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SheffieldResources
LIMITED

INTERIM FINANCIAL REPORT

for the Half Year Ended
31 December 2023



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CORPORATE DIRECTORY

Directors

Mr Bruce Griffin, Executive Chair

Mr John Richards, Lead Independent Non-Executive Director

Mr Ian Macliver, Non-Executive Director

Mr Gordon Cowe, Non-Executive Director

Mrs Vanessa Kickett, Non-Executive Director

Company Secretary

Mr Mark Di Silvio

Registered Office

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Perth WA 6000

Securities Exchange

Australian Securities Exchange

Level 40 Central Park

152-158 St Georges Terrace

Perth WA 6000

ASX Code: **SFX**

Solicitors

HWL Ebsworth Lawyers

Level 20, 240 St Georges Terrace

Perth WA 6000

Norton Rose Fulbright Australia

Level 30, 108 St Georges Terrace

Perth WA 6000

Bankers

Australia and New Zealand Banking Group Ltd (ANZ)

Level 5, 240 St Georges Terrace

Perth WA 6000

Westpac Banking Corporation (Westpac)

Level 3, 123 St Georges Terrace

Perth WA 6000

Australian Business Number (ABN)

29 125 811 083

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 half year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

DIRECTORS

The Directors of the Company during the half year and until the date of this report (unless otherwise stated) are:

| Name | Position |
|---------------------|---|
| Mr Bruce Griffin | Executive Chair |
| Mr John Richards | Lead Independent Non-Executive Director |
| Mr Ian Macliver | Non-Executive Director |
| Mr Gordon Cowe | Non-Executive Director |
| Mrs Vanessa Kickett | Non-Executive Director |

REVIEW OF OPERATIONS

Kimberley Mineral Sands Pty Ltd (KMS)

During the reporting period, activities culminated in the completion of site construction activities for the flagship Thunderbird Mineral Sands Mine (Thunderbird) in the Kimberley region of Western Australia, with first ore production generated during October 2023. Zero lost time incidents were achieved across the construction, commissioning, and initial operating period, an outstanding achievement by the Kimberley Mineral Sands team.



Figure 1: Thunderbird Process Plant site

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Figure 2: Thunderbird Process Plant site including Heavy Mineral Concentrate and product stockpiles (January 2024)



Figure 3: Mining operation during first Dry Mining Unit move (December 2023)

Thunderbird Construction Activities

Construction of the Wet Concentrate Plant and Concentrate Upgrade Plant was completed during the period, in conjunction with final commissioning activities. Throughput and performance acceptance testing of the processing plant was successfully completed by GR Engineering Services Limited, with construction team demobilisation completion prior to the end of the period.

The reporting period saw borefield, water and air services tested and commissioned, in conjunction with commissioning of the tailings storage facility, stormwater storage pond, and final roadworks along the 30km mine access road intersecting with the Great Northern Highway. The Thunderbird LNG storage facilities were fully commissioned, including first fills of LNG storage tanks, and testing and energising of associated LNG systems. The power generation units were also fully commissioned, bringing into operation the 16 megawatt high efficiency power station.

Thunderbird Operations

Total ore mined for the maiden quarter of operations was 740,593 tonnes with an average heavy mineral (HM) ore mined grade of 13.3%. Total saleable concentrate production for the quarter was 34,349 tonnes. These figures are presented on a 100% basis and represent only a partial quarter of production following commencement of operations in October 2023.

Ore grade and mineral assemblage has reconciled well with Ore Reserve assumptions, with reasonable levels of slimes consistent with mining plans. Tailing deposition within the dedicated tailings storage facility is performing well with good settling and beaching.

As at the end of the reporting period, the mining activity was progressing well with the first planned relocation of the Dry Mining Unit (DMU) successfully completed. The KMS operations team is focussed upon improving mining & processing equipment availability, with power outages and pump equipment failures (mechanical seals and electrical motors) experienced during the quarter. DMU availability and throughput was also impacted by management of oversize material, consistent with the nature of the Thunderbird orebody and current mining area.

First shipment of approximately 300 metric tonnes of bagged non-magnetic (zircon) concentrate was completed during the first week of January 2024, ahead of original Final Investment Decision (FID) schedule. Further shipments of magnetic (ilmenite) concentrate and non-magnetic (zircon) concentrate are expected throughout the coming weeks and months as the Thunderbird mine continues to ramp up to steady state during 2024.

Whilst KMS took advantage of exporting initial products via Port Hedland in early January 2024, bulk shipments are expected to commence during the March 2024 quarter with concentrate products to be loaded into rotainers at site and transported by road train to a storage yard near the Port of Broome. Following vessel arrival into the Port of Broome, rotainers will be shuttled from the laydown area in Broome to the Port and loaded on to vessels using the existing crane.

KMS secured a port services agreement with the Kimberley Port Authority, enabling Port of Broome operations to take place, with a laydown area also secured within proximity to the port. Final state regulatory clearances, to be obtained by the Kimberley Port Authority, enabling bulk shipments to take place via the Port of Broome are well advanced, with bulk shipments of magnetic concentrate scheduled to commence in the March 2024 quarter.

At the end of December 2023, KMS cash reserves totalled \$35m (\$40m cost overrun facility remains undrawn). With approximately \$75m in available working capital and cost overrun facility proceeds available to KMS at the commencement of 2024, KMS remains well funded as the Thunderbird mine continues to advance and ramp up production over the coming months.

Sheffield intends to provide production and operating cost guidance for the Thunderbird mine once operations reach steady state following a ramp up period, with such guidance expected no earlier than during the FY2025 financial year.

Products and Offtake Agreements

KMS has in place non-magnetic (zircon) and magnetic (ilmenite) concentrate take or pay offtake agreements, accounting for in excess of 80% of forecast production volume for the initial five year production period for Thunderbird.

