenced. This complex will consume the Low Temperature Roast (LTR) ilmenite from Stage 1 of the Thunderbird Project.

Key elements of the Agreement with Yansteel included:

- Completion of a 9.9% share placement in favour of Yansteel for \$12.9m at approximately \$0.376 per share, on 11 August 2020
- An investment of \$130.1m to acquire 50% of the Project, concluded on 12 March 2021
- A binding Stage 1 life of mine LTR ilmenite offtake agreement
- the joint venture is to be conducted through KMS
- the KMSJV is governed by a four-person Board of Directors with Sheffield and Yansteel each nominating, and being represented by, two directors
- key KMSJV decisions require unanimous approval of both shareholders and the KMSJV is operated as a standalone entity with its own management and employees. An organisational structure is described below.



The development concept for Stage 1 of the Project will be a 10.4mt per annum mine and process plant producing a zircon rich non-magnetic concentrate and LTR ilmenite. As is customary with a transaction of this nature, Foreign Investment Review Board (FIRB) approval was sought and granted on 15 December 2020. The formal agreements were signed on 6 January 2021.

Thunderbird Mineral Sands Project Overview

The Thunderbird Mineral Sands Project status, is described as follows:

- Thunderbird Ore Reserve of 748 million tonnes at 11.2% HM
- \$130m of project equity secured in March 2021 from Sheffield's joint venture partner Yansteel
- Granted State and Federal environmental approvals in place
- Executed Native Title Agreement with traditional owners
- Granted Thunderbird Mining Lease in place
- Secured product offtake agreements covering approximately 80% of the Stage 1 revenue to be derived from Thunderbird
- Established support infrastructure to enable commencement of construction activities
- Bankable Feasibility Study underway in relation to a 10.4mt per annum mine and process plant producing a zircon rich non-magnetic concentrate and LTR ilmenite
- Since inception of the KMSJV on 12 March 2021, an early works program has commenced including the completion of trial mining activities, commencement of mine access road construction and continued engineering and design activities. Early works expenditure to end of August 2021 was approximately \$8 million, with total commitments to date of \$20m.

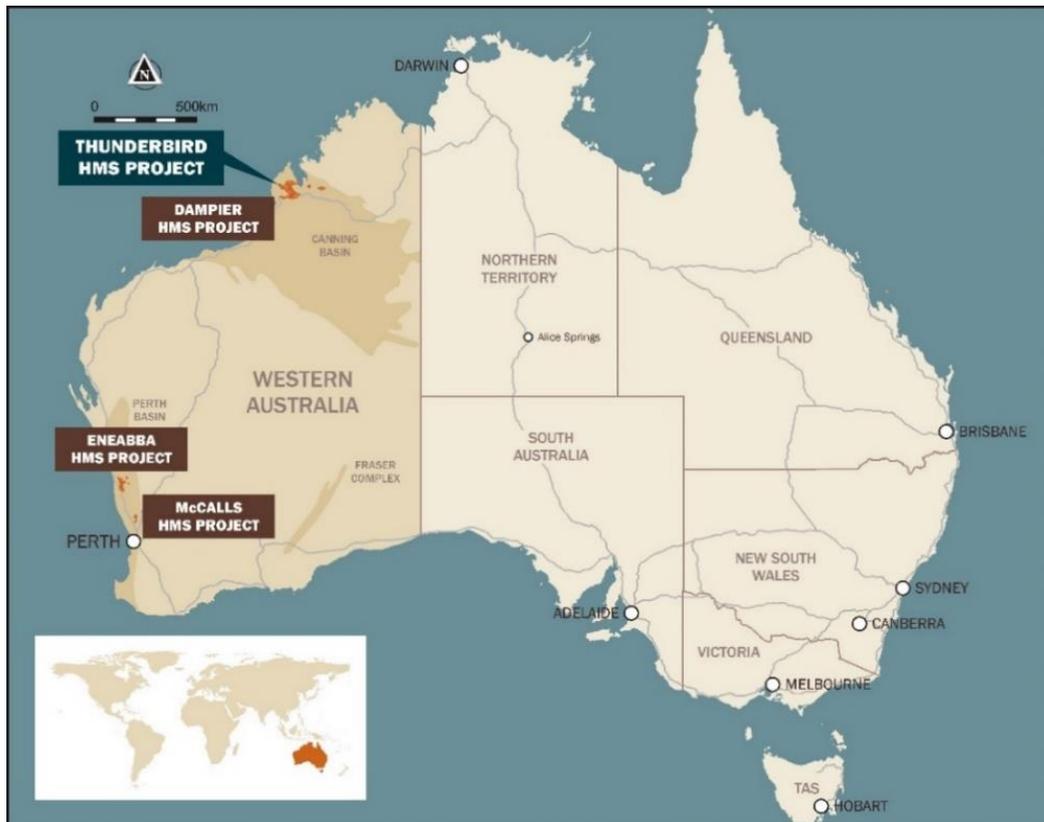


Figure 1: Location of Thunderbird Mineral Sands Project

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

- Delivery of a Bankable Feasibility Study for the Thunderbird Project
- Securing project financing and other key commercial agreements to support a Final Investment Decision (FID)
- Commencing a targeted early works program at Thunderbird including construction of mine access roads, accommodation and plant site earthworks, along with procurement of long lead items to maximise the 2022 Kimberley dry season construction window.

Thunderbird Work Program Activities

Project development work programs completed during the period benefited from detailed engineering work completed during earlier 2017 and 2019 feasibility studies. Project development opportunities identified during this work will inform the Bankable Feasibility Study (BFS) scheduled for completion later this year. The current flowsheet reintroduces the Low Temperature Roast (LTR) and simplifies the ilmenite circuit from earlier studies, as well as removing the zircon-related Mineral Separation Plant components included in earlier studies. Metallurgical test work has been completed on the current flowsheet to a standard to support the 2021 BFS and the project financing process. The detailed engineering work has also advanced, with revised procurement and construction schedules to assist the Joint Venture ahead of finalising the implementation strategy.

Trial Mining and Variability Sample Collection

A full-scale trial mining program was completed during the period. The trial mining pit was designed to:

- expose the full thickness of the high grade “T2” ore zone
- enable full scale ore mining via dozer push method through the orebody
- enable a bulk sample from dozer push ore material to be collected
- confirm mine digging and traffic rates of waste and ore material in various conditions
- enable the collection of geotechnical and pit slope information assisting final pit design parameters.

Waste material was removed by excavator and truck operations with some zones of harder and competent waste materials requiring ripping by dozer to enable excavation. Regular zones of ore material on each mining flitch were marked up and dozer pushed towards a mined slot where the excavator loaded the ore material into trucks, simulating the fixed location of a future mining unit plant (MUP).



Figure 2: Waste mining by excavator and truck



Figure 3: Ore mining by dozer push to fixed excavator location

The trial mining program confirmed that ore mining via a dozer push method is a viable and practical mining method over a range of ground and weather conditions, including a rain event of up 50mm during a 24-hour period. Mining operations were able to continue throughout this period with good heavy vehicle trafficability in waste and ore materials.

A 25-tonne bulk sample collected from dozer pushed ore material, enabling final design criteria to be determined for the ore feed preparation plant and additional metallurgical test work. Excavated and dozer push bulk samples were collected from regular flitches through the orebody.

A second phase of trial mining activities commenced in June 2021, to assess an alternative mining method for the upper ore layer of Thunderbird. Information from the initial mining trial completed in late 2020 and subsequent process test-work along with current trial mining activities shall be used to develop the final MUP design.

Aboriginal and Community Engagement

Prior to the commencement of the trial mining program, Traditional Owners' heritage monitors and Company rangers conducted pre and post land clearing artefact checks and Greater Bilby surveys of the area. No artefacts or evidence of Greater Bilby presence or activity was found in the trial mining area. Senior Traditional Owners were invited to site to share artefact knowledge with heritage monitors and rangers. Areas where final artefact checks had occurred since 2018 were revisited by heritage monitors, rangers and Senior Traditional Owners.

Heritage monitors and rangers continued final artefact checks and Greater Bilby surveys over land where Project infrastructure will be constructed. Evidence of Greater Bilby activity was found in some of the surveyed areas. The Greater Bilby Disturbance Protocols outlined in Thunderbird's Terrestrial Fauna Environmental Management Plan, approved by the Federal Government, is followed prior to land clearing.



Figure 4: Site knowledge share between Heritage Monitors and Elders

Markets

The mineral sands market has performed well over the period, despite the backdrop of the global COVID-19 pandemic having affected key markets in the first half of CY 2020. Zircon and titanium industries outperformed subdued forecasts for the 2H of 2020, with a particularly strong recovery in sulfate ilmenite resulting in full year 2020 global demand exceeding 2019.

2021 has seen a continued strengthening of the mineral sands industry. The rebound in the titanium feedstock market evidenced in late 2020 continued into 2021, with tight supply and strong demand resulting in strengthening prices of feedstock, and in particular sulfate ilmenite. Easing of zircon demand during 2020 reversed during 2021 with the market steadying and prices rebounding to pre-COVID levels. Further price increases have recently been announced by major suppliers.

Demand for sulfate ilmenite remains robust with growth expected to continue in the near term. High grade pigment feedstock demand for production of chloride grade pigment is a growth area for the longer term, with demand forecast to out-strip supply in the coming years and chloride slag (produced from sulfate ilmenite) the most likely source of new supply. This provides a strong justification for the decision to include the LTR circuit in the final project design.

The outlook for zircon supply remains tight as previously reported, with price strengthening expected during the remainder of calendar 2021 and forecast supply constraints driving a strong future market position.

Thunderbird is well placed to be a significant supplier in what is forecast to be a strengthening market.

Exploration

Eneabba & McCalls Projects (Sheffield – 100%)

Sheffield's 100% owned Eneabba Project is located approximately 230km north of Perth in Western Australia's Midwest region. The Eneabba Project has a Mineral Resource inventory totalling 211.4 million tonnes @ 3.0% HM containing 6.3 million tonnes of Valuable Heavy Mineral above various HM cut-offs (Measured, Indicated and Inferred) (refer to ASX announcement 3 October 2018 and 24 September 2019). The mineralisation is across seven Mineral Resources including Yandanooka, Durack, Drummond Crossing, Robbs Cross, Thomson, West Mine North, Ellengail and Corridor.

The McCalls Mineral Sands Project (McCalls) is located 110km to the north of Perth near the town of Gingin. Across two deposits (McCalls and Mindarra Springs) the Project has a Mineral Resource of 5,800 million tonnes @ 1.4% HM above a 1.1% HM cut-off (Indicated and Inferred). The McCalls Project contains 67 million tonnes of chloride ilmenite grading 59-66% TiO₂ and is considered a longer-term strategic asset (refer to ASX announcement 3 October 2018 and 24 September 2019). Both HM deposits in the McCalls Project have retention status.

