SANDFIRE RESOURCES NL

OPPORTUNITY REDEFINED

2016 ANNUAL REPORT

CONTENTS

BUSINESS OVERVIEW

Sandfire Resources NL is a dynamic mid-tier Australian mining and exploration company based in Perth, Western Australia, which is listed on the Australian Securities Exchange (ASX:SFR). Sandfire joined the ranks of Australian copper producers in 2012 following the successful construction and commissioning of its flagship 100%-owned DeGrussa Copper Mine, located 900km north of Perth.

Sandfire moved from discovery through resource drill-out, feasibility, financing, development, and construction to first copper production within three years – a remarkable achievement which has set new benchmarks for the efficient and rapid development of resources in Western Australia.

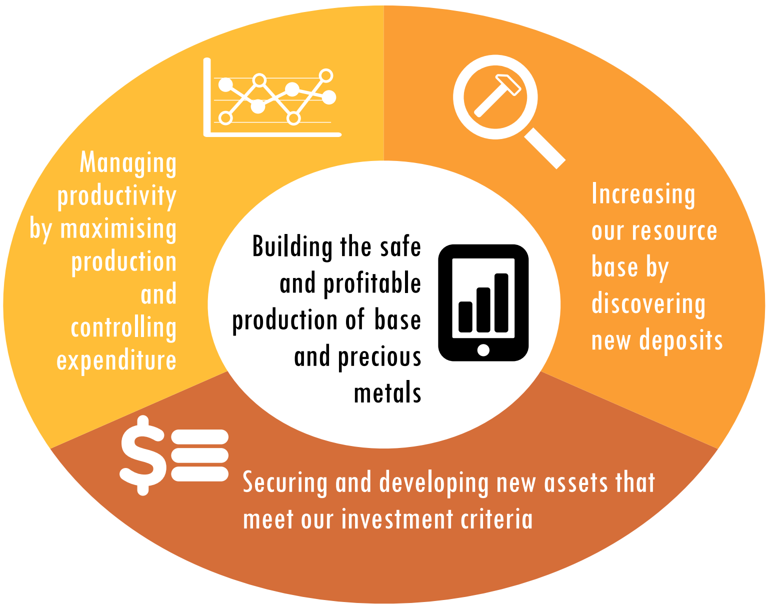
The DeGrussa mine produces high quality copper-in-concentrate with significant gold credits. The mine achieved record production for the 2016 financial year of 68,202 tonnes of contained copper and 37,612 ounces of contained gold at a C1 cash operating cost of US$0.95 per pound.

As at 31 December 2015 DeGrussa has a Mineral Resource inventory containing some 478,000 tonnes of contained copper and 625,000 ounces of contained gold and an estimated mine life until 2021. The exceptional average grade of the resource puts DeGrussa in a league of its own in terms of copper producers worldwide.

Sandfire intends to build on the strong cash flows being generated at DeGrussa to create the foundations for a diversified Australian mining company with a sustainable growth future. This includes a substantial exploration commitment within its broader 400sqkm tenement holding at Doolgunna and through a portfolio of exploration joint ventures and initiatives in highly prospective mineral provinces in Australia and overseas.

Our Vision

Sandfire's vision is to be a significant, mid-tier mining company that operates in the top quartile of international performance benchmarks for the industry.



Our Core Values

The Company has implemented a set of Core Values designed to guide the directors and all employees in their day-to-day dealings with each other, competitors, customers and the community.

2016 SNAPSHOT

“ The DeGrussa Copper Mine in WA has now produced total revenues exceeding $2 billion since mining commenced in 2012.”
– Sandfire Chairman, Derek La Ferla

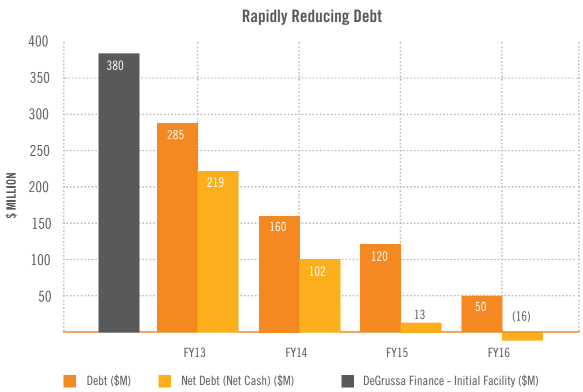
OPERATIONS, CORPORATE AND FINANCIAL

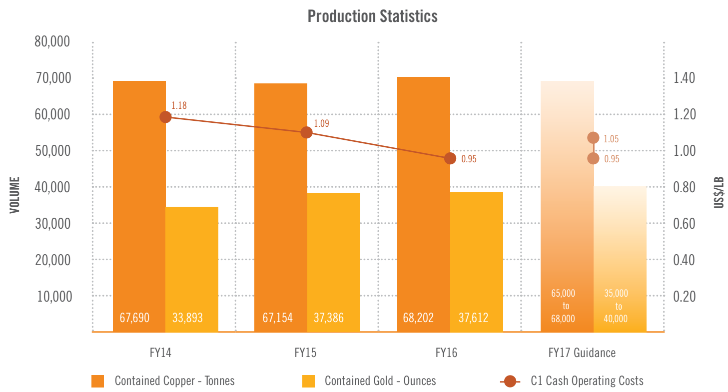
- Record annual production of 68,202 tonnes of contained copper and 37,612 ounces of contained gold.
- C1 cash operating cost of US$0.95 per pound of payable copper.
- Strong production from the underground mine, with mining rates maintained at 1.59Mt for the year. The Concentrator achieved milling rates of 1.57Mt for the year.
- Net profit after income tax of $46.4 million; sales revenue of $497.2 million; cash flow from operating activities of $133.9 million, resulting in earnings per share of 30.54 cents.
- Final fully-franked dividend of 9 cents per share (paid on 26 September 2016); annual payout 11 cents per share fully-franked.
- Total outstanding debt reduced to $50 million at 30 June 2016.
- With $66.2 million in Group cash holdings, Sandfire was net debt-free for the first time since development of the DeGrussa Copper Mine commenced.

ANNUAL NET PROFIT AFTER TAX
$46.4M

METAL SALES REVENUE
$497.2M

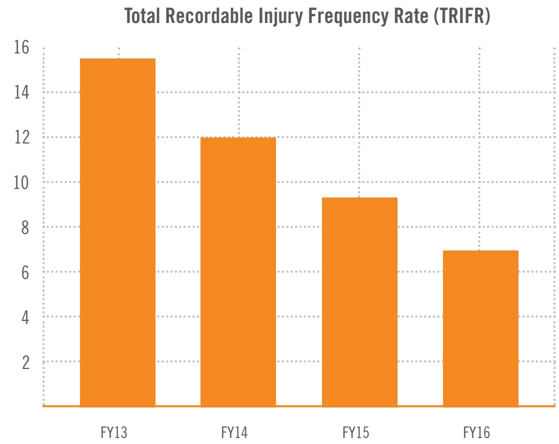
CASH & DEPOSITS
$66.2M
CONSOLIDATED





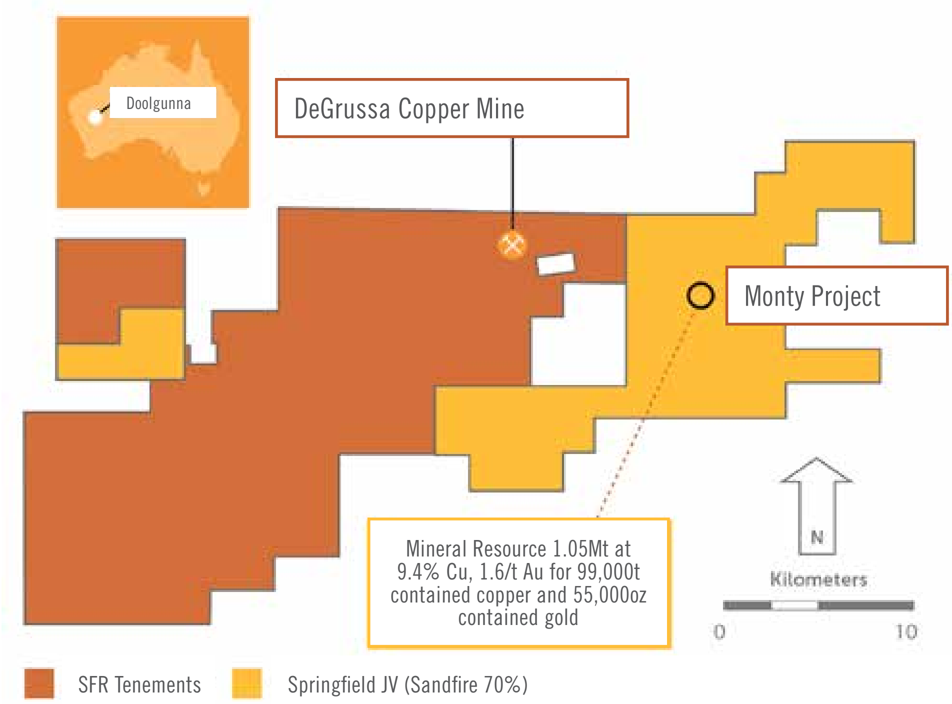
SAFETY & SUSTAINABILITY

- Total Recordable Injury Frequency Rate (TRIFR) reduced to 7.1 for the 12 months to 30 June 2016, 25% reduction from the year ended 30 June 2015.
- Work continues on multiple fronts to improve safety performance and leadership, enhance safety culture and improve risk and assurance management.
- 10.6MW DeGrussa Solar Farm successfully commissioned and in steady-state operating mode, having achieved full generation capacity. The project is expected to supply ~20% of DeGrussa's power requirement and will reduce its carbon emissions by ~12,000 tonnes of CO_2 per annum.



DEVELOPMENT & EXPLORATION

- Maiden C5 Ore Reserve completed as part of updated DeGrussa Mine Plan, Ore Reserve and Mineral Resource.
- $15M earn-in completed resulting in the formation of the Springfield Joint Venture with Talisman Mining Limited (ASX: TLM) – Sandfire 70%: Talisman 30%.
- High-grade Monty copper-gold deposit - Maiden JORC 2012 compliant Mineral Resource estimate of 1.05Mt grading 9.4% Cu and 1.6g/t Au for 99,000 tonnes of contained copper and 55,000 ounces of contained gold (99% Indicated) located on the Springfield Joint Venture, 10km east of DeGrussa.
- Feasibility Study for the Monty Project commenced and Mining Lease Application (MLA) lodged with the Western Australian Department of Mines and Petroleum. The Monty Feasibility Study is targeted for completion in the March 2017 Quarter.
- Multi-pronged exploration programs continued at both Sandfire's 100%-owned Doolgunna Project and within the Springfield JV along the Monty and Homer trends, including systematic drilling and geophysical programs.
- Major base metals exploration program continued across the Company's extensive tenement portfolio on the Australian eastern seaboard, targeting world-class discoveries in Australia's premier exploration provinces.
- Sandfire's stake in the North American copper development company Tintina Resources increased from 36% to 57% following the acquisition of a 21% interest from a fellow shareholder.



CHAIRMAN'S LETTER

Dear Shareholders

I am pleased to report that Sandfire has once again been able to deliver a consistent and strong operational and financial performance, despite the challenging year experienced within the base metals sector.

Driven by record copper production, low costs and robust margins, the Company was able to post its fourth consecutive annual profit – a considerable achievement considering that the average copper price was more than 20 per cent lower in FY2016 at US$4,892 a tonne compared with US$6,379 a tonne last financial year.

Most importantly, this strong operating result was also achieved with an excellent safety performance – which remains at all times our foremost consideration in managing our business.

Our flagship, the DeGrussa Copper Mine in WA, has now produced total revenues exceeding $2 billion since mining commenced in 2012, with the Project's high quality, clean copper concentrates remaining in strong demand across our diverse global customer base.

The Company's robust financial performance allowed us to continue to deploy cash in a responsible, considered and strategic manner across our business. This included debt reduction, dividend payments and continuing to invest in our longer-term growth and exploration assets and in improving our performance in the key areas of environmental, social and corporate governance.

With respect to debt reduction, the strong cash-flows generated by DeGrussa allowed us to make an early repayment of the Amortising Facility, reducing the Company's total outstanding debt to $50 million as at 30 June 2016 and putting the Company in a net cash positive position for the first time since the development of DeGrussa commenced in 2011 – a significant milestone.

The Board was pleased to declare a final fully-franked dividend of 9 cents per share for 2016. Together with an interim 2 cent dividend, this resulted in the total payout to shareholders for the 2016 financial year of 11 cents per share fully franked.

Outside of DeGrussa, significant progress has been made over the year at the high-grade Monty copper-gold deposit, part of our Springfield Joint Venture with Talisman Mining, which is now shaping up as potentially significant new satellite production centre for DeGrussa. Following a rapid and highly successful resource drill-out, we declared a maiden Mineral Resource which ranks as one of the highest grade VMS resources to be announced in recent times.

Organic growth through exploration remains a central tenet of our business strategy, and we will continue working to unlock the outstanding prospectivity within our Doolgunna project portfolio – both within the emerging "Monty corridor" and at several other prospects across our tenure.

In addition to Doolgunna, our exploration portfolio now includes a commanding exploration footprint within world-class mineral districts along the Australian eastern seaboard. As a result of diligent and methodical early-stage exploration, several exploration programs are now advancing to the stage where key prospects will be drill-tested in the coming year.

On the corporate front, we were delighted to welcome experienced resource industry executive Maree Arnason to the Sandfire Board as an independent Non-Executive Director. Maree has held senior roles with leading resource companies including BHP Billiton and Wesfarmers Energy, and has in-depth knowledge of corporate governance, sustainability management and corporate and indigenous affairs.

In keeping with our strong commitment to sustainability, we continued with the progression of our solar power initiative at DeGrussa, with the construction and successful commissioning of the 10.6MW DeGrussa Solar Power Project establishing the mine as a world reference point for the use of renewable energy within the resource sector.

This solar plant has been developed and commissioned at an opportune time, both for us in terms of our increased ESG focus and for the mining industry in general as recognition of the benefits and opportunities in off-grid renewable energy begins to grow.

As an established and successful mid-tier Australian mining company, we believe that Sandfire is well placed to play a key role in leading innovation within the mining sector – particularly in the fields of environment and sustainability – and we are very pleased that the project has already attracted significant interest from other resource companies around the world.

The DeGrussa Solar Farm has been delivered by a consortium of world-class project development partners, and was made possible by funding and financing support from the Australian Government through the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA).

We are very proud of this achievement, which will not only deliver economic benefits over the life of the DeGrussa operation (particularly as we continue to extend our mine life) but will also significantly reduce our carbon footprint.

In summary, I believe Sandfire can look to the future with great confidence as a high-quality, financially robust and well-established mid-tier mining house – a company which remains very forward-looking in terms of:

- A substantial ongoing exploration commitment which is driven by a world-class team and is underpinned by a strategic and methodical approach;
- An ongoing global search for business development opportunities that meet our rigorous quality and assessment requirements and have the potential to be value-accretive for shareholders; and
- Our commitment to continual improvement in the area of environmental, social and corporate governance – with our achievements in this area once again summarised in our 2016 Sustainability Report.

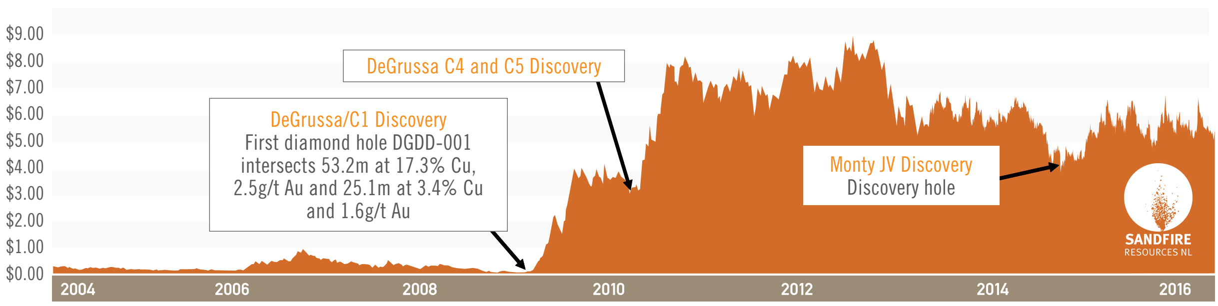
While we are extremely proud of our achievements we are always looking for ways to add value and improve on what we do whilst adhering to our values as a mining corporate leader based in Western Australia.

Finally, I would like to thank our hard-working team of staff and contractors, led by our Managing Director & CEO Karl Simich. Our success as a company is always due to the people who work within it. I would also like to thank you, our shareholders, for your continued support and wish you well for the year ahead.

Yours faithfully

Derek La Ferla

Non-Executive Chairman



Outstanding track record of growth: as at 30 September 2016

"Our commitment to organic growth through exploration remains front and centre of our business, and I remain extremely enthusiastic and excited both about the discovery opportunities in the Doolgunna region and across our East Coast portfolio."

– Karl Simich, Managing Director and CEO

MANAGING DIRECTOR'S REPORT

It is with great pleasure that I am able to report on another year of successful, profitable and, most importantly, safe operations by Sandfire.

Thanks to the exceptional grade at DeGrussa (an average head grade of 4.5 per cent copper for FY2016) and our low cost base (aided by a focus on cost control and operational improvement), we have been able to overcome the headwinds of lower commodity prices and deliver strong results across our business.

PRODUCTION AND OPERATIONS

Production for the year exceeded guidance at 68,202 tonnes of copper and 37,612 ounces of gold – a record for DeGrussa – with the mine's strong production output and continued low operating costs helping to offset ongoing weakness in the US Dollar copper price. C1 cash operating costs for the year reduced to an impressive US$0.95 per pound, compared with US$1.09 per pound last year.

Amongst the many highlights for the year, we shipped our 1 millionth tonne of copper concentrate and passed $2 billion in product sales since operations commenced – impressive milestones which are a tribute to the professionalism, dedication and commitment of the team at DeGrussa.

The underground mine continued to perform strongly, with underground mining rates maintained at 1.59 million tonnes for the year. Mining also commenced from the he Conductor 5 deposit, reflecting the excellent progress of the underground development team. Total underground development at DeGrussa now exceeds 37km.

The DeGrussa Concentrator continued to benefit from the key processing plant enhancement projects completed last year, with strong and consistent milling rates of 1.57 million tonnes achieved for the year and strong overall recoveries. We continue to investigate strategic capital initiatives which may further improve the performance of the Concentrator.

The underground mine development is now reducing, with production being sourced from all four mineralised lenses (DeGrussa, Conductor 1, Conductor 4 and Conductor 5). Apart from providing significant operational and strategic flexibility for the mine, the attainment of this milestone also means that underground development will reduce significantly over the next two years.

From a base level of 7,300m in FY2016, underground development is projected to drop by 23 per cent in FY2017 to 5,600m and by a further 74 per cent to 1,900m in FY2018. This has important, and positive, implications for our ability to generate free cash-flow as underground capital expenditure reduces.

Underground grade control and resource definition drilling into the Conductor 5 deposit was completed during the year, resulting in the completion of a maiden C5 Ore Reserve estimate which was included in an updated DeGrussa Mine Plan, Ore Reserve and Mineral Resource Statement, cementing our mine life through until 2021.

FINANCIAL PERFORMANCE

The strong cash generation from the DeGrussa operation continues to provide a strong foundation for Sandfire, enabling us to achieve our key corporate objectives.

The Company posted a net profit after income tax attributable to members of $48.0 million for the 12 months to 30 June 2016, which equates to earnings per share of 30.54c (basic and diluted). This compares with a net profit attributable to members of $69.0 million for the previous corresponding period, mainly reflecting the lower copper price.

The result was struck on sales revenue of $497.2 million (FY2015: $548.6 million), from metal sales totalling 68,653 tonnes of contained copper and 36,042 ounces of contained gold (FY2015: 67,903 tonnes of contained copper and 37,194 ounces of contained gold).

On a group-wide basis, the cash generated by the DeGrussa Mine was deployed predominantly towards debt retirement and capital requirements, with $73.4 million applied to finance facility repayments and interest, $69.6

million to mine development and $15.3 million for plant and equipment. The balance was applied to exploration and evaluation of $32.6 million with $14.2 million to be applied for the final dividend payment paid on 26 September 2016.

The early repayment of our Amortising Facility with ANZ Banking Group during the year put the Company in a cash positive position at financial year-end for the first time in over five years, a fantastic achievement. From an original debt position of $380 million in 2012, the Company's total outstanding debt was reduced to $50 million at financial year-end, with total group cash as at 30 June 2016 of $66 million.

EXPLORATION AND GROWTH

A key highlight of the year was the completion of a focused and highly successful resource drill-out at the exciting new Monty copper-gold discovery, part of our Joint Venture with Talisman Mining and located 10km east of DeGrussa.

This resulted in the calculation of a maiden JORC 2012 compliant Mineral Resource estimate of 1.05 million tonnes grading 9.4% Cu and 1.6g/t Au for 99,000 tonnes of copper and 55,000 ounces of gold (99% Indicated) – an ultra-high grade resource which has excellent potential to become an incremental source of satellite ore feed to the DeGrussa operation.

Consistent with our objective of advancing this project towards commercial development as quickly as possible, we moved to complete a high-level options study and commence a Feasibility Study, while at the same time commencing the approvals process by lodging a Mining Lease Application (MLA) with the Western Australian Department of Minerals and Petroleum. Work is already well advanced on the Monty Feasibility Study which is on track for completion in the March 2017 Quarter.

During the year we completed our $15 million earn-in on the Springfield Joint Venture with Talisman Mining, resulting in the formal establishment of the Joint Venture, in which Sandfire holds a 70 per cent interest and Talisman 30 per cent.

We have also continued to invest heavily in exploration during the year, and we remain very enthusiastic about the opportunities currently in front of us. The Monty discovery has provided valuable insights to our geological team, and we are making the most of this pivotal breakthrough – which confirms that DeGrussa is an emerging VMS province which is still in the early stages of its discovery history.

Importantly, the intensive work completed at Monty has provided us with a greatly enhanced understanding of the nature and controls on VMS mineralisation in the Doolgunna region, and we are continuing to apply this knowledge across our tenement holding.

Of particular note, our exploration team has now developed sophisticated geochemical techniques based on multi-element analysis of the signatures of the DeGrussa and Monty deposits. We are continuing to use this data to assess other exploration targets in the region, and we have major exploration programs underway along the Monty corridor, at Homer, at the Homestead prospect, at the emerging Conductor 5 East area and elsewhere within our tenement holding.

I would also like to briefly mention the outstanding work being undertaken as part of our extensive East Coast Exploration Initiative. We have assembled an impressive exploration portfolio in some of Australia's most prolific districts, and our team has patiently and methodically worked up some outstanding targets which will be progressively drill tested over the coming year. We are very much looking forward to the results of this work.

During the year Sandfire also increased its stake in North American copper development company Tintina Resources to 57%, after acquiring a 21% interest held by a fellow shareholder. Tintina is developing the high-grade Black Butte Copper Project, located in central Montana, USA – an advanced, high-quality copper resource which represents an excellent strategic fit with Sandfire's DeGrussa Project and a high-quality growth opportunity which would allow Sandfire to apply its project development and operational expertise.

The team at Tintina is continuing to progress the permitting and approvals process for Black Butte in a considered and collaborative manner – working inclusively with all key stakeholders.

SAFETY AND SUSTAINABILITY

The safety of all our employees and contractors remains of paramount importance across our business, and we continue to dedicate significant resources to improving our safety performance. The Total Recordable Injury Frequency Rate (TRIFR) reduced to 7.1 for the 12 months to 30 June 2016 from 9.5 last year – a pleasing result although we will continue to work hard to improve further in this area.

Our sustainability performance is comprehensively covered in our 2016 Sustainability Report, however I would like to make special mention of one particular sustainability initiative which was successfully delivered during the year, the 10MW DeGrussa Solar Farm.

The completion and successful commissioning of this world-class facility is expected to set a new benchmark for the use of renewable energy at remote mine sites in the resource sector, while at the same time having the significant benefit of reducing diesel consumption and cutting carbon emissions at DeGrussa by more than 12,000 tonnes of CO_2 annually.

SUMMARY AND OUTLOOK

Looking to the year ahead, our production guidance remains consistent within a range of 65-68,000 tonnes of copper and 35-40,000oz of gold for FY 2017 at a C1 cash cost of US$0.95-1.05/lb.

With underground development now tailing off progressively at DeGrussa over the next two years, this bodes well for future cash flow generation, notwithstanding the impact of any movements in the copper price, exchange rates and other factors outside our control.

This will put us in a position of growing strength and flexibility, with the optionality to either eliminate our debt completely and deploy more cash to shareholder returns or, should an attractive growth opportunity present itself, move quickly to take advantage of it. We also have a number of high quality organic growth opportunities in front of us, such as Monty, and we intend to bring these to account as soon as we possibly can.

Our commitment to organic growth through exploration remains front and centre of our business, and I remain extremely enthusiastic and excited both about the discovery opportunities in the Doolgunna region – which is a world-class VMS belt still in its infancy from an exploration perspective – and across our East Coast portfolio.

In conclusion, I would like to sincerely thank our exceptional team of committed, hard-working staff, contractors and consultants for their efforts over the past year which have enabled us to deliver this pleasing performance. I would also like to thank you, our shareholders, for your continued support of the Company.

I look forward to sharing another year of success with you all.

Karl Simich

Managing Director and CEO

BOARD OF DIRECTORS

(Left to right) Robert Scott, Derek La Ferla, Karl Simich, Maree Arnason, John Evans, Paul Hallam.

Mr Derek La Ferla

Independent Non-Executive Chairman

Qualifications: B.Arts, B.Juris, B.Law, Fellow of AICD

Mr La Ferla is an experienced corporate lawyer and company director with more than 30 years experience. He has held senior positions with some of Australia's leading law firms, and is currently a Partner with Western Australian firm, Lavan Legal, in the firm's Corporate Advisory Group (which includes mining and resources). He is also a member of the firm's Advisory Board and previously served on the Norton Rose Australia National Board (while the firm was Deacons). He is a fellow of the Australian Institute of Company Directors, and a member of the AICD Council (WA Division).

Mr Karl Simich

Managing Director and Chief Executive Officer

Qualifications: B.Com, FCA, F.Fin

Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of five mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a Director of and held senior executive positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.

Mr Robert Scott

Independent Non-Executive Director

Qualifications: FCA

Mr Scott is a Chartered Accountant with 35 years experience as an adviser on corporate services and taxation, specialising in the mining and resources sector. Mr Scott holds a fellowship of The Australian Institute of Chartered Accountants and The Taxation Institute of Australia. He is also a member of the Institute of Company Directors.

Mr John Evans

Non-Executive Director

Qualifications: B.Sc

Mr Evans graduated from the University of Auckland New Zealand in 1970 with B.Sc. Major in geology. Between 1970 and 1987, he was employed by various divisions of CRA Limited, including being in charge of all field operations for iron ore in the Pilbara, Western Australia and gold and base metals in the Murchison, Western Australia. He was the Managing Director of Marymia Exploration NL for 12 years until 2002 and has been a geological consultant to numerous companies during and since.

Mr Paul Hallam

Independent Non-Executive Director

Qualifications: BE (Hons) Mining, FAICD, FAusIMM

Mr Hallam is a highly experienced resource industry executive with more than 35 years experience working for a number of blue chip Australian and International mining companies, including 15 years at senior executive management level. His experience spans a range of corporate and operating environments, both in Australia and overseas, covers a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. His former roles include Director – Operations with Fortescue Metals Group and Executive General Manager – Development & Projects with Newcrest Mining Limited.

Ms Maree Arnason

Independent Non-Executive Director

Qualifications: B.Arts, GAICD

Ms Arnason is an experienced director and senior executive whose career has spanned 30 years in the resources and energy sectors in remote, regional and corporate environments. Ms Arnason has significant leadership expertise working in complex corporate and project environments with a focus on risk and reputation. Following development of her senior executive career with ASX-listed companies including BHP Billiton and Westfarmers, Ms Arnason has broadened her work over the past 10 years to include directorships in listed and private companies. Ms Arnason is a member of CEDA's (Committee for Economic Development of Australia) WA State Advisory Council, a past National Director of the Australia China Business Council and a serving member of their WA Executive Committee.