KMS has agreed indicative US\$ pricing for the non-magnetic (zircon) concentrate for the March 2024 quarter with its three long term offtake partners. While zircon prices have weakened since the final investment decision in October 2022, the A\$ has also weakened relative to the US\$ with overall net pricing in A\$ slightly lower relative to the prices assumed at FID.

The price for magnetic (ilmenite) concentrate is fixed per % TiO₂ for the first 5 years.

Markets

Premium zircon from major producers increased from c.US\$1,350 per tonne in mid-2019, peaking in mid-2023 at c.US\$2,200 per tonne prior to softening to approximately US\$2,000 per tonne by then end of 2023.

New supply entering the market, including Thunderbird, offset by continued low inventory levels and reduced production from some existing operators is expected to see a modest contraction in pricing for 2024 around US\$1,900 per tonne, well above long term price forecasts. Longer range price forecasts demonstrates price appreciation to continue, as the market outlook for zircon continues to indicate an emerging supply deficit as leading, mature operators representing >50% of the market forecast flat or declining production.

Global sulfate ilmenite prices for 2023 reached \$320 per tonne FOB, well above long term forecasts. Sulfate ilmenite prices are expected to soften during 2024, with the introduction of new supply from Thunderbird and several other projects. Whilst demand remains robust, increasing new supply sources is expected to see pricing reduce below \$300 per tonne throughout 2024. High-grade pigment feedstock demand for production of chloride grade pigment is forecast to grow over the long term, and chloride slag (produced from sulfate ilmenite) is the most likely source of new supply.

Thunderbird Community & Stakeholder Engagement

KMS continued community and stakeholder engagement throughout the quarter, including presentations to the Broome Shire Council, Yawuru community meeting and the local Chamber of Commerce. Community consultations outlining road train and product transport movements between the Thunderbird mine and Port of Broome continued throughout the period. Further community engagement activities are scheduled throughout 2024.

During the period, KMS notified the Minister of Aboriginal Affairs regarding the identification of a potential new object of significance, and proactively initiated steps to protect the object via the instalment of a 25m buffer zone and windrow. The Minister of Aboriginal Affairs partially suspended the Section 18 approval within a 25m buffer zone of the area, until such time that the Minister has made a determination on the potential new object of significance. KMS is working with the relevant Department and Traditional Owners to assist the Minister with finalising a determination. The instalment of the partial suspension does not have a material impact on the mine planning or production activities for the Thunderbird mine going forward.

South Atlantic Project

The South Atlantic Project is located within the Rio Grande do Sul Coastal Plain, a region located in the southernmost state of Brazil, Rio Grande do Sul, along the coast of the Atlantic Ocean. Four main deposits have been identified within the project area: Retiro, Estreito, Capao do Meio and Bujuru with Exploration Targets developed for the Retiro and Bujuru deposits.

During the period, drill line clearing commenced, supporting a planned drilling program of up to 10,000m scheduled to commence during Q1 2024. Construction of a purpose built mineral sands drilling rig, under the supervision of experienced mineral sands drilling & operations personnel, was nearing completion at the end of 2023. The drilling program is designed to convert the exploration targets at Retiro and Bujuru into resources.

RGM engaged experienced engineering and mineral sands consultancy Hatch to undertake a Pre-Feasibility Study (PFS) for the South Atlantic Project, which will include relevant development options for the Project. It is expected that PFS activities will be completed by mid-2024.

Bulk sample test work from Bujuru continued via IHC Robbins, with test work results due during Q1 2024.

IBAMA, the national environmental regulator, continued to progress the Retiro Installation Licence (LI) application, with a site visit scheduled during the March quarter by a team of representatives. Approval of the LI is currently expected during Q1 2024 and upon approval, RGM may apply for a Mining Decree for Retiro.

OPERATING AND FINANCIAL REVIEW

The Group recorded a consolidated loss of \$7.3m for the half year ended 31 December 2023 (31 December 2022: consolidated loss of \$4.2m). At 31 December 2023, the Group had \$23.2m in cash and cash equivalents (30 June 2023: \$24.4m) and the Group's net assets were \$162.6m (30 June 2023: \$169.6m).

ROUNDING OF AMOUNT

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 DECLARATION

A copy of the Auditor's Independence Declaration is set out after the Ore Reserves and Mineral Resources report.

EVENTS SUBSEQUENT TO REPORTING PERIOD

There has been no additional matter or circumstance that has arisen after reporting 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.

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

For and on behalf of the Directors



Bruce Griffin

Executive Chair

Perth, Western Australia

20 February 2024

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ORE RESERVES AND MINERAL RESOURCES

Ore Reserve for Dampier Project held by Kimberley Mineral Sands Pty Ltd as at 31 December 2023

(Sheffield interest – 50%)

Dampier Project Ore Reserve ^{1,2,3,4,5,6}

| Deposit | Ore Reserve Category | Ore Tonnes (millions) | In-situ HM Tonnes ⁶ (millions) | HM Grade (%) | Valuable HM Grade (In-situ) ⁵ | | | | Slimes (%) | Oversize (%) |
|-------------|----------------------|-----------------------|---|--------------|--|---------------|-------------|--------------|------------|--------------|
| | | | | | Zircon (%) | HITI Leuc (%) | Leuc (%) | Ilmenite (%) | | |
| Thunderbird | Proved | 239 | 31 | 12.9 | 0.96 | 0.29 | 0.28 | 3.4 | 16 | 14 |
| | Probable | 514 | 52 | 10.1 | 0.79 | 0.26 | 0.27 | 2.9 | 15 | 11 |
| | Total | 754 | 83 | 11.0 | 0.84 | 0.27 | 0.27 | 3.1 | 15 | 12 |

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

Note 1: The Ore Reserve estimate was prepared by Entech Pty Ltd and first disclosed under the JORC Code (2012). Ore Reserve is reported to a design overburden surface with appropriate consideration of modifying factors, costs, mineral assemblage, process recoveries and product pricing.