As 100% owner of the Eneabba & McCalls mineral sands projects in the North Perth Basin, Sheffield is updating scoping studies for both these locations. Given the buoyant mineral sands market outlook Sheffield is exploring opportunities to maximise the value of the deposits to its shareholders.

ORE RESERVES AND MINERAL RESOURCES

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

Ore Reserve for Dampier Project as at 30 June 2021

Dampier Project Ore Reserve ^{1,2,3,4}

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

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

Note 1: The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012), refer to ASX announcement 31 July 2019 for further details. 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 derived from HM and material tonnes from information in the Mineral Resource tables

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

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

Mineral Resources for Dampier Project as at 30 June 2021

Dampier Project Mineral Resources ^{1,2,3}

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

Note 1: Night Train: The Mineral Resources estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 31 January 2019 for further details. The Mineral Resource reported above 1.2% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 2.0% HM cut-off. Thunderbird: The Mineral Resource estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 5 July 2016 for further details including Table 1. The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves. Thunderbird: The Mineral Resource reported above 3.0% HM cut-off is inclusive of (not additional to) the Mineral Resource reported above 7.5% HM cut-off.

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% 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. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94.

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% TiO₂ >90% Liberation; Leucoxene: 70-90% TiO₂ >90% Liberation; High Titanium Leucoxene (HiTi Leucoxene) and Rutile 90% TiO₂ >90% Liberation, and Zircon: 66.7% ZrO₂+HfO₂ >90% Liberation. The non-magnetic fraction was submitted for XRF analysis and minerals determined as follows: Zircon: ZrO₂+HfO₂/0.667 and High Titanium Leucoxene (HiTi Leucoxene): TiO₂/0.94. 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 TiO₂ minerals the following breakpoints were used to distinguish between Ilmenite 40% to 70% TiO₂, Leucoxene 70% to 90% TiO₂, 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% TiO₂ (as one assemblage sample utilised=> 90% rutile and HiTi Leucoxene), HiTi Leucoxene for Thunderbird > 94% TiO₂

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

Mineral Resources for Eneabba Project as at 30 June 2021

Eneabba Project Mineral Resources ^{1,2}

Deposit	Mineral Resource Category	Cut off (Total HM%)	Material (Million Tonnes)	In-situ HM ¹¹ (Thousand Tonnes)	Total HM Grade (%)	HM Assemblage ^{8,9,10}				Oversize (%)	Slimes
						Zircon (%)	Rutile (%)	Leucoxene (%)	Ilmenite (%)		
Yandanooka ^{4,6,8}	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	11.3	15
	Indicated	1.4	57.7	1,726	3.0	12	3.6	3.7	69	11.4	15
	Inferred	1.4	0.4	7	1.5	11	3.0	4.4	68	21.9	20
	Total	1.4	60.8	1,845	3.0	12	3.5	3.6	70	11.5	15
Durack ^{4,6,7,8}	Indicated	1.4	20.7	600	2.9	14	2.9	3.7	71	14.7	14
	Inferred	1.4	5.6	148	2.6	14	2.6	7.4	64	18.3	16
	Total	1.4	26.3	748	2.8	14	2.9	4.4	70	15.5	14
Drummond Crossing ^{3,4,6,8}	Indicated	1.4	35.5	838	2.4	14	10.3	3.4	53	7.7	14
	Inferred	1.4	3.3	77	2.3	11	9.0	2.7	56	7.2	12
	Total	1.4	38.8	915	2.4	14	10.2	3.4	54	7.7	14
Robbs Cross ^{5,6,8}	Indicated	1.4	14.0	261	1.9	15	12.7	5.0	47	6.2	6
	Inferred	1.4	3.8	77	2.0	14	10.9	4.1	50	8.1	6
	Total	1.4	17.8	338	1.9	15	12.3	4.8	48	6.6	6
Thomson ^{5,8}	Inferred	1.4	26	516	2.0	19	13.8	5.4	42	6.9	18
	Total	1.4	26	516	2.0	19	13.8	5.4	42	6.9	18
West Mine North ^{3,4,6,9}	Indicated	2.0	10.2	748	7.3	6	6.5	1.8	48	2.3	11
	Inferred	2.0	1.8	48	2.7	9	8.6	2.1	50	3.0	17
	Total	2.0	12.0	796	6.6	6	6.6	1.8	48	2.4	12
Ellengail ^{3,4,9,10}	Indicated	2.0	6.5	346	5.3	10	8.0	10.4	66	3.2	15
	Inferred	2.0	5.3	218	4.1	10	8.2	8.4	62	2.5	15
	Total	2.0	11.8	565	4.8	10	8.1	9.6	64	2.9	15
Corridor ^{11, 12, 13, 14}	Inferred	2.0	18	568	3.1	7	5.5	0.4	47	4.8	14
	Total	2.0	18	568	3.1	7	5.5	0.4	47	4.8	14
Total	Measured	1.4	2.6	112	4.3	10	2.1	2.3	72	11	15
	Indicated	Various	144.6	4,519	3.1	12	6.1	3.9	62	9	14
	Inferred	Various	64.1	1,660	2.6	12	8.7	4.0	50	7	15
	Total	Various	211.4	6,291	3.0	12	6.7	3.9	59	9	14

Note 1: The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). Refer to ASX announcement 3 October 2018 for Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail for further details. Refer to December 2017 Quarterly Activities Report for Robbs Cross and Thomson deposits for further details.

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

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

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

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

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

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

Note 8: Estimates of mineral assemblage are presented as percentages of the total heavy mineral (THM) component of the deposit, as determined by QEMSCAN analysis. For the TiO₂ minerals specific breakpoints are used to distinguish between rutile (>95% TiO₂), leucoxene (85-95% TiO₂) and ilmenite (<55-85% TiO₂).

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

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

Note 11: THM % is the total heavy minerals from within the -2mm+75µm fraction (45% of the input data), the -710µm+53µm fraction (49% of the input data) and the -1mm+53µm fraction (6% of the input data) and is reported as a percentage of the total material.

Note 12: Slimes is measured from the -53 µm fraction (55% of the input data) and the -75 µm fraction (45% of the input data) and oversize is measured as the +2 mm (94% of the input data) and -1 mm (6% of the input data) fraction

Note 13: All tonnages and grades have been rounded to reflect the relative uncertainty of the estimate, thus the sums of columns may not equal.

Note 14: Estimates of mineral assemblage are presented as percentages of the T HM component of the deposit, as determined from historical data.

Note 15: The contained in-situ tonnes for the valuable heavy minerals were derived from information from the Mineral Resource tables. The in-situ assemblage grade is determined by multiplying the percentage of HM by the percentage of each valuable heavy mineral within the heavy mineral assemblage at the Resource block model scale.

Mineral Resources for McCalls Project as at 30 June 2021

McCalls Project Mineral Resources^{1,2,3,4,7}

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

Note 1: The Mineral Resource estimates were prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012) refer to ASX announcement 3 October 2018 for McCalls and Mindarra Spring.

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

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

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

Note 5: Estimates of mineral assemblage (Sheffield) are presented as percentages of the total heavy mineral (HM) component of the deposit, as determined by QEMSCAN analysis. For the TiO₂ minerals specific breakpoints are used to distinguish between rutile (>95% TiO₂), leucocoxene (85-95% TiO₂) and ilmenite (<55-85% TiO₂). Estimates of mineral assemblage (BHP) HM assemblage determination was by magnetic separation and observation (grain-counting)

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

Note 7: Excludes Mineral Resources within the Mogumber Nature Reserve

GOVERNANCE AND INTERNAL CONTROLS

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

COMPETENT PERSONS AND COMPLIANCE STATEMENTS

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

The Company's Ore Reserves and Mineral Resources Statement is based on information first reported in previous ASX announcements by the Company. These announcements are listed below and are available to view on Sheffield's website www.sheffieldresources.com.au. Mineral Resources and Ore Reserves reported for the Dampier Project and Mineral Resources reported for the Eneabba and McCalls Projects, are prepared and disclosed under the JORC Code 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant original market announcement continue to apply and have not materially changed.

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

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

The information in this report that relates to the Thunderbird Mineral Resource is based on information compiled under the guidance of Mr Mark Teakle, a Competent Person who is a Member of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Teakle is an employee of 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.

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" 31 July 2019
- Thunderbird BFS Update: "BFS UPDATE MATERIALLY REDUCES CAPITAL", 31 July 2019
- Night Train Inferred Resource and Mineral Assemblage results "HIGH GRADE MAIDEN MINERAL RESOURCE AT NIGHT TRAIN" 31 January 2019
- Yandanooka, Durack, Drummond Crossing, West Mine North, Ellengail, McCalls and Mindarra Springs Resource Estimates and including Mineral Resource and Ore Statement "*MINERAL RESOURCE AND RESERVE STATEMENT*" 3 October, 2018
- Thomson and Robbs Cross Mineral Resources: "QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017" 30 January 2018
- Thunderbird Mineral Resource: "SHEFFIELD DOUBLES MEASURED MINERAL RESOURCE AT THUNDERBIRD" 5 July 2016

- 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)
Thunderbird Ore Reserve	Thunderbird 10% Ore Reserve Increase	31 July 2019	P. Scrimshaw
Thunderbird Mineral Resource	Sheffield Doubles Measured Mineral Resource at Thunderbird	5 July 2016	M. Teakle, C. Standing
Night Train Mineral Resource	High Grade Maiden Mineral Resource at Night Train	31 January 2019	C. Standing
Robbs Cross Mineral Resource	Quarterly Activities Report for The Period Ended 31 December 2017	30 January 2018	C. Standing
Thomson Mineral Resource	Quarterly Activities Report for The Period Ended 31 December 2017	30 January 2018	C. Standing
Yandanooka Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Durack Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Drummond Crossing Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
West Mine North Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Ellengail Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
McCalls Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Mindarra Springs Mineral Resource	Mineral Resource and Ore Reserve Statement	3 October 2018	C. Standing
Corridor Mineral Resource	Heavy Mineral Sand Deposit Mineral Resource Estimate	May 2021	C Standing

Item	Name	Company	Professional Affiliation
Exploration Results	Mr Seb Gray	Sheffield Resources	MAIG
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 2021.