SENIOR MANAGEMENT

Mr Martin Reed

Chief Operating Officer

Qualifications: BE Mining, Grad Dip Management, AICD Diploma

Mr Reed is a qualified mining engineer with over 40 years experience in operations management and project development across a range of commodities, countries and sizes of operations. Recent roles have included Chief Operating Officer and Project Manager for a number of metals companies including Sirius Resources, Sandfire Resources, St Barbara Limited, Paladin Energy Ltd and Windimurra Vanadium Limited. Prior to these appointments, Mr Reed held a number of senior executive positions in the mining industry including roles where he was responsible for the planning and development of several large mining operations in remote locations. He has also been a non-executive director for a number of ASX-listed resources companies.

Mr Matthew Fitzgerald

Chief Financial Officer and Joint Company Secretary

Qualifications: B.Com, CA

Mr Fitzgerald is a chartered accountant with extensive experience in the resources industry. He began his career in the Assurance & Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald holds a Bachelor of Commerce from the University of Western Australia.

Mr Robert Klug

Chief Commercial Officer and Joint Company Secretary

Qualifications: B.Com, LL.B

Mr Klug has held accounting, senior legal and corporate finance roles in his 18 year career. Initially trained as an auditor with KPMG Perth, Mr Klug worked in London as a corporate lawyer after having completed his law degree at Murdoch University in Perth. Upon his return to Perth, he joined Freehills Perth Office, where he worked almost exclusively with small and mid cap resource companies. After a number of years at Freehills, Mr Klug worked in corporate finance as a Director of Carmichael Capital Markets, the Corporate Finance arm of DJ Carmichael Stockbrokers. In 2005, Mr Klug became General Manager Business Development with St Barbara Limited until St Barbara relocated its head office to Melbourne in early 2007 when he joined Heron Resources Limited in a senior management role.

Mr Bruce Hooper

Chief Exploration and Business Development Officer

Qualifications: B.Sc, RPGeo

Mr Hooper is a registered professional geoscientist with extensive experience in the resources industry including the energy, base metal and precious metal fields in Australia, Asia, the Americas and Africa. Prior to joining Sandfire Resources in 2012, Mr Hooper worked in a number of senior exploration, operational and business development roles for a variety of companies including BP, Rio Tinto, North Ltd, Straits Resources, Perilya Ltd and Ivernia.

Mr Shannan Bamforth

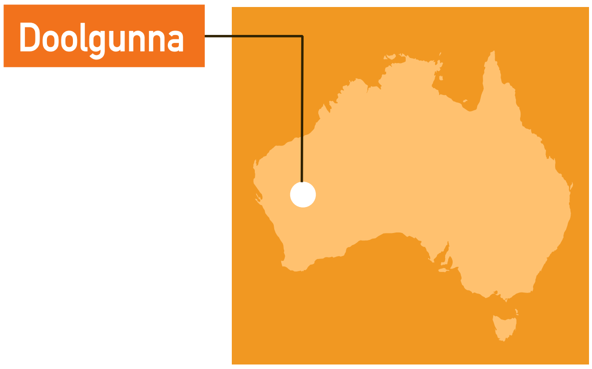
General Manager Geology

Qualifications: B.Sc (Geo)

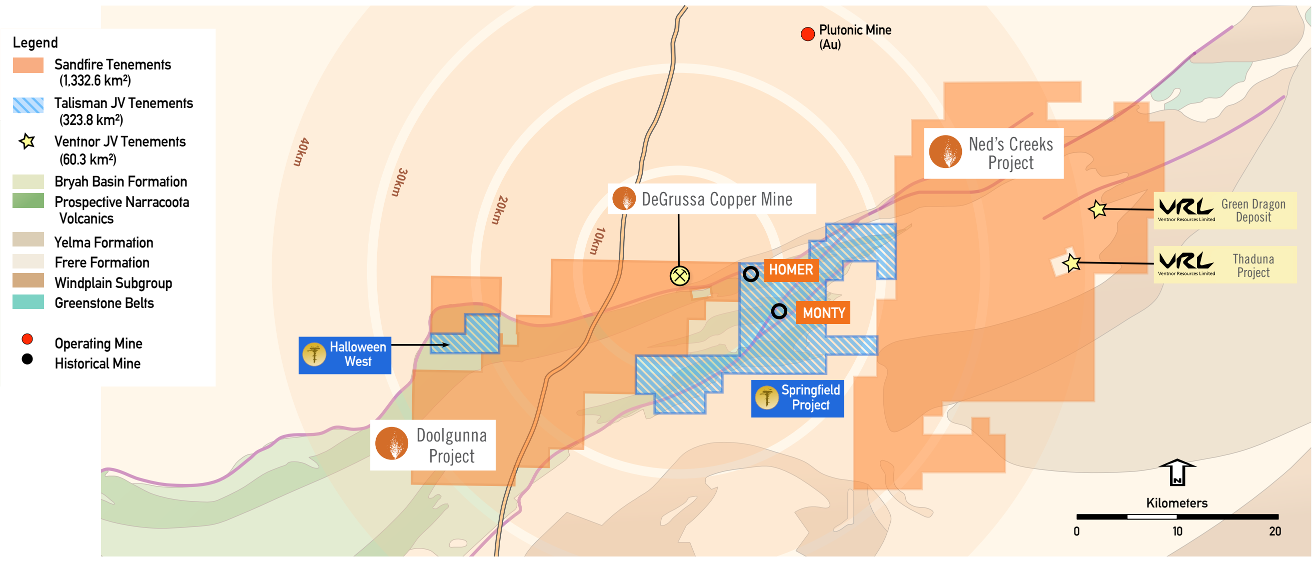
Mr Bamforth is a geologist with 19 years experience in the resources industry with a focus on base metals, gold and coal. He has worked in exploration and operational roles in Australia, Africa, China and Indonesia. Prior to joining Sandfire Resources in 2010, he held various senior positions with a variety of companies including Regent Pacific Group, St Barbara Mines, AngloGold Ashanti, and Acacia Resources. He is a member of The Australian Institute of Mining and Metallurgy.

OPERATIONS REVIEW

DEGRUSSA COPPER PROJECT, WESTERN AUSTRALIA (100%)



The DeGrussa Copper Project is located within Sandfire's 100%-owned Doolgunna Project, a 400 square kilometre tenement package in WA's Bryah Basin mineral province, approximately 900km north-east of Perth. The Project is located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra, and includes the DeGrussa Copper Mine. Including 100%-owned ground and tenements held in farm-ins with other companies, Sandfire controls 1,700 square kilometres of contiguous exploration ground in this region, including a 65km strike length of prospective VMS horizon.



Sandfire's Greater Doolgunna Project, showing the DeGrussa Copper Mine, Springfield Project (Joint Venture) and location of the Monty and Homer prospects.

DEGRUSSA COPPER MINE

Overview

Copper production for the 12 months to 30 June 2016 was 68,202 tonnes and gold production was 37,612 ounces, which exceeded forecast production guidance. A summary of copper and gold production and sales for the year is provided below:

FY 2016 Production Statistics		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined	1,593,168	4.7	1.8	74,949	94,829
	Milled	1,572,862	4.8	1.8	74,836	92,556
	Production	278,171	24.5	4.2	68,202	37,612
	Copper and gold sales	282,012	24.3	4.0	68,653	36,042

Note: Mining and production statistics are rounded to the nearest 0.1% Cu grade and 0.1 g/t Au grade. Errors may occur due to rounding.

Underground Mining
Total ore production from the underground mine was 1,593,168 tonnes of ore grading 4.7% Cu.

Performance was in line with the mine production target of 1.59 million tonnes per annum (Mtpa) and reflects a continued focus on reliable stope design and excavation, as well as mining fleet productivity.

During the reporting period, production was sourced from all lenses at DeGrussa, with the C5 lens brought into production during the June 2016 quarter.

The mine remains in balance between production and back-fill, with total underground development reaching 37km by the end of the reporting period.

The focus of mine development was on the Conductor 4 and 5 declines. During the period, the Conductor 4 decline development advanced 533m and the Conductor 5 decline development advanced 647m, with development advancing in good ground conditions. It is expected that the C4 and C5 declines will reach their lowest designed position during the September 2016 Quarter with development transitioning to accelerated level development in the C4 and C5 lenses.

Processing
Key metrics for the DeGrussa Concentrator for the 2016 financial year included:

- 1,572,682 tonnes milled at an average feed grade of 4.7% Cu, slightly under the targeted annualised rate of approximately 1.60 Mtpa;
- Average copper recovery for the reporting period of 91%;
- Concentrate production of 278,171 tonnes; and
- Metal production of 68,202 tonnes of contained copper and 37,612 ounces of gold.

Following the successful commissioning of the major enhancement projects completed during FY2015, Sandfire is continuing to investigate opportunities for further improvements in copper recovery. These include examining additional flotation capacity, further improvements in grind optimisation and operating tactic optimisation.

Production Guidance
FY2017 targeted copper production is expected to be within the range of 65,000 to 68,000 tonnes of contained copper metal with gold production within the range of 35,000 to 40,000 ounces. Headline C1 cash operating costs are expected to be within the range of US$0.95-1.05/lb.

Mine production is forecast at 1.55Mt with the processing of 1.63Mt of ore achieved via the pull-down of ROM stocks. First and third quarter production will be impacted by planned shuts to re-line the SAG mill and replace the trunnion liner.

Sales & Marketing
Copper Concentrate
A total of 282,012 tonnes of concentrate was sold for the 2016 financial year containing 68,653 tonnes of copper and 36,042 ounces of gold. Shipments were completed from both Port Hedland and Geraldton.

Infrastructure
DeGrussa Solar Power Project
During the reporting period, construction was completed for a 10.6MW solar power station at DeGrussa, which represents the largest integrated off-grid solar and battery storage facility in Australia.

The new solar power facility achieved full generation capacity in the June quarter, and at the time of finalising this report was generating approximately 7MW of power, which is in line with seasonal expectations. Solar generating output will ramp up during the summer months to achieve the full 10MW functional capacity.

The $40 million project consists of 34,080 solar PV panels covering a total area of over 20 hectares at a site located immediately adjacent to the DeGrussa underground mine and processing plant. The system has been designed with the diesel-fired power station continuing to provide base-load power to the DeGrussa mine with sufficient minimum load to ensure it can respond quickly to meet the power requirements of the process plant and underground mine.

The innovative DeGrussa Solar Farm is expected to set a new benchmark for the use of renewable energy at remote mine sites in the resource sector, reducing diesel consumption and cutting carbon emissions at DeGrussa by more than 12,000 tonnes of CO2 annually.

The project was funded by a consortium of participants, with Sandfire's direct cash contribution totalling less than $1 million.

Feasibility Studies and Metallurgy
Monty Copper-Gold Project
The Monty VMS Copper-Gold Project is located 10km east of the DeGrussa Copper Mine and forms part of the Springfield Unincorporated Joint Venture. Sandfire is manager of the Joint Venture, which comprises participating interests of Sandfire (70%) and Talisman Mining Limited (ASX: TLM; "Talisman") (30%).

A maiden JORC 2012 compliant Indicated and Inferred Mineral Resource of 1.05 million tonnes grading 9.4% copper and 1.6g/t gold was completed for the Monty copper-gold deposit in April 2016 (see ASX Announcement – 13 April 2016), providing the foundation for a potential new satellite mining operation located 10km east of the DeGrussa Copper-Gold Project.

A high-level study was subsequently completed to identify the primary value drivers for the Monty deposit and determine the development pathway for the project. This study identified no fatal flaws and investigated the optionality of various project elements including surface infrastructure locations, site access, mining methods and permitting and approval pathways. The study also identified the preferred location of surface infrastructure.

During May 2016, Sandfire, as Manager of the Springfield Joint Venture, submitted a Mining Lease Application (MLA) to the Department of Mines and Petroleum of Western Australia (DMP) over the Monty Project.

The area of the Mining Lease Application is approximately 16.42km2 and covers the footprint of the known mineralisation of the Monty VMS deposit as well as the surrounding area which will be required for a box-cut and decline portal and other supporting mine infrastructure and services such as an electrical sub-station to provide power to the underground mine, workshops and offices.

Given the proximity of Monty to the existing DeGrussa Copper Mine, it is envisaged that a number of mining, administrative and support services will be provided by the existing mining and infrastructure services and facilities at DeGrussa.

The Mining Lease Application process will be progressed in parallel with consultations and negotiations with relevant stakeholders and preparations for future mining activities.

In addition, a Feasibility Study on the Monty Project also commenced during the reporting period. Several work streams are in progress as part of this Feasibility Study, including:

- Metallurgical testwork is now underway with specific focus on comminution and flotation test work;
- Geotechnical and structural geology studies are well advanced following completion of targeted geotechnical diamond drill holes through the Monty ore body;
- Underground mine design has commenced following release of the Mineral Resource with stoping, ore access and ventilation work underway;
- A preferred box-cut location has been selected with follow-up geotechnical drilling in progress; and
- A proposed haul road route between the DeGrussa operations and the Monty Project is under evaluation with design work to follow.

In parallel with the Feasibility Study activities, negotiations are continuing to progress formal agreements between Sandfire and Talisman relating to

Monty construction and mining activities, as well as potential ore process routes and terms.

Oxide Copper Feasibility Study
The Sandfire Oxide Copper Project at DeGrussa has been extensively tested and a Scoping Study undertaken on the basis of a traditional sulphuric acid heap leach combined with a solvent extraction circuit with a strong electrolyte fed to an electrowinning circuit to produce 99.99-99.999% copper cathode.

The investigation of Innovat continuous vat leaching technology as an alternative to heap leaching and glycine as a potential alternative to a sulphuric acid environment continued throughout the reporting period.

The next step in the development of this vat leaching/glycine process flowsheet may be the completion of pilot plant testing to allow confirmation of project economics prior to consideration of a full-scale plant with a decision within the next six months.

Exploration

Overview
During the period, Sandfire continued to progress a tightly focused, multi-disciplined exploration campaign to test for extensions to the known cluster of VMS deposits at DeGrussa and to unlock the broader potential of the Doolgunna region for additional VMS and structurally-hosted copper deposits.

Key components of the Company's exploration activity at Doolgunna during the period are listed below.

- Completion and close-out of Resource Definition drilling at the Monty deposit.
- Completion of a maiden JORC Mineral Resource estimate for the Monty deposit.
- Completion of the initial geotechnical diamond drilling program at the Monty deposit.
- Commencement of metallurgical diamond drilling at the Monty deposit.
- Continuation of aircore drilling with in-fill near Monty and in the Southern Volcanics.
- Reverse Circulation (RC) drilling to systematically target the untested portion of the interpreted C5 host horizon within the Homer area.
- Completion of a Super-Conducting Quantum Interference Device (SQUID) EM geophysical programme over the Monty deposit and surrounding area.
- Continued underground resource definition drilling of the Conductor 5 deposit to allow conversion of the existing Inferred Resource to Indicated and Measured status.
- RC drilling at the Red Bore East prospect targeting areas of low drilling density and geochemical anomalies.
- RC and diamond drilling at the Thaduna Copper Project with the aim of targeting gaps in drill coverage over the main orebody between known mineralised intercepts.

DeGrussa Regional Exploration
Springfield Joint Venture
During the period Sandfire reached the $15 million farm-in expenditure threshold (project-to-date), which marked the end of its sole-funding stage at Springfield and commencement of the Joint Venture with Talisman. The Talisman Projects comprise the Springfield, Halloween and Halloween West Projects, which abut Sandfire's DeGrussa-Doolgunna tenements and contain extensions of the lithological sequence which hosts the DeGrussa VMS deposits.

Exploration expenditure at the Talisman Projects is now jointly funded by Sandfire and Talisman on a 70:30 basis. The unincorporated Springfield Joint Venture has been formed, with Sandfire as Manager, in accordance with the Farm-In and Joint Venture Agreement entered into on 20 December 2013.

Sandfire and Talisman are in negotiations to replace the existing Farm-In and Joint Venture Agreement with a more detailed agreement. The existing agreement is legally binding and governs the relationship between the parties until a more detailed agreement is reached.

Maiden Mineral Resource Estimate for Monty
The maiden Mineral Resource estimate for the Monty deposit was completed by Sandfire's in-house geological team. The geological model and Mineral Resource estimate was based on the results of 82 diamond drill holes. The drilling was completed on a nominal 30m by 40m spacing. The maiden Monty Mineral Resource estimate as at 31 March 2016 is set out on page 25 of the Annual Report.

99 per cent of the tonnes contained in the Monty Mineral Resource, or 1.04 million tonnes, are classified as Indicated Resources, and are available for conversion to Ore Reserves after completion of the appropriate studies and drilling.

An external independent review of the Mineral Resource estimate was completed by Cube Consulting. Full details of the Monty Mineral Resource estimate are provided in the Company's ASX Announcement dated 13 April 2016.

In addition to the commencement of a Feasibility Study for the Monty deposit (outlined above), exploration programs planned or currently in progress in the Monty area include:

- Systematic aircore drilling to accurately delineate the interpreted VMS host horizon;
- Reverse Circulation (RC) drilling (with diamond tails if required) within the interpreted VMS horizon along strike from Monty to inform the interpretation of the host stratigraphy;
- DHEM surveys of all RC and diamond drill-holes; and
- Development of a structural geology model to provide additional context regarding the location and geological setting of Monty.

The Company has also completed a SQUID EM geophysical survey over the Monty deposit and surrounding area.

AUSTRALIAN EXPLORATION

Sandfire Australian Projects with orebody types and minerals sought.

Borroloola Project

The Borroloola Project is located north of the McArthur River Mine (Xstrata), and is prospective for base metals, sedimentary manganese and iron ore. Sandfire has signed two farm-out agreements to advance the Borroloola Project. The Batten Trough JV covering the eastern portion of the tenements is under an option and joint venture agreement with MMG Exploration Pty Ltd, which can earn up to an 80% interest. The Borroloola West JV covering the western portion is under an agreement with Pacifico Minerals Ltd, which has the right to earn up to an 80% interest.

During the reporting period, Pacifico Minerals completed its expenditure commitment of $1.5 million at the Borroloola West Project, thereby earning the right to acquire a 51% interest in the Project. Under the terms of the farm-in agreement, Pacifico has elected to remain at 51% and both parties are now contributing to the ongoing program on a 51-49 % ratio.

Drilling conducted by Pacifico at Coppermine Creek intersected extensive zones of fracturing that contained disseminations and lenses of semi-massive chalcopyrite, including drill hole CCD03, which reported 10m @ 1.3% Cu from 68m, including 2m @ 4.0 % Cu.

Pacifico intends to commence a drilling program which will include Reverse Circulation ("RC") drilling of established targets at the Four Mile, Mariner, Berjaya, Coppermine Creek and Johnston's prospects for zinc and copper mineralisation in the September 2016 Quarter.

MMG Limited commenced work on the Batten Trough projects, with a Falcon gravity survey completed for a total of 5,320 line kilometres, with the results used to delineate targets for drilling.

Results from drilling completed during the year confirmed the presence of prospective stratigraphy and structure at the Rosie Creek prospect with elevated geochemistry indicative of hydrothermal activity.

An airborne gravity survey was subsequently completed over an area of approximately 1,200km2, encompassing the Mt Young and Rosie Creek prospects in the northern portion of the tenement area. MMG intends to commence drill testing targets from these prospects as well as the Berjaya NW target to the west of the Teena Deposit with a 8-hole diamond program in September 2016.

Queensland Projects

A number of projects are held in the eastern succession of the Mount Isa region south and east of Cloncurry in northwest Queensland which are prospective for Broken Hill style lead-zinc-silver deposits such as the Cannington deposit (BHP) and the Ernest Henry Iron Oxide copper-gold deposits (Xstrata).

Sandfire completed its initial $4 million earn-in at the Altia Project, located 65km south-east of Cloncurry, during the reporting period. This project has been explored under a Farm-in Joint Venture agreement with Minotaur Exploration, giving Sandfire the right to acquire its minimum interest of 60% in the tenements. Further, Sandfire has elected to continue sole funding exploration at Altia with a view to earning the right to acquire an 80% interest over the next three years through further expenditure of $4 million.

Drilling has continued at the Capricorn North prospect within the Altia Joint Venture associated with downhole EM targets.

A regional aeromagnetic survey commenced across the majority of the Queensland project area during the June 2016 Quarter. Anomalies are being followed up for IOCG and BHT style projects with heritage clearances, geophysical surveys and drilling.

New South Wales Projects

A number of project areas are held in the Lachlan Fold Belt of New South Wales which are prospective for porphyry copper-gold mineralisation as found at Northparkes (China Moly), Cadia (Newcrest) and Cowal (Evolution). A farm-in agreement to earn up to 80% is held with Gold Fields Australasia Pty Ltd on the Marsden South Project.

Temora Exploration

During the year Sandfire entered into a binding agreement with Straits Resources Limited (ASX: SRQ) to acquire Straits' interests in the Temora and Currumburrama exploration projects in New South Wales for A$2.5 million (payable in Sandfire shares).

The Temora Project, located within the Lachlan Fold Belt, is now 100%-owned by Sandfire and comprises the tenements EL6845 and EL5864.

A systematic data gathering and logging program over the entire mineralised Temora belt is defining further areas for targeting of prospective areas. New technologies including Short Wave InfraRed (SWIR) logging and re-assaying using modern multi-element techniques are building a comprehensive understanding of the known porphyry copper-gold mineralising systems in the belt.

This information, combined with the remodelling and compilation of geophysical datasets, has led to the identification of multiple drill-ready targets. A continued focus on stakeholder engagement is being maintained as land access agreements are negotiated to facilitate the commencement of drilling of these targets once the crops are harvested in mid-November 2016.

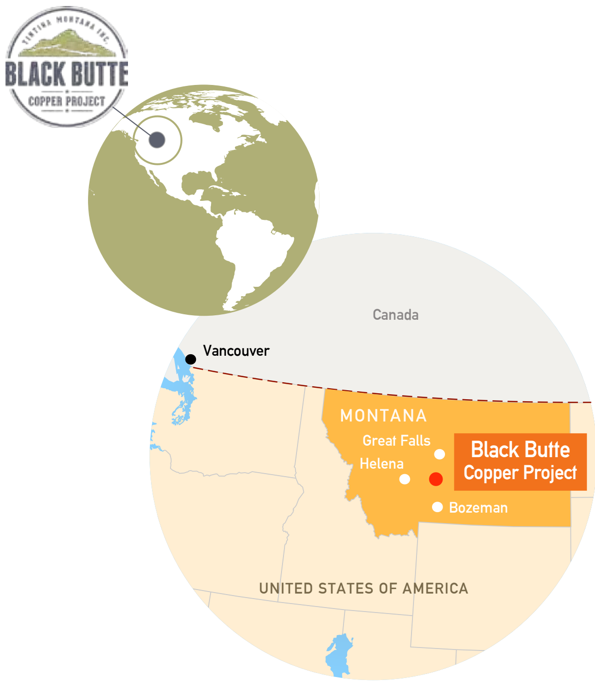
Wingrunner Exploration

Follow-up aircore drilling at Wingrunner identified strong alteration in several holes.

Two geophysical surveys (Induced Polarisation or IP and Ground Magnetics) were carried out at the SE Bogan Prospect, 8km north-west of Peak Hill. This work was designed to follow-up on porphyry- style alteration and geochemistry identified in previous Aircore (AC) drilling, with the recent IP survey identifying a strong chargeable anomaly. Drill testing is planned when ground conditions allow access for drilling.

INTERNATIONAL EXPLORATION

Investment in Tintina Resources – Black Butte Project, USA



Operations Review (continued)

Sandfire holds a 57% interest in Vancouver-based copper development company, Tintina Resources (TSX-V: TAU). Tintina's key asset is a 100% interest in the premier, high-grade Black Butte Copper Project, located near Helena in the State of Montana in the United States. The Project is located close to existing road, power and rail infrastructure, with the ability to access a residential workforce located nearby and competitive sources of materials and power.

Located on private land in central Montana, the Project copper resource consists of three flat-lying sedimentary hosted copper deposits which have been extensively drilled by Tintina (over 53,000m of diamond drilling).

An Updated Technical Report and Preliminary Economic Assessment (PEA) completed by Tintina in July 2013 was based on reported NI 43-101 Measured and Indicated Resources totalling 15.7 million tonnes grading 3.4% Cu, 0.1% Co and 14g/t Ag for 533,600 tonnes of contained copper and Inferred Resources totalling 2.3 million tonnes grading 2.8% Cu, 0.09% Co and 14g/t Ag for 63,500 tonnes of contained copper (calculated using a 1.6% copper cut-off grade) for the Johnny Lee Upper Zone and Lowry deposits, and a 1.5% Cu cut-off for the Johnny Lee Lower Zone).

The PEA confirmed that the deposit has the potential to underpin a robust underground mining operation with forecast life-of-mine production of ~30,000tpa of copper-in-concentrate over a mine life of ~11 years, based on total mill throughput of 11.8 million tonnes at an average head grade of 3.1% Cu.

Tintina submitted a Mine Operating Permit application for the Johnny Lee copper deposit to the Montana Department of Environmental Quality during the reporting period. The application is a comprehensive document detailing the development plan for this high grade project while safeguarding the environment. Full details can be found in the Tintina announcements, which are available at the Tintina website, www.tintinaresources.com.

Investment in WCB Resources – Misima Copper Project, PNG

Sandfire holds a 38% interest in WCB Resources Ltd ("WCB"; TSX-V: WCB), a Toronto-listed copper-gold explorer, which it acquired by subscribing for shares in a A$5.9M private share placement. WCB is earning a 70% interest in the Misima Island exploration lease through a joint venture with Pan Pacific Copper ("PPC"), an integrated copper mining and smelting company that is jointly owned by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Company Ltd.

Further details can be found at the WCB Resources website, www.wcbresources.com.

SUSTAINABILITY

Please refer to the 2016 Sustainability Report, prepared in accordance with the Global Reporting Initiative G4 framework "core" option for a summary of Sandfire's sustainability practices. The report spans the period from 1 July 2015 until 30 June 2016 and covers our DeGrussa Copper Mine in Western Australia and exploration activities in Australia.

The Sustainability Report includes a summary of how we govern sustainability, the progress on achieving the sustainability commitments set in the prior year, the targets set for the upcoming year, and reports on the following material issues:

- Ethics and transparency;
- Community relations;
- Occupational health and safety;
- Water;
- Energy and carbon emissions;
- Land management and closure planning; and
- Waste management.

Solar Power Project located at the DeGrussa Copper Mine.

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement sets out the key features of the Sandfire Resources NL's (Sandfire) governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles and Recommendations) published by the ASX Corporate Government Council (Council).

The Board of Directors of Sandfire is responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. In performing its responsibilities, the Board acts in the best interests of the Company, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by Sandfire's Constitution and the law.

As at 29 August 2016 the Company is fully compliant with the ASX Principles and Recommendations made by the Council.

In accordance with the ASX Principles and Recommendations, the Company's policies, and charters referred to in this statement are available in the Investor section of the Company's website at www.sandfire.com.au.

Sandfire's Corporate Governance Statement is current as at 29 August 2016 and has been approved by the Board.

The Role of the Board

The Board has adopted a written Charter to provide a framework for the effective operation of the Board which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- delegation of duties and powers;
- Board process; and
- review and performance evaluation.

Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. To this end the Board has established the following committees:

- Audit and Risk;
- Remuneration and Nomination; and
- Sustainability.

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the entity's strategies, policies and performance. This includes overseeing the financial and human resources the entity has in place to meet its objectives, as well as reviewing management performance;
- protect and optimise the entity's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and with a framework of effective controls that enable risk to be assessed and managed;
- ensure shareholders are kept informed of the entity's performance and major developments affecting its state of affairs; and
- set, review and ensure compliance with the entity's values and governance framework (including establishing and observing high ethical standards);

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of Managing Director and Chief Executive Officer;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, significant indebtedness, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Under the Board Charter, the Board has delegated responsibility for the day-to-day management of the Group's business and affairs to the Managing Director and Chief Executive Officer. This responsibility is subject to an approved delegation of authority which is reviewed regularly.

Internal control processes are in place to allow management to operate within the delegations approved by the Board, and the Managing Director and Chief Executive Officer cannot commit the Group to activities or obligations outside these delegated authorities without the specific approval of the Board.

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Composition and Skills of the Board

The skills, experience and expertise held by each director in office at the date of the financial report are included in the Directors' Report. Information regarding each director's responsibility on Board committees and attendance at Board and committee meetings is also set out in the Director's report.

The Board actively seeks to ensure that the Board and its committees have the right mix of background, skills, knowledge and experience necessary to guide and govern the Group effectively and in accordance with highest standards. In that regard, the Board appointed Ms Arnason as non-executive director in December 2015, bringing substantial corporate expertise across exploration, large capital projects and operations and in-depth industry knowledge of subjects such as the environment and sustainability, government and indigenous affairs.

The Board considers that its members have the range of skills, experience, qualifications and personal attributes necessary to direct the activities of the Group. The following board skills matrix sets out the skills and experience the Board currently has.