Note 2: Ore Reserve is a sub-set of Mineral Resource.

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

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

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

Note 6: The contained in-situ HM tonnes were derived from the HM grade and Ore Tonnes in the Ore Reserve table.

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.

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Mineral Resources for Dampier Project held by Kimberley Mineral Sands Pty Ltd as at 31 December 2023
(Sheffield interest - 50%)

Dampier Project Mineral Resources ^{1,2,3,4,5,6,7}

| Deposit (cut-off) | Mineral Resource Category | Cut-off (THM%) | Material Tonnes (millions) | In-situ HM Tonnes ⁷ (millions) | HM Grade (%) | Mineral Assemblage | | | | Slimes (%) | Oversize (%) |
|---|---------------------------------|-------------------|----------------------------------|--|--------------------|--------------------|----------------------------------|-------------|-----------------|---------------|-----------------|
| | | | | | | Zircon (%) | HiTi Leuc ⁶ (%) | Leuc (%) | Ilmenite (%) | | |
| Thunderbird ⁴ (low-grade) | Measured | 3.0 | 510 | 45 | 8.9 | 8.0 | 2.3 | 2.2 | 27 | 18 | 12 |
| | Indicated | 3.0 | 2,120 | 140 | 6.6 | 8.4 | 2.7 | 3.1 | 28 | 16 | 9 |
| | Inferred | 3.0 | 600 | 38 | 6.3 | 8.4 | 2.6 | 3.2 | 28 | 15 | 8 |
| | Total | 3.0 | 3,230 | 223 | 6.9 | 8.3 | 2.6 | 2.9 | 28 | 16 | 9 |
| Night Train ⁵ (low-grade) | Inferred | 1.2 | 130 | 4.2 | 3.3 | 14 | 5.4 | 46 | 22 | 8.7 | 2.2 |
| | Total | 1.2 | 130 | 4.2 | 3.3 | 14 | 5.4 | 46 | 22 | 8.7 | 2.2 |
| All Dampier (low-grade) | Measured | 3.0 | 510 | 45 | 8.9 | 8.0 | 2.3 | 2.2 | 27 | 18 | 12 |
| | Indicated | 3.0 | 2,120 | 140 | 6.6 | 8.4 | 2.7 | 3.1 | 28 | 16 | 9 |
| | Inferred | Various | 730 | 42 | 5.8 | 8.9 | 2.9 | 7.5 | 27 | 13 | 7.2 |
| | Total | Various | 3,360 | 227 | 6.8 | 8.4 | 2.7 | 3.7 | 28 | 15 | 8.7 |
| High-grade Mineral Resources are a sub-set of the low-grade Mineral Resources | | | | | | | | | | | |
| Thunderbird ⁴ (high-grade) | Measured | 7.5 | 220 | 32 | 14.5 | 7.4 | 2.1 | 1.9 | 27 | 16 | 15 |
| | Indicated | 7.5 | 640 | 76 | 11.8 | 7.6 | 2.4 | 2.1 | 28 | 14 | 11 |
| | Inferred | 7.5 | 180 | 20 | 10.8 | 8.0 | 2.5 | 2.4 | 28 | 13 | 9 |
| | Total | 7.5 | 1,050 | 127 | 12.2 | 7.6 | 2.3 | 2.1 | 27 | 15 | 11 |
| Night Train ⁵ (high-grade) | Inferred | 2.0 | 50 | 3.0 | 5.9 | 14 | 5.6 | 49 | 18 | 10 | 2.2 |
| | Total | 2.0 | 50 | 3.0 | 5.9 | 14 | 5.6 | 49 | 18 | 10 | 2.2 |
| All Dampier (high-grade) | Measured | 7.5 | 220 | 32 | 14.5 | 7.4 | 2.1 | 1.9 | 27 | 16 | 15 |
| | Indicated | 7.5 | 640 | 76 | 11.8 | 7.6 | 2.4 | 2.1 | 28 | 14 | 11 |
| | Inferred | Various | 230 | 23 | 9.7 | 8.8 | 2.9 | 8.6 | 27 | 12 | 7.2 |
| | Total | Various | 1,090 | 130 | 11.9 | 7.8 | 2.4 | 3.2 | 27 | 14 | 11 |

Note 1: The Dampier Project Mineral Resources are reported inclusive of (not additional to) Ore Reserves. Night Train: The Mineral Resources estimate was prepared by Optiro Pty Ltd and first disclosed under the JORC Code (2012). 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). 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 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, and High Titanium Leucoxene and Rutile > 90% TiO₂. 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 HM tonnes were derived from the HM grade and material tonnes in the Mineral Resource table.