DIRECTORS AND COMPANY SECRETARY

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

Mr Bruce Griffin	Executive Chair
Qualifications	B.Ch.Eng, B.A.Econ, MBA
Appointed	10 June 2020 (Previously Commercial Director, appointed Executive Chair on 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	200,000 Ordinary Shares 3,000,000 Performance Rights
Other current directorships	Titanium Corporation Inc. (since 2019)
Past directorships last 3 years	None
Mr John Richards	Lead Independent Director
Qualifications	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. During this time, he has held strategy and business development positions within mining companies as well as in investment banks and private equity groups. He has been involved in a wide range of mining M&A transactions in multiple jurisdictions. Previous positions include Group Executive – Strategy and Business Development at Normandy Mining Ltd, Head of Mining and Metals Advisory (Asia-Pacific) at Standard Bank, Managing Director at Buka Minerals Ltd and Operating Partner at GNRI.
Responsibilities	Member of the Board, Chair of the Remuneration and Nomination Committee, Member of the Audit and Risk Committee
Interest in shares, options and rights	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)

Mr Ian Macliver	Non-Executive Director
Qualifications	BCom, FCA, SF Fin, FAICD
Appointed	1 August 2019
Experience	Mr Macliver is a Chartered Accountant with significant experience as a senior executive and director of both resource and industrial companies, with particular responsibility for company strategy development, capital raising and all other forms of corporate development initiatives. Mr Macliver is Chair of Grange Consulting Group Pty Ltd which provides specialist corporate advisory services to both listed and unlisted companies.
Responsibilities	Member of the Board, Chair of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee
Interest in shares, options and rights	100,000 Ordinary Shares 480,000 Options
Other current directorships	Western Areas Limited (appointed October 2011) MMA Offshore Limited (appointed January 2020)
Past directorships last 3 years	Otto Energy Limited (appointed September 2010, resigned November 2019)
Mr Bruce McFadzean	Non-Executive Director (resigned 6 September 2021)
Qualifications	Dip. Mining, FAusIMM
Appointed	2 November 2015 (Previously Managing Director, appointed Non-Executive Director 1 July 2021)
Experience	A qualified mining engineer with more than 40 years' experience in the global resources industry. Mr McFadzean has led the financing, development and operation of several new mines around the world. Mr McFadzean's technical, operating and corporate experience includes gold, silver, nickel, diamonds, iron ore and mineral sands. Mr McFadzean's professional career includes 15 years with BHP Billiton and Rio Tinto in a variety of positions and four years as Managing Director of successful ASX gold miner Catalpa Resources Limited.
Responsibilities	Member of the Board
Interest in shares, options and rights	2,249,239 Ordinary Shares
Other current directorships	Hastings Technology Metals Limited (appointed 1 January 2021) Aquirian Limited (appointed 27 July 2021)
Past directorships last 3 years	Indiana Resources Limited (appointed March 2015, resigned February 2019)
Mr Gordon Cowe	Non-Executive Director
Qualifications	BSc (Hons) Mechanical Engineering, GAICD
Appointed	12 March 2021
Experience	A qualified mechanical engineer with over 30 years' experience, Gordon 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 Remuneration and Nomination Committee, member of the Audit and Risk Committee
Interest in shares, options and rights	Nil
Other current directorships	Nil
Past directorships last 3 years	None

Mr David Archer	Non-Executive Director (resigned 12 March 2021)
Qualifications	B.Sc (Hons)
Appointed	December 2009 (Previously Technical Director) (resigned 12 March 2021)
Experience	Mr Archer is a geologist with over 30 years' experience in exploration and mining in Australia. He has held senior positions with major Australian mining companies, including Renison Goldfields Consolidated Ltd and ten years as a Director of Archer Geological Consulting specialising in project generation, geological mapping and project evaluation. Mr Archer was a consultant to ASX listed Atlas Iron Limited and Warwick Resources Limited and was responsible for significant iron ore discoveries for both companies in the Pilbara. Other major West Australian discoveries include the Raleigh and Paradigm gold mines and the Magellan lead mine.
Responsibilities	Nil
Interest in shares, options and rights	8,411,549 Ordinary Shares (12 March 2021) 639,713 Performance Rights (12 March 2021)
Other current directorships	Carawine Resources Limited (since 2017)
Past directorships last 3 years	None
Mr Will Burbury	Non-Executive Director (resigned 12 March 2021)
Qualifications	B.Comm, LLB
Appointed	June 2007 (resigned 12 March 2021)
Experience	Mr Burbury practised as a corporate lawyer with a leading Australian law firm prior to entering the mining and exploration industry in 2003. During this time, he has been actively involved in the identification and financing of many resources' projects in Australia and overseas and has held senior management positions and served on boards of several private and publicly listed companies.
Responsibilities	Nil
Interest in shares, options and rights	8,255,483 Ordinary Shares (12 March 2021)
Other current directorships	Carawine Resources Limited (since 2017)
Past directorships last 3 years	None
Mr Mark Di Silvio	Company Secretary
Qualifications	B.Bus, CPA, MBA
Appointed	15 February 2016
Experience	Mr. Di Silvio is a CPA qualified accountant with experience in the resources sector spanning three decades. Mr Di Silvio held a variety of finance-based roles within the gold mining sector early in his career, before gaining oilfield experience with Woodside Energy Limited through the financial management of joint ventures and the financial management of Woodside's Mauritanian oilfield assets. Mr Di Silvio has held executive positions including Central Petroleum Limited, Centamin Plc, Ausgold Limited and Mawson West Limited.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
B Griffin	9	9	-	-	-	-
J Richards	9	9	2	2	1	1
B McFadzean	9	9	-	-	-	-
I Macliver	9	9	2	2	1	1
G Cowe	2	2	-	-	-	-
D Archer	7	6	-	-	-	-
W Burbury	7	7	2	2	1	1

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

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
30 November 2021	30 November 2017	Nil	1,700,000
31 December 2021	18 December 2020	Nil	3,000,000
1 March 2022	1 March 2018	Nil	256,173
26 October 2025	6 November 2018	Nil	480,342
1 December 2025	22 December 2018	Nil	1,947,552
			7,384,067

PRINCIPAL ACTIVITIES

The principal activities during the year were mineral sands exploration and development within Australia.

OPERATING AND FINANCIAL REVIEW

The Group's operations during the year ended 30 June 2021 is set out in the Review of Operations and Ore Reserves and Mineral Resources sections.

The Group recorded a net profit after tax for the year ended 30 June 2021 of \$28.0m (2020: net loss after tax of 8.4m). At 30 June 2021, the Group had \$6.5m in cash and cash equivalents (2020: \$7.1m) and the Group's net assets were \$128.4m (2020: \$86.8m).

COVID-19 IMPACT

The Group continues to follow recommendations from State and Federal Government authorities to provide a COVID-19 safe workplace.

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 nor triggers for any significant uncertainties with respect to events or conditions which may adversely impact the Group as at the reporting date or subsequently as a result of the COVID-19 pandemic.

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2021.

CORPORATE GOVERNANCE STATEMENT

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION

The Group's exploration activities are governed by environmental regulation. To the best of the Directors' knowledge the Group believes it has adequate systems in place to ensure the compliance with the requirements of applicable environmental legislation and is not aware of any material breach of those requirements during the 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 (2020: 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 33 and forms part of the Directors' report for the year ended 30 June 2021.

EVENTS SUBSEQUENT TO REPORTING PERIOD

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. Cash benefits (including leave entitlements) totalling \$238,308 were made in favour of Mr McFadzean on 1 July 2021, representing the Company's contractual and statutory obligations associated with his position as Managing Director. Additionally, the Board determined that Mr McFadzean retain a portion of awards made under the employee incentive plan and 532,794 out of 1,236,421 performance rights held by Mr McFadzean vested on 1 July 2021 with the remainder forfeited. Mr McFadzean exercised the performance rights on 6 August 2021. The benefits and entitlements were recognised at 30 June 2021.

Other than noted above, 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.

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 2021. This Remuneration Report forms part of the Directors' Report.

KEY MANAGEMENT PERSONNEL

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:

Name	Position
Non-Executive Directors	
John Richards	Lead Independent Director (appointed 13 April 2021, previously Non-Executive Chair)
Ian Macliver	Non-Executive Director
Gordon Cowe	Non-Executive Director (appointed 12 March 2021)
David Archer	Non-Executive Director (resigned 12 March 2021)
Will Burbury	Non-Executive Director (resigned 12 March 2021)
Senior Executives	
Bruce McFadzean	Managing Director (appointed Non-Executive Director 1 July 2021, resigned 6 September 2021)
Bruce Griffin	Executive Chair (appointed 13 April 2021, previously Commercial Director)
Mark Di Silvio	Chief Financial Officer and Company Secretary
Stuart Pether	Chief Operating Officer (resigned 12 March 2021)

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.

OVERVIEW OF COMPANY PERFORMANCE

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

	2021	2020	2019	2018	2017
Profit / (loss) before tax (\$'000)	29,096	(8,370)	(10,250)	(4,305)	(10,338)
Net profit / (loss) after tax (\$'000)	28,008	(8,370)	(10,250)	(4,305)	(10,338)
Dividend (cents)	-	-	-	-	-
Basic earnings / (loss) per share (cents)	8.19	(2.81)	(4.18)	(2.02)	(5.95)
Diluted earnings / (loss) per share (cents)	7.82	(2.81)	(4.18)	(2.02)	(5.95)
Share price at year end (cents)	35.5	12.5	36.0	78.5	51.69

VOTING AT THE COMPANY'S 2020 ANNUAL GENERAL MEETING

The Company believes it has addressed matters raised by investors in relation to which a "first strike" was received by the Company at the 2020 Annual General Meeting, with a 37.39% vote against the prior year Remuneration Report. The Company received advice from a proxy adviser recommending a qualified vote in favour of the Remuneration Report in 2020, noting that remuneration practices of the Company were in line with market standards. Qualifications expressed by the proxy adviser included the award of incentive securities in favour of non-executive directors, along with the tenor and change of control conditions associated with other incentive securities. The Company does note that reservations expressed were subject to shareholder approval and granted by shareholders accordingly.

The Remuneration Committee engaged independent remuneration consultants during 2021 to address the above matters, ensuring rigour was applied in remuneration deliberations, independent of management. Remuneration consultants have reviewed and developed a revised Executive Incentive Plan to be tabled at the 2021 Annual General Meeting.

Changes to Board composition since the 2020 Annual General Meeting have resulted in the proportion of independent non-executive directors increasing to 100%, addressing previous concerns in relation to Board independence raised by the proxy adviser. The Board continues to review its composition, a process that commenced 18 months ago, and is targeting wider Board diversity as the Company moves forward with development of the Thunderbird Mineral Sands Project via Kimberley Mineral Sands Pty Ltd. The Board is also very confident that the forthcoming financial year remuneration structure is appropriate for the Company, in order to reward and retain Sheffield's executive team.

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:

	2021 \$	2020 \$
Base fees excluding statutory superannuation ¹		
Non- Executive Chair / Lead Independent Non-Executive Director	100,000	100,000
Other Non-Executive Directors	80,000	80,000

Note 1: All Non-Executive Directors agreed to an up to 50% reduction in base fees for the period between 1 April 2020 to 12 March 2021.

Share Options Grants

No share options were granted to non-executive directors during the year.