Skills and Experience of the Board

Leadership • Public listed company experience. • Understanding/influencing organisational culture.	**Capital Projects** • Background in the delivery of large scale capital projects • Proficiency in project governance and risk management.
Strategy • Knowledge of developing and implementing successful strategy. • Ability to provide oversight of management for the delivery of strategic objectives.	**Sales and Marketing** • Detailed knowledge of the Company's strategy, markets and competitors.
Mining and Geology • Background in the resource industry covering a range of commodities both in Australia and overseas. • Experience in geological consultancy.	**Finance and Accounting** • Expertise in financial accounting and reporting, corporate finances and internal financial controls. • Experience in business analysis and financial forecasting.
International Expertise • Exposure to multiple cultural, regulatory and business environments. • Know-how in doing business in China and the Asian region.	**Information Technology** • Knowledge and experience in use and governance of critical information technology. • Understanding of potential cyber risk exposure.
Governance • Committed to ensuring effective governance structures. • Maintaining effective risk management and internal control.	**Regulatory, Public Policy and Legal** • Oversight and management of regulatory frameworks and processes designed to ensure that all regulatory obligations are met. • Knowledge of corporate law.
Health, Wellness, Safety and Environment • Knowledge of workplace health, wellness and safety. • Experience with environment, including energy, water management, emissions and climate change, land management.	**Stakeholder Management** • Skills in relations with employees, customers and contractors/suppliers, local communities, Native Title Claimant groups, Government and Regulators, industry associations and the investment community.

Director Independence

The Board consists of a majority of independent directors. Directors of Sandfire are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard (refer Section 2.2 of the Board Charter). The Board, guided by the Board Charter, considers thresholds of materiality for the purposes of determining independence in accordance with ASX Recommendations, having regard to both quantitative and qualitative principles. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Sandfire Board consists of six directors and four are considered independent in accordance with the definition set above, and the materiality thresholds set. The following directors are considered to be independent:

Name	Position
Derek La Ferla	Non-executive Chairman
Robert Scott	Non-executive Director
Paul Hallam	Non-executive Director
Maree Arnason	Non-executive Director

Chairman

The roles of Chair and Chief Executive Officer (CEO) are not exercised by the same individual.

Director Selection and Succession Planning

The Board regularly reviews its membership to ensure that it has the appropriate mix of diversity, skills and experience required to meet the needs of the Group. When a Board position becomes vacant or additional directors are required, external professional advisors are engaged to assist with identifying potential candidates to ensure that a diverse range of candidates are considered.

Appropriate background checks are conducted before appointing a Director. When candidates are submitted to shareholders for election or re-election, the Company includes in the Notice of Annual General Meeting (AGM) all material information relevant to a decision on whether or not to elect or re-elect a Director. Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

At the AGM held on 18 November 2015, Mr Derek Le Ferla was re-elected as a Director of the Company. Ms Maree Arnason was appointed a casual Director of the Company on 18 December 2015 and will be standing for re-election at the 2016 AGM, along with Mr Robert Scott and Mr Paul Hallam.

Induction Procedures and Ongoing Professional Development

Sandfire has formal induction procedures for both directors and senior executives. These induction procedures have been developed to enable new directors and senior executives to gain an understanding of:

- Sandfire's financial position, strategies, operations and risk management practices; and
- the respective rights, duties and responsibilities and roles of the Board and senior executives.

Directors are given an induction briefing by the Company Secretary and an induction pack containing information about the Group, Board and Committee charters and the entity's policies. New directors also meet with key senior executives to gain an insight into the Group's business operations.

Corporate Governance Statement (continued)

Sandfire supports the continuing professional development of its directors and the Remuneration and Nomination Committee undertakes a review of developmental needs not less than annually and a development program for the following year is devised and implemented addressing the issues raised from the review.

Board Committees

The Board has established an Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee which operate under Charters approved by the Board. The functions of the Committees are set out in their respective Charter.

The Committee Charters and membership details of each Committee are available on Sandfire's website. Details of the number of Board and Committee members held during the year, each Director's attendance at those meetings and the qualifications and experience of each Committee member are set out in the Directors' Report.

All the members on the Audit and Risk Committee and Remuneration and Nomination Committee are independent non-executive directors. All the members on the Sustainability Committee are independent non-executive directors, except for the Chair.

Performance Evaluation and Remuneration

Evaluation of the Performance of the Board, its Committees and Individual Directors

The Board, with the assistance of the Remuneration and Nomination Committee, regularly monitors the performance of the Board, its committees and individual directors throughout the year and conducts a review of their performance on an annual basis. This may occur through a process of internal review led by the Chairman, or, be performed with the assistance of external advisers as considered appropriate.

The 2016 financial year review was led by the Chairman by way of a questionnaire, followed up where applicable with one-on-one discussions. The outcomes of the review were discussed and considered by all the directors and the general conclusion was that the Board, individual directors and Board Committees were functioning well. The Board agreed on initiatives to improve its operation and performance.

Evaluation of Senior Executives Performance

Each Director of the Company has entered into a formal letter of appointment which clearly sets out what is expected of each Director. Senior executives have service agreements containing detailed duties and responsibilities which are complimented by key performance indicators. The performance of the key executives is reviewed regularly against both measurable and qualitative indicators.

During the reporting period, the Remuneration and Nomination Committee conducted performance evaluations that involve an assessment of each senior executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which executives are assessed are aligned with the financial and non-financial objectives of the Company. Details of how Sandfire assesses the performance of the Managing Director and Chief Executive Officer and the executive management team are set out in the Remuneration Report included in the Directors' Report.

Remuneration Practices

The Remuneration and Nomination Committee's remuneration strategy is designed to attract, motivate and retain employees, contractors and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company. For further details please see the Remuneration Report included in the Directors' Report.

Remuneration of Non-Executive Directors

The Company clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The 2016 Remuneration Report provides a separate table outlining the structure of Executive statutory remuneration disclosures and Non-Executive Director fees. Non-Executive Director fees consist of Director fees and committee fees. Non-executive directors do not receive retirement or termination benefits and do not participate in any incentive plans. The aggregate amount of fees that may be paid to non-executive directors in any one year is capped at a level approved by shareholders.

Risk Framework

Management of Risks

The Board is committed to reviewing and overseeing the risk management strategy for Sandfire and for ensuring the Company has an appropriate corporate governance structure, in order to support the achievement of business objectives.

The identification and effective management of risk, including measured risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Audit and Risk Committee reviews and reports to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate mitigation activities are designed and implemented to manage risks; and
- there are regular reviews on the process of the implementation of designed risk mitigation activities.

The Sustainability Committee assists the Board in monitoring the Company's economic, environmental and social sustainability risks, and the processes and controls underlying the identification and monitoring or risks.

Sandfire's Risk Management Policy outlines the Company's approach to managing risks and is available in the Governance section of Sandfire's website.

Management through the CEO is responsible for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

The Company's risk framework is applied to all risk aspects of the Company's business and is used to identify, assess, evaluate, treat, monitor and communicate risks using a common methodology. The framework is aligned with ISO Standard 31000:2009. Risk are ranked using both pre mitigating controls and post mitigating controls and the rankings reflect the different types of likelihoods and consequences that may arise from risks, including metrics for safety and health, environmental, legal and regulatory, reputation/community and social, property damage and process loss and financial. The Board ratifies the Company's approach to managing risk and oversees the Company' Risk Management System, including the Company' risk profile and the effectiveness of the systems being implemented to manage risk. The Risk Management System, including the Company' risk profile and the effectiveness of the systems in place to manage risk, were reviewed in 2016.

The Company is exposed to numerous risks, most of which are common within the mining industry. The business and operational risks; health, safety and environment risks; Mineral Resource, Ore Reserve and Mine Plan risks; and financial risks are outlined in section 5.3 of the Director's Report. Material exposure to economic, environmental and social sustainability risk and how the Company manages those risks, are also disclosed in the Sustainability Report.

Internal Control Framework

The key controls that the Company has in place to ensure that its risks are managed effectively and to protect the Company's interests and to ensure the integrity of its financial reporting include the following:

- Board approval of strategic planning, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of financial and non-financial KPIs; and

- underpinning these efforts is a comprehensive set of policies and procedures directed towards achieving:
    - an effective and efficient use of the Company's resources;
    - compliance with laws and regulations; and
    - preparation of reliable published information.

Internal Audit Function
Sandfire has an internal audit function that assists the Board by undertaking an objective evaluation of the Company's internal control framework, focusing on Sandfire's key risks. The internal auditor attends the Audit and Risk Committee meetings to present internal audit findings and has the opportunity to meet privately with the Audit and Risk Committee on a regular basis to ensure a degree of independence and objectivity to the role. The Audit and Risk Committee is responsible for overseeing the internal audit function.

The Company's internal audit function objectively evaluates and reports on the existence, design and operating effectiveness of internal controls. The internal auditor is independent of the external auditor and reports to the Audit and Risk Committee.

The Board agrees that due to its nature, internal control assurance from the internal auditor can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

External Auditor
Under the Committee Charter it is the policy of Sandfire that its external auditing firm must be independent of it. The Committee reviews and assesses the independence of the external auditor on an annual basis. The Charter contains an External Audit Policy, which provides information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, presently every 5 years, unless otherwise approved by the Audit and Risk Committee and the Board of Sandfire.

The Company's external auditor will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act ("the Act").

CEO and CFO Certification
In accordance with section 295A of the Act, the CEO and CFO have provided written statements to the Board in respect of each half and full year financial period that, in their opinion, the financial records of the Group have been properly maintained in accordance with the Act; the financial statements and the notes for the period comply with accounting standards and give a true and fair view of the financial position and performance of the entity and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Governance Policies
The Group has developed a number of codes and policies to help directors and employees understand what is expected of them. Below is a summary of the Sandfire's core codes and policies which apply to directors and employees. Each of these policies below are available on the Sandfire's website.

Code of Conduct
The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has established a Code of Conduct which applies to directors, employees, temporary employees and contractors of Sandfire. They key principles underpinning the Code of Conduct are:

- our actions must be governed by the highest standards of integrity and fairness;
- our decisions must be made in accordance with the spirit and letter of applicable law; and
- our business must be conducted honestly and ethically, with our best skills and judgement, and for the benefit of our people, clients, shareholders, stakeholders and Sandfire alike.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout Sandfire;
- support Sandfire's business reputation and corporate image within the community; and
- make employees aware of the consequences if they breach the Code.

Whistleblower Protection Policy
The Board has endorsed a Whistleblower Protection Policy which has a 24 hours a day, 7 days a week, all year round independent hotline. A whistleblower is someone who discloses reportable conduct to people that have the power to take corrective action. Sandfire recognises that a genuine commitment to detecting and preventing illegal and other undesirable conduct must include a mechanism whereby personnel can report their concerns freely and be protected from reprisals.

Policy for Dealing in Securities
The Board has endorsed a Policy for Dealing in Securities Policy which:

- explains the types of conduct in dealing in securities that are prohibited under the Corporations Act 2001 (Clth) (Corporation Act); and
- establish a best practice procedure for the dealing in securities that protects the Company, directors and personnel against misuse of unpublished information which could materially affect the value of securities.

The rules set out in this policy are designed to assist in preventing breaches of the insider trading provisions of the Corporations Act and to enable the Company to satisfy the disclosure requirements of the ASX Listing Rules. The policy also establishes "blackout periods" during which directors, employees, contractors and their closely related parties must not trade in the Company's securities. It also prevents directors and executives from entering into any hedging arrangements over unvested securities issued pursuant to an equity based remuneration scheme.

Disclosure and Communication Policy
The Board has endorsed a Disclosure and Communication Policy, which sets out processes which assist the Company to ensure that all investors have equal and timely access to material information about the Company and that Company announcements are factual and presented in a clear and balanced way.

The Disclosure and Communication Policy also sets out the procedures for identifying and disclosing material and market-sensitive information in accordance with the Corporations Act and the ASX Listing Rules.

Diversity Policy
Sandfire is committed to providing a diverse and inclusive work environment in which everyone is treated fairly and with respect. Sandfire is committed to recruiting, training and promoting individuals based on competence and to attracting the best people in their fields, regardless of their gender, religion, race, ethnicity, language, cultural background, sexual orientation, disability and age.

The Board believes that the promotion of diversity within the organisation generally:

- broadens the pool for recruitment of high quality employees;
- is likely to support employee retention;
- is likely to encourage greater innovation, enhances work practices and productivity; and
- is socially and economically responsible governance practice.

Corporate Governance Statement (continued)

The Remuneration and Nomination Committee has developed, and the Board has approved, the Company's Diversity Policy. This policy applies to directors and all employees of Sandfire. In summary, the Diversity Policy provides guidelines in relation to Sandfire's commitment to diversity, the establishment of measurable objectives for achieving gender diversity and the progress made towards achieving the objectives set and the responsibilities of the Remuneration and Nomination Committee to consider the Diversity Policy.

The proportion of women employed by the Company as at 30 June 2016 and as at 30 June 2015 is listed below:

	2016	2015
Board	16%	nil
Senior executive positions[1]	Nil	Nil
All employees	24%	23%

Approximately 17%[2] (2015: 16%[3]) of employees in the resource industry are females, and as such, Sandfire exceeds the industry average by approximately 7% (2015: 7%). The Company acknowledges that improving female representation needs to occur at all levels within the Company. On 18 December 2015 Sandfire appointed Ms Maree Arnason as its first female board member.

The Sandfire's website contains Sandfire's Public Report Form submitted to the Workplace Gender Equality Agency for 2015-16 and 2014-15, which details amongst other items, the proportion of females employed by manager occupational categories and non-manager occupational categories.

Sandfire offers equal remuneration for all of our employees, reflective of the type of job, years of experience and the period for which employees have held their position. Sandfire plans to conduct its second gender pay audit by December 2016.

Additional information on diversity can be found in Sandfire's Sustainability Report.

2017 Gender Diversity Measurable Objectives	
1	Create a Diversity Committee whose members comprise a gender mix and representation from across the business to: • support the implementation of Sandfire's Gender Diversity Measurable Objectives; • report to Sandfire management on the progress of achieving the Gender Diversity Measurable Objectives; and • recommend any changes to the gender Diversity Measurable Objectives.
2	Conduct a gender diversity status review of Sandfire and develop a 3 year Gender Diversity Plan.
3	Continue to exceed the resource industry average female participation rates.
4	Support the intent of the Australian Institute of Company Directors (AICD)[4] target by maintaining or increasing the current percentage of female representation on Sandfire's Board.
5	Develop and implement a mentoring/career development program for senior women for career progression, as part of the Company's succession planning process.
6	Promote and support mentoring programs for all the women in the business.
7	Promote an inclusive culture that treats the workforce with fairness and respect.
8	Support the Women in Sandfire Group.
9	Conduct Sandfire's second gender pay audit by December 2016 and implement actions to address any variances (when applicable).

2016 Gender Diversity Measurable Objectives		Achieved
1	Continue to exceed the resource industry average female participation rates.	Yes
2	Promote the Women in Sandfire Group.	Yes
3	Identity and develop high performing women for career progression, as part of the company's succession planning process	Yes
4	Ensure Company representatives continue to participate in mentoring programs such as the Women In Mining Mentoring Program established by Woman in Mining and Resources WA (WIMWA), the Chairmen's Mentoring Program run by the Australian Institute of Company Directors and the Diversity Network.	Yes
5	Promote an inclusive culture that treats the workforce with fairness and respect.	Yes
6	When identifying potential candidates for the next Board position, consider a balance of male and female candidates, if appropriate.	Yes
7	Ensure that in the interview process for each executive and general management position there is at least one female on the interview panel.	Yes
8	Promoting and ensuring the provision of suitable working arrangements for employees returning from maternity or parental leave and continuation of ongoing engagement with these employees during this period.	Yes

[1] Senior Executives are defined as including key management personnel who were classified as executives in the Remuneration Report (excluding Executive Directors) and comprise the Chief Operating Officer, Chief Financial Officer and Joint Company Secretary and Chief Commercial Officer and Joint Company Secretary.

[2] ABS May 2016 – Labour Force.

[3] ABS May 2015 – Labour Force.

[4] The AICD's target is for 30% female representation on ASX200 Boards by 2018.

Shareholder Communication
The Board has endorsed a Shareholder Communication Strategy (Attachment 4 of the Disclosure and Communication Policy). The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications.

Website
One of the Company's key communication tools is its website located at www.sandfire.com.au. The website includes details about the Company's vision; names, photographs and brief biographical information for each of its directors and senior executives; the Company's history; an overview of Sandfire's operations; growth and business development opportunities; sustainability practices; and investor information. The website also contains a facility for shareholders to direct inquiries to the Company.

Forums or measures for communicating the following important aspects of the Company's affairs include: Notice of meeting; Annual General Meeting; Annual Report; announcements lodged with the ASX; presentations; teleconference and webcast of key presentations which provides an opportunity for investors and other financial market participants to express their views to Sandfire on matters of concern of interest to them; and meeting with key stakeholders.

The Company provides a telephone facility (+61 (8) 6430 3800) and a website inquiry service to assist shareholders with any queries. Information is also communicated to shareholders via periodic mail outs, or by email to shareholders who have provided their e-mail address.

Sandfire encourages shareholder participation at its AGM through its use of electronic communication, including by making notices of meetings available on its website and also providing a direct voting facility to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy. Shareholders who are not able to attend the annual general meeting have the opportunity to provide questions or comments ahead of the meeting. Where appropriate, these questions are answered at the meeting.

MINERAL RESOURCE AND ORE RESERVE

DeGrussa Mine – Underground as at 31 December 2015

	Ore Reserve						Mineral Resource					
Deposit	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
DeGrussa	Proved	0.9	5.8	2.0	54,000	58,000	Measured	0.8	7.2	2.3	59,000	61,000
	Probable	-	-	-	-	-	Indicated	<0.1	1.8	1.9	<1,000	1,000
							Inferred	<0.1	6.2	3.0	<1,000	<1,000
Conductor 1	Proved	2.8	3.9	1.5	108,000	136,000	Measured	2.7	5.0	1.9	135,000	164,000
	Probable	0.2	4.8	1.0	8,000	6,000	Indicated	0.2	5.7	1.6	10,000	10,000
							Inferred	0.1	4.3	0.7	5,000	2,000
Conductor 4	Proved	0.9	3.7	1.7	33,000	49,000	Measured	1.7	5.8	2.0	100,000	112,000
	Probable	1.3	4.9	1.6	61,000	64,000	Indicated	0.4	5.2	2.0	20,000	24,000
							Inferred	<0.1	4.5	1.7	1,000	2,000
Conductor 5	Proved	-	-	-	-	-	Measured	1.0	6.4	2.9	66,000	97,000
	Probable	1.8	4.5	2.1	83,000	123,000	Indicated	0.6	6.1	2.7	37,000	53,000
							Inferred	0.1	7.4	2.9	4,000	5,000
Stockpiles	Proved	0.1	4.4	1.3	6,000	5,000	Measured	0.1	4.4	1.3	5,000	5,000
	Proved	**4.7**	**4.2**	**1.6**	**201,000**	**248,000**	**Measured**	**6.4**	**5.7**	**2.1**	**366,000**	**439,000**
	Probable	**3.3**	**4.7**	**1.8**	**152,000**	**193,000**	**Indicated**	**1.2**	**5.6**	**2.3**	**67,000**	**88,000**
							Inferred	**0.2**	**5.1**	**1.5**	**10,000**	**9,000**
	Total	**8.0**	**4.4**	**1.7**	**353,000**	**441,000**	**Total**	**7.8**	**5.7**	**2.1**	**443,000**	**536,000**

DeGrussa Mine – Open Pit as at 31 December 2015

	Ore Reserve						Mineral Resource					
Deposit	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Stockpiles	Proved	2.8	1.2	1.0	35,000	84,000	Measured	2.8	1.2	1.0	35,000	84,000
	Probable	-	-	-	-	-	Indicated	0.2	0.2	1.1	<1,000	5,000
							Inferred	-	-	-	-	-
	Total	**2.8**	**1.2**	**1.0**	**35,000**	**84,000**	**Total**	**2.9**	**1.2**	**1.0**	**35,000**	**89,000**

DeGrussa Mine – Total as at 31 December 2015

	Ore Reserve						Mineral Resource					
Deposit	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
DeGrussa	Proved	0.9	5.8	2.0	54,000	58,000	Measured	0.8	7.2	2.3	59,000	61,000
	Probable	-	-	-	-	-	Indicated	<0.1	1.8	1.9	<1,000	1,000
							Inferred	<0.1	6.2	3.0	<1,000	<1,000
Conductor 1	Proved	2.8	3.9	1.5	108,000	136,000	Measured	2.7	5.0	1.9	135,000	164,000
	Probable	0.2	4.8	1.0	8,000	6,000	Indicated	0.2	5.7	1.6	10,000	10,000
							Inferred	0.1	4.3	0.7	5,000	2,000
Conductor 4	Proved	0.9	3.7	1.7	33,000	49,000	Measured	1.7	5.8	2.0	100,000	112,000
	Probable	1.3	4.9	1.6	61,000	64,000	Indicated	0.4	5.2	2.0	20,000	24,000
							Inferred	<0.1	4.5	1.7	1,000	2,000
Conductor 5	Proved	-	-	-	-	-	Measured	1.0	6.4	2.9	66,000	97,000
	Probable	1.8	4.5	2.1	83,000	123,000	Indicated	0.6	6.1	2.7	37,000	53,000
							Inferred	0.1	7.4	2.9	4,000	5,000
Stockpiles	Proved	2.9	1.4	1.0	41,000	89,000	Measured	2.9	1.4	1.0	40,000	90,000
	Probable	-	-	-	-	-	Indicated	0.2	0.2	1.1	<1,000	5,000
	Proved	**7.5**	**3.1**	**1.4**	**236,000**	**332,000**	**Measured**	**9.2**	**4.4**	**1.8**	**401,000**	**523,000**
	Probable	**3.3**	**4.7**	**1.8**	**152,000**	**193,000**	**Indicated**	**1.4**	**5.0**	**2.2**	**68,000**	**94,000**
							Inferred	**0.2**	**5.1**	**1.5**	**10,000**	**9,000**
	Total	**10.8**	**3.6**	**1.5**	**388,000**	**525,000**	**Total**	**10.7**	**4.5**	**1.8**	**478,000**	**625,000**

Note: Calculations have been rounded to the nearest 1,000t, 0.1% Cu grade and 1,000t Cu metal, 0.1 g/t Au grade and 1,000oz Au metal. Differences may occur due to rounding.

Monty Mineral Resource – as at 31 March 2016

Type	Mineral Resource Category	Tonnes	Copper (%)	Contained Copper (t)	Gold (g/t)	Contained Gold (oz)
	Indicated	754,000	12.0	91,000	2.1	51,000
Massive Sulphide	Inferred	9,000	20.7	2,000	2.7	1,000
	Total	763,000	12.1	92,000	2.1	52,000
	Indicated	287,000	2.2	6,000	0.3	3,000
Halo	Inferred	-	-	-	-	-
	Total	287,000	2.2	6,000	0.3	3,000
	Indicated	**1,041,000**	**9.3**	**97,000**	**1.6**	**54,000**
Total	**Inferred**	**9,000**	**20.7**	**2,000**	**2.7**	**1,000**
	Total	**1,050,000**	**9.4**	**99,000**	**1.6**	**55,000**

Note: Numbers are presented at a 1.0% Cu cut-off grade and are rounded.

Financial Report
For The Year Ended 30 June 2016

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Financial Report for the year ended 30 June 2016
Directors' Report

The directors present their report on the consolidated entity (referred to as the Group) consisting of the Parent entity, Sandfire Resources NL (Sandfire or the Company), and the entities it controlled at the end of, or during, the year ended 30 June 2016 (the reporting period) and the auditor's report thereon.

1 Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise noted.

Name	Period of Directorship
Mr Derek La Ferla Independent Non-Executive Chairman	Appointed 17 May 2010
Mr Karl Simich Managing Director & Chief Executive Officer	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr W John Evans Non-Executive Director	Appointed Executive Technical Director 2 October 2007 Resigned Executive Technical Director 1 January 2013 Appointed Non-Executive Director 1 January 2013
Mr Robert Scott Independent Non-Executive Director	Appointed 30 July 2010
Mr Paul Hallam Independent Non-Executive Director	Appointed 21 May 2013
Ms Maree Arnason Independent Non-Executive Director	Appointed 18 December 2015

The qualifications, experience, other directorships and special responsibilities of the directors in office at the date of this report are:

Derek La Ferla	**Independent Non-Executive Chairman**
Qualifications	B.Arts, B.Juris, B.Law, Fellow of AICD
Experience	Mr La Ferla is an experienced corporate lawyer and company director with more than 30 years' experience. He has held senior positions with some of Australia's leading law firms, and is currently a Partner with Western Australian firm, Lavan Legal, in the firm's Corporate Services Group (which includes mining and resources). Mr La Ferla also serves as the Chairman of OTOC Limited and Threat Protect Australia Limited and as a non-executive Director of Goldfields Money Limited. He is a fellow of the Australian Institute of Company Directors and a member of the AICD Council (WA Division).
Other current listed company directorships	Non-executive Director of Goldfields Money Limited (since 13 November 2015). Non-executive Chairman of Threat Protect Australia Limited (since 3 September 2015). Non-executive Chairman of OTOC Limited (since 28 October 2011).
Special responsibilities	Member of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee. Member of the Sustainability Committee.
Karl Simich	**Managing Director and Chief Executive Officer**
Qualifications	B.Com, FCA, F.Fin
Experience	Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of five mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a director of and held senior positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.

1 Directors (continued)

W John Evans	**Non-Executive Director**
Qualifications	B.Sc
Experience	Mr Evans graduated from the University of Auckland, New Zealand, in 1970 with B.Sc Major in geology. From 1970 to 1987, he was employed by various divisions of CRA Limited, including being in charge of all field operations for iron ore in the Pilbara, Western Australia and gold and base metals in the Murchison, Western Australia. He was Managing Director of Marymia Exploration NL for 12 years until 2002 and has been geological consultant to numerous companies during and since.
Special responsibilities	Chairman of the Sustainability Committee.
Robert Scott	**Independent Non-Executive Director**
Qualifications	FCA
Experience	Mr Scott is a Chartered Accountant with over 35 years of experience as an advisor on corporate services and taxation as a partner in major accounting firms. Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia. He is also a member of the Institute of Company Directors.
Other current listed company directorships	Non-executive Chairman of Homeloans Ltd (since November 2014; non-executive director since November 2000). Non-Executive Director of RTG Mining Inc (since March 2013).
Former listed company directorships in last three years	Non-executive Director of Lonestar Resources Ltd (October 1996 to June 2016). Non-Executive Chairman of Manas Resources Ltd (January 2013 to March 2014).
Special responsibilities	Chairman of the Audit and Risk Committee. Member of the Remuneration and Nomination Committee. Member of the Sustainability Committee.
Paul Hallam	**Independent Non-Executive Director**
Qualifications	BE (Hons) Mining, FAICD, FAusIMM
Experience	Mr Hallam is an experienced resource industry executive with more than 35 years of experience working for a number of blue chip Australian and International mining companies. His experience spans a range of corporate and operating environments, both in Australia and overseas, covers a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. His former roles include Director – Operations with Fortescue Metals Group, Executive General Manager – Development & Projects with Newcrest Mining Limited, Director Victorian Operations with Alcoa and Executive General Manager Base and Precious Metals with North Ltd. Mr Hallam retired from executive roles in 2011 to pursue a career as a professional non-executive director. Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy.
Other current listed company directorships	Non-executive director of Altona Mining Ltd (since March 2013). Non-executive director of Gindalbie Metals Ltd (since December 2011).
Former listed company directorships in last three years	Non-executive director of Enterprise Metals Ltd (November 2011 to May 2014).
Special responsibilities	Chairman of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee.
Maree Arnason	**Independent Non-Executive Director**
Qualifications	B.Arts, GAICD
Experience	Ms Arnason is an experienced director and senior executive whose career has spanned 30 years in the resources, energy, transport and manufacturing sectors in remote, regional and corporate environments. Ms Arnason has significant leadership expertise working in complex corporate and project environments with a focus on risk and reputation, and following development of her senior executive career with ASX-listed companies including BHP Billiton and Westfarmers, has broadened her work over the past 10 years to include directorships in listed and private companies. She is a non-executive Director of Juniper, one of Western Australia's largest aged care services organisations and a Co-Founder/Director of Energy Access Services, who operate an automated and independent energy trading platform focused on WA's domestic gas market. Ms Arnason is a member of CEDA's (Committee for Economic Development of Australia) WA State Advisory Council, a past National Director of the Australia China Business Council and a serving member of their WA Executive Committee.
Other current listed company directorships	Non-executive director of MZI Resources Limited (since May 2015).
Special responsibilities	Member of the Audit and Risk Committee (since 18 February 2016). Member of the Sustainability Committee (since 18 February 2016).