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GOVERNANCE AND INTERNAL CONTROLS

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

COMPETENT PERSONS AND COMPLIANCE STATEMENTS

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

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

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

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

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

SUPPORTING INFORMATION REQUIRED UNDER ASX LISTING RULES, CHAPTER 5

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

PREVIOUSLY REPORTED INFORMATION

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

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

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

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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) |
|---|--|-----------------|---------------------------|
| Ore Reserve estimation | Thunderbird Ore Reserve Update | 24 March 2022 | P. Scrimshaw |
| Mineral Resource estimation and reporting | Sheffield Doubles Measured Mineral Resource at Thunderbird | 5 July 2016 | M. Teakle, C. Standing |
| Mineral Resource estimation | High Grade Maiden Mineral Resource at Night Train | 31 January 2019 | C. Standing |

| Item | Name | Company | Professional Affiliation |
|-----------------------------|------------------------|------------------------|--------------------------|
| Mineral Resource reporting | Mr Mark Teakle | Thunderbird Operations | MAIG, MAusIMM |
| Mineral Resource estimation | Mrs Christine Standing | Snowden Optiro | MAIG |
| Ore Reserve estimation | 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.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sheffield Resources Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
20 February 2024



D I Buckley
Partner

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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 half year ended 31 December 2023

| | Note | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|---|------|----------------------------|----------------------------|
| Continuing operations | | | |
| Other income | | 588 | 239 |
| Share-based payments | 10 | (276) | (554) |
| Employee benefits expenses | | (913) | (711) |
| Other corporate expenses | | (898) | (725) |
| Share of joint venture results | 7 | (5,830) | (2,477) |
| Bank fees and finance charges | | (1) | (1) |
| Net loss before income tax | | (7,330) | (4,229) |
| Income tax benefit / (expense) | | - | - |
| Net loss after income tax | | (7,330) | (4,229) |
| Other comprehensive income / (loss) | | - | - |
| Total comprehensive loss, net of tax | | (7,330) | (4,229) |
| Loss per share attributable to ordinary equity holders | | | |
| Basic loss per share (cents per share) | | (1.87) | (1.22) |
| Diluted loss per share (cents per share) | | (1.87) | (1.22) |

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Note | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
|--|------|----------------------------|------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 23,154 | 24,407 |
| Trade and other receivables | | 66 | 64 |
| Total current assets | | 23,220 | 24,471 |
| Non-current assets | | | |
| Investment in joint venture | 7 | 138,108 | 143,938 |
| Convertible loan | 8 | 1,462 | 1,508 |
| Total non-current assets | | 139,570 | 145,446 |
| Total assets | | 162,790 | 169,917 |
| Current liabilities | | | |
| Trade and other payables | | 101 | 183 |
| Provisions | | 128 | 119 |
| Total current liabilities | | 229 | 302 |
| Total liabilities | | 229 | 302 |
| Net assets | | 162,561 | 169,615 |
| Equity | | | |
| Issued capital | 9 | 155,406 | 155,309 |
| Reserves | 10 | 13,870 | 13,691 |
| Retained earnings / (Accumulated losses) | | (6,715) | 615 |
| Total equity | | 162,561 | 169,615 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2023

| | Issued capital \$'000 | Reserves \$'000 | Retained earnings / (Accumulated losses) \$'000 | Total \$'000 |
|---------------------------------------|-----------------------------|--------------------|---|-----------------|
| Balance as at 1 July 2023 | 155,309 | 13,691 | 615 | 169,615 |
| Comprehensive income / (loss) | | | | |
| Loss for the half year | - | - | (7,330) | (7,330) |
| Other comprehensive income / (loss) | - | - | - | - |
| Total comprehensive loss | - | - | (7,330) | (7,330) |
| Transactions with owners | | | | |
| Shares issued | 97 | (97) | - | - |
| Share-based payments | - | 276 | - | 276 |
| Total transactions with owners | 97 | 179 | - | 276 |
| Balance as at 31 December 2023 | 155,406 | 13,870 | (6,715) | 162,561 |
| | | | | |
| | Issued capital \$'000 | Reserves \$'000 | Retained earnings \$'000 | Total \$'000 |
| Balance as at 1 July 2022 | 133,091 | 13,310 | 9,225 | 155,626 |
| Comprehensive income / (loss) | | | | |
| Loss for the half year | - | - | (4,229) | (4,229) |
| Other comprehensive income / (loss) | - | - | - | - |
| Total comprehensive loss | - | - | (4,229) | (4,229) |
| Transactions with owners | | | | |
| Share-based payments | - | 554 | - | 554 |
| Total transactions with owners | - | 554 | - | 554 |
| Balance as at 31 December 2022 | 133,091 | 13,864 | 4,996 | 151,951 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2023

| | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (1,807) | (1,445) |
| Interest received | 586 | 239 |
| Bank fees and finance charges | (1) | (1) |
| Net cash used in operating activities | (1,222) | (1,207) |
| Cash flows from investing activities | | |
| Investment in joint venture | - | (33,771) |
| Net cash used in investing activities | - | (33,771) |
| Cash flows from financing activities | | |
| Payments for share issue costs | (31) | - |
| Net cash used in financing activities | (31) | - |
| Net decrease in cash and cash equivalents | (1,253) | (34,978) |
| Cash and cash equivalents at the beginning of the period | 24,407 | 40,223 |
| Cash and cash equivalents at the end of the period | 23,154 | 5,245 |

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2023

1. CORPORATE INFORMATION

The consolidated financial report for the half year ended 31 December 2023 covers Sheffield Resources Limited (Sheffield, parent entity or the Company) and its controlled entities (collectively known as the Group or consolidated entity). The principal activities during the period 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 (ASX). The Company and its controlled entities are 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 half year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 20 February 2024.

2. STATEMENT OF COMPLIANCE

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2023 and any public announcements made by Sheffield Resources Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

3. BASIS OF PREPARATION

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

For the purposes of preparing the interim report, the half year has been treated as a discrete reporting period. The accounting policies adopted, and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. However, actual outcomes would differ from these estimates if different assumptions were used, and different conditions existed.

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

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a combination of internal and external sources using a Black-Scholes option pricing model and independent third-party valuation which comprised of a hybrid option pricing model incorporating a Monte Carlo simulation.