Share Options Vested

No share options vested in favour of non-executive directors 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

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

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

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

- provide total remuneration and employment conditions which will enable the Company to attract and retain high quality senior executives to the business;
- align remuneration with the creation and maximisation of shareholder value and the achievement of Company strategy, business objectives and core values;
- ensure the structure and quantum of remuneration is competitive and reflective of the external market in which the Company operates;
- 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 2021 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 Thunderbird project objectives, sustainability aims and maximise overall shareholder value;
- ensure effective benchmarking of fixed and variable remuneration for Senior Executives for a clearly defined peer group of similar companies to ensure remuneration is fair and competitive; and
- retain total remuneration at or around the 50th percentile of market.

Use of External Remuneration Consultants

The Remuneration Committee approved the engagement of BDO Reward (WA) Pty Ltd (BDO WA) to provide remuneration recommendations regarding the mix and quantum for executives. Sheffield and BDO WA are satisfied that the advice received from BDO WA is free from undue influence from the KMP to whom the remunerations recommendations apply.

The remuneration recommendations were provided to the Remuneration Committee as an input to its decision making process. Along with a range of other factors, the Remuneration Committee considered and has made relevant remuneration decisions. Fees paid to BDO WA totalled \$3,075 for the period.

Remuneration Mix

Senior Executive remuneration consists of the following key elements:

- fixed annual remuneration (FAR);
- short term incentives (STI); and
- long term incentives (LTI).

Fixed Annual Remuneration

The level of FAR is set to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. FAR includes a base salary, inclusive of superannuation. Allowances and other benefits may be provided, including leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Group. FAR is reviewed annually with any adjustments to FAR for Senior Executives ultimately approved by the Board following consideration by the Remuneration Committee.

Following a Company wide review in 2020, FAR applicable to Senior Executives was reduced up to 25% as a contribution to the Company's strategy of cash preservation. This continued through to inception of the Kimberley Mineral Sands Joint Venture in March 2021. At that time, several Senior Executives of the Company departed the Group and were transferred to the Joint Venture under new employment arrangements. FAR applicable to Senior Executives including the Managing Director, Commercial Director and Chief Financial Officer was reviewed by the Remuneration Committee in line with recommendations proposed by independent remuneration consultants.

Short Term Incentive

Following successful completion of the Kimberley Mineral Sands Joint Venture, the Board awarded one-off performance bonuses to the Managing Director, Chief Financial Officer and Chief Operations Officer totalling \$572,466. Details of the award to each individual Senior Executive are disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

Long Term Incentive

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

The objective of the LTI program is to:

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

Employee Share Option

The ESOP is an equity component of at-risk remuneration. The Board determined the quantum of options to be issued to the relevant Senior Executive dependent on FAR and seniority of position in the Company. Whilst the Board has discretion to award options to Senior Executives under the ESOP going forward, no such awards have taken place in favour of Senior Executives in recent years with the Board favouring a PRP mechanism to incentivise Senior Executives.

Share Options Grants

No share options were granted to employees during the year.

Share Options Vested

No share options vested in favour of employees during the year.

Share Options Expired

No share options awarded to employees 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.

Change of Control Measures

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

Performance Rights Plan

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

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

Performance Hurdles

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

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

Performance hurdles under future awards may be similar to the above or may include alternate thresholds, aligned with material company milestones or other factors to align with shareholder value creation.

Absolute TSR Performance Hurdle

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

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

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

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

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

As described below, following measurement of the Tranche 1 ATSR performance rights on 30 November 2020, it was determined that Tranche 1 performance conditions were not satisfied, and performance rights lapsed unexercised. Any Tranche 2 ATSR performance rights that may vest will be determined on or after 30 November 2022 on the basis of the below Tranche 2 scale.

Weighting	Measure	ATSR (%)	Performance rights vested (%)	Performance period
Tranche 1: 50%	Tranche 1: Increase in Sheffield share price between 31 Aug 2018 and 30 Nov 2020	Less than 16% 16% (lower threshold) Between 16% to 26% (being the upper threshold)	0% 25% Pro rata between 25% and 50%	Tranche 1: 31 Aug 2018 to 30 Nov 2020 Outcome: Performance condition not satisfied
Tranche 2: 50%	Tranche 2: Increase in Sheffield share price between 30 Nov 2020 and 30 Nov 2022	Between 26% to 40% (being the target) Between 40% to 50% (being the stretch) 50% or above	Pro rata between 50% and 75% Pro rata between 75% and 100% 100%	Tranche 2: 30 Nov 2020 to 30 Nov 2022 Outcome: To be determined 30 November 2022

Sustainability Performance Hurdles

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

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

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

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

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

Specifically, the Employment Hurdles are as follows:

Aboriginal Employment

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

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

Local Content Employment

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

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

For the performance rights subject to the Employment Hurdles:

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

Succession Plan

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

For the performance rights subject to the Succession Plan Hurdle:

- 100% of those performance rights will vest if the Succession Plan Hurdle is achieved; and
- None of those performance rights will vest if the Succession Plan Hurdle is not achieved.

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

Performance Rights on Cessation of Employment

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

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

Grant of Performance Rights

3,000,000 performance rights were granted to Mr Bruce Griffin in June 2020 and were subsequently awarded following receipt of shareholder approval at the Annual General Meeting held on 15 December 2020.

Performance Hurdles

Applicable performance hurdles in relation to Mr Griffin's performance rights include an announcement to the ASX that the Company has made a Final Investment Decision for the development of the Company's Thunderbird Mineral Sands Project on or before 31 December 2021. Any unvested performance rights following testing on 31 December 2021 will automatically lapse in accordance with the Company's Performance Rights Plan.

Performance Rights Vested

No performance rights vested during the reporting period.

532,794 performance rights vested in favour of Mr Bruce McFadzean subsequent to the end of the financial year on 1 July 2021. Mr 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 of 1,236,421 performance rights, Mr McFadzean could retain a portion of awards made under the LTI plan totalling 532,794 performance rights and the balance of 703,627 performance rights were forfeited. The adjustments were recognised at 30 June 2021 and disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report.

Hedging of At-Risk Remuneration

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

Performance Rights on Change of Control

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

Proposed Forward (2022 onwards) Executive Incentive Planning & Strategy

During 2021, the Company engaged BDO Remuneration & Reward Pty Ltd (BDO) to advise and provide a report on proposed remuneration structuring and incentive planning for its executives, namely the Executive Chair and Chief Financial Officer, going forward. The methodology encompasses Total Fixed Remuneration (TFR), an Incentive Plan (Short Term Incentive (STI) and Long Term Incentive (LTI)) and a Reward Plan (RP).

The Remuneration Committee has considered a forward executive incentive plan which will be subject to shareholder approval. The executive incentive plan shall consist of a STI and LTI linked to non-market performance measures and a Reward Plan linked to market measures. The LTI would take the form of a performance right vesting after three years and subject to satisfaction of performance criteria and with three further years to exercise. 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 Reward Plan would consider an annual grant of out of the money options vesting after three years subject to satisfaction of market based performance criteria and with one further year to exercise.

The Remuneration Committee has proposed the following Total Incentive Opportunity (TIO) for the Executive Chair and Chief Financial Officer (CFO):

Position	ANNUAL TFR \$	ANNUAL TIO (% TFR)	ANNUAL STI (% TFR)	ANNUAL LTI (% LTI)	ANNUAL REWARD (% TFR)
Executive Chair	\$300,000	150%	50%	60%	40%
Chief Financial Officer	\$370,000	120%	40%	50%	30%

Further details in relation to the proposed 2022 remuneration structure will be made available to shareholders in conjunction with the 2021 Notice of Annual General Meeting, scheduled for release in October 2021.

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	Base salary (Including superannuation)	Termination benefit
B McFadzean ¹	Managing Director	2 November 2015	\$383,250	3 months' notice
B Griffin ²	Commercial Director	10 June 2020	\$300,000	1 months' notice
M Di Silvio	CFO & Company Secretary	15 February 2016	\$370,000	4 months' notice
S Pether ³	Chief Operating Officer	1 April 2017	\$328,500	4 months' notice

Note 1: Mr 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.

Note 2: Mr Griffin was appointed Executive Chair on 13 April 2021 with no change in employment terms.

Note 3: Mr Pether departed the Group on 12 March 2021 and was contemporaneously appointed Chief Executive Officer of the KMS Joint Venture.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

2021	Short-term		Non-monetary ²	Post - employment	Other	Share based payments	Total
	Salary & fees	Cash bonus		Super-annuation	Termination Benefits ⁷	Options & rights ¹	
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors							
J Richards ³	82,518	-	9,278	7,839	-	-	99,635
I Macliver	66,014	-	9,278	6,271	-	-	81,563
G Cowe ⁴	30,545	-	8,505	2,332	-	-	41,382
D Archer ⁵	28,205	-	6,959	2,680	-	26,977	64,821
W Burbury ⁶	28,205	-	6,959	2,680	-	-	37,844
Senior Executives							
B McFadzean ⁷	318,790	230,000	11,354	21,694	238,308	708,240	1,528,386
B Griffin ⁸	258,065	-	9,278	-	-	279,042	546,385
M Di Silvio	272,721	171,233	11,354	21,535	-	44,418	521,261
S Pether ⁹	183,680	171,233	9,078	24,892	-	62,058	450,941
	1,268,743	572,466	82,043	89,923	238,308	1,120,735	3,372,218

Note 1: The fair value of the options is calculated at the date of grant using a Black-Scholes valuation model and allocated to each reporting period starting from grant date to vesting date.

Note 2: Non-monetary benefits include 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: Mr Richards was appointed Lead Independent Director on 13 April 2021 (previously Non-Executive Chair).

Note 4: Mr Cowe was appointed on 12 March 2021. Compensation includes \$6,000 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 5: Mr Archer resigned on 12 March 2021.

Note 6: Mr Burbury resigned on 12 March 2021.

Note 7: Mr 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. Cash benefits (including leave entitlements) totalling \$238,308 were made in favour of Mr McFadzean reflecting his contractual and statutory rights associated with his role as Managing Director. Additionally, the Board determined that Mr McFadzean retain a portion of awards made under the LTI plan. That amount (\$337,548), in conjunction with the number of awards forfeited by Mr McFadzean (\$370,692) and totalling \$708,240, was recognised at 30 June 2021. Please also refer to the Performance Rights table on Page 31, which forms part of the Directors' Report for further information.

Note 8: Compensation includes 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.

Note 9: Mr Pether departed the Group on 12 March 2021 and was contemporaneously appointed Chief Executive Officer of the KMS Joint Venture.

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

Note 1: The fair value of the options is calculated at the date of grant using a Black-Scholes valuation model and allocated to each reporting period starting from grant date to vesting date.