1 Directors (continued)

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Sandfire Resources NL were:

	Number of ordinary shares
Derek La Ferla	21,668
Karl Simich	6,009,735
W John Evans	725,215
Robert Scott	5,000
Paul Hallam	-
Maree Arnason	-

2 Company Secretary

Matthew Fitzgerald	**Joint Company Secretary and Chief Financial Officer**
Qualifications	B.Com, CA
Experience	Mr Fitzgerald was appointed to the position of Company Secretary on 22 February 2010. Mr Fitzgerald is a Chartered Accountant with extensive experience in the resources industry. He began his career in the Assurance and Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008.
Robert Klug	**Joint Company Secretary and Chief Commercial Officer**
Qualifications	B.Com, LLB
Experience	Mr Klug was appointed to the position of joint Company Secretary on 7 November 2013. Mr Klug has held accounting, senior legal and corporate finance roles in his 20 year career. Initially trained as an auditor with KPMG Perth, Mr Klug worked in London as a corporate lawyer after having completed his law degree at Murdoch University in Perth. Upon his return to Perth, he joined Freehills Perth Office, where he worked almost exclusively with small and mid-cap resource companies. After a number of years at Freehills, Mr Klug worked in corporate finance as a Director of Carmichael Capital Markets, the Corporate Finance arm of DJ Carmichael Stockbrokers. In 2005, Mr Klug became General Manager Business Development with St Barbara Limited until St Barbara relocated its head office to Melbourne in early 2007 when he joined Heron Resources Limited in a senior management role.

3 Directors' meetings

The number of meetings of directors, including meetings of committees of directors, held during the year and the number of meetings attended by each director were as follows:

	Board Meetings		Meetings of Committees					
			Audit and Risk		Remuneration and Nomination		Sustainability	
	A	B	A	B	A	B	A	B
Derek La Ferla	9	9	5	5	5	5	2	3
Karl Simich	9	9	-	-	-	-	-	-
W John Evans	9	9	-	-	-	-	3	3
Robert Scott	9	9	5	5	5	5	3	3
Paul Hallam	9	9	5	5	5	5	-	-
Maree Arnason	4	4	1	1	-	-	3	3

A Number of meetings attended.

B Number of meetings held during the time the director held office or was a member of the relevant committee during the year.

Committee membership

As at the date of this report, the Board had an Audit and Risk Committee, a Remuneration and Nomination Committee and a Sustainability Committee. Members acting on the committees during the year were:

Audit and Risk	Remuneration and Nomination	Sustainability
Robert Scott - Chairman	Paul Hallam - Chairman	W John Evans - Chairman
Derek La Ferla	Derek La Ferla	Derek La Ferla
Paul Hallam	Robert Scott	Robert Scott
Maree Arnason [A]		Maree Arnason [A]

A Ms Arnason was appointed as a member of the Audit and Risk Committee and Sustainability Committee on 18 February 2016.

4 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 9 cents per share, to be paid on 26 September 2016. The record date for entitlement to this dividend is 12 September 2016. The financial impact of this dividend amounting to $14,191,000 has not been recognised in the Financial Statements for the year ended 30 June 2016 and will be recognised in subsequent Financial Statements.

Details in relation to dividends announced or paid since 1 July 2014, other than as above, are set out below:

Record date	Date of payment	Period	Amount per share (cents)	Franked amount per share (cents)	Total dividends $000
10 March 2016	24 March 2016	2016 FY Interim	2	2	3,147
10 September 2015	24 September 2015	2015 FY Final	10	10	15,685
12 March 2015	26 March 2015	2015 FY Interim	3	-	4,679
12 September 2014	10 October 2014	2014 FY Final	10	-	15,564

5 Principal activities, operating and financial review

The principal activities of the Group during the year were:

- Production and sale of copper, gold and silver from the Group's DeGrussa Mine in Western Australia; and
- Exploration and evaluation of mineral tenements and projects in Australia and overseas.

5.1 Project review, strategies and future prospects

Please refer to the Operations Review on page 12 of the Annual Report for a review of the Group's projects, strategies and future prospects.

5.2 Review of financial results

Year ended 30 June 2016	DeGrussa Copper Mine $ million	Other [A] $ million	Group $ million
Sales revenue	497.2	-	497.2
Profit (loss) before net finance and income tax	117.9	(43.0)	75.0
Profit before income tax		68.4	68.4
Net profit			46.4
Basic and diluted earnings per share			30.54 cents

A Includes the Exploration & Evaluation segment and Other Activities as detailed in note 5 to the consolidated financial statements.

The DeGrussa Copper Mine contributed profit before net finance and income tax of $117.9 million (2015: $165.3 million) from underground mining and concentrator operations. Other includes the Exploration and Evaluation segment and the Group's corporate expenses that cannot be directly attributed to the Group's operating segments, and contributed a loss before net finance and income tax of $43.0 million (2015: loss of $45.6 million).

Dividends of $18.8 million were declared during the year, comprising $15.7 million in respect of the 2015 financial year. On 29 August 2016 the directors of the Company announced a final dividend on ordinary shares in respect of the 2016 financial year. The total of the dividend is $14.2 million and represents a fully franked dividend of 9 cents per share. The dividend has not been provided for in the financial report for the year ended 30 June 2016.

Sales revenue

DeGrussa Copper Mine	30 Jun 2016 $ million
Revenue from sales of copper in concentrate	438.9
Revenue from sales of gold in concentrate	53.4
Revenue from sales of silver in concentrate	4.9
	497.2

A total of 282,012 tonnes of concentrate were sold during the year, containing 68,653 tonnes of copper (65,832 tonnes payable) and 36,042 ounces of gold (33,302 ounces payable). Copper represents approximately 88% of revenue derived from the DeGrussa Mine at current metals prices. A total of 27 shipments were completed from Port Headland and Geraldton during the year.

The base metals market commonly works on Quotational Periods (QP) for the final pricing of metal content shipped to smelters for treatment and refining. The QP often reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. Changes in fair value over the QP and up until final settlement are estimated by reference to forward market prices and are recognised as part of unrealised price adjustment gains and losses in the income statement. Gains and losses that occur on final settlement are recognised as part of sales revenue for metal content and as part of realised price adjustment gains and losses for price.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results (continued)

Operations costs

DeGrussa Copper Mine	30 Jun 2016 $ million	30 Jun 2015 $ million
Mine operations costs	118.4	115.8
Employee benefit expenses	35.8	33.5
Freight, treatment and refining expenses	90.6	91.9
Changes in inventories of finished goods and work in progress	2.7	7.5
	247.5	**248.7**

Operating costs are predominantly driven by the physical quantity of ore moved in mining and processing operations, irrespective of variations in the copper content of that ore. Mine operations costs, which include costs incurred in underground mining and plant operations on site, have increased marginally in dollar terms however have reduced in unit terms with an overall increase in mine and plant throughput to 1.6mtpa.

The Group has provided cost guidance for the 2017 Financial Year in the range US$0.95-1.05 per pound of payable copper production (after gold and silver credits).

Royalties

Royalties are levied at 5.0% for copper sold as concentrate and 2.5% for gold, plus native title payments. As DeGrussa's production value is heavily weighted towards copper production, the combined royalty rate approximates the 5% level (net of allowable deductions).

Exploration and evaluation

Significant exploration and evaluation activities continued in and around the DeGrussa Copper Mine with the objective of discovering further ore bodies and lenses to establish a copper-gold VMS camp. For the year ended 30 June 2016 the Group's Exploration and Evaluation segment contributed a loss before net financing expense and income tax of $33.2 million (2015: $35.8 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure is expensed as incurred.

Exploration and evaluation expenditure comprises expenditure on the Group's projects, including:

- Near-mine and Doolgunna regional exploration, which include a number of joint venture earn-in arrangements, most significantly the Springfield Joint Venture with Talisman Mining Ltd;
- Other Australian exploration projects;
- Expenditure arising on the consolidation of the Group's controlled entities, including the Group's investment in Tintina Resources Inc; and
- Losses arising on the Group's equity accounted investments, including the Group's investment in WCB Resources Ltd.

Depreciation and amortisation

	WDV 30 Jun 2016 $ million	WDV 30 Jun 2015 $ million	Depreciation and amortisation during the year $ million
Mine development	209.2	202.6	62.9
Property, plant and equipment	198.0	216.3	36.5
Total depreciation and amortisation			**99.4**

Income tax expense

Income tax expense of $22.0 million for the year is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for differences in tax and accounting treatments. Cash tax payments during the year amounted to $22.4 million. As at 30 June 2016, the Group has a $7.3 million current tax payable with respect to the 2016 financial year.

Financial Position

Net assets of the Group have increased by $36.0 million to $383.7 million during the reporting period.

Cash balance

Group cash on hand was $66.2 million as at 30 June 2016 (the Company $62.4 million), which included $6.3 million held in a Debt Service Reserve Account (DSRA). With the early repayment of the Amortising Facility on 30 June 2016 (see below), the balance of the DSRA was reduced to $0.6 million subsequent to year end. The balance of the DSRA now represents the September 2016 quarter projected interest payment.

Trade and other receivables

Trade and other receivables include remaining funds from the sale of concentrate subject to provisional pricing and quotational periods at the time of sale.

Inventories

Finished goods inventories (plant concentrate) have decreased by $4.9 million since 30 June 2015 due to completion of three sales in June 2016.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results (continued)

Exploration and evaluation assets
Exploration and evaluation assets have increased by $13.3 million since 30 June 2015 due to the acquisition of the Temora and Currumburrama Exploration Projects from Aeris Resources Ltd ($2.5 million) and the consolidation of Tintina Resources Inc exploration and evaluation assets ($10.7 million).

Mine properties
Further investment of $69.1 million has been made in underground mine development to establish decline and development access to the sulphide ore bodies ahead of stoping activities.

Property, plant and equipment
Property, plant and equipment at cost has increased by $17.7 million to $333.6 million at the end of the year.

Investments – WCB Resources Ltd ("WCB"; TSX-V: WCB)
The Group accounts for its investment in WCB Resources Ltd using the equity method of accounting. For the year, the Group recognised $0.4 million (2015: $1.7 million) in equity accounted losses after income tax.

Investments – Tintina Resources Inc ("Tintina"; TSX-V: TAU)
On 18 November 2015, the Group increased its stake in North American copper development company Tintina Resources Inc to 57% from 36%, by acquiring a further 21% interest. The additional shareholding, comprising 47,244,095 shares, was acquired by Sandfire in an off-market transaction at an average price of C$0.0831 per share, for total consideration of C$3,926,000 ($4,160,000).

The Group obtained control of Tintina on 18 November 2015 and the Group has applied the acquisition method of accounting (see note 6). The assets, liabilities, income and expenses of Tintina are included in the consolidated financial statements as at and for the period ended 30 June 2016, from the date the Group gained control, being 18 November 2015.

Tintina contributed $3.8 million (2015: $nil) in losses to the Group's result for the period 18 November 2015 to 30 June 2016. $2.1 million (2015: $nil) of these losses are attributable to the members of the parent entity. Prior to gaining control, the Group's investment in Tintina was accounted for using the equity method of accounting. The Group recognised $1.1 million (2015: $2.9 million) in equity accounted losses after income tax for the period 1 July 2015 to 17 November 2015.

Refer to note 6 to the consolidated financial statements for details.

Current and deferred tax liabilities
Taxable profit on operations during the year has exceeded the carried forward balance of tax losses and tax credits resulting in the Group booking a current income tax liability of $7.2 million at year end. In addition the Group has booked a net deferred tax liability position of $53.8 million at balance date which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

Interest bearing liabilities – finance facilities
The Group's financing arrangements are provided under a secured loan facility with ANZ and are secured by a fixed and floating charge over the Group's assets, including the DeGrussa Project and the broader Doolgunna Project, and a mining mortgage over the Project tenements.

During the year, the Company fully repaid its Amortising Facility with its financier, ANZ Banking Corporation (ANZ), ahead of schedule, following a $20.0 million payment on 30 June 2016. The Amortising Facility was previously scheduled to be repaid over the period ending 31 December 2017.

This repayment reduced the Company's total outstanding debt to $50 million as at 30 June 2016 (under its Revolver Facility). With $62.4 million in company cash and deposit holdings (Group $66.2 million), Sandfire was in a net cash positive position at financial year-end. This is a significant milestone for Sandfire which sees the Company net debt-free for the first time since development of the DeGrussa Copper-Gold Project commenced in 2011.

The Company has now repaid a total of $330 million against the original $380 million project finance facility drawn to fund the construction and development of the DeGrussa Mine.

The $85 million Revolver Facility (currently drawn to $50 million) can be paid down or redrawn as required, subject to facility terms, and is repayable in full by 31 December 2017. The Company also retains a $25 million working capital facility with ANZ, currently undrawn, which can be drawn down against the value of saleable copper concentrate inventories held by the Company at the mine and ports.

Cash Flows

Operating activities
Net cash inflow from operating activities was $133.9 million for the year. Net cash flow from operating activities prior to exploration and evaluation activities was $166.5 million for the year.

Investing activities
Net cash outflow from investing activities was $80.9 million for the period. This included payments for property, plant and equipment purchases ($15.3 million); payments for mine development ($69.6 million); and net cash inflow from the Group's investment into Tintina Resources Inc ($3.7 million).

Financing activities
Net cash outflow from financing activities of $93.7 million for the period includes finance facility repayments ($70.0 million); payment of interest and other costs of finance ($3.4 million); and dividend payments ($19.1 million).

5.3 Risks

The Group's operational and financial performance is subject to a range of assumptions and expectations all of which contain varying levels of risk. The Board has oversight responsibility and determines overall risk appetite for the Group. The Group manage these risks through the requirements of its Risk Management System and accompanying policies, procedures, and standards.

5 Principal activities, operating and financial review (continued)

5.3 Risks (continued)

In addition to the discussion contained above on the Group's operational and financial reviews, performance and associated risks, the following risks have been identified as at the date of the Directors' Report which may affect the Group's future operational and financial performance.

Business and operational

DeGrussa is the Group's sole operating mine and profitable operating segment. DeGrussa derives approximately 88% of its revenue from the sale of copper contained within its concentrate, with the remainder derived from gold and silver.

The DeGrussa operation consists of an underground mine (operating from a single portal and primary decline), processing plant, paste plant, village accommodation and infrastructure facilities. Concentrate is transported to Geraldton and Port Hedland via road and shipped to international trader and smelter customers. The Group's operational and financial performance is heavily reliant on the successful integrated operation of its various business elements.

Production and capital costs affect financial performance and are subject to a variety of factors including, but not limited to, variability in input costs and consumables, changes in economic conditions and changes in operating strategy.

As is common in the mining and exploration industry, many of the Group's activities are conducted using contractors. The Group's operational and financial results are impacted by the performance of contractors, their efficiency and costs and associated risks. The Group actively manages its contractors to the extent possible working within its agreements with them.

The DeGrussa underground mine is subject to geotechnical and water ingress risk which, if left unmitigated, could result in a mine collapse, cave-ins or other failures to mine infrastructure and significantly reduced operational performance and increased costs.

The Group mitigates these risks by employing appropriately qualified technical personnel and experienced managers that utilise formalised operating practises, processes and procedures, by undertaking continual monitoring of the underground environment to identify change that may require action, by engaging specialist consultants when technical issues are identified outside available internal skills and experience, and by conducting audits completed by external consultants on a regular basis to identify gaps and manage compliance.

Health, Safety and Environment

Mining operations involve safety risk, including but not limited to areas such as explosives, underground operations including the risk of rock fall, work involving confined spaces, areas where heavy and light vehicles interact, manual handling, operating at height and emergency caused by severe weather events. The occurrence of significant safety incidents could result in regulatory investigations or restrictions which may impact operating performance and negatively impact morale. The Group manage these risks through the requirements of its Health and Safety Management System and accompanying policies, procedures, and standards. Company personnel are trained in the assessment of risks and hazards and the operating procedures required to operate safely. Operating in a fly in fly out operation also introduces the risk that is inherent in air travel, as contractors and employees are required to regularly commute by aircraft.

The Group operates under a range of environmental regulation and guidelines. Environmental regulations and health guidelines for certain products and by-products produced or to be produced are generally becoming more onerous. Increased environmental regulation of the Group's products and activities or any changes to the environmental regulations could have an adverse effect on the Group's financial performance and position.

The Group is required to close its operations and rehabilitate the land affected by the operation at the conclusion of mining and processing activities. Actual closure costs in the future may be higher than currently estimated.

The Group works closely with local communities affected by its mining and exploration activities, and has compensation agreements in place with indigenous communities affected by its activities. The Group also manages and relies on maintenance of good title over the authorisations, permits and licences which allow it to operate. Loss of good title or access due to challenges instituted by issuers of authorisations, permits or licences, such as government authorities or land owners may result in disruptions to operating performance.

Mineral Resource, Ore Reserve and Mine Plan

The estimation of the Group's Mineral Resource and Ore Reserve involves analysis of drilling results, associated geological and geotechnical interpretations, metallurgical performance evaluation, mining assessment, operating cost and business assumptions as well as a reliance on commodity price assumptions. As a result, the assessment of Mineral Resource and Ore Reserve involve areas of significant estimation and judgement. The ultimate level of recovery of minerals and commercial viability of deposits cannot be guaranteed.

The Group's Mine Plan is based on the Mineral Resource at DeGrussa and changes to it caused by changes in underlying assumptions may impact on the future financial and operational performance of the Group. DeGrussa's mine life has been successfully extended since original discovery through expenditure on exploration and evaluation activities. The current Mine Life extends to early-2021, representing the mining of currently identified mineralisation.

Financial

The marketability of the concentrates is dependent on mine supply, smelter demand and quality of the product.

The prices received are dictated by global commodity and currency markets. Commodity prices and exchange rates have a direct and material impact on the Group's financial performance. The Group may from time to time seek to hedge risk in commodity and foreign currency risk on its US dollar dominated sales. The Group did not enter into hedge transactions during the current financial year. The Group selectively utilises letters of credit to mitigate risk of receipt of sales funds and receives provisional payments prior to shipments arriving at their destination port.

The majority of the Group's costs are incurred in Australian dollars, funded through the conversion of US dollar sales proceeds to Australian dollars on receipt from customers.

The Group funded the majority of the construction and development of the DeGrussa mine through a fully secured debt finance facility. While the current debt levels are considered appropriate for the targeted operating and financial performance of the DeGrussa operations over the Mine Plan, financial risk remains in the areas of quarterly compliance measures, repayment obligations and working capital management.

5 Principal activities, operating and financial review (continued)

5.3 Risks (continued)

The Group's inability to manage these risks could lead to facility review or default events, and ultimately demand for payment of facility balances. The total outstanding debt for the Company was reduced to $50 million (Revolver Facility) as at 30 June 2016, with $62.3 million in Company cash and deposit holdings (Group: $66.2 million), Sandfire was in a net cash positive position at financial year-end.

The Group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by conducting regular reviews and updates of the timing of cash flows in order to ensure sufficient funds are available to meet its obligations and debt covenants.

5.4 Corporate

Investment in Tintina Resources Inc

On 18 November 2015, the Group increased its stake in North American copper development company Tintina Resources Inc ("Tintina"; TSX-V: TAU) to 57% from 36%, by acquiring a further 21% interest. The additional shareholding, comprising 47,244,095 shares, was acquired by Sandfire in an off-market transaction at an average price of C$0.0831 per share, for total consideration of C$3,926,000 ($4,160,000). Sandfire is Tintina's largest shareholder. Other shareholders include Electrum Strategic Metals LLC (~16%). Refer to note 6 to the consolidated financial statements for details.

Acquisition of Aeris' Temora and Currumburrama Exploration Projects

The Company executed an agreement with Aeris Resources Ltd (Aeris; previously Straits Resources Ltd) on 6 October 2015 to acquire Aeris' Temora and Currumburrama Exploration Projects located in New South Wales, including all of Aeris' legal and beneficial interest in EL6845, EL5864 and EL5792 including the rights and benefits which Aeris is entitled to under heritage agreements and native title contracts, and all mining information which is relevant to the Tenements. Under the terms of the Agreement, which settled on 4 January 2016, Sandfire issued Aeris 470,240 ordinary fully paid shares as consideration for the acquisition of the Tenements.

Board and management

Ms Maree Arnason was appointed as independent non-executive director on 18 December 2015.

6 Significant changes in the state of affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year, other than those described in this report under, 'Principal activities and review of operations'.

7 Significant events after the reporting date

Dividends

On 29 August 2016, the directors of the Company announced a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $14,191,000, which represents a fully franked dividend of 9 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

Acquisition of Thaduna/Green Dragon Copper Project

The Company executed an agreement with Ventnor Resources Limited (Ventnor) and its wholly-owned subsidiary Delgare Pty Ltd on 19 August 2016 to acquire the remaining 65% of the Thaduna/Green Dragon Copper Project, located 40km east of DeGrussa. Under the terms of the Agreement, which settled on 22 August 2016, Sandfire issued Ventnor's nominee 352,423 ordinary fully paid shares as consideration for the acquisition.

Management

Subsequent to year end, the Company announced the resignation of Michael Spreadborough as Chief Operating Officer with effect from 30 September 2016.

8 Likely developments and expected results

The Group will continue mining operations from its DeGrussa Copper Mine and further the exploration and evaluation of the Group's tenements. Further comments on likely developments and expected results of certain operations of the Group are included in this annual report under 'Review of operations'.

9 Environmental regulation and performance

The Group is committed to minimising the impact of its operations on the environment, with an appropriate focus placed on continuous monitoring of environmental matters and compliance with environmental regulations.

The Group holds environmental licenses and is subject to environmental regulation in respect of its activities in both Australia and overseas. The Board is responsible for monitoring environmental exposures and compliance with these regulations and is committed to achieving a high standard of environmental performance. The Board believes that the Group has adequate systems in place for the management of its environmental requirements.

Compliance with the environmental regulations is managed through the Environmental Management System (EMS), supported by policies, management plans, standard work practices and guidelines. The EMS aligns with ISO/AS14001:20014 Standards for Environmental Management.

During the financial year, Sandfire has submitted numerous environmental reports and statements to regulators detailing Sandfire's environmental performance and level of compliance with relevant instruments. These include Sandfire's Annual Environment Report submitted to the Department of Environment Regulation, Annual Environmental Report submitted to the Department of Mines and Petroleum, the Annual Aquifer Review Reports submitted to the Department of Water and Annual National Pollutant Inventory Report to the Department of the Environment Regulation. Sandfire actively manages water use to ensure efficiencies are recognised and implemented where practical.

9 Environmental regulation and performance (continued)

Sandfire complies with the National Greenhouse and Energy Reporting Act 2007 (Cth), under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June 2016 and future periods. The Company will be subject to the facility-level "baselines" to be established under the Government's Emissions Reduction Fund – Safeguard Mechanism (ERF-SM) in 2016-17. Sandfire is committed to proactively managing energy use efficiency and reducing greenhouse gas emissions wherever practical and is guided by internal policy and guidelines.

There have been no significant known breaches of the Group's license conditions or any environmental regulations to which it is subject during the financial year.

10 Share options

10.1 Unissued shares under option

As at the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
15 July 2018	$7.60	565,000
15 July 2018	$8.80	565,000
15 July 2018	$10.00	565,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

10.2 Shares issued as a result of the exercise of options

No options were exercised to ordinary shares during or since the end of the financial year.

10.3 Share options issued

The Company did not grant any options over unissued ordinary shares in Sandfire Resources NL to directors or officers during or since the end of the financial year.

10.4 Share options expired

The following options over ordinary shares issued by the Company expired during the financial year:

Expiry Date	Exercise Price	Number
28 February 2016	$9.00	1,466,663
28 February 2016	$10.30	1,383,332
28 February 2016	$11.70	1,300,005

11 Indemnification and insurance of Directors, Officers and Auditors

Indemnification

The Company indemnifies each of its directors and officers, including the company secretary, to the maximum extent permitted by the Corporations Act 2001 from liability to third parties and in defending legal and administrative proceedings and applications for such proceedings, except where the liability arises out of conduct involving lack of good faith.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of a conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal. The directors of the Company are not aware of any such proceedings or claim brought against Sandfire Resources NL as at the date of this report.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). However, the indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or willful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of financial year.

Insurance premiums

The Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, executive officers and secretaires. The directors have not included details of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

12 Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 21016/191. The Company is an entity to which the Class Order applies.

13 Auditor independence and non-audit services

The directors received the following declaration from the auditor of Sandfire Resources NL.

EY
Building a better working world

Ernst & Young
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GPO Box M939 Perth WA 6843

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Fax: +61 8 9429 2436
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Auditor's Independence Declaration to the Directors of Sandfire Resources NL

As lead auditor for the audit of Sandfire Resources NL for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sandfire Resources NL and the entities it controlled during the financial year.

Ernst & Young

P Teale
Partner
29 August 2016

Non-audit services

The following non-audit services were provided to the Group by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2016 $
Taxation services	84,212
Other advisory services	26,168
	110,380

Letter from the Chairman of the Remuneration and Nomination Committee

Dear shareholders

On behalf of the directors of Sandfire Resources NL, I am pleased to present the Remuneration Report for the year ended 30 June 2016.

The Remuneration and Nomination Committee have continued to focus on ensuring remuneration at Sandfire is designed to maintain alignment with shareholder interest (both short-term and long-term), that remuneration remains appropriate and that it is clearly communicated to shareholders.

The Board regularly reviews the Company's executive remuneration structure and in the past two years has simplified the long-term incentive plan structure. The Company has progressed from a share price based option and rights plan to a single performance rights plan that aligns executive rewards with the creation of shareholder value. The vesting period for the awards has been set to 3 years, with an initial 2 year vesting period for 50% of the rights awarded during the 2015FY as a transitional arrangement. The revised plan was approved by shareholders at the Annual General Meeting held on 18 November 2015.

Aside from the simplification to our long-term incentive plan structure, remuneration for directors and executives remains largely unchanged from the previous year. Executive remuneration is delivered as a mix between fixed remuneration (including base salary and superannuation) and variable at-risk remuneration, including performance based awards, comprising a short-term incentive (STI Plan) and long-term incentive (LTI Plan).

Key Highlights for Remuneration in FY16

Safety
The safety of our people is always our primary concern and is a key measure of performance for everyone at Sandfire. This is reflected by the inclusion of safety related key performance indicators (KPIs) in our STI Plan and the reduction of our Total Recordable Injury Frequency Rate (TRIFR) by 25%, which was a very pleasing result.

Fixed Remuneration
When considering the context of the wider mining sector and the comparative position of salaries at Sandfire, the Committee recommended not to award salary increases across the business in FY16.

STI Plan
Executives received an average of 73% of their STI Plan target for performance against a mix of financial, non-financial, Company and individual KPIs.

The maximum opportunity of the quarterly assessed component of the STI Plan was reduced to 10% from 20% of total fixed remuneration (TFR). For executives, this reduced the maximum short-term incentive opportunity from 50% to 40% of TFR.

LTI Plan
The annual award of rights was issued to executives other than the Managing Director & Chief Executive Officer on 30 June 2016. Rights will be granted to the CEO, subject to shareholder approval at the Company's AGM, in November 2016.

Non-Executive Director (NED) Fees
Board and Committee fee levels for NEDs, including the Chairman, which are reviewed annually, did not increase in FY16. The fees have not increased since 1 December 2013.

The Board is confident that Sandfire's remuneration policies continue to support the Group's financial and strategic goals. We are committed to transparency and an ongoing dialogue with shareholders on remuneration and with this in mind we have further improved the remuneration report to enhance the overall format and flow of information.

On behalf of the Board, I invite you to review the full report and thank you for your ongoing support of Sandfire.

Yours sincerely

Paul Hallam
Remuneration and Nomination Committee Chairman

14 Remuneration report (audited)

Contents

1 Remuneration report overview

The directors present the Remuneration Report for the Company and the Group for the year ended 30 June 2016. The Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (Cth) (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Sandfire's key management personnel (KMP), and consist of the non-executive directors (NEDs) and the executive KMP (collectively the executives). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group during FY2016:

Non-executive directors	
Derek La Ferla	Chairman (Independent)
W John Evans	Director
Paul Hallam	Director (Independent)
Robert Scott	Director (Independent)
Maree Arnason	Director (Independent) (Appointed 18 December 2015)
Executive KMP	
Karl Simich	Managing Director and Chief Executive Officer
Michael Spreadborough [A]	Chief Operating Officer
Matthew Fitzgerald	Chief Financial Officer and Joint Company Secretary
Robert Klug	Chief Commercial Officer and Joint Company Secretary

A Subsequent to year end, the Company announced the resignation of Michael Spreadborough as Chief Operating Officer with effect from 30 September 2016.

