SANDFIRE RESOURCES NL

# OPPORTUNITY REDEFINED

2017 ANNUAL REPORT

# ABOUT THIS REPORT

This report has been prepared for Sandfire's stakeholders in line with Sandfire's statutory and regulatory obligations.  This report provides a summary of Sandfire's operations and financial position for the financial year ended 30 June 2017. All references to Sandfire, the Group, the Company, we, us and our refer to Sandfire Resources NL (ABN 55 105 154 185) and its subsidiaries.

All references to a year are the financial year ended 30 June 2017 unless otherwise stated. All dollar figures are in Australian currency unless otherwise stated.

*Photo: DeGrussa Copper-Gold Mine*

*Cover photo: Earthworks underway for box-cut at the new Monty Copper-Gold Project*

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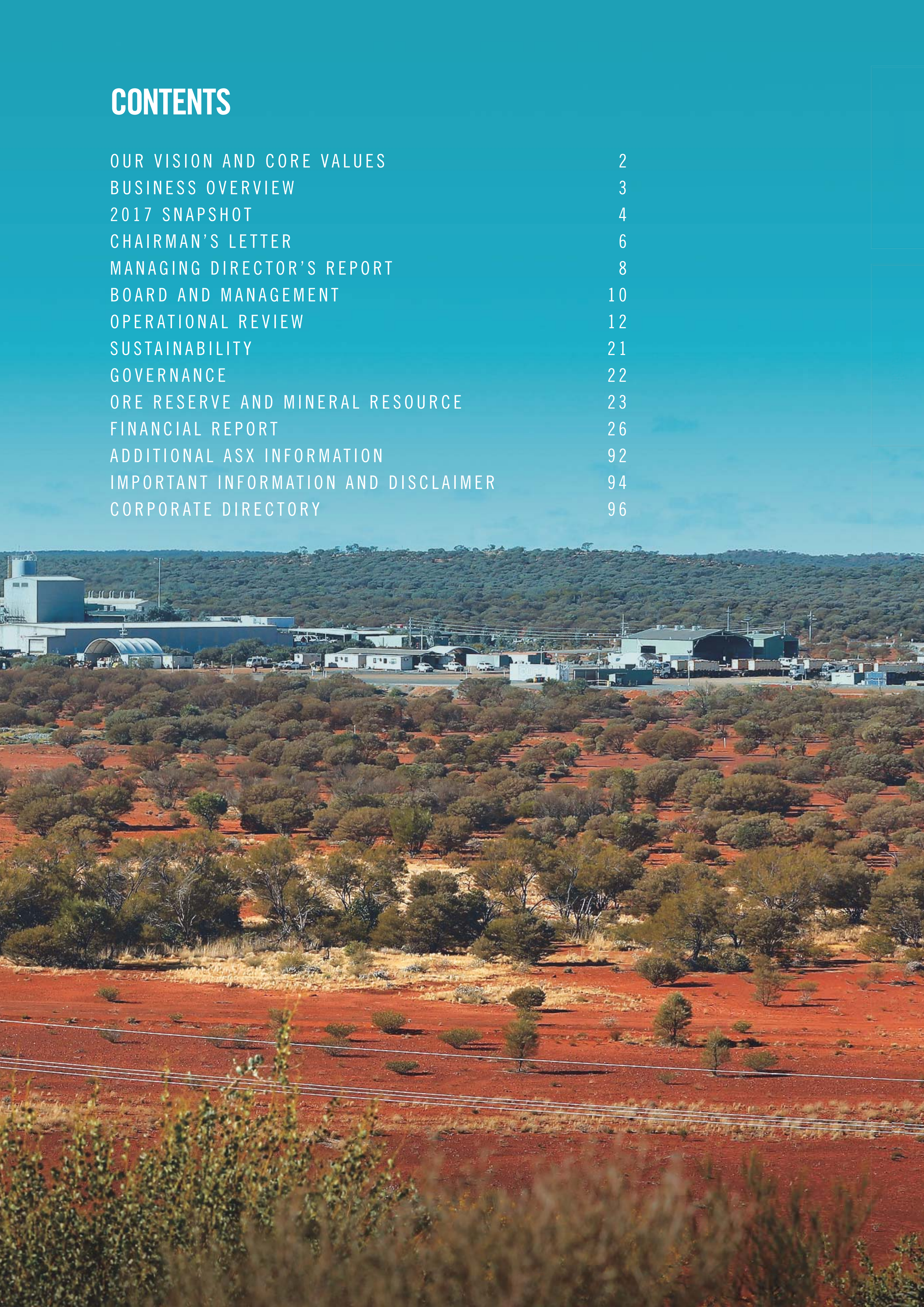


# OUR VISION

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, customers and the community.