Investment in joint venture

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

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

Convertible loan

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

5. 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 2023. None of these Accounting Standards or Interpretations had a material effect on the Group's financial statements. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

6. 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:

- South Atlantic project – Project consists of mineral sands tenements located in Southeast Brazil. On 28 February 2023, Sheffield executed a binding investment agreement (RGM Option Agreement) with Mineração Santa Elina Indústria e Comércio S/A. and Kromus Xi Fundo De Investimento Em Participações, owners of Rio Grande Mineração S/A (RGM). Please refer to Note 8 for additional information.
- Thunderbird project – Project consists of mineral sands tenements located in north-west Western Australia that form part of the Thunderbird mineral sand mining operation held by Thunderbird Operations Pty Ltd, subsidiary of Kimberley Mineral Sands Pty Ltd (KMS). Please refer to Note 7 for additional information.
- Other unallocated items – corporate expenses and share-based payments 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.

| | South Atlantic project | Thunderbird project | Other | Total |
|--------------------------------|------------------------|---------------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 31 December 2023 | | | | |
| Segment Reporting | | | | |
| Other income | - | - | 588 | 588 |
| Employee benefits expenses | - | - | (913) | (913) |
| Share-based payments expenses | - | - | (276) | (276) |
| Corporate expenses | - | - | (899) | (899) |
| Share of joint venture results | - | (5,830) | - | (5,830) |
| Segment loss before tax | - | (5,830) | (1,500) | (7,330) |
| Segment assets | 1,462 | 138,108 | 23,220 | 162,790 |
| Segment liabilities | - | - | 230 | 230 |
| Other disclosures | | | | |
| Investment in joint venture | - | 138,109 | - | 138,109 |
| Convertible loan | 1,462 | - | - | 1,462 |

| | Thunderbird project \$'000 | Other \$'000 | Total \$'000 |
|--------------------------------|-------------------------------|-----------------|-----------------|
| 31 December 2022 | | | |
| Segment Reporting | | | |
| Other income | - | 239 | 239 |
| Corporate expenses | - | (1,991) | (1,991) |
| Share of joint venture loss | (2,477) | - | (2,477) |
| Segment loss before tax | (2,477) | (1,752) | (4,229) |
| Segment assets | 146,829 | 5,295 | 152,124 |
| Segment liabilities | - | 173 | 173 |
| Other disclosures | | | |
| Investment in joint venture | 146,829 | - | 146,829 |
| Capital expenditure | - | - | - |

7. INTEREST IN JOINT VENTURE

Kimberley Mineral Sands Pty Ltd Joint Venture

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

KMS made a Final Investment Decision (FID) to construct and develop the Thunderbird project in October 2022. KMS reached financial close on a combined \$315m senior loan facilities provided by Northern Australia Infrastructure Facility (NAIF) and OMRF (Th) LLC, a related entity of Orion Mineral Royalty Fund (Orion). The additional project equity of \$169m comprised of \$111m in historical Yansteel equity funding, \$24m in equity funding from Yansteel and \$34m of equity funding from Sheffield.

The Thunderbird project commenced production in October 2023. First shipment of approximately 300 metric tonnes of bagged non-magnetic (zircon) concentrate was completed after the reporting period in January 2024. Further shipments of magnetic (ilmenite) concentrate and non-magnetic (zircon) concentrate are expected during 2024. KMS remains well funded as the Thunderbird mine continues to advance and ramp up production over the coming months.

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. Carrying amount in joint venture investment is as follows:

| | Half Year Ended 31 December 2023 \$'000 | Year Ended 30 June 2023 \$'000 |
|--|---|--------------------------------------|
| Reconciliation of carrying amount in joint venture investment – KMS | | |
| Share of joint venture investment | 143,938 | 115,535 |
| Equity contribution at Final Investment Decision ¹ | - | 10,000 |
| Additional equity contribution in KMS ² | - | 23,771 |
| Sheffield's share of joint venture results – 50% | (5,830) | (5,368) |
| Carrying amount of interest in joint venture | 138,108 | 143,938 |

Note 1: The payment made was contingent upon KMS reaching a Final Investment Decision with regards to the Thunderbird project.

Note 2: Additional equity funding required to ensure that the Thunderbird project was fully funded through to first production.

KMS also had commitments and contingent liabilities as at 31 December 2023, for which the Group has corresponding commitments and contingent liabilities as disclosed in Note 11.

Summarised consolidated statement of profit or loss and other comprehensive income of KMS for the half years ended 31 December 2023 and 2022 are as follows:

| | Joint venture (100%) | |
|---|---------------------------------------|---------------------------------------|
| | 31 December 2023 \$'000 (Reviewed) | 31 December 2022 \$'000 (Reviewed) |
| Other income | 242 | 74 |
| Cost of production ¹ | (5,775) | - |
| Corporate and administration expenses | (1,219) | (34) |
| Depreciation and amortisation expenses | (2,575) | (1,356) |
| Loss before finance and income tax | (9,327) | (1,316) |
| Net finance costs | (7,287) | (4,158) |
| Loss before income tax | (16,614) | (5,474) |
| Income tax benefit | 4,956 | 521 |
| Loss after income tax | (11,658) | (4,953) |
| Other comprehensive income / (loss) | - | - |
| Total comprehensive loss, net of tax | (11,658) | (4,953) |
| Reconciliation of share of joint venture results | | |
| Sheffield's share of KMS joint venture results – 50% | (5,830) | (2,477) |

Note 1: Cost of production include mining, processing, maintenance, site costs, offsite logistics, freight and shipping, and depreciation and amortisation. The Thunderbird project commenced production in October 2023 and no shipment occurred during the half year ended 31 December 2023.