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

14 Remuneration report (audited) (continued)

2 Overview of executive remuneration policy and practices

Sandfire's Board is committed to delivering remuneration strategy outcomes that further our key business drivers, reflect our business performance and sustainability, and attracts and retains the highest quality executive KMP. The remuneration strategy identifies and rewards high performers and recognises the contribution of each employee to the continued growth and success of the Group.

The elements of the executive remuneration framework and its linkage to strategy are summarised below.

VISION

The vision of Sandfire is to be a significant mid-tier mining company that operates at the upper quartile of international performance benchmarks for the industry.

KEY MEASURE OF SUCCESS

Sandfire's mission is to produce base and precious metals safely and profitably from its operations for the benefit of its stakeholders. The key measure of success is to safely and reliably deliver top quartile returns to shareholders.

REMUNERATION PRINCIPLES

Align the interests of executives with shareholders

- Short-term incentive (STI) and long term incentive (LTI) plans have significant at risk components.
- Executive performance assessed against measures of shareholder return.

Attract, motivate and retain high performing individuals

- Competitive fixed remuneration at the median to upper quartile for the industry.
- STI Plan rewards achievement of measures within the executive's line of sight, providing a framework for delivering long term value.
- LTI Plan encourages retention and multi-year performance focus.

Measure and reward performance relevant to Group success

- Suite of financial and non-financial Key Performance Indicators (KPIs).
- Regular performance reviews.

REMUNERATION COMPONENTS

FIXED REMUNERATION

Comprises base salary and superannuation contributions

VARIABLE REMUNERATION

Significant at risk components

STI PLAN

Cash and superannuation

Reward is determined by performance against quarter and annual financial and non-financial KPIs

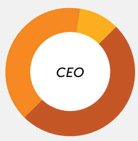
Performance Measure

Quarter KPIs
Company-wide

- Safety **35%**
- Production **35%**
- Costs **30%**

STI at Risk
10% of TFR

Annual KPIs
Individual



- Operation and Financial **40%**
- Safety and Sustainability **10%**
- Growth and Development **50%**

- Operation and Financial **40%**
- Safety and Sustainability **20%**
- Growth and Development **40%**

STI at Risk
30% of TFR

LTI PLAN

Annual grant of performance rights

Vesting of grants is subject to the achievement of relative Total Shareholder Return (TSR) hurdles

Performance Measure

Relative TSR performance measure (100%) compared to companies comprising the ASX200 Resources Index (ASX: XJR).

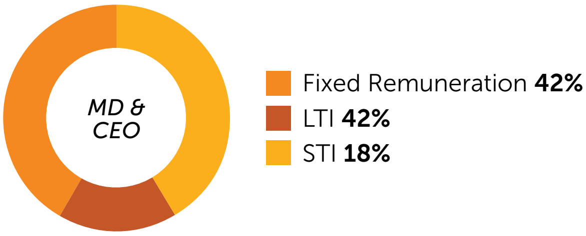
LTI at Risk

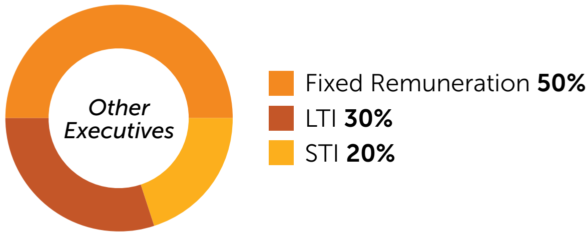
CEO	Other Executives
100% of TFR	60% of TFR

14 Remuneration report (audited) (continued)

Remuneration mix

The mix of fixed and at-risk remuneration varies depending on the role and grading of the executives. More senior positions have a greater proportion of at risk remuneration. If maximum at risk remuneration is earned, the percentage of fixed to at-risk remuneration would be as follows:

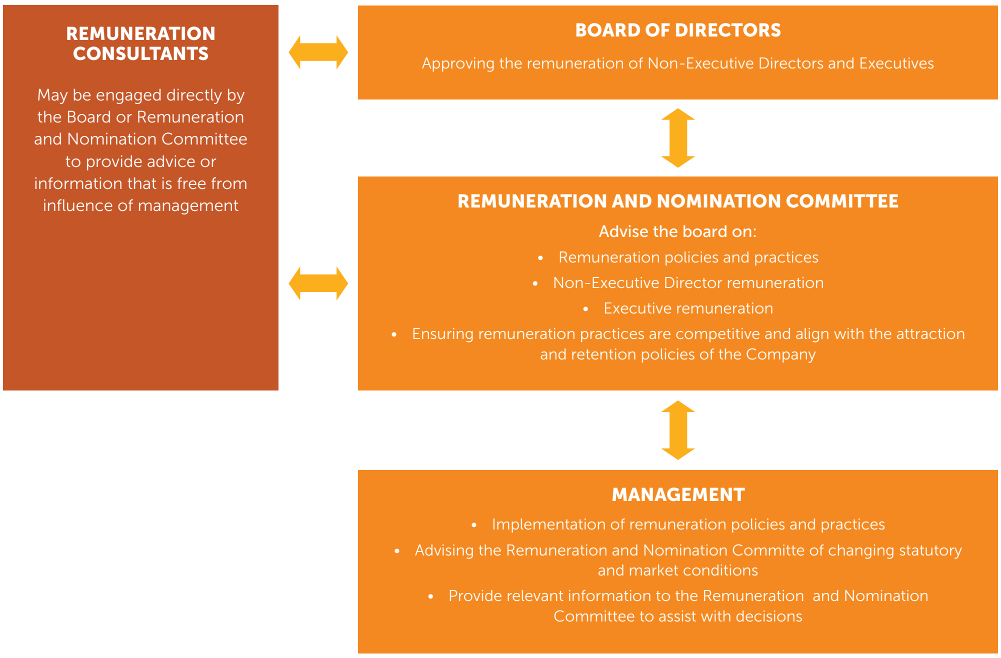




3 How remuneration is governed

Remuneration decision making

The following diagram represents the Group's remuneration decision making framework:



Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is set out in Sandfire's Corporate Governance Statement and can be seen at www.sandfire.com.au.

Use of remuneration consultants

The Committee seeks external remuneration advice when making remuneration decisions. In carrying out its review of the remuneration packages on the Chairman, NEDs, and non-director KMP for the 2016 financial year, the Committee engaged the services of independent remuneration consultants, Psytec Management Services (Psytec).

The Committee has established protocols to ensure that if remuneration recommendations, as defined by the Corporations Act, are made by independent remuneration consultants they are free from bias and undue influence by members of the KMP to whom the recommendations relate. The Committee directly engages the remuneration consultants (without management involvement), and receives all reports directly from the remuneration consultants. The Committee is satisfied that the advice received from Psytec is free from bias and undue influence.

During the financial year, Psytec provided market data to the Company (sourced from AON Hewitt's McDonald Gold and General Mining Industry report) in respect of NED fees and executive remuneration levels. This market data was industry-specific relating to Australian mining companies. The remuneration recommendations were provided to the Committee as input into decision making only. The fees paid to Psytec for the remuneration recommendations were $60,000. Other services provided by Psytec included other human resources (HR) and strategic planning services. The fees for other services were $112,200.

Remuneration report approval at FY15 Annual General Meeting (AGM)

The remuneration report for FY15 received positive shareholder support at the FY15 AGM with a vote of 99% in favour.

14 Remuneration report (audited) (continued)

4 Elements of executive remuneration

Fixed remuneration

Fixed remuneration includes base pay and superannuation contributions and is designed to reward for the scope of the executives' role, skills and qualifications, and individual performance. Remuneration levels are reviewed on an annual basis, which considers market competitiveness as well as Company and individual performance.

The Committee's policy is to position fixed remuneration between the median and the upper quartile for the executives, against its defined market to ensure a competitive offering. The market used by the Company is companies in the Australian mining industry, having regard to gross revenue, employee numbers, shareholder equity, net income and market capitalisation. The Committee may find it reasonable to shift the market positioning for the executive, based on an assessment of Company and individual performance.

Variable remuneration – STI Plan

KPIs cover financial, non-financial, company and individual objectives, chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

Quarter KPIs (10% of TFR)

Measure	Weighting	KPI	Rationale
Safety	35%	Primarily measured as the Total Recordable Injury Frequency Rate (TRIFR) for the Group, including contractors. A	Safety is paramount and the inclusion of safety in the incentive plan reflects the Company's commitment to provide an incident-free work environment for its employees and contractors.
Production	35%	Measured as copper metal tonnes produced.	Key profitability driver.
Costs	30%	Measured as the cost per tonne of ore processed.	Key profitability driver.

A The CEO has discretion to reduce the calculated awards in respect of the safety, production and cost KPIs to nil in the event of a serious incident or inadequate safety performance.

The quarterly assessed STI is designed to reward executive KMP at three pre-determined levels.

- *Stretch performance:* represents outstanding performance.
- *Target performance:* represents the achievement of planned or budgeted performance, set to a challenging level.
- *Threshold performance:* represents the minimum level of performance required for an STI award to vest.

The award is determined by actual performance against the KPI and is assessed quarterly. No payments are made for below threshold performance. The maximum opportunity of the quarterly assessed component of the STI Plan was reduced to 10% from 20% of TFR during the year.

Annual KPIs (30% of TFR)

KPIs are set at the beginning of each year and are designed to drive successful and sustainable financial and business outcomes, with reference to the Board approved corporate objectives, plans and budget for the year. The Board assesses and sets the KPIs applicable to the Managing Director & CEO, and the Managing Director & CEO assesses and sets the KPIs for each of his direct reports in consultation with the Board.

For 2016, the key areas of focus included improving the Company's operational and financial performance, sustainability performance and progressing the Company's growth objectives. KPIs are set to take into account executive KMP individual performance and their ability to influence the outcome of the Company's performance.

		Weighting	
KPI category	Description	Managing Director & CEO	Other executive KMP
Operational and financial	Assessment against budgeted performance of copper production and unit costs; free cash generation; cost reduction programs; tax; finance; and legal.	40%	40%
Safety and sustainability	Assessment against the achievement of safety targets (e.g. reduction in total recordable injury frequency and severity rates); improving potential safety risks; improving stakeholder relationships; and diversity performance and compliance.	10%	20%
Growth and development	Assessment against increasing mineable Ore Reserves and growth pipelines; delivering value enhancing strategies and plans for existing Mineral Resources; and improving concentrate quality and sales terms and conditions.	50%	40%

The annual KPIs have a range of performance levels, from unsatisfactory to superior. The award is determined by actual performance against the KPI. No payments are made for below threshold or unsatisfactory performance. The Chairman of the Board reviews the Managing Director & CEO's performance against each of his calendar year KPIs. The Managing Director & CEO reviews the performance of each of the executive KMP against their calendar year KPIs, and seeks the approval of the Committee in determining STI award outcomes.

14 Remuneration report (audited) (continued)

STI performance and outcomes for 2016

In accordance with the procedure set out above, an assessment was undertaken of the performance of each of the executives against their 2016 KPIs.

	Karl Simich		Michael Spreadborough		Matthew Fitzgerald		Robert Klug	
KPI category	Maximum	Weighted performance outcome	Maximum	Weighted performance outcome	Maximum	Weighted performance outcome	Maximum	Weighted performance outcome
Operational and financial	46%	35%	39%	30%	54%	45%	46%	38%
Safety and sustainability	16%	11%	31%	22%	16%	11%	20%	13%
Growth and development	38%	34%	30%	22%	30%	22%	34%	25%
Overall award	**100%**	**80%**	**100%**	**74%**	**100%**	**78%**	**100%**	**76%**

Details of STI payments awarded to executives as a result of 2016 performance are included in the table below.

Name	STI Payment $	Maximum potential value of STI payment $	Percentage of maximum potential STI payment awarded %	Percentage of maximum STI payment forfeited %
Karl Simich	350,350	440,000	80%	20%
Michael Spreadborough	148,342	200,458	74%	26%
Matthew Fitzgerald	140,299	180,450	78%	22%
Robert Klug	127,820	166,380	77%	23%

Variable remuneration – LTI Plan

Why does the Board consider the LTI Plan appropriate?	The Company believes that the LTI Plan can: • Focus and motivate senior executives to achieve outcomes that are aligned to optimising shareholder value; • Ensure that business decisions and strategic planning have regard to the Company's long term performance; • Be consistent with contemporary remuneration governance guidelines; • Be consistent and competitive with current practices of comparable companies; and • Create an immediate ownership mindset among the executive participants, linking a substantial portion of the potential reward to Sandfire's ongoing share price and returns to shareholder.
What types of equity may be granted under this plan?	Awards are in the form of performance rights over ordinary shares in the Company for no consideration, or share options with an exercise price.
How often are grants made and was a grant made in 2016?	Awards will be made annually. Rights were granted to executives other than the Chief Executive Officer on 30 June 2016. Rights will be granted to the Chief Executive Officer following shareholder approval at the Company's AGM in November 2016. The rights carry neither rights to dividends or voting.
What quantum of awards and allocation methodology is used?	The quantum of rights granted to an executive is determined by the executives TFR; the applicable multiplier; and the face value of Sandfire shares, calculated as the 5 day volume weighted average price (VWAP). The CEO's multiplier is 1.0 x TFR; the senior executives' multiplier is 0.6 x TFR.

14 Remuneration report (audited) (continued)

What are the performance and vesting conditions?

The performance conditions are: (a) the executive meeting the service condition; and (b) Sandfire meeting the LTI performance condition. The two conditions are referred to as the vesting conditions.

Service condition

The service condition is met if employment with Sandfire is continuous for the period commencing on or around the grant date until the end of the performance period (see LTI Performance condition below). Refer below for details if the executive leaves the Company prior to meeting the service condition.

Performance condition

The LTI Plan performance condition is the Company's TSR as measured against a comparator group constituting companies in the ASX200 Resources Index (ASX:XJR). The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to shareholder value. TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia.

To ensure an objective assessment of the relative TSR comparison, the Company employs an independent consultant to calculate the TSR ranking.

The performance rights will only vest where the TSR performance of the Company relative to the selected comparator group measured over the performance period is at the 51st percentile or above.

TSR ranking versus comparator group	Percentage of rights that vest
Less than 51st percentile	Nil
51st percentile	50% of rights vest
Greater than 51st percentile but less than 75th percentile	Between 50% and 100% rights vest
Greater than 75th percentile	100% of rights vest

Sandfire's TSR is to be measured over a three year performance period relative to the comparator group at the beginning of the performance period (commencing 1 July).

Rights granted to participants are tested at the third anniversary of the grant and will vest subject to the relative TSR performance condition being met.

As a transitional arrangement for the rights granted in FY2015 only, the LTI performance period will commence on 1 July 2015 and rights will be allocated as two equal tranches:

- 50% of the rights will be performance tested against the relative TSR measure for the period 1 July 2015 to 30 June 2017; and
- 50% of the rights will be performance tested against the relative TSR measure for the period 1 July 2015 to 30 June 2018.

What happens to performance rights granted under the plan when an executive ceases employment?

If the executive's employment is terminated for cause, or due to resignation, all unvested performance rights will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board decides otherwise, a pro-rata portion of the executive's performance rights, calculated in accordance with the proportion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when the performance rights vest, shares will be allocated in accordance with the plan rules and any other condition of the grant.

What happens in the event of a change in control?

In the event of a change in control, the Board will exercise its discretion, and determine the treatment of the unvested awards which may include a pro-rata vesting.

14 Remuneration report (audited) (continued)

LTI performance and outcomes for 2016

The LTI awards on foot during the year (including those granted as part of the 2016 LTI awards) are detailed in the table below.

Name	Grant date	Number of performance rights	Fair value of performance right [A]	Performance and service period	Vesting Date [B]
Karl Simich [C]	18 Nov 2015	125,842	$3.90	1 Jul 2015 to 30 Jun 2018	1 Oct 2018
	18 Nov 2015	125,842	$4.02	1 Jul 2015 to 30 Jun 2017	1 Oct 2017
Michael Spreadborough	30 Jun 2016	59,092	$2.89	1 Jul 2016 to 30 Jun 2019	1 Oct 2019
	20 Apr 2015	34,399	$2.77	1 Jul 2015 to 30 Jun 2018	1 Oct 2018
	20 Apr 2015	34,399	$2.70	1 Jul 2015 to 30 Jun 2017	1 Oct 2017
Matthew Fitzgerald	30 Jun 2016	53,194	$2.89	1 Jul 2016 to 30 Jun 2019	1 Oct 2019
	20 Apr 2015	30,966	$2.77	1 Jul 2015 to 30 Jun 2018	1 Oct 2018
	20 Apr 2015	30,966	$2.70	1 Jul 2015 to 30 Jun 2017	1 Oct 2017
Robert Klug	30 Jun 2016	49,046	$2.89	1 Jul 2016 to 30 Jun 2019	1 Oct 2019
	20 Apr 2015	28,551	$2.77	1 Jul 2015 to 30 Jun 2018	1 Oct 2018
	20 Apr 2015	28,551	$2.70	1 Jul 2015 to 30 Jun 2017	1 Oct 2017

A The fair value of rights is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual KMP may in fact receive. Refer to note 26 to the financial report for more details.

B The vesting date is the date on which the Board determines the rights vest, based on the extent to which the performance conditions are satisfied. This is anticipated to occur around 1 October of each year, following full year results announcement.

C In accordance with the terms of the LTI Plan and the 2016 grant of rights under the plan, Mr Simich will receive 216,175 rights on approval from shareholders at the Company's AGM in November 2016.

Legacy LTI Plans

The **Long-term Indexed Bonus Plan** was created to align executive director rewards with shareholder value creation, retain executive directors, and was provided as a grant of conditional rights. Rights vest in three equal tranches and are all premium priced. The participant realises value from the rights if the share price exceeds the initial notional value (INV) on the initial vesting date or a subsequent higher test price on re-testing. Where the participant realises value at any of the test dates, the holder of the award receives, at the Company's sole discretion, either cash, or subject to any shareholder approval required under the Corporations Act 2001 and the ASX Listing Rules, ordinary shares in the Company for the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the vesting/testing date and the INV/test price. Once vested, the rights are tested twice a year on 15 June and 15 December until expiry.

The **Long-term Incentive Option Plan** was created to align executive awards with shareholder value and to retain executives, and was provided as a grant of options over ordinary shares to executives. The options vest in three equal tranches after 1, 2 and 3 years, with an exercise price for the three tranches set at a 20%, 40% and 60% premium to the 5-day volume weighted average share price prior to the date of grant.

For rights and options issued under the legacy LTI plans, the Board imposed service based vesting conditions to encourage retention. There was also the challenging market performance hurdle related to share price growth inherent in the INV and exercise price.

Outstanding awards under the Legacy LTI plans are as follows:

- The rights previously issued to the CEO under the Long-term Indexed Bonus Plan expire between 15 December 2016 and 15 December 2018 and the INV/test price ranges from $7.35 to $11.45.
- The options previously issued to the COO, CFO and CCO under the Long-term Incentive Option Plan expire on 15 July 2018 and the exercise price ranges from $7.60 to $10.00.

The Company's share price as at 30 June 2016 was $5.23.

With the introduction of the LTI Plan, no further awards are planned to be made under the Long-term Indexed Bonus Plan and Long-term Incentive Option Plan. Refer to note 26 to the financial statements for more detail.

14 Remuneration report (audited) (continued)

5 Executive KMP contracts

Remuneration arrangements for executive KMP are formalised in employment agreements or service contracts. The key terms of the executive's agreements / contracts are:

Name	Contract duration	Notice period from the Company (other than for serious misconduct)[A]	Notice period from the employee / contractor	Treatment of STI and LTI upon termination
Karl Simich	Rolling service contract	12 months	6 months	**STI Plan** payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company. **Rights (LTI Plan)**: Refer to section 4. **Rights (Legacy LTI Plan)**: Where Mr Simich terminates his engagement with the Group prior to vesting of his awards, all outstanding rights will expire and cease to carry any rights or benefits. Where the Group initiates the termination for reasons other than serious misconduct, the rights will continue to vest for 180 days following the end of the required notice period, with the final vesting date to be the date on which the 180 day notice period expires.
Michael Spreadborough	Ongoing	6 months	3 months	**STI Plan** payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company. **Rights** (LTI Plan): Refer to section 4. **Options (Legacy LTI Plan)**: Where the executive ceases to be an employee of the Group for any reason (including voluntary or involuntary resignation), the executive will be entitled to exercise the options granted as a result of the offer in accordance with the terms of the offer for a period up to 180 days after the ceasing date, after which the option holder's options will lapse immediately and all rights in respect of those options will thereupon be lost.
Matthew Fitzgerald	Ongoing	6 months	6 months	
Robert Klug	Ongoing	6 months	3 months	

A The Company may make payment in lieu of notice and must pay statutory entitlements together with superannuation benefits. No notice period or payment in lieu of notice applies if termination was due to serious misconduct.

6 Executive KMP cash value of earnings realised - FY16

The actual remuneration earned by executives in the 2016 financial year is set out below. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance in the 2016 financial year and the value of LTIs that vested during the period. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards outlined in section 7 of the Remuneration Report, as those details include the values of performance rights that have been awarded, but which may or may not vest.

Name	Fixed remuneration[A] ($)	Short-term Incentive[B] ($)	Long-term Incentive[C] ($)	Total actual remuneration ($)
Karl Simich	1,100,000	350,350	-	1,450,350
Michael Spreadborough	501,144	148,342	-	649,486
Matthew Fitzgerald	451,125	140,299	-	591,424
Robert Klug	415,950	127,820	-	543,770

A Fixed remuneration includes base salary and superannuation. It reflects the total of "salary and fees" and "superannuation" in the statutory remuneration table.

B Short-term incentive represents the amount that the executives earned in the financial year based on achievement of KPIs in accordance with the STI Plan. It includes the entire bonus irrespective of whether it was delivered as cash or superannuation. The figures reflect the same figures that are disclosed in the statutory remuneration table under "cash bonus".

C No amounts were paid as cash or issued as shares to executives under the Company's LTI plans during the current year. This differs from the amount disclosed in the statutory remuneration table.

14 Remuneration report (audited) (continued)

7 Statutory executive KMP remuneration disclosures

		Short-term benefits		Long term benefits	Post employment	Value of share-based payments			
Name	Financial year	Salary & fees $	STI payment[A] $	Other[B] $	Super-annuation $	LTI Plan rights $	Legacy LTI rights $	Total $	Percent of Remun-ration at-risk $
Karl Simich [C]	**2016**	**1,100,000**	**350,350**	**-**	**-**	**417,223**	**(473,213)[D]**	**1,394,360**	**N/A[E]**
	2015	1,100,000	310,255	-	-	-	(780,155)	630,100	N/A
Michael Spreadborough	**2016**	**471,144**	**148,342**	**3,676**	**30,000**	**65,659**	**-**	**718,821**	**29.77**
	2015	471,144	141,348	-	30,000	-	12,737	655,229	23.52
Matthew Fitzgerald	**2016**	**426,125**	**140,299**	**39,987**	**25,000**	**59,107**	**-**	**690,518**	**28.88**
	2015	426,125	127,238	-	25,000	-	11,465	589,828	23.52
Robert Klug	**2016**	**379,863**	**127,820**	**36,310**	**36,087**	**54,317**	**-**	**634,397**	**28.71**
	2015	379,863	117,319	-	36,087	-	10,751	544,020	23.54
Total	**2016**	**2,377,132**	**766,811**	**79,973**	**91,087**	**596,306**	**(473,213)**	**3,438,096**	**N/A**
	2015	2,377,132	696,160	-	91,087	-	(745,202)	2,419,177	N/A

A Includes amounts that were earned in the financial year based on achievement of KPIs in accordance with the STI Plan. It includes the entire amount, irrespective of whether it was delivered as cash or superannuation. No amounts vest in future financial years in respect of the Short-term Bonus Plan for the 2016 financial year.

B Represents the movement for Long Service Leave (LSL) over the twelve month period which will only be paid if executive KMP meets the legislative service conditions. LSL has been separately categorised and measured on an accrual basis.

C Mr Simich's salary and fees are is paid to Resource Development Company Pty Ltd.

D The credit of $473,213 relates to adjustments arising from Mr Simich's rights issued under the cash settled Long-term Indexed Bonus Plan and represents a reversal for previously recognised remuneration valued in accordance with AASB 2 (refer to note 26 of the financial report). Mr Simich received no cash value from this plan in FY2016.

E Percentage not disclosed given the negative value in the long-term rights.

8 Non-executive director fees

Policy

Aggregate NED fees are set at a level that provides the Company with the ability to attract and retain directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate fees sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NED of comparable companies. The Committee considers advice from external advisors when reviewing NED fees.

Structure

NED fees consist of director fees and committee fees. NEDs do not receive retirement or termination benefits and do not participate in any incentive plans. The aggregate amount of fees that may be paid to NEDs in any year is capped at a level approved by shareholders. The current maximum aggregate fee pool of $750,000 per annum was approved by shareholders at the 2013 annual general meeting.

The Board and committee fees for the Company are set out below for all NEDs. These are inclusive of superannuation.

	Role	Annual fee
Board fees	Chairman	$190,000
	Non-Executive Director	$95,000
Committee fees	Chair	$20,000
	Member	Nil

14 Remuneration report (audited) (continued)

Statutory NED fee disclosures

NED fees for the year ended 30 June 2016 and 30 June 2015 are set out below.

		Short-term benefits		Post-employment	
Name	Financial year	Salary & fees $	Other $	Superannuation $	Total $
Derek La Ferla	**2016**	**173,516**	-	**16,484**	**190,000**
	2015	164,818	-	25,182	190,000
W John Evans	**2016**	**115,000**	[A] **65,000**	-	**180,000**
	2015	95,000	85,000	-	180,000
Paul Hallam [B]	**2016**	**191,154**	-	**15,616**	**206,770**
	2015	157,158	-	13,307	170,465
Robert Scott	**2016**	**110,011**	-	**4,989**	**115,000**
	2015	110,011	-	4,989	115,000
Maree Arnason [C]	**2016**	**46,644**	-	4,431	**51,075**
Soocheal Shin [D]	2015	82,742	-	-	82,742
Total remuneration	**2016**	**636,325**	**65,000**	**41,520**	**742,845**
	2015	609,729	85,000	43,478	738,207

A Refers to fees paid under management contract for the additional time that Mr Evans spends on work related matters above and beyond what is normally required from a NED, specifically in relation to exploration and business development matters.

B $91,770 (FY2015: $55,465) of the fees paid to Mr Hallam relate to his position of non-executive director for the Company's subsidiary, Tintina Resources Inc (Tintina).

C Ms Arnason was appointed as director on 18 December 2015.

D Mr Shin resigned as director on 14 May 2015.

9 Equity instrument disclosure relating to KMP

Rights disclosures

Reconciliation of performance rights – LTI Plan

Name	Balance at 1 Jul 15	Granted as remuneration	Rights Exercised	Rights Forfeited	Balance at 30 Jun 16	Vested and exercisable	Unvested	Max value of unvested rights [A]
Karl Simich	-	251,684	-	-	251,684	-	251,684	$579,446
Mike Spreadborough	68,798	59,092	-	-	127,890	-	127,890	$280,542
Matthew Fitzgerald	61,932	53,194	-	-	115,126	-	115,126	$252,540
Robert Klug	57,102	49,046	-	-	106,148	-	106,148	$232,849

A This is based on the fair value of rights that have yet to vest.