- **Safety** - act safely and with care for the environment
- **Communities** - work with communities for mutual benefit
- **People** - attract the best people and reward performance
- **Teamwork** - encourage teamwork, respect and integrity
- **Improvement** - we value continuous improvement, technical excellence and innovation
- **Profitability** - optimise profitability through effective operating practices and cost consciousness.

# BUSINESS OVERVIEW



Sandfire Resources NL is a mid-tier Australian mining and exploration company based in Perth, Western Australia. Listed on the Australian Securities Exchange (ASX:SFR), the Company produces copper and gold from the 100% owned DeGrussa Copper-Gold Mine, located 900km north of Perth in Western Australia.

Sandfire joined the ranks of Australian copper producers in 2012 following the successful construction and commissioning of its flagship DeGrussa Mine. The DeGrussa Mine produces high quality copper-in-concentrate with significant gold credits. The mine achieved production for the 2017 financial year of 67,088 tonnes of contained copper and 38,623 ounces of contained gold, at a C1 cash operating cost of US$0.93 per pound.

In June 2015, Sandfire made a new high-grade VMS copper-gold discovery at the Monty project, located 10 kilometres east of DeGrussa. In March, 2017, a mining lease application for the Monty project was granted by the Western Australian Department of Mines and Petroleum (DMP). Sandfire are now progressing site works to develop the project.

Since we discovered DeGrussa, Sandfire has remained steadfast in its conviction that the Doolgunna region has the potential to yield multiple further high-grade ore discoveries. Sandfire has a substantial ongoing exploration commitment within its 5,846km$^2$ tenement holding surounding DeGrussa and the discovery at Monty is the first significant accumulation of high-grade copper-gold mineralisation to be identified outside of DeGrussa, and represents a compelling breakthrough for the exploration team.

As at 31 December 2016 for DeGrussa and 31 March 2017 for Monty, Sandfire has a Mineral Resource inventory containing some 469,000 tonnes of contained copper and 539,000 ounces of contained gold and a current 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 from the DeGrussa Mine and is actively evaluating and reviewing new business opportunities. This includes a number of exploration projects and joint ventures around Australia including the Temora, Marsden South and Wingrunner Projects in New South Wales; the Breena Plains, Wilgunya and Altia Projects in Queensland and the Borroloola Project in Northern Territory. Please see a map of our Australian operational and exploration activities below.

Internationally, Sandfire has increased its stake in Vancouver based Tintina Resources Inc (TSX-V: TAU) from 57% to 78% since the end of the 2016 financial year. Tintina is developing the 100%-owned Black Butte Copper Project, located near Helena in the State of Montana in the United States. Located on private ranch land in central Montana, the Black Butte 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). The Project includes NI 43-101 Measured and Indicated Resources totalling 15.7 million tonnes grading 3.4% Cu for 533,600 tonnes of contained copper (1,176Mlbs) and Inferred Resources totalling 2.3 million tonnes grading 2.8% Cu for 63,500 tonnes of contained copper (94Mlbs). This makes Black Butte one of the top-10 undeveloped copper projects worldwide by grade.

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. Sandfire and Tintina are committed to ensuring the protection of the natural environment in the surrounding area, with the proposed mine being wholly underground, with no open pit and minimal surface footprint. The Mine Operating Permit (MOP) application is progressing and the Montana Department of Environmental Quality found the Tintina MOP application to be "Complete and Compliant" in accordance with all State rules and regulations. The next key stage of permitting will now commence with the development of a comprehensive Environmental Impact Study (EIS) for the Black Butte Project. The EIS is planned to approximately be a one year process to complete and, once finalised, will result in a Final Record of Decision – allowing project construction to begin.