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Consolidated statement of financial position of KMS as at 31 December 2023 and 30 June 2023 is as follows:

| | Note | Joint venture (100%) | |
|--------------------------------------|------|---------------------------------------|----------------------------------|
| | | 31 December 2023 \$'000 (Reviewed) | 30 June 2023 \$'000 (Audited) |
| Current assets | | | |
| Cash and cash equivalents | | 34,843 | 95,211 |
| Trade and other receivables | | 3,800 | 1,565 |
| Prepayments | | 995 | 1,234 |
| Inventories | | 30,460 | 186 |
| Total current assets | | 70,098 | 98,196 |
| Non-current assets | | | |
| Other financial assets | | 1,967 | 1,074 |
| Prepayments | 7(c) | - | 117,288 |
| Plant and equipment | 7(a) | 259,006 | 22,849 |
| Right of use assets | 7(a) | 77,204 | 1,739 |
| Mine properties and development | 7(a) | 225,352 | 383,629 |
| Exploration and evaluation assets | | 8,286 | 7,314 |
| Deferred tax assets | | 1,808 | - |
| Total non-current assets | | 573,623 | 533,893 |
| Total assets | | 643,721 | 632,089 |
| Current liabilities | | | |
| Trade and other payables | | 16,085 | 19,727 |
| Lease liabilities | | 5,925 | 293 |
| Provisions | | 6,914 | 3,402 |
| Total current liabilities | | 28,924 | 23,422 |
| Non-current liabilities | | | |
| Lease liabilities | | 72,438 | 1,751 |
| Borrowings | 7(b) | 192,843 | 229,818 |
| Other financial liabilities | 7(c) | 104,450 | 112,696 |
| Provisions | | 12,435 | 16,966 |
| Deferred tax liabilities | | - | 3,147 |
| Total non-current liabilities | | 382,166 | 364,378 |
| Total liabilities | | 411,090 | 387,800 |
| Net assets | | 232,631 | 244,289 |
| Equity | | | |
| Issued capital | | 187,660 | 187,660 |
| Reserves | | 88,713 | 88,713 |
| Accumulated losses | | (43,742) | (32,084) |
| Total equity | | 232,631 | 244,289 |

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Consolidated statement of cash flows of KMS for the half years ended 31 December 2023 and 2022 are as follows:

| | Joint venture (100%) | |
|---|---------------------------------------|---------------------------------------|
| | 31 December 2023 \$'000 (Reviewed) | 31 December 2022 \$'000 (Reviewed) |
| Cash flows from operating activities | | |
| Receipts from customers | 401 | 37 |
| Interest received | 20 | 12 |
| Payments to suppliers and employees | (34,077) | (56) |
| Net interest and other finance costs paid | (3,196) | (1) |
| Net cash used in operating activities | (36,852) | (8) |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation expenditure | (972) | (1,343) |
| Payments for plant and equipment | (41,918) | (14,755) |
| Payments for mine properties and development expenditure | (34,612) | (128,711) |
| Payments for bank guarantees | (426) | (470) |
| Net cash used in investing activities | (77,928) | (145,279) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 57,542 |
| Proceeds from borrowings | 57,342 | 75,242 |
| Payments for lease liabilities | (2,930) | (185) |
| Net cash from financing activities | 54,412 | 132,599 |
| Net decrease in cash and cash equivalents | (60,368) | (12,688) |
| Cash and cash equivalents at the beginning of the year | 95,211 | 53,197 |
| Cash and cash equivalents at the end of the period | 34,843 | 40,509 |

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

| | Joint venture (100%) | | | Total |
|--------------------------------------|----------------------|---------------------|---------------------------------|-------------------|
| | Plant & equipment | Right of use assets | Mine properties and development | |
| 31 December 2023 | \$'000 (Reviewed) | \$'000 (Reviewed) | \$'000 (Reviewed) | \$'000 (Reviewed) |
| Non-current assets | | | | |
| Carrying amount – at cost | 264,998 | 80,348 | 225,352 | 570,698 |
| Accumulated depreciation | (5,992) | (3,144) | - | (9,136) |
| | 259,006 | 77,204 | 225,352 | 561,562 |
| Reconciliation | | | | |
| Opening balance | 22,849 | 1,739 | 383,629 | 408,217 |
| Additions | 6,750 | 77,703 | 57,068 | 141,521 |
| Transfer between asset classes | 231,352 | - | (231,352) | - |
| Mine rehabilitation asset adjustment | - | - | (4,086) | (4,086) |
| Capitalised borrowing costs | - | - | 20,093 | 20,093 |
| Depreciation expenses | (1,945) | (2,238) | - | (4,183) |
| | 259,006 | 77,204 | 225,352 | 561,562 |

| | Joint venture (100%) | | | Total |
|--------------------------------------|----------------------|---------------------|---------------------------------|------------------|
| | Plant & equipment | Right of use assets | Mine properties and development | |
| 30 June 2023 | \$'000 (Audited) | \$'000 (Audited) | \$'000 (Audited) | \$'000 (Audited) |
| Non-current assets | | | | |
| Carrying amount – at cost | 26,915 | 2,792 | 383,629 | 413,336 |
| Accumulated depreciation | (4,066) | (1,053) | - | (5,119) |
| | 22,849 | 1,739 | 383,629 | 408,217 |
| Reconciliation | | | | |
| Opening balance | 10,572 | 2,099 | 160,960 | 173,631 |
| Additions | 72 | - | 217,455 | 217,527 |
| Transfer between asset classes | 14,723 | - | (14,723) | - |
| Modification to finance lease assets | - | 42 | - | 42 |
| Mine rehabilitation asset adjustment | - | - | 11,541 | 11,541 |
| Capitalised borrowing costs | - | - | 8,396 | 8,396 |
| Depreciation expenses | (2,518) | (402) | - | (2,920) |
| | 22,849 | 1,739 | 383,629 | 408,217 |