14 Remuneration report (audited) (continued)

Reconciliation of performance rights - Legacy LTI Plan (Long-term Indexed Bonus Plan)

	Terms and conditions for each grant						Rights vested during the year		Rights tested during the year [C]			Rights expired during the year			
	Balance at 1 Jul 15	Grant / Modification Date	Fair value [A]	INV [B] / Test price	Expiry date	Initial vesting date	Number	%	Number	15 Dec 15 Test price	15 Jun 16 Test price	Number	%	Balance at 30 Jun 16	Max value of unvested rights [D]
Karl Simich	200,000	14 Oct 2013	$0.08 - $0.64	$7.35	15 Dec 2018	15 Jun 2015	-	-	200,000	$5.17	$5.60	-	-	200,000	$43,193
	200,000	14 Oct 2013	$0.02 - $0.46	$8.55	15 Dec 2018	15 Jun 2016	200,000	100	200,000	-	$5.60	-	-	200,000	$33,479
	200,000	14 Oct 2013	$0.06 - $0.33	$9.75	15 Dec 2018	15 Jun 2017	-	-	-	-	-	-	-	200,000	$25,686
	500,000	8 Aug 2011	$0.02	$8.75	15 Dec 2016	15 Jun 2013	-	-	500,000	$5.17	$5.60	-	-	500,000	$862
	500,000	8 Aug 2011	$0.01	$10.05	15 Dec 2016	15 Jun 2014	-	-	500,000	$5.17	$5.60	-	-	500,000	$220
	500,000	8 Aug 2011	$0.00	$11.45	15 Dec 2016	15 Jun 2015	-	-	500,000	$5.17	$5.60	-	-	500,000	$50
	266,666	8 Aug 2011	-	$7.81	15 Dec 2015	15 Jun 2011	-	-	266,666	$5.17	-	266,666	100	-	-
	266,667	8 Aug 2011	-	$7.81	15 Dec 2015	15 Jun 2012	-	-	266,667	$5.17	-	266,667	100	-	-
	266,667	8 Aug 2011	-	$5.98	15 Dec 2015	15 Jun 2013	-	-	266,667	$5.17	-	266,667	100	-	-
Total	**2,900,000**													**2,100,000**	**$103,490**

A The fair value of the rights is calculated at the reporting date using the Black-Scholes option pricing model. In accordance with the terms and conditions of the plan, the ultimate value of the rights will be calculated on the initial vesting date and subsequent testing dates. For details on the valuation of the rights, including models and assumptions used, refer to note 26 to the financial report.

B Initial Indexed Notional Value. After the first test date, the INV is the higher of the initial INV and the highest test price at a previous test date.

C Rights tested relate to the same grant as that shown on the left hand side of the table. Nil values mean that the grant is not yet eligible for testing.

D This is based on the fair value of rights that have yet to vest or test.

Option disclosures

Option holdings of KMP
Each option carries the right to subscribe for one fully paid ordinary share in Sandfire. Share options do not carry any voting or dividend rights, and can only be exercised when the vesting conditions have been met, until their expiry date. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is shown below:

Name	Balance at 1 Jul 15	Granted as remuneration	Options exercised	Options expired	Other changes	Balance at 30 Jun 16	Vested and exercisable	Unvested
Michael Spreadborough	600,000	-	-	-	-	600,000	400,000	200,000
Matthew Fitzgerald	1,010,000	-	-	(800,000)	-	210,000	140,000	70,000
Robert Klug	960,000	-	-	(750,000)	-	210,000	140,000	70,000

14 Remuneration report (audited) (continued)

Reconciliation of options
The table below shows a reconciliation of the vested and exercisable options held by each KMP as at 30 June 2016.

	Balance at 1 Jul 15							Balance at 30 Jun 16		Number of options		
Name	Vested and exercisable	Unvested	Grant date	Fair value per option at grant date [A]	Exercise price	Expiry date	Vesting date	Vested and exercisable	Unvested	vested during the year	exercised during the year	lapsed during the year
Michael Spreadborough	200,000	-	14 Oct 2013	$1.08	$7.60	15 Jul 2018	30 Sep 2014	200,000	-	-	-	-
	-	200,000	14 Oct 2013	$1.17	$8.80	15 Jul 2018	30 Sep 2015	200,000	-	200,000	-	-
	-	200,000	14 Oct 2013	$1.28	$10.00	15 Jul 2018	30 Sep 2016	-	200,000	-	-	-
Matthew Fitzgerald	70,000	-	14 Oct 2013	$1.08	$7.60	15 Jul 2018	30 Sep 2014	70,000	-	-	-	-
	-	70,000	14 Oct 2013	$1.17	$8.80	15 Jul 2018	30 Sep 2015	70,000	-	70,000	-	-
	-	70,000	14 Oct 2013	$1.28	$10.00	15 Jul 2018	30 Sep 2016	-	70,000	-	-	-
Robert Klug	70,000	-	14 Oct 2013	$1.08	$7.60	15 Jul 2018	30 Sep 2014	70,000	-	-	-	-
	-	70,000	14 Oct 2013	$1.17	$8.80	15 Jul 2018	30 Sep 2015	70,000	-	70,000	-	-
	-	70,000	14 Oct 2013	$1.28	$10.00	15 Jul 2018	30 Sep 2016	-	70,000	-	-	-

A For details on the valuation of the options, including models and assumptions used, refer to note 26 to the financial report.

Shareholdings of KMP
The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is shown below:

	Balance at 1 Jul 15	Purchases	Exercise of options	Sales	Balance at 30 Jun 16
NED					
Derek La Ferla	21,668	-	-	-	21,668
W John Evans	925,215	-	-	(200,000)	725,215
Robert Scott	5,000	-	-	-	5,000
Executive KMP					
Karl Simich	6,009,735	-	-	-	6,009,735
Robert Klug	2,000	-	-	-	2,000

10 Other transactions and balances with KMP and their related parties

Certain KMP, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities and transacted with the Group during the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. There have been no guarantees received for any related party payables. The Company's related party transactions with Resource Development Company Pty Ltd and Tongaat Pty Ltd have existed since the Sandfire Resources NL was a junior exploration company.

Transactions during the 2016 financial year relating to KMP and their related entities over which they have control or significant influence are outlined below:

KMP and their director related entity	Transaction	Transaction value year ended 30 Jun 2016 $	Balance outstanding as at 30 Jun 2016 $
Karl Simich Tongaat Pty Ltd	Lease of corporate office parking premises	9,600	-
Karl Simich Resource Development Company Pty Ltd	Lease of corporate office parking premises	9,300	-
Karl Simich Resource Development Company Pty Ltd	Corporate and financial services	637,592	24,750
		656,492	24,750

14 Remuneration report (audited) (continued)

11 Company performance

A summary of Sandfire's business performance as measured by a range of financial and other indicators, including disclosure as required by the Corporations Act 2001, is outlined in the table below.

Measure [A]	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16
Net profit (loss) ($'000)	(23,883)	87,998	78,158	68,955	46,370
Net profit (loss) attributable to equity holders of the parent entity ($'000)	(23,883)	87,998	78,158	68,955	47,978
Cash and cash equivalents at year end ($'000)	100,389	77,070	57,590	107,154	66,223
Secured bank loan balance at year end ($000)	(350,000)	(285,000)	(160,000)	(120,000)	(50,000)
Net cash inflow (outflow) from operating activities ($'000)	(36,325)	250,230	223,035	224,045	133,896
Basic earnings (loss) per share (cents)	(15.85)	57.48	50.22	44.18	30.54
ASX share price at the end of the year	$7.16	$5.12	$6.22	$5.75	$5.23
Dividend per share (cents)	-	-	10.00	13.00	11.00

A Refer to the Operating and Financial Review section in the Directors' Report for more detailed commentary on the Group's results, including underlying performance of the Company.

Signed in accordance with a resolution of the directors.

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

West Perth, 29 August 2016

Financial Report for the year ended 30 June 2016
Financial Statements

Consolidated Income Statement for the year ended 30 June 2016

	Note	2016 $000	2015 $000
Sales revenue	7	497,165	548,610
Realised and unrealised price adjustment loss	7	(11,348)	(16,580)
Other income		501	4,311
Changes in inventories of finished goods and work in progress		(2,723)	(7,462)
Mine operations costs		(118,378)	(115,776)
Employee benefit expenses	8	(48,065)	(45,763)
Freight, treatment and refining expenses		(90,616)	(91,911)
Royalties expense		(21,408)	(24,782)
Exploration and evaluation expenses		(24,939)	(18,532)
Depreciation and amortisation expenses	8	(99,402)	(89,979)
Water ingress expenses		-	(8,081)
Share of net loss of equity accounted investments	18	(1,478)	(4,560)
Impairment expense	6, 18	(1,126)	(4,943)
Reversal of impairment	6, 18	2,212	-
Administrative expenses		(5,439)	(4,894)
Profit before net finance expense and income tax expense		**75,956**	**119,658**
Finance income	9	1,369	1,581
Finance expense	9	(7,949)	(16,457)
Net finance expense		(6,580)	(14,876)
Profit before income tax expense		**68,376**	**104,782**
Income tax expense	10	(22,006)	(35,827)
Net profit for the year		**46,370**	**68,955**
Attributable to:			
Equity holders of the parent		47,978	68,955
Non-controlling interests		(1,608)	-
		46,370	68,955
Earnings per share (EPS):			
Basic EPS attributable to ordinary equity holders (cents)	11	30.54	44.18
Diluted EPS attributable to ordinary equity holders (cents)	11	30.54	44.18

The consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income for the year ended 30 June 2016

	2016 $000	2015 $000
Net profit for the year	**46,370**	**68,955**
Other comprehensive income:		
Items that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation differences – net of income taxes	(1,455)	1,779
Total comprehensive income for the year, net of tax	**44,915**	**70,734**
Attributable to:		
Equity holders of the parent	46,614	70,734
Non-controlling interests	(1,699)	-
	44,915	70,734

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

Financial Statements

Consolidated Balance Sheet as at 30 June 2016

	Note	2016 $000	2015 $000
Assets			
Cash and cash equivalents	12	66,223	107,154
Trade and other receivables	13	20,467	9,813
Inventories	14	30,070	30,951
Other current assets		3,405	1,931
Total current assets		**120,165**	**149,849**
Receivables	13	200	179
Inventories	14	11,698	11,698
Exploration and evaluation assets	15	18,489	5,233
Mine properties	16	209,167	202,588
Property, plant and equipment	17	198,019	216,293
Investments accounted for using the equity method	18	856	7,644
Other financial assets		157	1,254
Total non-current assets		**438,586**	**444,889**
Total assets		**558,751**	**594,738**
Liabilities			
Trade and other payables	19	30,885	39,115
Interest bearing liabilities	20	1,767	20,493
Income tax payable	10	7,222	13,128
Provisions	21	3,563	3,220
Total current liabilities		**43,437**	**75,956**
Trade and other payables	19	117	294
Interest bearing liabilities	20	50,094	99,536
Provisions	21	27,675	22,860
Deferred tax liabilities	10	53,822	48,314
Total non-current liabilities		**131,708**	**171,004**
Total liabilities		**175,145**	**246,960**
Net assets		**383,608**	**347,778**
Equity			
Issued capital	22	228,014	225,520
Reserves	22	2,369	7,580
Retained profits		147,602	114,678
Equity attributable to equity holders of the parent		378,985	347,778
Non-controlling interest		5,623	-
Total equity		**383,608**	**347,778**

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $000	Share based payments reserve $000	Warrants reserve $000	Foreign currency translation reserve $000	Retained profits $000	Total $000	Non-controlling Interest $000	Total equity $000
Balance as at 1 July 2015		**225,520**	**5,801**	**-**	**1,779**	**114,678**	**347,778**	**-**	**347,778**
Profit for the period		-	-	-	-	47,978	47,978	(1,608)	46,370
Other comprehensive income		-	-	-	(1,364)	-	(1,364)	(91)	(1,455)
Total comprehensive income for the period		**-**	**-**	**-**	**(1,364)**	**47,978**	**46,614**	**(1,699)**	**44,915**
Transactions with owners in their capacity as owners:									
Issue of Shares		2,500	-	-	-	-	2,500	-	2,500
Share issue costs		(6)	-	-	-	-	(6)	-	(6)
Share based payments		-	737	-	-	-	737	29	766
Expiry of options		-	(3,778)	-	-	3,778	-	-	-
Warrants reserve		-	-	(806)	-	-	(806)	-	(806)
Dividends	23	-	-	-	-	(18,832)	(18,832)	-	(18,832)
Acquisition of subsidiary	6	-	-	-	-	-	-	7,293	7,293
At 30 June 2016		**228,014**	**2,760**	**(806)**	**415**	**147,602**	**377,985**	**5,623**	**383,608**

For the year ended 30 June 2015

	Note	Issued capital $000	Share based payments reserve $000	Warrants reserve $000	Foreign currency translation reserve $000	Retained profits $000	Total $000	Non-controlling Interest $000	Total equity $000
Balance as at 1 July 2014		**219,391**	**8,109**	**-**	**-**	**64,308**	**291,808**	**-**	**291,808**
Profit for the period		-	-	-	-	68,955	68,955	-	68,955
Other comprehensive income		-	-	-	1,779	-	1,779	-	1,779
Total comprehensive income for the period		**-**	**-**	**-**	**1,779**	**68,955**	**70,734**	**-**	**70,734**
Transactions with owners in their capacity as owners:									
Issue of Shares		2,000	-	-	-	-	2,000	-	2,000
Exercise of options for cash		3,458	-	-	-	-	3,458	-	3,458
Share issue costs		(19)	-	-	-	-	(19)	-	(19)
Exercise of options		690	(690)	-	-	-	-	-	-
Share based payments		-	54	-	-	-	54	-	54
Expiry of options		-	(1,672)	-	-	(1,672)	-	-	-
Dividends	23	-	-	-	-	(20,257)	(20,257)	-	(20,257)
At 30 June 2015		**225,520**	**5,801**	**-**	**1,779**	**114,678**	**347,778**	**-**	**347,778**

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 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Cash receipts		484,320	541,851
Cash paid to suppliers and employees		(296,789)	(288,065)
Income tax paid		(22,401)	(5,229)
Payments for exploration and evaluation		(32,603)	(26,093)
Interest received		1,369	1,581
Net cash inflow from operating activities	24	**133,896**	**224,045**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(68)	(85)
Proceeds from sale of property, plant and equipment		432	37
Payments for property, plant and equipment		(15,301)	(24,524)
Payments for mine properties		(69,640)	(69,285)
Acquisition of subsidiary, net of cash acquired	6	3,698	-
Payments for investments		-	(15,931)
Payments for security deposits and bonds		(21)	(5)
Net cash outflow from investing activities		**(80,900)**	**(109,793)**
Cash flows from financing activities			
Proceeds from the conversion of options to shares		-	3,458
Share issue costs		(9)	(27)
Repayment of borrowings		(70,000)	(40,000)
Repayment of finance lease liabilities		(1,224)	(1,085)
Finance establishment costs		-	(375)
Interest and other costs of finance paid		(3,394)	(6,770)
Cash dividend paid to equity holders		(19,059)	(19,889)
Net cash outflow from financing activities		**(93,686)**	**(64,688)**
Net (decrease) increase in cash and cash equivalents		**(40,690)**	**49,564**
Net foreign exchange differences		(241)	-
Cash and cash equivalents at the beginning of the period		107,154	57,590
Cash and cash equivalents at the end of the period	12, 24	**66,223**	**107,154**

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

Notes to the Consolidated Financial Statements

1 Corporate Information

The consolidated financial statements of Sandfire Resources NL and its subsidiaries (the Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 29 August 2016.

Sandfire Resources NL (the Company or the parent) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the Group's operations and principal activities are described in the Directors' report. Information on the Group's structure is provided in note 4. Information on other related party relationships of the Group is provided in note 25.

2 Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for trade receivables, derivative financial instruments, cash-settled share-based payments and available-for-sale (AFS) investments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period and have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(a) Compliance with International Financial Reporting Standards (IFRS)

The financial report complies with IFRS as issued by the International Accounting Standards Board.

(b) Changes in accounting policy, disclosures, standards and interpretations

(i) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2015. The adoption of these standards and amendments did not result in a material adjustment to the amounts or disclosures in the current or prior year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but yet effective.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2016 are outlined below:

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. *Classification and measurement* AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. *Financial assets* (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2019 financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 9 (continued)		(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. *Financial liabilities* Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. *Impairment* The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. *Hedge accounting* Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.	
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11.	The amendments which become mandatory for the Group's 30 June 2017 financial statements are not expected to have any impact on the financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 2014-4	*Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	The amendments which become mandatory for the Group's 30 June 2017 financial statements are not expected to have any impact on the financial statements.
AASB 15	*Revenue from Contracts with Customers*	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps. (a) Step 1: Identify the contract(s) with a customer. (b) Step 2: Identify the performance obligations in the contract. (c) Step 3: Determine the transaction price. (d) Step 4: Allocate the transaction price to the performance obligations in the contract. (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2019 financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2019 financial statements.
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2017 financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2017 financial statements.
AASB 2016	*Leases*	The key features of AASB 16 are as follows: *Lessee accounting* • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. *Lessor accounting* • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. *AASB 16 supersedes:* a) AASB 117 Leases; b) Interpretation 4 Determining whether an Arrangement contains a Lease; c) SIC-15 Operating Leases—Incentives; and d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sandfire Resources NL and its subsidiaries (as outlined in note 4). Interests in associates are equity accounted (see accounting policy note 2(e)). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

2 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

(e) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in the associate 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 associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as an impairment expense in the income statement.

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

2 Summary of significant accounting policies (continued)

(f) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(g) Operating segments

An operating segment is a component of the Group that engage in business activities from which it may earn revenue and incur expenditure and about which separate financial information is available that is evaluated regularly by the Group's chief operating decision makers in deciding how to allocate resources and in assessing performance.

Segment information that is evaluated by the chief operating decision makers is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team and the Board of Directors.

(h) Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The functional currency of Sandfire Resources NL is Australian dollars ($).

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in OCI. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation will be recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities around on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sale of goods – copper concentrate

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. This is generally when title passes, which for the sale of concentrate represents the bill of lading date when the concentrate is delivered for shipment.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Royalties paid and payable are separately reported as expenses.

2 Summary of significant accounting policies (continued)

(i) Revenue recognition (continued)

Contract terms for the Group's sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements. The provisional selling price for metal in concentrate is based on prevailing spot prices at the time of shipment to the customer and adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement.

These provisionally priced sales contracts contain an embedded derivative. Accordingly, the Group has designated the receivable at fair value through profit and loss (see Note 2(q)). Subsequent changes in fair value of the receivable is recognised in the income statement in each period until final settlement. Changes in fair value over the Quotational Period (QP) and up until final settlement are estimated by reference to forward market prices. The QP often reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

For amounts at balance date still subject to price adjustments due to the quotational period remaining open, a final settlement price is estimated based on the closing forward LME (London Metals Exchange) copper price on the final day of the month. This revaluation is performed up until the final invoice is received. The actual settlement price may vary from this estimate.

(ii) Interest income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Inventories

Stores and consumables, ore and concentrate are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and a proportion of variable and fixed overhead expenditure which is directly related to the production of inventories. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes direct material, mining, processing, labour, related transportation costs to the point of sale and other fixed and variable costs directly related to mining and processing activities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stores and consumables, and ore inventories expected to be processed or sold within twelve months after the balance sheet date, are classified as current assets. All other inventories are classified as non-current assets.

(l) Exploration and evaluation

(i) Exploration and evaluation assets

Exploration and evaluation assets comprise acquired mineral rights including Ore Reserves and Mineral Resources and are recognised at cost. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

(ii) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred on licenses where the commercial viability of extracting mineral resources has not yet been established is expensed and recognised in the income statement as incurred. Exploration and evaluation expenditure includes pre-licence costs, costs associated with exploring, investigating, examining and evaluating an area of mineralisation, and assessing the technical feasibility and commercial viability of extracting the mineral resources from that area.

Once the commercial viability of extracting mineral resources are demonstrable (at which point, the Company considers it probable that economic benefits will be realised), the Company capitalises any further evaluation costs incurred for the particular licence to mine properties.

Cash flows arising from exploration and evaluation expenditure

Other than the acquisition of mineral rights, cash flows arising from exploration and evaluation expenditure are included in the statement of cash flows as an operating activity.

(m) Mine properties

Mine development

Mine property and development assets are stated at historical cost less accumulated amortisation and any impairment losses recognised. Mine property and development assets include costs incurred in evaluating and accessing the ore body and costs to develop the mine to the production phase, once the commercial viability of an ore body has been established. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

2 Summary of significant accounting policies (continued)

(m) Mine properties (continued)

Amortisation

The Group amortises mine property and development assets from the commencement of commercial production. The Group amortises mine property and development assets on a units of ore extracted basis over the life of mine.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use.

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 flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 3) and provisions (note 2(u)) for further information about the recognised decommissioning provision.

The capitalised value of a finance lease is also included within property, plant and equipment.

Depreciation

The depreciation methods adopted by the Group are shown in table below:

Category	Depreciation method
Plant and equipment	Straight line over the life of the mine/asset (3 to 5 years)
Motor vehicles	Straight line over the life of the asset (3 to 5 years)
Leased equipment	Straight line over the life of the asset (3 to 5 years)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no 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 the income statement when the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate.

(o) Leases

The determination of whether an arra9ngement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value off the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(q) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, trade and other receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

2 Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Trade and other receivables;
- Held-to-maturity investments; or
- Available-for-sale financial assets.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement .

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Trade and other receivables
Trade receivables are carried at fair value. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition, with any mark to market adjustment due for settlement usually from 60-120 days. Sales of copper concentrate are recognised in accordance with Note 2(i).

After initial measurement, other receivables are subsequently measured at amortised cost using the effective interest method.

Held-to-maturity investments
The Group did not have any held-to-maturity investments at reporting date.

Available-for-sale (AFS) financial assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial investment, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Trade and other receivables

Collectability of other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in the income statement.

Available for sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in OCI.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

The Group did not have any financial liabilities at fair value through profit or loss at reporting date.

Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are generally unsecured and are usually paid within 60 days of recognition.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information refer note 20.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement or profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2 Summary of significant accounting policies (continued)

(r) Derivative financial instruments and hedge accounting

In order to reduce the exposure to fluctuations in copper price during the quotational period (QP), the Group may from time to time enter into derivative financial instruments in the form of QP hedging via copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges: when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges: when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedges entered into by the Group during the comparative reporting period ended 30 June 2015 in the form of QP hedging via copper swaps were considered to be economic hedges, however were not designated into a hedging relationship for accounting purposes as the strict criteria for hedge accounting were not met. The Group did not enter into any hedges during the financial year ended 30 June 2016.

(s) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions (note 3); and
- Investments accounted for using the equity method (note 18).

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period up to seven years form reporting date. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(t) Cash dividend to equity holders of the parent

The Company recognises a liability to pay cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

(u) Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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 resulting from the passage of time is recognised in finance costs.

2 Summary of significant accounting policies (continued)

(u) Provisions (continued)

(ii) Employee leave benefits (wages, salaries, annual leave and sick leave)

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(iii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iv) Rehabilitation, restoration and dismantling

The Group records the present value of estimated costs of legal and constructive obligations required to restore and rehabilitate operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. The capitalised cost of this asset is depreciated over the useful life of the related asset. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement in accordance with the Group's accounting policy 2(l).

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(v) Share-based payments

(i) Equity settled transactions

The Group provides benefits to its employees and contractors (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (see note 26). That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

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

(ii) Cash settled transactions

The Group has also provided benefits to executive directors in the form of cash-settled share-based payments, whereby executive directors render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Sandfire Resources NL.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the director, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined;
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the percentage of the vesting period completed;
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- All changes in the liability are recognised in employee benefits expense for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date (see note 26).

(w) Issued capital

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

2 Summary of significant accounting policies (continued)

(x) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised 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 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 in 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 reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

(iii) Goods and services taxes (GST)

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

(y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group divided by the weighted average number of ordinary shares. Diluted earnings per share is calculated by adjusting the net profit attributable to members of the Group and the number of shares outstanding for the effects of all dilutive potential ordinary shares, which include share options.

(z) Fair value measurement

The Group measures financial instruments such as AFS financial assets at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions notes 3, and 28;
- Quantitative disclosures of fair value measurement hierarchy note 28;
- Trade and other receivables note 28; and
- Other financial assets – AFS financial assets and unquoted equity securities note 28.

2 Summary of significant accounting policies (continued)

(z) Fair value measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management - note 22;
- Financial risk management objectives and policies - note 27; and
- Sensitivity analysis disclosures - note 27.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Lease commitments – Group as lessee (DeGrussa Solar Power Project)

The Group classifies leases between financial and operating depending on whether the Group holds substantially all of the risks and rewards incidental to ownership or not. In making this assessment the Group primarily considers the asset ownership at the end of the lease term, any purchase options, the lease term in respect to the assets' life, the present value of future lease payments in relation to the assets' fair value and the nature of the asset.

The Group has entered into a solar power purchase agreement with juwi Renewable Energy Pty Ltd. Based on an evaluation of the terms and conditions of the agreement, the Group has determined that the arrangement contains a lease and is in the scope of AASB 17 Leases. The Group accounts for the arrangement as an operating lease due to the following indicators:

- The agreement does not transfer substantially all the risks and rewards incidental to ownership of the solar power facility to the Group;
- The lease term does not constitute a major part of the economic life of the solar power facility; and
- The present value of the minimum lease payments do not amount to substantially all of the fair value of the solar power facility.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates and assumptions

Rehabilitation, restoration and dismantling provision

The Group assesses its rehabilitation, restoration and dismantling (rehabilitation) provision at each reporting date. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required, which are expected to be incurred up to 2036. Changes to estimated future costs are recognised in the balance sheet by either increasing or decreasing the rehabilitation liability and related asset if the initial estimate was originally recognised as part of an asset measured in accordance with AASB 116 Property, Plant and Equipment. Any reduction in the rehabilitation liability and any deduction from the related asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the related asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with AASB 136. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase is charged directly to the income statement.

Ore Reserve and Mineral Resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its Ore Reserves and Mineral Resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body and removal of waste material. Changes in these estimates may impact upon the carrying value of mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, inventory, and depreciation and amortisation charges.

Commercial viability of extracting Mineral Resources

The Group assesses a project to be in a development stage when the project is assessed as being technically and commercially viable. The process for determining whether a project is commercially viable involves a number of judgements and estimates, including forecasting metal prices, assessing resource grades and viable methods of extracting the mineral resource.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model.

Taxes

Judgment is required in determining whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Share-based payment transactions

The Group measures the cost of equity-settled and cash-settled transactions with employees and contractors (including key management personnel) by reference to the fair value of the instruments. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the instrument, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 26.

Estimated useful lives of assets

The estimation of the useful lives of assets has been based on historical experience, lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 28 for details.

3 Significant accounting judgements, estimates and assumptions (continued)

Business combinations

The recognition of a business combination requires the acquisition method of accounting to be used whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the acquisition date. Any excess of the purchase price of acquisitions over the identifiable net assets is to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. See note 6 for details of business combinations during the year.

4 Information relating to subsidiaries

The consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest 2016	% equity interest 2015
Tintina Resources Inc	6	Canada	57.19	35.96
Sandfire BC Holdings (Australia) Pty Ltd	(i)	Australia	100.00	100.00
Sandfire BC Holdings Inc	(ii)	Canada	100.00	100.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00

(i) The wholly owned subsidiary was formed and incorporated by the Company on 21 August 2014.

(ii) The wholly owned subsidiary was formed and incorporated by the Company on 28 August 2014.

Associates

The Group has a 38.28% interest in WCB Resources Ltd (30 June 2015: 38.28%). Refer to note 18 for details.

5 Segment information

The Group has two operating segments as follows:

- The DeGrussa Copper Mine, a copper-gold mine located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometres north-east of Perth and 150 kilometres north of Meekatharra. The DeGrussa Copper Mine generates revenue from the sale of copper-gold products to customers in Asia; and
- Exploration and evaluation, which includes exploration and evaluation of the mineral tenements in Australia and overseas, including exploring for potential repeats of the DeGrussa Volcanogenic Massive Sulphide (VMS) mineralised system at the Doolgunna Projects and the Group's investment in Tintina Resources Inc (Tintina) and WCB Resources Ltd (WCB).

Other activities include the Group's corporate office, which includes all corporate expenses that cannot be directly attributed to the operation of the Group's operating segments.