Note 2: Non-monetary benefits include, where applicable, the cost to the Company of providing fringe benefits and the fringe benefits and the fringe benefits tax on those benefits and the attributable non-cash benefit applied by virtue of the Company's Directors and Officer Liability policy.

Note 3: Mr Archer resigned as Technical Director on 29 February 2020 and was appointed Non-Executive Director thereafter. \$58,940 of salary and fees described above relates to the payment of accrued annual and long service leave entitlements. In the 2019 financial year, Mr Archer entered into an agreement with the Company to defer a portion of his salary and superannuation. Mr Archer has waived his right to repayment of all amounts deferred under the agreement.

Note 4: In the 2019 financial year, Mr Burbury entered into an agreement with the Company to defer a portion of his salary and superannuation. Mr Burbury has waived his right to repayment of all amounts deferred under the agreement.

Note 5: Mr McQuitty retired as Non-Executive Director on 19 November 2019. In the prior financial year, Mr McQuitty entered into an agreement with the Company to defer a portion of his salary and superannuation. \$10,950 of Mr McQuitty's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.

Note 6: During the 2019 financial year, Mr McFadzean entered into an agreement with the Company to defer a portion of his salary and superannuation. \$95,813 of Mr McFadzean's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.

Note 7: Mr Griffin commenced as Commercial Director on 10 June 2020.

Note 8: During the 2019 financial year, Mr Di Silvio entered into an agreement with the Company to defer a portion of his salary and superannuation. \$82,125 of Mr Di Silvio's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.

Note 9: During the 2019 financial year, Mr Pether entered into an agreement with the Company to defer a portion of his salary and superannuation. \$82,125 of Mr Pether's salary and superannuation described above relates to the repayment of deferred salary and superannuation under this agreement.

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

	Fixed remuneration		Remuneration linked to performance	
	2021	2020	2021	2020
Non-Executive Directors				
J Richards	100%	59%	-	41%
I Macliver	100%	58%	-	42%
G Cowe	100%	100%	-	-
D Archer ¹	58%	41%	42%	59%
W Burbury ¹	100%	100%	-	-
Senior Executives				
B McFadzean	39%	43%	61%	57%
B Griffin	49%	58%	51%	42%
M Di Silvio	59%	52%	41%	48%
S Pether	48%	85%	52%	15%

Note 1: Both Mr Archer and Mr Burbury resigned on 12 March 2021.

EQUITY INSTRUMENTS

Share Options

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

2021	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	-	-	-	-	-	-	-
D Archer ¹	550,000	-	-	(550,000)	-	-	-
W Burbury ¹	-	-	-	-	-	-	-
Senior Executives							
B McFadzean	-	-	-	-	-	-	-
B Griffin	-	-	-	-	-	-	-
M Di Silvio	500,000	-	-	(500,000)	-	-	-
S Pether	-	-	-	-	-	-	-
	2,010,000	-	-	(1,050,000)	960,000	960,000	-

Note 1: Both Mr Archer and Mr Burbury resigned on 12 March 2021.

Performance Rights

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

2021	Year granted	Opening balance	Granted	Rights to deferred shares				Closing balance (unvested)	Value yet to vest
				Vested		Forfeited/Lapsed			
				Number	Number	Number	%		
Non-Executive Directors									
	2018	1,066,189	-	-	-	426,476	40%	639,713	174,645
Senior Executives									
	2018	2,060,701	-	532,794	26%	1,527,907	74%	-	-
	2020	3,000,000	-	-	-	-	-	3,000,000	140,668
	2018	1,097,547	-	-	-	439,019	40%	658,528	179,781
	2017	1,700,000	-	-	-	-	-	1,700,000	26,013
		8,924,437	-	532,794		2,393,402		5,998,241	521,107

Note 1: Both Mr Archer and Mr Burbury resigned on 12 March 2021.

Note 2: Mr 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. 824,280 rights lapsed during the year due to performance conditions not being satisfied. A further 703,627 rights lapsed upon cessation of Mr McFadzean's executive employment effective 1 July 2021. The Board determined that Mr McFadzean retain 532,794 rights, vesting on 1 July 2021 and remaining unexercised as at that date. This was taken into account at 30 June 2021.

Shareholdings

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

2021	Opening balance	Granted as remuneration	Received on exercise of options / rights	Other Changes ¹	Closing balance
Non-Executive Directors					
	8,411,579	-	-	-	8,411,579
	8,255,483	-	-	-	8,255,483
Senior Executives					
	1,716,445	-	-	-	1,716,445
				200,000	200,000
	641,854	-	-	-	641,854
	430,215	-	-	-	430,215
	19,555,576	-	-	200,000	19,755,576

Note 1: Include on-market purchases by KMP.

Note 2: Both Mr Archer and Mr Burbury resigned on 12 March 2021.

Note 3: Mr 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 and the balance of 703,627 performance rights were forfeited. The adjustments were recognised at 30 June 2021 and disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report. The 532,794 performance rights vested in favour of Mr Bruce after the reporting date on 1 July 2021.

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 \$258,065 (2020: \$20,000). 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 \$6,000 plus GST (2020: nil). 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

9 September 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Sheffield Resources Limited for the year ended 30 June 2021, 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
9 September 2021



N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Continuing operations			
Other income	10	330	271
Gain on loss of control of subsidiary	7	43,987	-
Share of joint venture loss	8	(3,717)	-
Finance costs		(3,441)	(154)
Other expenses		(3,100)	(2,098)
Employee benefits expenses		(2,958)	(3,334)
Share-based payments expenses	21	(1,027)	(1,460)
Depreciation expenses	15	(457)	(684)
Impairment exploration expenses	16	(401)	(887)
Occupancy expenses		(100)	(127)
Legal expenses		(20)	(48)
Gain on disposal of assets		-	151
Net profit / (loss) before income tax		29,096	(8,370)
Income tax expense	11	(1,088)	-
Profit / (Loss) after income tax		28,008	(8,370)
Other comprehensive income / (loss)			
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss), net of tax		28,008	(8,370)
Earnings / (Loss) per share attributable to ordinary equity holders			
Basic earnings / (loss) per share (cents per share)	23	8.19	(2.81)
Diluted earnings / (loss) per share (cents per share)	23	8.04	(2.81)

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 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	12	6,519	7,083
Trade and other receivables	13	297	500
Total current assets		6,816	7,583
Non-current assets			
Investment in joint venture	8	116,401	-
Other non-current assets	14	-	3,364
Plant and equipment	15	-	3,719
Right of use asset	15	-	1,393
Mine development	15	-	64,979
Exploration and evaluation assets	16	6,648	10,137
Total non-current assets		123,049	83,592
Total assets		129,865	91,175
Current liabilities			
Trade and other payables	17	335	2,576
Lease liabilities	18	-	19
Provisions	19	55	205
Total current liabilities		390	2,800
Non-current liabilities			
Lease liabilities	18	-	1,492
Provisions	19	-	63
Deferred tax liabilities	11	1,088	-
Total non-current liabilities		1,088	1,555
Total liabilities		1,478	4,355
Net assets		128,387	86,820
Equity			
Issued capital	20	133,091	120,559
Reserves	21	12,150	11,123
Accumulated losses	22	(16,854)	(44,862)
Total equity		128,387	86,820

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 2021

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2020	120,559	11,123	(44,862)	86,820
Comprehensive income / (loss)				
Profit for the year	-	-	28,008	28,008
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income	-	-	28,008	28,008
Transactions with owners				
Shares issued	12,882	-	-	12,882
Share issue costs	(350)	-	-	(350)
Share-based payments	-	1,027	-	1,027
Total transactions with owners	12,532	1,027	-	13,559
Balance as at 30 June 2021	133,091	12,150	(16,854)	128,387
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2019	99,469	9,663	(36,492)	72,640
Comprehensive income / (loss)				
Loss for the year	-	-	(8,370)	(8,370)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss	-	-	(8,370)	(8,370)
Transactions with owners				
Shares issued	22,463	-	-	22,463
Share issue costs	(1,373)	-	-	(1,373)
Share-based payments	-	1,460	-	1,460
Total transactions with owners	21,090	1,460	-	22,550
Balance as at 30 June 2020	120,559	11,123	(44,862)	86,820

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		-	7
Payments to suppliers and employees		(7,298)	(4,384)
Interest received		41	74
Interest paid		-	(154)
Net cash used in operating activities	12	(7,257)	(4,457)
Cash flows from investing activities			
Research and development tax refund		-	670
Payments for exploration and evaluation expenditure		(795)	(1,349)
Payments for plant and equipment		(8)	-
Proceeds from disposal of assets		-	1,755
Payments for development expenditure		(4,742)	(5,403)
Net cash outflow on loss of control of subsidiary		(323)	-
Release of / (Payments for) bonds		41	(67)
Payments for lease liabilities		-	(3,260)
Net cash used in investing activities		(5,827)	(7,654)
Cash flows from financing activities			
Proceeds from issue of shares		12,882	18,000
Payments for share issue costs		(350)	(1,373)
Payments for lease liabilities		(12)	(131)
Net cash from financing activities		12,520	16,496
Net increase / (decrease) in cash and cash equivalents		(564)	4,385
Cash and cash equivalents at the beginning of the year		7,083	2,698
Cash and cash equivalents at the end of the period	12	6,519	7,083

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 2021

1. CORPORATE INFORMATION

The consolidated financial report for the year ended 30 June 2021 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 exploration and development within Australia.

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 2021 was authorised for issue in accordance with a resolution of the Directors on 9 September 2021.

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 accruals basis, except for certain financial assets and liabilities which are required to be measured at fair value.

(d) Going concern

The financial statements have been prepared on a going concern basis. The Group recorded a net profit after tax for the year ended 30 June 2021 of \$28.0m (2020: net loss after tax of 8.4m). At 30 June 2021, the Group had \$6.5m in cash and cash equivalents (2020: \$7.1m). The Group's net assets were \$128.4m (2020: \$86.8m) and the net cash outflows from operating activities were \$7.3m (2020: \$4.5m).

During the year, Sheffield and YGH Australia Investment Pty Ltd (Yansteel) entered into a binding joint venture agreement for the formation of a 50:50 Joint Venture to own and develop the Thunderbird project. As per the terms of the agreement, Yansteel subscribed for a 50% interest in Kimberly Mineral Sands Pty Ltd (KMS) and provided \$130.1 million in project equity funding. Sheffield had owned 100% of high-grade mineral sands Thunderbird project, located in north-west Western Australia. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS which included tenements and other assets associated with Thunderbird.

In accordance with the terms of the agreement regarding the KMS Joint Venture, Sheffield recognised a contingent liability to fund any excess equity shortfall up to a maximum of \$10m. The payment is not yet due and remains contingent upon KMS reaching a final investment decision in relation to the Thunderbird project.