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7(b) Borrowings

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

Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are classified as non-current liabilities as the Group has unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Carrying amount of borrowings is as follows:

| | Joint venture (100%) | |
|--|---------------------------------------|----------------------------------|
| | 31 December 2023 \$'000 (Reviewed) | 30 June 2023 \$'000 (Audited) |
| Facility 1 – Northern Australia Infrastructure Facility | | |
| Principal loan | 120,000 | 96,725 |
| Borrowing costs | (3,492) | (3,492) |
| Amortisation of borrowing costs | 306 | 117 |
| | 116,814 | 93,350 |
| Facility 2 – Orion Mineral Royalty Fund | | |
| Principal loan – AUD equivalent | 166,431 | 132,364 |
| Borrowing costs | (6,874) | (6,874) |
| Financing costs on royalty obligations | (113,686) | - |
| Amortisation of borrowing costs | 34,802 | 12,747 |
| Foreign exchange movement | (4,644) | (1,769) |
| | 76,029 | 136,468 |
| | 192,843 | 229,818 |

Facility 1 - Northern Australia Infrastructure Facility

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

Loan

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

As at 31 December 2023, Facility A of A\$120m was fully drawn and Facility B of A\$40m remains undrawn and is available for use.

Facility 2 - Orion Mineral Royalty Fund

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

Loan

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

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Royalty

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

As at 31 December 2023, the facility of US\$110m was fully drawn.

7(c) Production linked royalty

The Orion Mineral Royalty Fund (Facility 2) loan arrangement contains a royalty “make whole” condition. The key terms for the make whole amount are as below:

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

An initial valuation of the make whole condition in conjunction with recognition of a financial liability and a corresponding recognition of a prepaid expense is required as at the issuance date of the loan.

When the loan is fully drawn, the said prepaid expense will be recorded against the loan liability as a cost of the loan. The royalty prepayment is required to be recorded as an additional expense to the loan for the purposes of the Effective Interest Rate calculation. The make whole amount is effectively the present value of the expected royalty payment which will be expensed through the life of the loan.

| | Joint venture (100%) | |
|--|---------------------------------------|----------------------------------|
| | 31 December 2023 \$'000 (Reviewed) | 30 June 2023 \$'000 (Audited) |
| Non-current assets | | |
| Prepaid expense – financing costs on royalty obligation ¹ | - | 119,597 |
| Revaluation | - | (2,309) |
| | - | 117,288 |
| Non-current liabilities | | |
| Other financial liabilities – royalty make whole | 112,696 | 119,597 |
| Remeasurement | (4,786) | (4,592) |
| Foreign currency revaluation | (3,460) | (2,309) |
| | 104,450 | 112,696 |

Note 1: The Facility 2 loan was fully drawn during the half year ended 31 December 2023. The prepaid expense has been transferred against the Facility 2 loan as a cost of the loan.

8. CONVERTIBLE LOAN – SOUTH ATLANTIC PROJECT

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

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

South Atlantic Project

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

Sheffield was to provide US\$2.5m to fund project related activities over an 18-month period and earn an option to acquire up to 20% of RGM with the payment of a further US\$12.5m (US\$15.0m in total) to acquire a 20% interest. Should Sheffield elect to exercise the option, subject to various conditions being satisfied, including project financing being obtained and all funds required for project construction being secured, Sheffield may exercise a further option to increase its interest in RGM up to 80%. Please refer to ASX announcement on 28 February 2023 for further information. The initial part contribution of US\$1.0m (A\$1.5m equivalent) has been remitted to RGM.

Four main deposits have been identified within the project area: Retiro, Estreito, Capao do Meio and Bujuru with Exploration Targets developed for the Retiro and Bujuru deposits.

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

| | 31 December 2023 | 30 June 2023 |
|---------------------------|------------------|--------------|
| | \$'000 | \$'000 |
| Non-current assets | | |
| Convertible loan – US\$1m | 1,462 | 1,508 |
| | 1,462 | 1,508 |

9. ISSUED CAPITAL

Reconciliation of movements in issued capital is as follows:

| | Half Year Ended | | Year Ended | |
|--|--------------------|----------------|--------------------|----------------|
| | 31 December 2023 | | 30 June 2023 | |
| | Number | \$'000 | Number | \$'000 |
| Equity | | | | |
| Opening balance at the beginning of the year | 392,631,111 | 155,309 | 346,587,555 | 133,091 |
| Performance rights redeemed as shares ¹ | - | - | 547,368 | 421 |
| Performance rights redeemed as shares ² | - | - | 126,683 | 112 |
| Issued of fully paid ordinary shares ³ | - | - | 45,369,505 | 22,686 |
| Performance rights redeemed as shares ⁴ | 194,558 | 97 | - | - |
| Share issue costs | - | - | - | (1,001) |
| | 392,825,669 | 155,406 | 392,631,111 | 155,309 |

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

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

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

Note 4: On 3 August 2023, Sheffield issued 194,558 fully paid ordinary shares for nil consideration to a senior executive of Sheffield. The shares were issued upon vesting and exercise of performance rights. The consideration was transferred from Reserves.