Segment information that is evaluated by key management personnel is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

5 Segment information (continued)

Segment results

Income statement for the year ended 30 June 2016	DeGrussa Mine $000	Exploration & evaluation $000	Other activities $000	Group $000
Sales revenue	497,165	-	-	497,165
Realised and unrealised price adjustment loss	(11,348)	-	-	(11,348)
Other income	-	501	-	501
Changes in inventories of finished goods and work in progress	(2,723)	-	-	(2,723)
Mine operations costs	(118,378)	-	-	(118,378)
Employee benefit expenses	(35,764)	(8,219)	(4,082)	(48,065)
Freight, treatment and refining expenses	(90,616)	-	-	(90,616)
Royalties expense	(21,408)	-	-	(21,408)
Exploration and evaluation expenses	-	(24,939)	-	(24,939)
Depreciation and amortisation expenses	(98,988)	(199)	(215)	(99,402)
Share of net loss of equity accounted investments	-	(1,478)	-	(1,478)
Impairment expense		(1,126)	-	(1,126)
Reversal of impairment	-	2,212	-	2,212
Administrative expenses	-	-	(5,439)	(5,439)
Profit (loss) before net finance and income tax	**117,940**	**(33,248)**	**(9,736)**	**74,956**
Finance income				1,369
Finance expense				(7,949)
Profit before income tax				**68,376**
Income tax expense				(22,006)
Net profit for the year				**46,370**

Income statement for the year ended 30 June 2015	DeGrussa Mine $000	Exploration & evaluation $000	Other activities $000	Group $000
Sales revenue	548,610	-	-	548,610
Realised and unrealised price adjustment loss	(16,580)	-	-	(16,580)
Other income	4,311	-	-	4,311
Changes in inventories of finished goods and work in progress	(7,462)	-	-	(7,462)
Mine operations costs	(115,776)	-	-	(115,776)
Employee benefit expenses	(33,510)	(7,561)	(4,692)	(45,763)
Freight, treatment and refining expenses	(91,911)	-	-	(91,911)
Royalties expense	(24,782)	-	-	(24,782)
Exploration and evaluation expenses	-	(18,532)	-	(18,532)
Depreciation and amortisation expenses	(89,562)	(189)	(228)	(89,979)
Share of net loss of equity accounted investments	-	(4,560)	-	(4,560)
Impairment expense	-	(4,943)	-	(4,943)
Water ingress expenses	(8,081)	-	-	(8,081)
Administrative expenses	-	-	(4,894)	(4,894)
Profit (loss) before net finance and income tax	**165,257**	**(35,785)**	**(9,814)**	**119,658**
Finance income				1,581
Finance expense				(16,457)
Profit before income tax				**104,782**
Income tax expense				(35,827)
Net profit for the year				**68,955**

5 Segment information (continued)

Adjustments and eliminations
Finance income, finance costs and taxes are not allocated to individual segments as they are managed on a Group basis.

Segment assets
The Group does not separately disclose assets for its operating segments, as a majority of Group assets are attributable to the DeGrussa Copper Mine segment and the Group does not consider assets attributable to the other operating segments to be material.

Information about geographical areas and products
The Group's sales revenue (see note 7 for details) arise from sales to customers in Asia. A majority of the product was sent to China for processing (89%), a portion was sent to Philippines (7%) and Japan (4%). During 2015, a majority of the product was sent to China for processing (86%), a portion was sent to Japan (8%), Philippines (4%) and Indonesia (2%). The revenue information is based on the location of the customer's operations.

Four customers (2015: four customers) individually accounted for more than ten percent of total revenue during the year. Sales revenue from these major customers ranged from 11% to 25% of total revenue, contributing approximately 77% of total revenue (2015: 71%).

As at 30 June 2016 and 2015, no material assets or liabilities were located outside Australia.

6 Business combinations

Acquisition of additional interest in Tintina Resources Inc
On 18 November 2015, the Group increased its stake in North American copper development company Tintina Resources Inc ("Tintina"; TSX-V: TAU) to 57% from 36%, by acquiring a further 21% interest. The additional shareholding, comprising 47,244,095 shares, was acquired by Sandfire in an off-market transaction at an average price of C$0.0831 per share, for total consideration of C$3,926,000 ($4,160,000).

The Group obtained control of the Tintina on 18 November 2015 and has applied the acquisition method of accounting. The assets, liabilities, income and expenses of Tintina are included in the consolidated financial statements as at and for the period ended 30 June 2016, from the date the Group gained control, being 18 November 2015. The Group's investment in Tintina was previously accounted for using the equity method of accounting.

Acquisition date fair value of equity interest
The fair value of the existing equity interest at the date of acquisition was assessed to be $6,125,000, resulting in a reversal of impairment expense of $2,212,000. The fair value of the equity interest was categorised to level 2 of the Group's fair value hierarchy, as detailed in note 28, and was estimated using the off-market transaction price of C$0.0831 per share, adjusting for a control premium.

An amount of $501,000 was also recycled from the foreign currency translation reserve (FCTR) on disposal of the equity accounted investment. This is recognised within other income in the consolidated income statement.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Tintina as at the date of acquisition were:

in $000	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	7,856
Trade and other receivables	44
Other current assets	128
Total current assets	**8,028**
Exploration and evaluation assets	10,364
Property, plant and equipment	14
Total non-current assets	**10,378**
Total assets	**18,406**
Liabilities	
Trade and other payables	828
Total liabilities	**828**
Total identifiable net assets at fair value	**17,578**
Non-controlling interest measured at fair value	(7,293)
Fair value of previously held equity interest	(6,125)
Purchase consideration transferred	**4,160**

6 Business combinations (continued)

in $000	Cash flow on acquisition
Net cash acquired with the subsidiary	7,858
Cash paid	(4,160)
Net cash flow on acquisition	**3,698**

The Group has elected to measure the non-controlling interests in the acquiree at fair value using Tintina's share price as a primary input.

The acquired business contributed net losses to the Group of $3,749,000 from 18 November 2015 to 30 June 2016. If the transaction had occurred on 1 July 2015, the consolidated profit for the 12 months ended 30 June 2016 would have been $43,125,000. This amount has been calculated using the subsidiary's results for the period 1 July 2015 to 18 November 2015.

7 Sales revenue

	2016 $000	2015 $000
Sales revenue		
Sales of copper in concentrate	438,865	492,065
Sales of gold in concentrate	53,433	50,506
Sales of silver in concentrate	4,867	6,039
	497,165	**548,610**
Realised and unrealised price adjustment (loss) gain		
Copper price adjustment	(13,571)	(17,410)
Gold price adjustment	1,762	(812)
Silver price adjustment	843	317
Copper and gold foreign exchange adjustment	(382)	1,325
	(11,348)	**(16,580)**

Sandfire delivers concentrate to customers on the industry standard basis using prevailing London Metal Exchange (LME) metal prices. For those sales based on prevailing LME metal prices, the customer makes a provisional payment to Sandfire against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME metal price over a subsequent pricing period as specified by the terms of the sales contract. The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry. This resulted in an unfavourable $11,348,000 (2015: unfavourable $16,580,000) mark-to-market adjustment to profit or loss for the year ended 30 June 2016.

8 Expenses

	Note	2016 $000	2015 $000
Profit before income tax includes the following expenses:			
Depreciation			
Plant and equipment		33,669	32,790
Motor vehicles		132	106
Leased equipment		716	883
Rehabilitation, restoration and dismantling		2,012	1,786
Total depreciation	**17**	**36,529**	**35,565**
Amortisation			
Mine development		62,253	53,815
Rehabilitation, restoration and dismantling		620	599
Total amortisation	**17**	**62,873**	**54,414**
Total depreciation and amortisation		**99,402**	**89,979**
Operating lease payments	29	1,319	1,247
Cost of goods sold		285,886	278,214
Net profit (loss) on sale of property, plant and equipment		(231)	19
Employee benefits expense			
Wages and salaries		42,907	41,926
Defined contribution superannuation expense		3,593	3,790
Employee share-based payments	26	225	(726)
Other employee benefits expense		3,234	2,590
		49,959	47,580
Less employee benefits expense capitalised to mine properties		(1,894)	(1,817)
Total employee benefit expense		**48,065**	**45,763**

9 Finance income and finance expense

Finance income			
Interest on bank deposits		1,369	1,581
Finance expense			
Interest charges		(3,394)	(6,770)
Foreign exchange loss		(1,611)	(509)
Unwinding of discount on provisions		(575)	(693)
Finance establishment costs amortisation		(1,271)	(2,266)
Change in fair value of unquoted equity securities		(241)	(5,448)
Other		(857)	(771)
Total finance expense		**(7,949)**	**(16,457)**

10 Income tax

	2016 $000	2015 $000
Components of income tax are:		
Current income tax		
Current year income tax expense	19,217	18,357
Over provision for prior year	(2,722)	-
Deferred income tax		
Origination and reversal of temporary differences	2,927	17,740
Under (over) provision for prior year	2,584)	(270)
Income tax expense in the income statement	22,006	35,827
Deferred income tax related to items credited directly to equity		
Share issue costs	(3)	(7)
Reconciliation of tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Profit before tax	68,376	104,782
Income tax expense using domestic corporate tax rate of 30% (2015: 30%)	20,512	31,436
Increase (decrease) in income tax due to:		
Non-deductible expenses	26	132
Foreign tax losses and temporary differences not recognised	1,598	-
Movement in unrecognised temporary differences with respect to investments	464	4,529
Over provision for prior year	(139)	(270)
Tax rate differential on foreign income	(455)	-
Income tax expense	**22,006**	**35,827**

Recognised deferred tax assets and liabilities

	2016		2015	
in $000	Current tax payable	Deferred income tax	Current tax payable	Deferred income tax
Opening balance	(13,128)	(48,314)	-	(30,851)
Charged to income	(16,495)	(5,511)	(18,357)	(17,470)
Charged to equity	-	3	-	7
Other payments	22,401	-	5,229	-
Closing balance	**(7,222)**	**(53,822)**	**(13,128)**	**(48,314)**
Tax expense in the income statement		22,006		35,827
Amounts recognised in the balance sheet:				
Current tax liability		(7,222)		(13,128)
Deferred tax liability		(53,822)		(48,314)
		(61,044)		**(61,442)**

10 Income tax (continued)

	2016 $000	2015 $000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Mine properties	35,991	27,802
Property, plant & equipment	29,620	30,748
Other	49	85
Gross deferred tax liabilities	65,660	58,635
Set-off of deferred tax assets	(11,838)	(10,321)
Net deferred tax liability	**53,822**	**48,314**
Deferred tax assets		
Employee benefits provision	1,045	948
Inventories	2,182	2,178
Other payables and accruals	470	403
Rehabilitation, restoration and dismantling provision	7,993	6,748
Share issue costs reflected in equity	12	22
Other	136	21
Gross deferred tax assets	11,838	10,320
Set-off of deferred tax assets	(11,838)	(10,320)
Net deferred tax assets	-	-

Unrecognised temporary differences and capital losses

The Group has unrecognised temporary differences and carry forward losses for which no deferred tax asset is recognised in the statement of financial position of $55,048,000 (2015: $5,185,000) that have not been recognised as the statutory requirements for recognising those deferred tax assets have not been met.

Deferred tax assets have not been recognised in respect of the losses as they may not be used to offset taxable profits elsewhere in the Group, that have primarily arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or evidence of recoverability in the near future. Included are US losses that will commence to expire from 2028 and Canadian losses that will commence to expire from 2036.

11 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2016 $000	2015 $000
Net profit attributable to equity holders of the parent	47,978	68,955

	2016 Number	2015 Number
Weighted average ordinary shares adjusted for the effect of dilution	157,084,001	156,070,193

There are 1,695,000 share options (refer to note 22) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

12 Cash and cash equivalents

	Note	2016 $000	2015 $000
Cash at bank and on hand		59,923	100,154
Debt service reserve account	(i)	6,300	7,000
		66,223	**107,154**

(i) Under the terms and conditions of the Group's DeGrussa Project Loan Facility (see note 20), the Group must maintain a cash debt service reserve amount equal to or greater than the next quarter's scheduled amortisation payment and projected interest payment and as such this cash has been restricted. With the early repayment of the Amortising Facility on 30 June 2016 and subsequent to year end, the balance of the DSRA was reduced to $600,000, representing the September 2016 quarter projected interest payment.

13 Trade and other receivables

	2016 $000	2015 $000
Current		
Trade receivables	13,645	6,423
Other receivables	6,822	3,390
	20,467	**9,813**
Non-current		
Security and environmental bonds	**200**	**179**

All amounts are not considered past due or impaired. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

See note 27 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

14 Inventories

	Note	2016 $000	2015 $000
Current			
Concentrate – at cost		5,545	10,415
Ore stockpiles – at cost		15,005	12,858
Stores and consumables – at cost		10,703	8,486
		31,253	31,759
Allowance for obsolete stock – stores and consumables		(1,183)	(808)
		30,070	**30,951**
Non-current			
Oxide copper ore stockpiles – at cost		**11,698**	**11,698**

15 Exploration and evaluation assets

	Note	2016	2015
Reconciliation			
At 1 July		5,233	3,148
Resource properties and exploration tenements acquired		2,892	2,085
Consolidation of Tintina Resources Inc	6	10,364	-
At 30 June		**18,489**	**5,233**

16 Mine properties

Mine property and development assets include costs incurred in accessing the ore body and costs to develop the mine to the production phase, once the technical feasibility and commercial viability of a mining operation has been established.

Reconciliation of the carrying amounts for each class of mine properties is set out below:

2016	Mine development $000	Development phase stripping $000	Production Stripping $000	Rehabilitation, restoration and dismantling $000	Total $000
Opening carrying amount	199,218	-	-	3,370	202,588
Additions	69,117	-	-	844	69,961
Amortisation	(62,253)	-	-	(620)	(62,873)
Inflation and discount rate adjustments	-	-	-	(509)	(509)
Closing carrying amount	**206,082**	**-**	**-**	**3,085**	**209,167**
At 30 June 2016					
Cost	413,586	60,438	12,375	5,690	492,089
Accumulated amortisation	(207,504)	(60,438)	(12,375)	(2,605)	(282,922)
Net carrying amount	**206,082**	**-**	**-**	**3,085**	**209,167**

2015	Mine development $000	Development phase stripping $000	Production Stripping $000	Rehabilitation, restoration and dismantling $000	Total $000
Opening carrying amount	190,964	-	-	3,930	194,894
Additions	62,069	-	-	-	62,069
Amortisation	(53,815)	-	-	(599)	(54,414)
Inflation and discount rate adjustments	-	-	-	39	39
Closing carrying amount	**199,218**	**-**	**-**	**3,370**	**202,588**
At 30 June 2015					
Cost	344,469	60,438	12,375	5,355	422,637
Accumulated amortisation	(145,251)	(60,438)	(12,375)	(1,985)	(220,049)
Net carrying amount	**199,218**	**-**	**-**	**3,370**	**202,588**

17 Property, plant and equipment

Reconciliation of the carrying amounts for each class of property, plant and equipment is set out below:

2016	Plant and equipment $000	Motor vehicles $000	Leased equipment $000	Assets under construction $000	Rehabilitation, restoration and dismantling $000	Total $000
Opening carrying amount	202,066	273	1,635	2,258	10,061	216,293
Additions	418	-	274	14,983	4,389	20,064
Disposals	(87)	-	(573)	-	-	(660)
Transfers	6,447	58	65	(6,570)	-	-
Depreciation	(33,669)	(132)	(716)	-	(2,012)	(36,529)
Inflation and discount rate adjustments	-	-	-	-	(1,149)	(1,149)
Closing carrying amount	**175,175**	**199**	**685**	**10,671**	**11,289**	**198,019**
At 30 June 2016						
Cost	299,280	1,281	4,499	10,671	18,441	334,172
Accumulated depreciation	(124,105)	(1,082)	(3,814)	-	(7,152)	(136,153)
Net carrying amount	**175,175**	**199**	**685**	**10,671**	**11,289**	**198,019**

2015	Plant and equipment $000	Motor vehicles $000	Leased equipment $000	Assets under construction $000	Rehabilitation, restoration and dismantling $000	Total $000
Opening carrying amount	203,280	258	1,983	9,763	11,738	227,022
Additions	73	85	-	24,587	-	24,745
Disposals	(18)	-	-	-	-	(18)
Transfers	31,521	36	535	(32,092)	-	-
Depreciation	(32,790)	(106)	(883)	-	(1,786)	(35,565)
Inflation and discount rate adjustments	-	-	-	-	109	109
Closing carrying amount	**202,066**	**273**	**1,635**	**2,258**	**10,061**	**216,293**
At 30 June 2015						
Cost	292,502	1,223	4,733	2,258	15,201	315,917
Accumulated depreciation	(90,436)	(950)	(3,098)	-	(5,140)	(99,624)
Net carrying amount	**202,066**	**273**	**1,635**	**2,258**	**10,061**	**216,293**

18 Investments accounted for using the equity method

	Note	2016 $000	2015 $000
Group's carrying investment value - Tintina Resources Inc	(i)	-	5,100
Group's carrying investment value - WCB Resources Ltd	(ii)	856	2,544
		856	**7,644**

(i) Tintina Resources Inc

On 18 November 2015, the Group increased its stake in North American copper development company Tintina Resources Inc ("Tintina"; TSX-V: TAU) to 57% from 36%, by acquiring a further 21% interest. The Group obtained control of Tintina on 18 November 2015 and has applied the acquisition method of accounting (see note 6). The Group's investment in Tintina was previously accounted for using the equity method of accounting.

Reconciliation of the carrying amount of the equity accounted Tintina investment is set out below.

	$000
At 1 July 2015	5,100
Group's share of losses after income tax	(1,132)
Group's share of other comprehensive income – currency translation differences	(55)
At 18 November 2015	3,913
Reversal of impairment	2,212
Fair value of previously held equity investment	6,125
Derecognition of previously held equity investment on gaining control	(6,125)
At 30 June 2016	-

(ii) WCB Resources Inc

The Group accounts for its investment in WCB Resources Ltd (WCB: TSX-V: WCB) using the equity method. WCB is a Toronto listed copper-gold explorer. The Group holds 22,222,222 shares in WCB (30 June 2014: 22,222,222 shares), which equates to an interest of 38.28% at 30 June 2016 (2015: 38.38%).

The Group performed its impairment test as at 30 June 2016 to determine whether there is objective evidence that the investment in WCB is impaired. The Group considers the relationship between the investment's market capitalisation and its carrying amount, among other factors, when reviewing for indicators of impairment. As a result, the Group has recognised an impairment loss of $940,000 with respect to its investment in WCB, representing the difference between the Group's carrying amount of the investment and the recoverable amount, calculated as the fair value less costs of disposal. The fair value of WCB has been categorised to level 2 of the Group's fair value hierarchy, as detailed in note 28, and has been estimated using the closing share price of WCB at 30 June 2016. The share price of WCB as at 30 June 2016 was C$0.04 per share.

19 Trade and other payables

	Note	2016 $000	2015 $000
Current			
Trade and other payables		30,782	37,332
Related party payables – cash-settled share-based payments	26	78	375
Related party payables – KMP related entities	25	25	1,408
		30,885	**39,115**
Non-current			
Related party payables – cash-settled share-based payments	26	**117**	**294**

Terms and conditions of the above financial liabilities:

- Trade and other payables are non-interest bearing and are normally settled on 60-day terms.
- For terms and conditions relating to cash-settled share-based payments, refer to note 26.
- For terms and conditions relating KMP related entities, refer to note 25.
- For explanations on the Group's liquidity risk management processes, refer to note 27.

20 Interest bearing liabilities

	2016 $000	2015 $000
Current interest bearing loans and borrowings		
Obligations under finance leases and hire purchase contracts	344	740
Insurance premium funding	1,423	-
Secured bank loan		
DeGrussa Project Loan Facility	-	20,000
Capitalised finance establishment costs (net of amortisation) offset	-	(247)
Total current interest bearing loans and borrowings	**1,767**	**20,493**
Non-current interest bearing loans and borrowings		
Obligations under finance leases and hire purchase contracts	306	771
Secured bank loan		
DeGrussa Project Loan Facility	50,000	100,000
Capitalised finance establishment costs (net of amortisation) offset	(212)	(1,235)
Total non-current interest bearing loans and borrowings	**50,094**	**99,536**
The Group has access to the following facilities:		
DeGrussa Project Loan Facility	85,000	120,000
Working Capital Facility	25,000	25,000
Bond Facility	100	100
	110,100	145,100
Facilities utilised at reporting date:		
DeGrussa Project Loan Facility	50,000	120,000
Working Capital Facility	-	-
Bond Facility	28	28
	50,028	120,028
Facilities not utilised at reporting date:		
DeGrussa Project Loan Facility	35,000	-
Working Capital Facility	25,000	25,000
Bond Facility	72	72
	60,072	25,072

Finance facilities

The Group's financing arrangements are provided under a secured loan facility with ANZ and are secured by a fixed and floating charge over the Group's assets, including the DeGrussa Project and the broader Doolgunna Project, and a mining mortgage over the Project tenements.

DeGrussa Project Loan Facility

The facility was designed to underpin the Group's construction and development of its DeGrussa Copper Mine in Western Australia and includes an $85 million Revolver Facility, which can be paid or redrawn as required, subject to facility terms, and which must be fully repaid by 31 December 2017, and a $40 million Amortising Facility.

During the year the Company fully repaid the Amortising Facility with its financier, ANZ Banking Corporation ("ANZ"), ahead of schedule, following a $20 million payment at the end of the June 2016 Quarter. The Amortising Facility was previously scheduled to be repaid over the next 18 months to 31 December 2017. The Company also made a payment of $35 million against the Revolver Facility, reducing the outstanding balance to $50 million, which also represented the Company's total outstanding debt as at 30 June 2016.

Working Capital Facility

The Company has access to a working capital facility with ANZ for $25 million. The facility, which can be drawn down up to the value of saleable copper concentrate inventories held by the Company at the mine and ports, is designed to reduce the potential cash flow impact of timing of concentrate shipments and cash receipts. The facility was undrawn at 30 June 2016 and at the date of this report.

Bond Facility

The bond facility is drawn in the form of bank guarantees to the relevant State Government Department for environmental restoration and property managers for security deposits and does not involve the provision of funds.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 27.

21 Provisions

	2016 $000	2015 $000
Current		
Employee benefits	**3,563**	**3,220**
Non-current		
Employee benefits	1,031	365
Rehabilitation, restoration and dismantling	26,644	22,495
	27,675	**22,860**

The movement in the rehabilitation, restoration and dismantling provision during the financial year is set out below:

	$000
At 1 July 2015	22,495
Arising during the year	5,233
Unwinding of discount	575
Inflation and discount rate adjustments	(1,659)
At 30 June 2016	26,644

22 Issued capital and reserves

	2016 $000	2015 $000
Ordinary and paid up capital	228,014	225,520

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets. Ordinary shares have no par value.

	Note	2016 Number	2015 Number
Movement in ordinary shares on issue			
On issue at 1 July		156,854,678	155,640,968
Issue of shares	(i)	470,240	477,043
Conversion of options to shares		-	736,667
On issue at 30 June		157,324,918	156,854,678

(i) The Company executed an agreement with Aeris Resources Ltd (Aeris; previously Straits Resources Ltd) on 6 October 2015 to acquire Aeris' Temora and Currumburrama Exploration Projects located in New South Wales, including all of Aeris' legal and beneficial interest in EL6845, EL5864 and EL5792 including the rights and benefits which Aeris is entitled to under heritage agreements and native title contracts, and all mining information which is relevant to the Tenements. Under the terms of the Agreement, which settled on 4 January 2016, Sandfire issued Aeris 470,240 ordinary fully paid shares as consideration for the acquisition of the Tenements.

Movement in shares under option

Options expiring on or before	Exercise Price	On issue 30 Jun 15	Issued	Exercised	Expired	On issue 30 Jun 16
28 February 2016	$9.00	1,466,663	-	-	1,466,663	-
28 February 2016	$10.30	1,383,332	-	-	1,383,332	-
28 February 2016	$11.70	1,300,005	-	-	1,300,005	-
15 July 2018	$7.60	565,000	-	-	-	565,000
15 July 2018	$8.80	565,000	-	-	-	565,000
15 July 2018	$10.00	565,000	-	-	-	565,000
		5,845,000	-	-	4,150,000	1,695,000

22 Issued capital and reserves (continued)

Capital management

The primary objective of the Group's capital management is to maximise shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the Company's interest bearing liabilities (see note 20) and maintain a strong liquidity position in order to support its business. There have been no breaches in the financial covenants of any interest bearing liabilities during the current financial year or prior financial years. The Group is not subject to externally imposed capital requirements other than restrictions relating to the Group's cash debt service reserve account as part of the Group's Project Loan Facility. See note 12 and 20 for more details.

The Group manages and makes adjustments to its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may for example return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes for managing capital, during the years ended 30 June 2016 and 2015.

Nature and purpose of reserves

Share-based payments reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer note 26 for details.

Foreign currency translation reserve

Exchange differences arising on the translation of entities with a functional currency differing from the Group's presentation currency, are taken to the foreign currency translation reserve (FCTR) as described in accounting policy note 2(h). For the Group, this relates to its investment in Tintina Resources Inc and WCB Resources Ltd, see note 18.

23 Dividends paid and proposed

	Note	2016 $000	2015 $000
Cash dividends on ordinary shares declared and paid:			
Final franked dividend for 2015: 10 cents per share (2014: 10 cents)		15,685	15,564
Interim franked dividend for 2016: 2 cents per share (2015: 3 cents)		3,147	4,693
		18,832	20,257
Proposed dividends on ordinary shares:			
Final cash dividend for 2016: 9 cents per share (2015: 10 cents per share)	(i)	14,191	15,685

(i) Subsequent to year end, the Board resolved to pay a franked dividend of 9 cents per share to be paid on 26 September 2016. The financial impact of the dividend has not been recognised in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial statements.

Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
Franking account balance at the end of the financial year at 30% (2015: 30%)	19,348	5,018
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	7,222	13,128
Franking debits that will arise from the payment of dividends as at the end of the financial year	(6,081)	(6,722)
	20,489	11,424

24 Statement of cash flows reconciliation

	Note	2016 $000	2015 $000
Cash and cash equivalents in the statement of cash flows	12	66,223	107,154
Reconciliation of net profit after tax to net cash flows from operations:			
Profit for the period		46,370	68,955
Adjustments for:			
(Gain) loss on sale of assets		231	(19)
Depreciation and amortisation included in statement of comprehensive income		100,671	92,245
Interest and other costs of finance paid		3,394	6,770
Share based payments (credit) expense		257	(726)
Unrealised price adjustments and foreign currency adjustments		(5,813)	6,736
(Reversal of impairment expense) Impairment expense		(1,086)	4,943
Income tax expense		(342)	30,598
Loss of equity accounted investments		1,478	4,560
Loss in fair value of unquoted equity securities		241	5,448
Other non-cash items		1,183	834
Change in assets and liabilities:			
(Increase) decrease in trade and other receivables		(6,825)	(1,945)
Decrease in inventories		273	5,412
Increase in trade and other payables		(8,569)	917
(Decrease) increase in interest bearing liabilities		1,423	(1,595)
Increase in provisions		1,010	912
Net cash inflow from operating activities		**133,896**	**224,045**

25 Related party disclosures

As at, and throughout the financial year ended 30 June 2016, the ultimate parent entity of the Group was Sandfire Resources NL. Separate parent entity disclosures have not been made in this financial report as the results of the Group for the financial year ended 30 June 2016 are materially represented by the parent entity, Sandfire.

Subsidiaries
The parent entity's interest in subsidiaries is set out in note 4 to the consolidated financial statements.

Associates
Information in relation to investments in associates is set out in note 6 to the consolidated financial statements.

Joint Arrangements
As at 30 June 2016, the Group did not have an interest in a joint venture or joint operation that met the definition of a joint arrangement under AASB 11.

Compensation of key management personnel of the Group

	2016 $	2015 $
Short-term employee benefits	3,845,268	3,768,021
Long-term employee benefits	79,973	-
Post-employment benefits	132,607	134,565
Share-based payments	123,093	(745,202)
Total compensation	4,180,941	3,157,384

The amounts disclosed in the table represent the amount expensed during the reporting period related to KMP.

25 Related party disclosures (continued)

Transactions with KMP

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities and transacted with the Group during the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees received for any related party payables. The Company's related party transactions with Resource Development Company Pty Ltd and Tongaat Pty Ltd have existed since the Sandfire Resources NL was a junior exploration company.

The aggregate value of transactions and outstanding balances relating to key management personnel and their related entities over which they have control or significant influence were as follows:

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
KMP and their director related entity	Transaction	2016 $	2015 $	2016 $	2015 $
Karl Simich – Tongaat Pty Ltd	Lease of corporate office parking premises	9,600	12,350	-	-
Karl Simich – Resource Development Company Pty Ltd	Lease of corporate office parking premises	9,300	12,325	-	-
Karl Simich – Resource Development Company Pty Ltd	Corporate and financial services	637,592	608,065	24,750	39,644
		656,492	632,740	24,750	39,644

26 Share-based payments

The expense recognised during the current and previous financial year relating to share based payments are:

	Note	2016 $000	2015 $000
Expense arising from equity-settled share-based payments – the Company	26(a)	698	54
Expense arising from equity-settled share-based payments – TAU	**	32	-
Expense arising from cash-settled share-based payments – the Company	26(b)	(473)	(780)
Total expense arising from share-based payment transactions		**257**	**(726)**

** Relates to Tintina Resources Inc employee share-based payment plans. Detailed disclosure of the plan has not been made as the amount is not considered material for the Group.

(a) Equity-settled share-based payments

(i) Long-term Incentive Plan (LTI Plan)

Under the executive LTI Plan, awards are made to executives and other key talent (collectively referred to as senior management) who have an impact on the Group's performance. LTI awards are delivered in the form of performance rights over ordinary shares in the Company for no consideration, which vest over a period of 3 years subject to meeting performance measures, with no opportunity to retest. The Group uses relative Total Shareholder Return (TSR) as the performance measure. Performance rights granted under the LTI Plan are not entitled to dividends nor have voting rights. Refer to the Group's Remuneration Report for further details on the plan.