The Directors prepared a cash flow forecast for the next 12 month period reflecting the need for further funding in the event that a final investment decision was reached in relation to the Thunderbird project. Whilst the Directors are confident that funding requirements will be successfully covered, the timing and costs of any additional funding remains uncertain. Should the Company be unsuccessful in obtaining such funding, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors have discretion regarding the level and timing of expenditure to be incurred against forecast expenditure. Steps can be taken to contain operating and investment activities which may include a review of assets held to rationalise the number of tenements on hand which will assist in ensuring the Group's ability to manage the timing of cash flows to meet committed obligations of the business as and when they fall due.

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 using a Black-Scholes model.

Exploration and evaluation expenditure

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

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if rights to tenure of the area of interest are current and activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Mine development

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

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

Mineral resources and ore reserves

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

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

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 2020. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group adopted the Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definitions and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

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.

The Group's operating segments are as follows:

- Sheffield project – Project consists of mineral sand exploration tenements located in Western Australia held by Sheffield Resources Limited.
- Thunderbird project – Project consists of mineral sands tenements located in the Canning Basin that form part of the potential Thunderbird mineral sand mining operation held by Thunderbird Operations Pty Ltd, subsidiary of Kimberley Mineral Sands Pty Ltd (KMS). The Company deconsolidated KMS Group during the year. On 12 March 2021, YGH Australia Investment Pty Ltd entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS prior to the formation of the joint venture. Please refer to Notes 7 and 8.
- 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.

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

	Sheffield project	Thunderbird project	Other	Total
2021	\$'000	\$'000	\$'000	\$'000
Segment Reporting				
Other income	-	107	223	330
Employee benefits expenses	-	-	(2,958)	(2,958)
Corporate expenses	-	-	(3,220)	(3,220)
Depreciation expenses	-	(331)	(126)	(457)
Gain on loss of control of subsidiary	-	43,987	-	43,987
Impairment exploration expenses	(408)	7	-	(401)
Share-based payments expenses	-	-	(1,027)	(1,027)
Share of joint venture loss	-	(3,717)	-	(3,717)
Finance costs	-	(3,441)	-	(3,441)
Segment profit / (loss) before tax	(408)	36,612	(7,108)	29,096
Segment assets	6,648	116,401	6,816	129,865
Segment liabilities	-	-	1,478	1,478
Other disclosures				
Investment in joint venture	-	116,401	-	116,401
Capital expenditure	250	4,617	-	4,867

2020	Sheffield project \$'000	Thunderbird project \$'000	Other \$'000	Total \$'000
Segment Reporting				
Other income	-	-	271	271
Employees benefit expense	-	-	(3,334)	(3,334)
Corporate expenses	-	-	(2,273)	(2,273)
Depreciation expenses	-	(496)	(188)	(684)
Gain on disposal of assets	-	-	151	151
Impairment exploration expenses	(120)	(767)	-	(887)
Share-based payments expenses	-	-	(1,460)	(1,460)
Finance costs	-	(119)	(35)	(154)
Segment loss before tax	(120)	(1,382)	(6,868)	(8,370)
Segment assets	6,806	78,651	5,718	91,175
Segment liabilities	-	3,171	1,184	4,355
Other disclosure				
Capital expenditure	323	14,508	-	14,831

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; and
- Liquidity 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 and interest-bearing lease liabilities 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 and the discount rate used to determine the present value of lease payments for interest bearing lease liabilities.

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.

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, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group financial instruments are as follows:

	Floating interest rate \$'000	< 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000	Weighted average interest rate	
							Fixed	Floating
2021								
Financial assets								
Cash and cash equivalents	5,619	-	-	-	900	6,519	0.23%	0.22%
Trade and other receivables	-	51	-	-	246	297	0.23%	-
Total financial assets	5,619	51	-	-	1,146	6,816		
Financial liabilities								
Trade and other payables	-	-	-	-	335	335	-	-
Total financial liabilities	-	-	-	-	335	335		

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

The Group's expected contractual outflows and maturities of financial liabilities, including estimated interest payments, are as follows:

	Current liabilities		Non-current liabilities	
	< 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000
2021				
Financial liabilities				
Trade and other payables	335	-	-	-
	335	-	-	-

	Current		Non-Current	
	< 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000
2020				
Financial liabilities				
Trade and other payables	2,551	-	-	-
Lease liabilities	68	69	727	2,253
	2,619	69	727	2,253

7. LIST OF SUBSIDIARIES AND OTHER ENTITIES

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 %	
		2021	2020
Sheffield Resources Limited			
Moora Talc Pty Ltd	Australia	100%	100%
Ironbridge Resources Pty Ltd	Australia	100%	100%
Sheffield Exploration (WA) Pty Ltd	Australia	100%	100%
Kimberley Minerals Sands Pty Ltd (formerly Thunderbird Finance Pty Ltd)	Australia	50%	100%
Kimberley Minerals Sands Pty Ltd Group			
Thunderbird Operations Pty Ltd	Australia	50%	100%
Thunderbird Infracore Holdings Pty Ltd	Australia	50%	100%
Thunderbird Infracore Pty Ltd	Australia	50%	100%

The Company deconsolidated Kimberley Mineral Sands Pty Ltd (KMS) and its subsidiaries during the year. On 12 March 2021, YGH Australia Investment Pty Ltd entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS prior to the formation of the joint venture. Please refer to Note 8.

Reconciliation of the gain on loss of control of subsidiary, KMS at 12 March 2021 is as follows:

	2021	2020
	\$'000	\$'000
Kimberley Mineral Sands Pty Ltd Group - deconsolidation		
Recognition of investment in Kimberley Minerals Sands Pty Ltd joint venture	120,118	-
Derecognition of subsidiary assets	(78,399)	-
Derecognition of subsidiary liabilities	2,268	-
Gain on loss of control of subsidiary in statement of profit or loss	43,987	-

8. INTEREST IN A 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its 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 outside operating profit and represents profit or loss after tax.

Kimberley Mineral Sands Pty Ltd Joint Venture

On 6 January 2021, Sheffield and YGH Australia Investment Pty Ltd (Yansteel) entered into a binding joint venture agreement for the formation of a 50:50 Joint Venture to own and develop the Thunderbird project. As per the terms of the agreement, Yansteel subscribed for a 50% interest in Kimberley Mineral Sands Pty Ltd (KMS) and provided \$130.1 million in project equity funding. Sheffield had owned 100% of high-grade mineral sands Thunderbird project, located in north-west Western Australia. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS which included tenements and other assets associated with Thunderbird.

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.

Summarised consolidated statement of profit or loss and other comprehensive income of KMS for the year ended 30 June 2021 is as follows:

	2021 \$'000	2020 \$'000
Kimberley Mineral Sands Pty Ltd Joint Venture – continuing operations		
Other income	140	-
Expenses	(4,053)	-
Loss before income tax	(3,913)	-
Income tax expense	(7,074)	-
Loss after income tax	(10,987)	-
Other comprehensive income / (loss)	-	-
Total comprehensive loss, net of tax	(10,987)	-
Reconciliation of loss after income tax – continuing operations		
KMS reported loss before deconsolidation (1 July 2020 to 11 March 2021) ¹	(3,553)	-
KMS joint venture loss (12 March 2021 to 30 June 2021)	(7,434)	-
Loss after income tax	(10,987)	-
Reconciliation of share of joint venture loss – continuing operations		
Sheffield's share of KMS joint venture loss – 50% (12 March 2021 to 30 June 2021)	(3,717)	-

Note 1: KMS' financial results before formation of the joint venture on 12 March 2021 were consolidated into the Group's statement of profit or loss. Following the formation of the joint venture, the Group is only entitled to 50% of the loss for the remaining period 12 March 2021 to 30 June 2021 being 50% of \$7.4m.

Summarised consolidated statement of financial position of KMS as at 30 June 2021 is as follows:

	2021	2020
	\$'000	\$'000
Kimberley Mineral Sands Pty Ltd Joint Venture		
Assets		
Current assets	128,589	-
Non-current assets	81,753	-
Total assets	210,342	
Liabilities		
Current liabilities	1,983	-
Non-current liabilities	9,142	-
Total liabilities	11,125	-
Net assets	199,217	-
Reconciliation of carrying amount in joint venture investment		
Opening balance of share of joint venture investment	130,118	
Less contingent liabilities (Note 27)	(10,000)	
Carrying amount of joint venture investment as at 12 March 2021	120,118	-
Sheffield's share of KMS joint venture loss – 50% (12 March 2021 to 30 June 2021)	(3,717)	-
Closing carrying amount of joint venture investment as at 30 June 2021	116,401	-

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.

KMS had no other contingent liabilities as at 30 June 2021, except for exploration and capital commitments, for which the Group has a corresponding commitment as disclosed in Note 26.

9. REMUNERATION OF AUDITORS

The auditor of Sheffield is HLB Mann Judd.

	2021	2020
	\$	\$
HLB Mann Judd		
Amounts received or receivable for audit or review of the financial report of the entity	49,425	57,125

10. OTHER INCOME

Other income is recognised when the amount can be reliably measured and control of the right to receive income is passed to the Group.

The Group's other income is as follows:

	2021 \$'000	2020 \$'000
Other income	215	196
Government incentives	74	-
Interest income	41	75
	330	271

11. 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 for each jurisdiction 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:

	2021 \$'000	2020 \$'000
Profit / (loss) before income tax	29,096	(8,370)
Prima facie tax calculated at 26% (2020: 27.5%)	7,565	(2,302)
Adjusted for the tax effect of:		
Non-deductible share-based payments	254	687
Share of joint venture loss	966	-
Accruals	62	(1)
Other non-assessable income	(11,437)	-
Other non-deductible expenses	878	759
Other deductible items	(3)	(1,306)
Share issue costs	(376)	(408)
Immediate deduction for exploration and evaluation expenditure	(100)	(380)
Unrecognised tax losses	1,103	2,951
Income tax expense reported in the statement of profit or loss	(1,088)	-

Reconciliation of recognised deferred tax balances is as follows:

	2021 \$'000	2020 \$'000
Recognised deferred tax		
Exploration and evaluation expenditure	(1,728)	-
Mine development expenditure	-	-
Trade and other receivables	(20)	-
Plant and equipment	7	-
Capitalised business expenditure	569	-
Other timing differences	84	-
Net deferred tax assets / (liabilities) reported in the statement of financial position	(1,088)	-

Reconciliation of unrecognised deferred tax balances is as follows:

	2021 ²	2020 ¹
	\$'000	\$'000
Unrecognised deferred tax		
Exploration and evaluation expenditure	-	(2,636)
Mine development expenditure	-	(6,801)
Joint venture investment	(27,225)	-
Carried forward tax losses	21,841	-
Other timing differences	-	19,696
Unrecognised deferred tax assets / (liabilities)	(5,384)	10,259

Note 1: Deferred tax assets of \$10.3m are not recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

Note 2: Deferred tax liabilities of \$5.4m 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.