# 2017 SNAPSHOT

*"This is Sandfire's fifth consecutive annual profit result, and it comes against the backdrop of a marked change in sentiment in the global copper market which puts Sandfire in a very strong position moving forward."*

*– Karl Simich, Managing Director and CEO*

## TOTAL RECORDABLE INJURY FREQUENCY RATE

5.0

**JUNE 2017**

(**2016:** TRIFR 7.1)

## COPPER AND GOLD PRODUCTION

67,088

tonnes of contained copper

38,623

ounces of contained gold

## C1 CASH OPERATING COST

US$0.93

per pound

## NET PROFIT AFTER INCOME TAX

$75.0M

(**2016:** $46.4 million)

## EARNINGS PER SHARE

49.16 cents

(**2016:** 30.54 cents)

## SALES REVENUE & PRICE ADJUSTMENT GAINS

$532.5M

(**2016:** $485.8 million)

## CASH FLOW FROM OPERATING ACTIVITIES

$216.1M

**$248.3 million** prior to payments for exploration and evaluation expenses

## CASH & DEPOSITS

$126.7M

at 30 June 2017

## DEBT

NIL

**$50 million repaid** on 31 January 2017

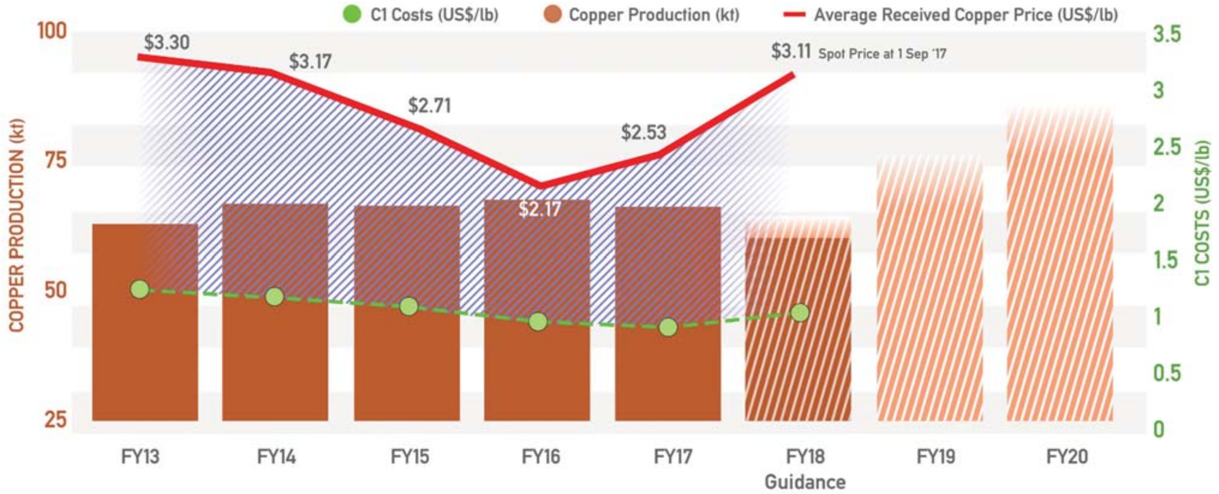
## DIVIDENDS

18c FY17

**11c** FY16

## 2017 Snapshot

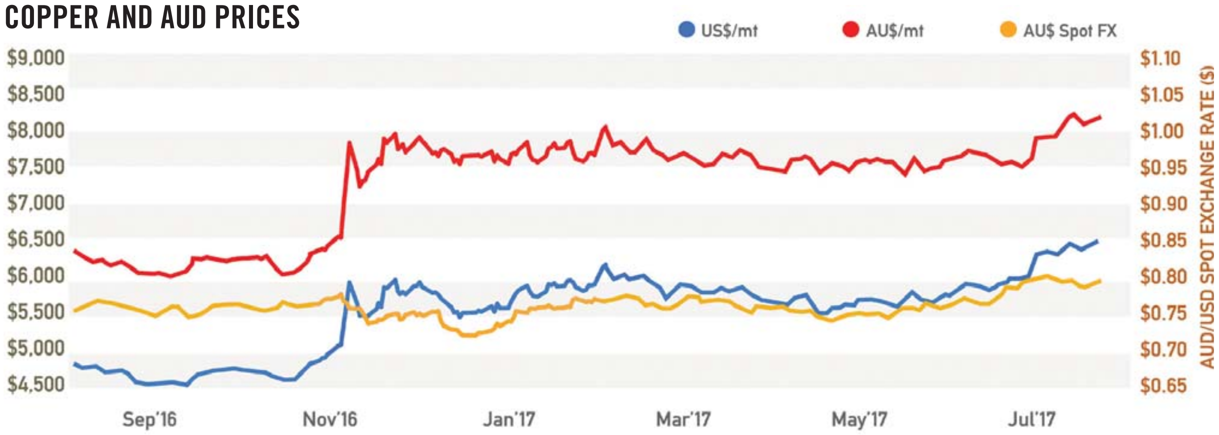
### RISING PRODUCTION PROFILE IN A RISING COPPER MARKET




### DEVELOPMENT & EXPLORATION

- High-grade Monty copper-gold deposit – drill out; Maiden Mineral Resource estimate; scoping study; and feasibility study completed. Mining Lease Application (MLA) lodged with the Western Australian Department of Mines and Petroleum. Re-rated district exploration potential.
- Multi-pronged exploration programs continued across the expanded Doolgunna tenement holding including systematic drilling and geophysical programs.
- Exploration Farm-in Agreement signed with Enterprise Metals Ltd to earn up to a 75% interest in Enterprise's Doolgunna tenements, which cover 917km$^2$ along the southern margin of the Bryah Basin and northern part of the Yerrida Basin.
- 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.
- Discovery of the Donnington copper-gold mineralisation at the Company's Temora Project in New South Wales, Australia.
- Increased stake in Tintina Resources Inc (TSX-V: TAU) to 78%, developing the high-quality Black Butte Copper Project, central Montana, USA. Mine Operating Permit (MOP) application for the project found to be "Complete and Complaint" in accordance with all State rules and regulations.

### COPPER AND AUD PRICES



*"Amongst the highlights for the year, the strong cash-flow from operations allowed us to fully retire all of our debt some 12 months ahead of schedule, post a 62 per cent increase in net annual profit after tax, almost double our year-end Group cash position to $126.7 million and declare a record final fully-franked dividend of 13 cents per share."*

*– Derek La Ferla, Chairman*

# CHAIRMAN'S LETTER

Dear Shareholders