Listed below are the terms and conditions of issues made by the Group during the current financial year.

Grant date	Number	A Fair value	Vesting date	Performance period
30 June 2016	252,917	$2.89	1 Oct 2019	3 years
18 November 2015: Tranche 1	125,842	$4.02	1 Oct 2017	2 years
18 November 2015: Tranche 2	125,842	$3.90	1 Oct 2018	3 years

A Represents the fair value per right valued in accordance with AASB 2.

Pricing model

The fair value of performance rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the rights were granted. The model simulates the TSR and compares it against the comparator group constituting companies in the S&P/ASX200 Resources Index (XJR: ASX). It takes into account historical and expected dividends, and the share price fluctuation covariance of the Company and the comparator group to predict the distribution of relative share performance.

26 Share-based payments (continued)

The following table lists the assumptions used in determining the fair value of performance rights granted during the current and previous financial year.

	FY 16 Grant Date			FY 15 Grant Date	
	30 June 2016	18 Nov 2016 Tranche 1	18 Nov 2016 Tranche 2	20 Apr 2015 Tranche 1	20 Apr 2015 Tranche 2
Fair value at measurement date	$2.89	$4.02	$3.90	$2.57 - $2.67	$2.63 - $2.67
Underlying share price	$5.23	$5.50	$5.50	$4.30 - $4.64	$4.30 - $4.64
Dividend yield	2.33%	3.25%	3.25%	2.5%	2.5%
Expected volatility	40.00%	40.00%	40.00%	40.00%	40.00%
Risk-free rate	1.56%	2.00%	2.01%	2.95%	3.17%
Expected life (years)	3.0	1.9	2.9	2.5	3.5

$698,000 in share-based payments has been recognised during the current financial year relating to the LTI Plan.

Movements during the year
The movement in the number of performance rights during the year is set out below.

	2016 Number	2015 Number
Opening balance	294,458	-
Rights granted during the year	504,601	294,458
Rights vested and exercised during the year	-	-
Rights forfeited during the year	-	-
Closing balance	799,059	294,458

(ii) Long-term Incentive Option Plan (IOP Plan)

The IOP Plan was created to align senior management awards with shareholder value. Awards under the plan were provided as a grant of options over ordinary shares for no consideration. The options vest in three equal tranches after 1, 2 and 3 years, with an exercise price for the three tranches set at a 20%, 40% and 60% premium to the 5-day volume weighted average share price prior to the date of grant. The Board imposed service based vesting conditions to encourage retention. There was also the challenging market performance hurdle related to share price growth inherent in the exercise price.

With the introduction of the LTI Plan, no further awards have been made under the IOP Plan. Outstanding awards under the plan are as follows:

- 1,695,000 options previously issued to senior management expire on 15 July 2018 and the exercise price ranges from $7.60 to $10.00.

There are no voting or dividend rights attached to the options. Voting rights will be attached to the ordinary issued shares when the options have been exercised.

Option pricing model
The fair value of options granted was estimated at the date of grant using the Black-Scholes option pricing model and has been recognised in full in previous financial years. There was no share-based payment expense arising from the IOP Plan during the financial year ended 30 June 2016.

Movements during the year
The movement in the number and weighted average exercise prices of share options during the year is set out below.

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at 1 July	5,845,000	$9.85	8,125,001	$9.08
Granted during the year	-	-	-	-
Exercised during the year [A]	-	-	(736,667)	$4.69
Expired during the year	(4,150,000)	$10.28	(1,543,334)	$8.27
Outstanding at 30 June [B]	1,695,000	$8.80	5,845,000	$9.85
Exercisable at 30 June	1,130,000	$8.80	4,715,000	$9.85

A The weighted average share price at the date of exercise for the comparative period was $5.13.

B The outstanding balance at 30 June 2016 is represented by:

Options expiring on or before	Exercise Price	On issue 30 Jun 16
15 July 2018	$7.60	565,000
15 July 2018	$8.80	565,000
15 July 2018	$10.00	565,000
		1,695,000

26 Share-based payments (continued)

The weighted average remaining contractual life for share options outstanding as at 30 June 2016 is 2.00 years (2015: 1.26 years).

The range of exercise prices for options outstanding at the end of the year was $7.60 - $10.00 (2015: $7.60 - $11.70). As the range of exercise prices is wide, refer to the above table for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

(b) Cash-settled share-based payments

Long-term Indexed Bonus Plan (LTIB Plan)

The LTIB Plan was created to align executive director rewards with shareholder value creation and was provided as a grant of conditional rights. Rights vest in three equal tranches and are all premium priced. The participant realises value from the rights if the share price exceeds the initial notional value (INV) on the initial vesting date or a subsequent higher test price on re-testing. Where the participant realises value at any of the test dates, the holder of the award receives, at the Company's sole discretion, either cash, or subject to any shareholder approval required under the Corporations Act 2001 and the ASX Listing Rules, ordinary shares in the Company for the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the vesting/testing date and the INV/test price. Once vested, the rights are tested twice a year on 15 June and 15 December until expiry.

It is the current intention of the Board that awards issued under the LTIB Plan will be settled in cash where the participant realises value from the rights and historically, grants that have realised value have been cash-settled.

With the introduction of the LTI Plan, no further awards have been made under the LTIB Plan. Outstanding awards under the LTIB Plan include the conditional rights previously issued to the CEO, which expire between 15 December 2016 and 15 December 2018 and the INV/test price ranges from $7.35 to $11.45.

Pricing model

The ultimate cost of the rights, representing the fair value at settlement date, will be equal to the cash paid to the participants or, subject to any shareholder approval required under the Corporations Act 2011 and the ASX Listing Rules, the value of ordinary Company shares issued. The cumulative cost recognised until settlement is recognised as a liability and the periodic determination of this liability is as follows:

- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the percentage of the vesting period completed;
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- All changes in the liability are recognised in employee share-based payments expense for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted. The following tables list the assumptions used in determining the fair value of the rights outstanding as at 30 June 2016.

	Grant 14 Oct 2013			Grant 8 Aug 2011		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Fair value at reporting date	$0.08 - $0.64	$0.02 - $0.46	$0.06 - $0.33	$0.02	$0.05	$0.01
Notional value or test price	$7.35	$8.55	$9.75	$8.75	$10.05	$11.45
Dividend yield	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%
Expected volatility	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Risk-free interest rate	1.59 – 2.11%	1.59 - 2.11%	1.59 – 1.85%	2.11%	2.11%	2.11%
Expected life (years)	0.5 – 2.5	0.5 – 2.5	1.0 – 2.5	0.5	0.5	0.5
Share price at reporting date	$5.23	$5.23	$5.23	$5.23	$5.23	$5.23

Movements during the year

The movement in the number and weighted average prices of conditional rights during the year is set out below.

	2016 Number	2016 [A] WAP	2015 Number	2015 [A] WAP
Outstanding at 1 July	2,900,000	$9.08	2,900,000	$9.21
Granted during the year	-	-	-	-
Expired during the year	(800,000)	$7.20	-	-
Outstanding at 30 June [B]	2,100,000	$9.65	2,900,000	$9.08

A The weighted average price of the conditional rights represents the INV or test price as relevant.
B The outstanding balance at 30 June 2016 is represented by:

Rights expiring on	INV/Test Price	On issue Number	Carrying value $'000
15 December 2016	$8.75	500,000	9
15 December 2016	$10.05	500,000	2
15 December 2016	$11.45	500,000	1
15 December 2018	$7.35	200,000	85
15 December 2018	$8.55	200,000	58
15 December 2018	$9.75	200,000	41
		2,100,000	196

26 Share-based payments (continued)

The Group recognised a credit of $473,000 (2015: credit $780,000) during the current financial year relating to the valuation of the conditional rights in accordance with AASB 2. No cash payments were made to executive directors under the LTIB Plan during the current or previous financial year.

27 Financial risk management objectives and policies

This note presents information about the Group's financial assets and financial liabilities, its exposure to financial risks, as well as objectives, policies and processes for measuring and managing these risks.

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets comprise trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds unquoted equity securities in the form of warrants and available-for-sale investments.

The Group's activities expose it primarily to the following financial risks:

- Market risk including interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk;
- Credit risk; and
- Liquidity risk.

Primary responsibility for the identification and control of these financial risks rests with the Group's senior management. The Group's senior management is supported by the Audit and Risk Committee under the authority of the Board. The Audit and Risk Committee provides assurance to the Board that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates via assessments of market forecasts for interest rates and monitoring liquidity risk through the development of future rolling cash flow forecasts.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, trade receivables, cash and short-term deposits, unquoted equity securities and available-for-sale investments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2016 and 2015.

Interest rate risk management and sensitivity analysis

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short-term deposits.

At 30 June 2016 the interest rate profile of the Group's interest-bearing financial instruments was:

			Fixed interest rate maturity			
	Average interest rate %	Variable interest rate $000	Less than 1 year $000	1 to 5 years $000	More than 5 years $000	Total $000
Financial assets						
Cash and cash equivalents	1.60	66,223	-	-	-	66,223
Financial liabilities						
Interest bearing liabilities	3.87	50,000	1,767	306	-	52,073

At 30 June 2015 the interest rate profile of the Group's interest-bearing financial instruments was:

			Fixed interest rate maturity			
	Average interest rate %	Variable interest rate $000	Less than 1 year $000	1 to 5 years $000	More than 5 years $000	Total $000
Financial assets						
Cash and cash equivalents	2.02	107,154	-	-	-	107,154
Financial liabilities						
Interest bearing liabilities	4.05	120,000	740	771	-	121,511

The effect of a reasonably possible change in interest rates at balance date would not have a significant impact on the Group's after tax profit or equity.

Foreign currency risk and sensitivity analysis

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's sale of metal concentrate products denominated in US dollars.

The Group did not use any form of derivatives to hedge its exposure to foreign currency risk during the financial year ended 30 June 2016.

27 Financial risk management objectives and policies (continued)

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2016 is listed below.

	Denominated in US$ presented in AU$000
Trade and other receivables	12,848
Trade and other payables	1,267

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	2016 $000	2015 $000
5% increase (2015: 5% increase)	(601)	(213)
5% decrease (2015: 5% decrease)	664	235

Commodity price risk and sensitivity analysis

The Group is exposed to commodity price volatility on the sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges, specifically the London Metal Exchange (LME). Sandfire aims to realise average copper prices, which are materially consistent with the prevailing average market prices for the same period. The Group did not use any form of derivatives to hedge its exposure to commodity price risk during the financial year ended 30 June 2016.

The following table demonstrates the sensitivity to a reasonably possible change in commodity prices from the 30 June 2016 LME forward curve, with all other variables held constant. The impact on the group's profit before tax is:

	2016 $000	2015 $000
10% increase (2015: 10% increase)	9,197	12,678
10% decrease (2015: 10% decrease)	(9,197)	(12,678)

The impact on the Group's profit before tax is due to changes in the fair value of provisionally priced sales contracts outstanding at year end totaling $80,113,000 (2015: $119,356,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group does not actively trade these investments. The Group's exposure to equity price risk is not considered material at 30 June 2016.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including deposits with banks and financial institutions. At the reporting date, the carrying amount of the Group's financial assets represents the maximum credit exposure.

The credit risk on cash and cash equivalents is managed by restricting dealing to banks which are assigned high credit ratings by international credit rating agencies. The Group's cash and cash equivalents as at 30 June 2016 is maintained by one financial institution.

Credit risk in trade receivables is managed by the Group by undertaking a regular risk assessment process including assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. As there are a relatively small number of transactions, they are closely monitored to ensure payments are made on time. Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable promptly after vessel loading. The balance outstanding is received within 60-120 days of the vessel arriving at the port of discharge. Additionally, several sales are covered by letter of credit arrangements with approved financial institutions. The Group does not have any significant receivables which are past due at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by conducting regular reviews of the timing of cash flows in order to ensure sufficient funds are available to meet these obligations. The Group also has access to a number of finance facilities as detailed in note 20.

27 Financial risk management objectives and policies (continued)

The following table lists the contractual maturities of the Group's financial liabilities as at 30 June 2016. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows.

	Note	Within 6 months $000	6 to 12 months $000	1 to 5 years $000	Total $000
Year ended 30 June 2016					
Trade and other payables	19	30,807	-	-	30,807
DeGrussa Project Loan Facility	20	977	977	50,978	52,932
Other interest bearing liabilities	20	1,442	388	322	2,152
		33,226	1,365	51,300	85,891
Year ended 30 June 2015					
Trade and other payables	19	38,740	-	-	38,740
DeGrussa Project Loan Facility	20	10,154	10,359	109,555	130,068
Other interest bearing liabilities	20	445	368	821	1,634
		49,339	10,727	110,376	170,442

28 Fair value measurement

The carrying amount of all financial assets and all financial liabilities, except for the Group's secured bank loan, recognised in the balance sheet approximates their fair value. The fair value of the Group's secured bank loan is represented by the face value of the liability, prior to capitalised finance establishment costs (see note 20 for details).

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 30 June 2016 or the comparative period ended 30 June 2015.

The following table shows the fair values of financial assets and financial liabilities, other than cash and cash equivalents, including their levels in the fair value measurement hierarchy as at 30 June 2016.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value					
AFS quoted equity shares		157	-	-	157
Trade receivables	(i)	-	12,848	-	12,848
Other financial assets – unquoted equity securities	(ii)	-	-	-	-
		157	12,848	-	13,005
Financial liabilities measured at fair value					
Trade payables	(i)	-	232	-	232

(i) Trade receivables/payables relate to concentrate sale contracts that are still subject to price adjustments where the final consideration to be received/paid will be determined based on prevailing London Metals Exchange (LME) metal prices at the final settlement date. Sales that are still subject to price adjustments at balance date are fair valued by estimating the final settlement price using the LME forward metals prices at balance date. The receivable/payable represents the expected proceeds to be received/expected funds to be paid.

(ii) Unquoted equity securities relate to the fair value of the Group's warrants held as part of the investment in WCB Resources Inc (WCB) and Tintina Resources Inc (Tintina). The fair value of the warrants held in WCB as at 30 June 2016 was $nil (30 June 2015: $241,000). The fair value of the warrants held in Tintina were transferred to the share based payments reserve on the date the Group gained control of Tintina, being 18 November 2015.

28 Fair value measurement (continued)

The fair value of the financial instruments as at 30 June 2015 are summarised in the table below.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value				
AFS quoted equity shares	175	-	-	175
Trade receivables	-	6,359	-	6,359
Unquoted equity securities	-	-	1,079	1,079
	175	6,359	1,079	7,613
Financial liabilities measured at fair value				
Trade payables	-	1,861	-	1,861

29 Commitments

Operating lease commitments – Group as lessee

The Group leases corporate office, administrative and storage facilities throughout Australia. The leases have varying terms, with options to renew the lease on respective expiry dates. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Note	2016 $000	2015 $000
Within one year		5,012	989
After one year but not more than five years		19,675	1,704
Total minimum lease payments	(i)	24,687	2,693

(i) The amount disclosed includes non lease charges.

Finance leases and hire purchase commitments – Group as lessee

The Group has finance leases and hire purchase contracts for various items of mobile plant and motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Note	2016 $000	2015 $000
Within one year		369	813
After one year but not more than five years		327	821
Total minimum lease payments		698	1,634
Less amounts representing finance charges		(48)	(123)
Present value of minimum lease payments		650	1,511
Included in the financial statements as:			
Current interest bearing liabilities	20	344	740
Non-current interest bearing liabilities	20	306	771
Total included in interest-bearing liabilities		650	1,511

Group resource property commitments

Tintina Resources Inc - Black Butte Copper Leases and Water Use Agreement

The Company's subsidiary, Tintina Resources Inc (Tintina), through its wholly-owned subsidiary, Tintina Montana Inc, has entered into a number mining leases; and surface use and water lease agreements (collectively, the "Black Butte Agreements") with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States.

The Black Butte Agreements provide Tintina, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities.

29 Commitments (continued)

Future minimum payments due under the Black Butte Agreements as at 30 June are as follows:

	2016 $000
Within one year	656
After one year but not more than five years	2,640
More than five years	13,125
Total payments	16,421

Contractual commitments

The Group has entered into a number of key contracts as part of its operation of the DeGrussa Copper Mine located in Western Australia. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2016 amount to approximately $18,466,000 (undiscounted).

30 Significant events after the reporting date

Dividends

On 29 August 2016, the directors of the Company resolved to pay a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $14,191,000, which represents a fully franked dividend of 9 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

Acquisition of Thaduna/Green Dragon Copper Project

The Company executed an agreement with Ventnor Resources Limited (Ventnor) and its wholly-owned subsidiary Delgare Pty Ltd on 19 August 2016 to acquire the remaining 65% of the Thaduna/Green Dragon Copper Project, located 40km east of DeGrussa. Under the terms of the Agreement, which settled on 22 August 2016, Sandfire issued Ventnor's nominee 352,423 ordinary fully paid shares as consideration for the acquisition.

Management

Subsequent to year end, the Company announced the resignation of Michael Spreadborough as Chief Operating Officer with effect from 30 September 2016.

31 Auditor's remuneration

The auditor of Sandfire Resources NL is Ernst & Young Australia.

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit and review of the financial report of the entity and any other entity in the consolidated group	280,500	268,241
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services (R&D)	26,708	55,638
Other advisory services	13,905	59,946
	321,113	383,825
Amounts received or due and receivable by related practices of Ernst & Young for:		
An audit and review of the financial report of the entity and any other entity in the consolidated group	47,600	-
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services	57,504	-
Other advisory services	12,263	-
	117,367	-

Directors' Declaration for the year ended 30 June 2016

In accordance with a resolution of the directors of Sandfire Resources NL, I state that:

1. In the opinion of the directors:

   a) the financial statements and notes of Sandfire Resources NL for the financial year ended 30 June 2016 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and the *Corporations Regulations 2001;*

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

West Perth, 29 August 2016

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Independent auditor's report to the members of Sandfire Resources NL

Report on the financial report

We have audited the accompanying financial report of Sandfire Resources NL, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Sandfire Resources NL is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Sandfire Resources NL for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst Young

P Teale
Partner
29 August 2016

ASX ADDITIONAL INFORMATION

Additional shareholder information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Capital
Share capital comprised 157,677,341 fully paid ordinary shares on 20 September 2016.

Shareholder details
At 20 September 2016 the Company had 3,263 holders of ordinary fully paid shares.

Distribution of equity security holders at 20 September 2016

Ranges	Number of investors	Number of shares	Issued capital (%)
1 – 1,000	1,630	656,959	0.42
1,001 – 5,000	1,083	2,776,830	1.76
5,001 – 10,000	256	1,955,891	1.24
10,001 – 100,000	251	6,512,311	4.13
100,001 – and over	43	145,775,350	92.45

The number of ordinary fully paid shareholders holding less than a marketable parcel at 20 September 2016 was 440.

Ordinary fully paid shareholders – Top 20 investors at 20 September 2016

Holder Name	Number of Shares	%
HSBC Custody Nominees Australia Ltd	42,054,485	26.67
J P Morgan Nominees Australia Ltd	36,355,224	23.06
National Nominees Ltd	25,694,138	16.30
Citicorp Nominees Pty Ltd	16,700,205	10.59
UBS Nominees Pty Ltd	4,424,180	2.81
BNP Paribas Nominees Pty Ltd	4,081,225	2.59
Tongaat Pty Ltd	2,409,984	1.53
Zero Nominees Pty Ltd	1,923,752	1.22
Kape Securities Pty Ltd	1,554,750	0.99
Resource Development Company Pty Ltd	1,341,786	0.85
RBC Investor Services Australia Nominees	1,283,657	0.81
Citicorp Nominees Pty Ltd	821,547	0.52
BNP Paribas Nominees Pty Ltd	588,249	0.37
Mr William John Evans and Mrs Carolina Maria Theresia Evans	565,215	0.36
RBC Investor Services Australia Nominees	515,598	0.33
Warbont Nominees Pty Ltd	483,951	0.31
Northern Griffin Pty Ltd	455,051	0.29
Warbont Nominees Pty Ltd	411,392	0.26
AMP Life Ltd	323,968	0.21
Catholic Church Insurance Ltd	313,000	0.20
Total	**142,301,357**	**90.27**

Substantial shareholders of Sandfire Resources NL
National Australia Bank Limited advised that as at 8 April 2016, it and its associates had an interest in 9,734,679 shares, which represented 6.19% of Sandfire capital at that time.

Vinva Investment Management advised that as at 27 May 2016, it and its associates had an interest in 9,510,139 shares, which represented 6.04% of Sandfire capital at that time.

JCB Investment Partners Limited advised that as at 12 September 2016, it and its associates had an interest in 9,674,435 shares, which represented 6.14% of Sandfire capital at that time.

Tribeca Investment Partners Pty Ltd advised that as at 16 September 2016, it and its associates had an interest in 7,946,039 shares, which represented 5.04% of Sandfire capital at that time.

ASX Additional Information (continued)

Voting rights

The voting rights to security holders of the Company are set out in the Company's Constitution and, in summary, each member has one vote for each fully paid share held by the member in the Company. Holders of options and performance rights do not have voting rights.

Unquoted options on issue at 20 September 2016

Expiry Date	Exercise Price	Number	Holders
15 July 2018	$7.60	565,000	8
15 July 2018	$8.80	565,000	8
15 July 2018	$10.00	565,000	8

Unquoted performance rights on issue at 20 September 2016

Expiry Date	Number	Holders
1 July 2018	546,142	6
1 July 2019	252,917	5

On-market buy back

The Company does not have a current buy-back plan.

IMPORTANT INFORMATION AND DISCLAIMER

Competent Person's Statement – Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by Mr. Shannan Bamforth who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bamforth is a permanent employee of Sandfire Resources and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bamforth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement – Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Ekow Taylor who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Taylor is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Taylor consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement – Ore Reserves and Mine Plan

The information in this report that relates to Ore Reserves and Mine Plan is based on information compiled by Mr Neil Hastings who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hastings is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hastings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Exploration and Resource Targets

Any discussion in relation to the potential quantity and grade of Exploration Targets is only conceptual in nature. While Sandfire is confident that it will report additional JORC compliant resources for the DeGrussa Project, there has been insufficient exploration to define mineral resources in addition to the current JORC compliant Mineral Resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

Forward-Looking Statements

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.

JORC Compliance Statement

A summary of the information used in this release is as follows.

The DeGrussa VHMS (volcanic-hosted massive sulphide) copper-gold deposit is located 900 kilometres north of Perth and 150 kilometres north of Meekatharra in the Peak Hill Mineral Field. The system is hosted within a sequence of metasediments and mafic intrusions situated in the Bryah Basin that have been metamorphosed and structurally disrupted.

The sulphide mineralisation consists of massive sulphide and semi-massive sulphide mineralisation. Primary sulphide minerals present are pyrite, chalcopyrite, pyrrhotite and sphalerite, together with magnetite. The sulphide mineralisation is interpreted to be derived from volcanic activity. The deposit shares characteristics with numerous VHMS deposits worldwide.

DeGrussa is located wholly within Mining Lease 52/1046. This tenement is subject to the Yugunga-Nya (WC99/046) and Gingirana Claims (WC06/002). A Land Access Agreement was executed with both claimant groups in November 2010. Sandfire is required to make royalty payments to the State and affected Native Title Claimants on a periodical basis.

Drilling of the DeGrussa massive sulphide lens (of which there are four defined lenses of mineralisation) and surrounding area is by diamond drill holes of NQ2 diameter core and, to a lesser extent, by Reverse Circulation (RC) face sampling hammer drilling. The nominal drill-hole spacing is less than 80m x 40m in the inferred areas of the Mineral Resource and increases in density as the classification increases to Measured where nominal 13m x 20m drill hole spacing is achieved. Drilling has been by conventional diamond drilling with a small number holes aided by the use of navigational drilling tools. RC drilling was completed with a nominal 140mm face sampling hammer and split on a cone or riffle splitter. Drill-hole collar locations were surveyed using RTK GPS, and all holes were down-hole surveyed using high speed gyroscopic survey tools.

Sampling of diamond core was based on geological intervals (standard length 0.5 m to 1.3 m). The core was cut into half or quarter (NQ2) to give sample weights up to 3 kg. RC samples were 1.0m samples down-hole, with sample weights between 3.5kg and 7kg depending on material type. Field quality control procedures involved assay standards, along with blanks and duplicates. These QC samples were inserted at an average rate of 1:15.

The sample preparation of diamond core involved oven drying, coarse crushing of the core sample down to ~10 mm followed by pulverisation of the entire sample to a grind size of 90% passing 75 micron. A pulp sub-sample was collected for analysis by either four acid digest with an ICP/OES, ICP/MS (multi element) finish or formed into fused beads for XRF determination on base metals and a fire assay for Au.

Important Information and Disclaimer (continued)

All reported assays have been length weighted. No top-cuts have been applied. A nominal 0.3% Cu lower cut-off is applied. High grade intervals internal to broader zones of sulphide mineralisation are reported as included intervals.

The attitude of the ore bodies at DeGrussa is variable but there is a dominant southerly dip from ~40 to 90 degrees flat-lying and is drilled to grid west with drill holes inclined between -60 and -90 degrees. As such the dominant hole direction is north and with varying intersection angles all results are clearly defined as either down hole or approximate true width.

Density of the massive sulphide orebody ranges from 2.8g/cm3 to 4.9g/cm3, with an average density reading of 3.7g/cm3. Geotechnical and structural readings recorded from diamond drilling include recovery, RQD, structure type, dip, dip direction, alpha and beta angles, and descriptive information. All data is stored in the tables Oriented Structure, Geotechnical RQD, Core Recovery, Interval Structure as appropriate.

A suite of multi-element assays are completed on each mineralised sample and include all economic and typical deleterious elements in copper concentrates. This suite includes Cu, Au, Ag, Zn, Pb, S, Fe, Sb, Bi, Cd and As.

Regional drilling has been completed using a combination of RC and AC drilling. A majority of the drilling is preliminary in nature and starts with 800m x 100m AC drilling where the geology and geochemistry is revaluated to determine the requirement for follow 400m x 100m drilling. If significant anomalism is identified in the AC drilling then follow up RC drilling will be conducted to determine the opportunity for delineating potentially economic mineralisation. Whist the main aim of the exploration at Doolgunna is to identify additional VHMS mineralisation in some areas of regional land holding it is currently the interpreted that there is shear zones located on the contact between dolerite and sediments hosting auriferous quartz vein stockworks with some coincident copper.

AC and RC regional samples are prepared at Ultra Trace in Perth with the original samples being dried at 80° for up to 24 hours and weighed, and Boyd crushed to -4mm. Samples are then split to less than 2kg through linear splitter and excess retained. Sample splits are weighed at a frequency of 1/20 and entered into the job results file. Pulverising is completed using LM5 mill to 90% passing 75%µm. Assaying is completed using a Mixed 4 Acid Digest (MAD) 0.3g charge and MAD Hotbox 0.15g charge methods with ICPOES or ICPMS. The samples are digested and refluxed with a mixture of acids including Hydrofluoric, Nitric, Hydrochloric and Perchloric acids and conducted for multi elements including Cu, Pb, Zn, Ag, As, Fe, S, Sb, Bi, Mo. The MAD Hotbox method is an extended digest method that approaches a total digest for many elements however some refractory minerals are not completely attacked. The elements are then determined by ICPOES or ICPMS finish. Samples are analysed for Au, Pd and Pt by firing a 40g of sample with ICP AES/MS finish.

CORPORATE DIRECTORY

DIRECTORS

Derek La Ferla	Independent Non-Executive Chairman
Karl Simich	Managing Director & Chief Executive Officer
John Evans	Non-Executive Director
Robert Scott	Independent Non-Executive Director
Paul Hallam	Independent Non-Executive Director
Maree Arnason	Independent Non-Executive Director

COMPANY SECRETARY

Matthew Fitzgerald	Chief Financial Officer & Joint Company Secretary
Robert Klug	Chief Commercial Officer & Joint Company Secretary

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2 The Esplanade
Perth WA 6000

ABN

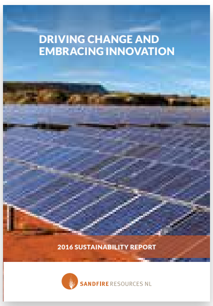
55 105 154 185

ASX CODE

Ordinary fully paid shares: SFR

Sandfire produces a range of publications, which can be downloaded or viewed at our website.

Sandfire Annual Report



Sustainability Report

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SANDFIRE RESOURCES NL

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