12. 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.

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

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

	2021	2020
	\$'000	\$'000
Current assets		
Cash at bank and on hand	6,519	3,083
Short-term deposits	-	4,000
	6,519	7,083

Reconciliation of cash used in operating activities is as follows:

	2021	2020
	\$'000	\$'000
Profit / (Loss) after income tax	28,008	(8,370)
Adjustments for non-cash items		
Income tax expense	1,088	-
Depreciation expenses	457	684
Share-based payments expenses	1,027	2,843
Impairment exploration expenses	401	887
Gain on disposal of assets	-	(151)
Gain on loss of control of subsidiary ¹	(43,987)	-
Share of joint venture loss	3,717	-
Discontinued borrowing costs and fees	3,364	-
Other	-	(203)
Changes in assets and liabilities		
(Increase) / Decrease in trade and other receivables	203	17
Increase / (Decrease) in trade and other payables	(1,322)	34
Increase / (Decrease) in provisions	(213)	(198)
Net cash (used in) operating activities	(7,257)	(4,457)

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. Please refer to Notes 7 and 8.

13. TRADE AND OTHER RECEIVABLES

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

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

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

	2021	2020
	\$'000	\$'000
Current assets		
Trade and other receivables	246	320
Bank guarantees – office lease and credit card facilities	51	180
	297	500

14. OTHER NON-CURRENT ASSETS

The Group's non-current assets are as follows:

	2021 \$'000	2020 \$'000
Non-current assets		
Transaction costs ¹	-	3,364
	-	3,364

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. The transaction costs were related to the establishment of the loan facilities negotiated for the Thunderbird project. The loan facilities were terminated in March 2021. Please refer to Notes 7 and 8.

15. PLANT AND EQUIPMENT, RIGHT OF USE ASSETS & MINE DEVELOPMENT

Plant and equipment

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

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

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

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

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

- Buildings – 10 years
- Motor Vehicles – 4 years
- Plant and equipment – 2 to 10 years

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Mine development

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

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

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

The Group's non-current assets are as follows:

	Plant & equipment	Right of use assets	Mine development	Total
	\$'000	\$'000	\$'000	\$'000
2021				
Non-current assets				
Carrying amount – at cost	163	-	-	163
Accumulated depreciation	(163)	-	-	(163)
	-	-	-	-
Reconciliation				
Opening balance at the beginning of the year	3,719	1,393	64,979	70,091
Additions	8	-	4,072	4,080
Derecognition of assets – deconsolidation ¹	(3,316)	(1,347)	(69,051)	(73,714)
Depreciation expenses	(411)	(46)	-	(457)
	-	-	-	-

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. Please refer to Notes 7 and 8.

	Plant & equipment	Right of use assets	Mine development	Total
	\$'000	\$'000	\$'000	\$'000
2020				
Non-current assets				
Carrying amount – at cost	4,891	1,544	64,979	71,414
Accumulated depreciation	(1,172)	(151)	-	(1,323)
	3,719	1,393	64,979	70,091
Reconciliation				
Opening balance at the beginning of the year	4,232	2,058	53,952	60,242
Additions	-	-	9,971	9,971
Transfers between asset classes ¹	-	-	3,331	3,331
Derecognition of right of use asset ²	-	(456)	-	(456)
Capitalisation of research & development grant	-	-	(670)	(670)
Disposal of assets	(38)	-	(1,605)	(1,643)
Depreciation expenses	(475)	(209)	-	(684)
	3,719	1,393	64,979	70,091

Note 1: The Group transferred \$3.3m in relation to commitment fees paid on the undrawn US\$175m Taurus Mining Fund Facility.

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

16. EXPLORATION AND EVALUATION ASSETS

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

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

The Group's exploration and evaluation assets are as follows:

	2021 \$'000	2020 \$'000
Non-current assets		
Exploration and evaluation assets – at cost	10,137	9,641
Expenditure incurred	788	1,383
Derecognition of assets – deconsolidation ¹	(3,876)	-
Impairment of exploration expenditure ²	(401)	(887)
	6,648	10,137

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. Please refer to Notes 7 and 8.

Note 2: The exploration and evaluation expenditure were not considered to have further commercial value at reporting date.

17. 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:

	2021 \$'000	2020 \$'000
Current liabilities		
Trade payables	17	1,584
Other payables	318	992
	335	2,576

18. LEASE LIABILITIES

A lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method.

The Group's lease liabilities are as follows:

	2021 \$'000	2020 \$'000
Current liabilities		
Lease liabilities ¹	-	19
Non-current liabilities		
Lease liabilities ¹	-	1,492
	-	1,511

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. Please refer to Notes 7 and 8.

19. 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.

Employee benefits

Short term obligations

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

Long term obligations

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

Provision for rehabilitation

Rehabilitation costs are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition as a result of bringing the assets to its present location.

Any changes in the estimates for the costs or other assumptions against the cost of relevant assets are accounted for on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

The Group's provisions are as follows:

	2021 \$'000	2020 \$'000
Current liabilities		
Provision for employee benefits	55	205
Non-current liabilities		
Provision for rehabilitation ¹	-	63
	55	268

Note 1: The Company deconsolidated its subsidiary, Kimberley Mineral Sands Pty Ltd during the year. Please refer to Notes 7 and 8.

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

	2021		2020	
	Number	\$'000	Number	\$'000
Equity				
Opening balance at the beginning of the year	311,795,340	120,559	260,555,374	99,469
Issue of fully paid ordinary shares ¹	-	-	46,153,846	18,000
Issued pursuant to a Facility Agreement ²	-	-	2,250,000	1,463
Issued pursuant to an Agreement ³	-	-	2,836,120	3,000
Issued of fully paid ordinary shares ⁴	34,259,421	12,882	-	-
Share issue costs	-	(350)	-	(1,373)
	346,054,761	133,091	311,795,340	120,559

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

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

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

Note 4: On 12 August 2020, the Company issued 34,259,421 fully paid ordinary shares for \$0.376 per share for consideration to YGH Australia Investment Pty Ltd.

21. 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:

	2021 \$'000	2020 \$'000
Equity		
Opening balance at the beginning of the year	11,123	9,663
Share-based payments expenses	1,027	1,460
	12,150	11,123

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:

Date of expiry	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	\$0.65	960,000

Detailed disclosures regarding vesting conditions of the options are set out in the Remuneration Report, which forms part of the Directors' Report.

Options issued in consideration for services

No options were issued in consideration for services during the year.

Options issued as remuneration

No options were issued as remuneration during the year.

Movement in options

	2021		2020	
	Number under options	Weighted average exercise price	Number under options	Weighted average exercise price
Movement in options				
Outstanding at the beginning of the year	4,517,037	\$0.57	10,501,667	\$0.47
Granted during the year	-	-	960,000	\$0.65
Exercised during the year	-	-	-	-
Lapsed during the year	(3,557,037)	\$0.50	(6,666,667)	\$0.37
Cancelled during the year	-	-	(277,963)	\$1.00
Outstanding at the end of the year	960,000	\$0.65	4,517,037	\$0.57
Exercisable at the end of the year	960,000	\$0.65	2,553,998	\$0.94

The weighted average contractual remaining life of the share options outstanding as at 30 June 2020 is 2.42 years (2020: 1.89 years).

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

Dividend yield	0%
Expected volatility	70%
Risk-free interest rate	0.75%
Expected life of options	2.42 years
Exercise price	\$0.65
Grant date share price	\$0.34
Number	960,000
Fair value at grant date	\$0.13
Grant date	19 November 2019
Expiry date	30 November 2023

The expected life of an option is based on historical data and is not necessarily indicative of exercise payments that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

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.

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

Date of expiry	Grant date	Exercise price	Number under rights
30 November 2021	30 November 2017	Nil	1,700,000
31 December 2021	18 December 2020	Nil	3,000,000
28 February 2022	1 March 2018	Nil	256,173
26 October 2025	6 November 2018	Nil	480,342
1 December 2025	22 December 2018	Nil	2,480,346
			7,916,861

Detailed disclosures regarding vesting conditions of the Performance Rights are set out in the Remuneration Report, which forms part of the Directors' Report.

Movement in performance rights

	2021		2020	
	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	11,191,318	\$0.60	9,338,359	\$0.78
Granted during the year	-	-	3,000,000	\$0.15
Vested during the year	-	-	-	-
Lapsed during the year	(2,570,830)	\$0.78	-	-
Forfeited during the year ¹	(703,627)	\$0.77	-	-
Cancelled during the year	-	-	(1,147,041)	\$0.84
Outstanding at the end of the year	7,916,861	\$0.53	11,191,318	\$0.60
Exercisable at the end of the year	-	-	-	-

Note 1: 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 and the balance of 703,627 performance rights were forfeited. The adjustments were recognised at 30 June 2021 and disclosed in the Remuneration of Key Management Personnel table, which forms part of the Directors' Report. The 532,794 performance rights vested in favour of Mr Bruce after the reporting date on 1 July 2021.

The fair value of the performance rights is measured at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received on the performance rights during the vesting period. The weighted average remaining contractual life of the performance rights as at 30 June 2021 is 1.95 years (2020: 3.67 years).

Rights issued in consideration for services

No rights were issued in consideration for services during the year.

Rights issued as remuneration

No rights were issued as remuneration during the year.

22. ACCUMULATED LOSSES

Reconciliation of movements in accumulated losses is as follows:

	2021	2020
	\$'000	\$'000
Equity		
Accumulated losses at the beginning of the year	(44,862)	(36,492)
Profit / (Loss) after income tax	28,008	(8,370)
	(16,854)	(44,862)

23. EARNINGS / (LOSS) PER SHARE

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

	2021	2020
	Cents per share	Cents per share
From continuing operations		
Basic earnings / (loss) per share	8.19	(2.81)
Diluted earnings / (loss) per share	8.04	(2.81)

	2021	2020
	\$'000	\$'000
Earnings used in calculating earnings / (loss) per share – continuing operations		
Profit / (Loss) after income tax attributable to owners	28,008	(8,370)

	2021	2020
	Number ('000)	Number ('000)
Weighted average number of shares used as denominator		
Weighted average number of ordinary shares for basic earnings / (loss) per share	342,019	297,735
Effects of dilution from:		
- Options	-	-
- Performance rights	6,511	-
Weighted average number of ordinary shares for diluted earnings / (loss) per share	348,530	297,735

24. 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 \$258,065 (2020: \$20,000). The payment was disclosed in Remuneration Report section, 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 \$6,000 plus GST (2020: nil). The payment was disclosed in Remuneration Report section, which forms part of the Directors' Report.