10. RESERVES

Reconciliation of movements in reserves is as follows:

| | Half Year Ended 31 December 2023 \$'000 | Year Ended 30 June 2023 \$'000 |
|---|---|--------------------------------------|
| Equity | | |
| Opening balance at beginning of the period | 13,691 | 13,310 |
| Performance rights redeemed as shares (transferred to Issued Capital) | (97) | (533) |
| Share-based payments expenses | 276 | 914 |
| | 13,870 | 13,691 |

The following options were in place at reporting date:

| Date of expiry | Grant date | Exercise price | Number under options |
|------------------|------------------|----------------|----------------------|
| 30 November 2025 | 25 November 2021 | \$0.65 | 480,000 |
| 30 October 2026 | 25 November 2021 | \$0.33 | 700,000 |
| 30 November 2026 | 22 November 2022 | \$0.84 | 480,000 |
| 1 December 2027 | 22 November 2022 | \$0.59 | 421,271 |
| 1 December 2028 | 22 November 2023 | \$0.68 | 465,515 |
| | | | 2,546,786 |

The following performance rights were in place at reporting date:

| Date of expiry | Grant date | Exercise price | Number under rights |
|-----------------|------------------|----------------|---------------------|
| 26 October 2025 | 6 November 2018 | Nil | 32,257 |
| 1 December 2025 | 22 December 2018 | Nil | 750,999 |
| 30 October 2026 | 25 November 2021 | Nil | 67,273 |
| 30 October 2026 | 25 November 2021 | Nil | 3,318,182 |
| 1 December 2027 | 22 November 2022 | Nil | 119,023 |
| 1 December 2028 | 22 November 2023 | Nil | 298,089 |
| | | | 4,585,823 |

Options issued during the half year as remuneration to key management personnel, as approved at the 2023 Annual General Meeting of Shareholders, are as follows:

| Date of expiry | Grant date | Exercise price | Share options |
|-----------------|------------------|----------------|---------------|
| 1 December 2028 | 22 November 2023 | \$0.68 | 465,515 |

Performance rights issued during the half year as remuneration to key management personnel, as approved at the 2023 Annual General Meeting of Shareholders, are as follows:

| Date of expiry | Grant date | Exercise price | Performance rights |
|-----------------|------------------|----------------|--------------------|
| 1 December 2028 | 22 November 2023 | Nil | 298,089 |

The table below lists the inputs to the valuation model for options and performance rights issued during the half year:

| Security Instrument | Option | Performance Rights |
|--------------------------|------------------|--------------------|
| Number | 465,515 | 298,089 |
| Expiry date | 1 December 2028 | 1 December 2028 |
| Grant date | 22 November 2023 | 22 November 2023 |
| Vesting date | 30 June 2026 | 30 June 2024 |
| Exercise price | \$0.68 | Nil |
| Dividend yield | 0% | 0% |
| Expected volatility | 70% | 70% |
| Risk-free interest rate | 4.14% | 4.15% |
| Expected life of options | 5.03 years | 5.03 years |
| Grant date share price | \$0.68 | \$0.68 |
| Fair value at grant date | \$0.38 | \$0.68 |

| | Half Year Ended 31 December 2023 | | Year Ended 30 June 2023 | |
|---|-------------------------------------|------------------------------------|----------------------------|------------------------------------|
| | Number under options | Weighted average exercise price | Number under options | Weighted average exercise price |
| Movement in options | | | | |
| Outstanding at beginning of the period | 3,041,271 | \$0.55 | 2,140,000 | \$0.55 |
| Granted during the period | 465,515 | \$0.68 | 901,271 | \$0.72 |
| Lapsed during the period | (960,000) | \$0.65 | - | - |
| Outstanding at the end of the period | 2,546,786 | \$0.54 | 3,041,271 | \$0.60 |
| Exercisable at the end of the period | 960,000 | \$0.75 | 1,920,000 | \$0.54 |

The weighted average contractual remaining life of the share options outstanding as at 31 December 2023 is 3.24 years (30 June 2023: 2.44 years).

| | Half Year Ended 31 December 2023 | | Year Ended 30 June 2023 | |
|---|-------------------------------------|---------------------------------|----------------------------|---------------------------------|
| | Number under rights | Weighted average grant price | Number under rights | Weighted average grant price |
| Movement in performance rights | | | | |
| Outstanding at beginning of the period | 4,508,419 | \$0.42 | 5,227,005 | \$0.45 |
| Granted during the period | 298,089 | \$0.68 | 271,526 | \$0.59 |
| Exercised during the period | (194,558) | \$0.50 | (674,051) | \$0.79 |
| Lapsed during the period | (26,127) | \$0.59 | (316,061) | \$0.33 |
| Outstanding at the end of the period | 4,585,823 | \$0.43 | 4,508,419 | \$0.42 |
| Exercisable at the end of the period | 969,553 | \$0.72 | 918,712 | \$0.71 |

The weighted average remaining contractual life of the performance rights as at 31 December 2023 is 2.84 years (30 June 2023: 3.24 years).

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11. COMMITMENTS

Kimberley Mineral Sands Pty Ltd Joint Venture

YGH Australia Investment Pty Ltd (Yansteel) entered into a 50:50 joint venture with Sheffield to own and develop the Thunderbird project in 2021. The ownership of the high-grade mineral sands Thunderbird project was previously held by Sheffield through its 100% owned subsidiary Kimberley Mineral Sands Pty Ltd (KMS) prior to the formation of the joint venture. The project is located in north-west Western Australia. KMS became jointly owned by Sheffield and Yansteel as at 12 March 2021 following completion of the joint venture transaction. Since that date, Sheffield's interest in KMS is accounted for using the equity method in the consolidated financial statements. Please refer to Note 7 for additional information.

KMS has no contingent liabilities as at 31 December 2023. KMS reported minimum exploration commitments of \$1.72m for 2024. KMS also has an annual support capital commitment of \$0.4m under the Thunderbird co-existence agreement.

12. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2023.

13. EVENTS SUBSEQUENT TO REPORTING PERIOD

There has been no additional matter or circumstance that has arisen after reporting 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.

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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 31 December 2023 and of its performance for the half year then ended; and
 - ii. complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', 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 303(5)(a) of the Corporations Act 2001 for the half year ended 31 December 2023.

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



Bruce Griffin

Executive Chair

Perth, Western Australia

20 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Sheffield Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Sheffield Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes, and the directors' declaration, for the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

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

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
20 February 2024



D I Buckley
Partner

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