25. KEY MANAGEMENT PERSONNEL

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

- Mr John Richards – Lead Independent Director (appointed 13 April 2021, previously Non-Executive Chair)
- Mr Ian Macliver – Non-Executive Director
- Mr Gordon Cowe – Non-Executive Director (appointed 12 March 2021)
- Mr David Archer – Non-Executive Director (resigned 12 March 2021)
- Mr Will Burbury – Non-Executive Director (resigned 12 March 2021)
- Mr Bruce McFadzean – Managing Director (appointed Non-Executive Director 1 July 2021; resigned 6 September 2021)
- Mr Bruce Griffin – Executive Chair (appointed 13 April 2021, previously Commercial Director)

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

- Mr Mark Di Silvio – Company Secretary & Chief Financial Officer
- Mr Stuart Pether – Chief Operating Officer (resigned 12 March 2021)

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

	2021	2020
	\$	\$
Short-term employee benefits	1,923,252	1,532,134
Post-employment benefits	89,923	97,840
Share-based payments expenses ¹	1,120,735	1,396,643
Termination benefits ¹	238,308	-
	3,372,218	3,026,617

Note 1: Mr 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. Cash benefits (including leave entitlements) totalling \$238,308 were made in favour of Mr McFadzean, comprising statutory and contractual obligations associated with his employment as Managing Director. Additionally, the Board determined that Mr McFadzean could retain a portion of awards made under the Long Term Incentive plan and that amount (\$337,548), in conjunction with the number of awards forfeited (\$370,692), was recognised at 30 June 2021. Detailed remuneration disclosures are set out in the Remuneration Report section, which forms part of the Directors' Report.

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 24.

Loans to Key Management Personnel

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

26. COMMITMENTS

Exploration commitments

To maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. The minimum amounts required to retain tenure is \$263k (2020: \$1.6m). These obligations are expected to be fulfilled in the normal course of operations.

Joint venture with YGH Australia Investment Pty Ltd

On 6 January 2021, Sheffield and YGH Australia Investment Pty Ltd (Yansteel) entered into a binding joint venture agreement for the formation of a 50:50 Joint Venture to own and develop the Thunderbird project. As per the terms of the agreement, Yansteel subscribed for a 50% interest in Kimberly Mineral Sands Pty Ltd (KMS) and provided \$130.1 million in project equity funding. Sheffield had owned 100% of high-grade mineral sands Thunderbird project, located in north-west Western Australia. The ownership of Thunderbird project was held by Sheffield through its 100% owned subsidiary KMS which included tenements and other assets associated with Thunderbird.

KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Please refer to Notes 7 and 8. KMS reported exploration commitments of \$1.49m for 2022. KMS also has the following capital commitments relating to Thunderbird Operations Pty Ltd:

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

27. CONTINGENT LIABILITIES

In accordance with the terms of agreement with regards to the KMS Joint Venture, Sheffield recognised a contingent liability to fund any excess equity shortfall up to a maximum of \$10m. The payment is contingent upon KMS reaching a final investment decision with regards to the Thunderbird project. No such decision was made at 30 June 2021.

The Group has no other contingent liabilities as at 30 June 2021 (2020: nil).

28. EVENTS SUBSEQUENT TO REPORTING PERIOD

Mr 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. Cash benefits (including leave entitlements) totalling \$238,308 were made in favour of Mr McFadzean on 1 July 2021, representing the Company's contractual and statutory obligations associated with his role as Managing Director. Additionally, the Board determined that Mr McFadzean retain a portion of awards made under the employee plan and 532,794 out of 1,236,421 performance rights held by Mr McFadzean vested on 1 July 2021 with the remainder forfeited. Mr McFadzean exercised the performance rights on 6 August 2021. The benefits and entitlements were recognised at 30 June 2021.

Other than noted above, 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.

29. PARENT ENTITY INFORMATION

	Parent entity 2021 \$'000	Parent entity 2020 \$'000
Assets		
Current assets	6,816	5,592
Non-current assets	123,049	82,412
Total assets	129,865	88,004
Liabilities		
Current liabilities	390	1,168
Non-current liabilities	1,088	16
Total liabilities	1,478	1,184
Net assets	128,387	86,820
Equity		
Issued capital	133,091	120,559
Reserves	12,150	11,123
Accumulated losses	(16,854)	(44,862)
Total equity	128,387	86,820
Financial performance		
Profit / (Loss) after income tax	28,008	(8,370)
Other comprehensive income	-	-
Total comprehensive income / (loss), net of tax	28,008	(8,370)

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 2021 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 2021.

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



Bruce Griffin

Executive Chair

Perth, Western Australia

9 September 2021

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 2021, 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 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 2(d) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Key Audit Matters	How our audit addressed the key audit matter
-------------------	----------------------------------------------

Accounting for Kimberly Mineral Sands Joint Venture	
------------------------------------------------------------	--

Refer to Notes 7 & 8	
----------------------	--

<p>The carrying amount of the investment in the joint venture as at 30 June 2021 is \$116.4 million and the share of joint venture loss for period then ended was \$3.7 million.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Review management’s accounting treatment of the joint arrangement; • Reviewed journals processed upon initial recognition of the joint venture, and corresponding journals for the deconsolidation of Kimberley Mineral Sands Pty Ltd; • Examined the recognition of the share of joint venture loss in comparison to the joint venture entity’s audited financial statements and ensured it has been correctly recorded and disclosed; and • Examined the disclosures made in the financial report.
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>A joint venture was entered into with YGH Australia Investment Pty Ltd (“Yansteel”) during the period. This transaction involved the subscription by Yansteel of 50% of the shares in Kimberly Mineral Sands Pty Ltd (“KMS”), a former controlled entity of Sheffield Resources Limited. Yansteel provided consideration of \$130.1m for this interest with the Company contributing the Thunderbird project to the joint venture.</p>	
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>This transaction was considered a key audit matter as it involved a number of complexities and formed a large component of the overall result for the Company for the year.</p>	
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Carrying value of exploration and evaluation assets	
------------------------------------------------------------	--

Refer to Note 16	
------------------	--

<p>The carrying amount of exploration and evaluation assets as at 30 June 2021 is \$6.6 million.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the key processes associated with management’s review of the carrying values of each area of interest; • Considered the Directors’ assessment of potential indicators of impairment; • Obtained evidence that the Group has current rights to tenure of its areas of interest; • Examined the exploration budget for the year ending 30 June 2022 and discussed with management the nature of planned ongoing activities; • Enquired with management, reviewed ASX announcements and reviewed minutes of Directors’ meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; • Substantiated a sample of expenditure by agreeing to supporting documentation; and • Examined the disclosures made in the financial report.
------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition.</p>	
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>Our audit focussed on the Group’s assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group.</p>	
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

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 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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 2021.

In our opinion, the Remuneration Report of Sheffield Resources Limited for the year ended 30 June 2021 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
Chartered Accountants

Perth, Western Australia
9 September 2021



N G Neill
Partner

ASX ADDITIONAL 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 7 September 2021.

DISTRIBUTION OF EQUITY SECURITIES

Spread of Holdings	Total holders	Number held
1 - 1,000	236	85,776
1,001 - 5,000	564	1,630,772
5,001 - 10,000	368	2,917,603
10,001 - 100,000	1,081	40,928,187
100,001 and over	377	301,025,217
	2,626	346,587,555

Unmarketable parcels amount to 178,236 shares held by 311 shareholders.

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholders - fully paid ordinary shares	Number held	Percentage %
YGH AUSTRALIA INVESTMENT PTY LTD	34,259,421	9.9%
MR WALTER MICK GEORGE YOVICH & MRS JEANETTE JULIA YOVICH	30,126,843	8.7%
BLACKROCK GROUP	21,956,836	6.3%
	86,343,100	24.9%

UNLISTED OPTIONS

Date of expiry	Grant date	Exercise price	Number under options
30 November 2023	19 November 2019	\$0.65	960,000

UNLISTED PERFORMANCE RIGHTS

Date of expiry	Grant date	Exercise price	Number under rights
30 November 2021	30 November 2017	Nil	1,700,000
31 December 2021	18 December 2020	Nil	3,000,000
28 February 2022	1 March 2018	Nil	256,173
26 October 2025	6 November 2018	Nil	480,342
1 December 2025	22 December 2018	Nil	1,947,552
			7,384,067

STATEMENT OF QUOTATION AND RESTRICTIONS

- Listed on the ASX are 346,587,555 fully paid shares. All fully paid shares are free of escrow conditions.
- All 960,000 options are not quoted on the ASX. All options are free of escrow conditions.
- All 7,384,067 rights are not quoted on the ASX. All rights are free of escrow conditions.

VOTING RIGHTS

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

TWENTY LARGEST SHAREHOLDERS

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

Ordinary shareholders – fully paid ordinary shares	Number held	Percentage %
YGH AUSTRALIA INVESTMENT PTY LTD	34,259,421	9.9%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,602,404	7.4%
MR WALTER MICK GEORGE YOVICH & MRS JEANETTE JULIA YOVICH	16,745,524	4.8%
CITICORP NOMINEES PTY LIMITED	14,919,701	4.3%
MR WALTER MICK GEORGE YOVICH	13,402,516	3.9%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	10,149,887	2.9%
MR BRUCE MORRISON MCQUITTY	8,186,612	2.4%
UBS NOMINEES PTY LTD	8,149,738	2.4%
MR WILLIAM BURBURY	7,548,500	2.2%
SATORI INTERNATIONAL PTY LTD	6,830,000	2.0%
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	6,165,107	1.8%
ARCHER ENTERPRISES (WA) PTY LTD	5,827,634	1.7%
SEVEN FOUR SEVEN PTY LTD	3,180,000	0.9%
KIMBERLEY SUSTAINABLE DEVELOPMENT PTY LTD	2,836,120	0.8%
KNAPPICK INVESTMENTS PTY LTD	2,668,740	0.8%
MR DAVID LINDSAY ARCHER & MRS SIMONE ELIZABETH ARCHER	2,503,945	0.7%
TUCARNDI PTY LTD	2,240,000	0.6%
CRESCENT NOMINEES LIMITED	2,237,085	0.6%
RENEAGLE PTY LTD	2,210,000	0.6%
PENMAEN LIMITED	2,200,000	0.6%
	177,862,934	51.3%

TENEMENT SCHEDULE

Sheffield Resources Limited

Project	Tenement	Holder	Interest	Location	Status
Mineral Sands	E70/3762	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3813	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3814	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3859	Sheffield Resources Ltd	100%	Perth Basin	Pending
Mineral Sands	E70/3929	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/3967	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4190	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4292	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4584	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4719	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4747	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	E70/4922	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/872 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/965 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	M70/1153 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted
Mineral Sands	R70/352 ¹	Sheffield Resources Ltd	100%	Perth Basin	Granted

Note 1: Iluka Resources Ltd (ASX:ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153.

Kimberley Mineral Sands Pty Ltd Joint Venture (Sheffield interest – 50%)²

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 2: 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).