I am pleased to introduce Sandfire's 2017 Annual Report and to reflect on a year which has seen the Company continue to build on its hard-earned reputation as an established, well-run, low-cost and profitable mid-tier Australian mining company with high-quality assets and a track record of delivering on our objectives.

One key difference this year has been the marked change in sentiment in the markets for our key commodities. The copper price staged a solid recovery during FY2017, before increasing further after the end of the financial year. Its recent performance has been driven by a combination of growing concerns about declining mine supply and a revised demand outlook – in part reflecting a growing recognition of copper's increasing use in new sectors, particularly the electric vehicle industry and renewable energy applications.

The pleasing combination of a solid production performance for FY2017, lower costs and a higher received copper price translated into an impressive overall operating margin for the DeGrussa mining operation approaching 50 per cent – a standout result.

Amongst the key operational and financial highlights for the year, the strong cash-flow from operations allowed us to fully retire all of our debt some 12 months ahead of schedule, post a 62 per cent increase in net annual profit after tax (our fifth consecutive annual profit result), almost double our year-end Group cash position to $126.7 million and declare a record final fully-franked dividend of 13 cents per share.

Together with an interim 5 cent dividend, this increased the total payout to shareholders for the 2017 financial year to 18 cents per share fully-franked – an increase of more than 60 per cent over last year's total dividend payment. Sandfire is now well-established as a consistent and rewarding dividend provider, and we will seek to maintain that position for as long as it remains prudent to do so.

Thanks to its exceptional grades, low costs and robust margins, the DeGrussa mining operation is ideally positioned to benefit from the rising copper price – with our debt-free balance sheet also giving us maximum flexibility in terms of how we deploy our growing cash pool.

In this regard, the development of our organic growth projects remains right at the top of our priority list. We have clearly demonstrated this commitment with the rapid evaluation, permitting and commencement of development of the new $90 million Monty satellite copper-gold mine – our 70 per cent share of which will be internally funded.

As this exceptionally high grade new deposit comes on stream towards the end of next year, it will help drive a rising production profile for Sandfire over the next three years at an ideal time in the copper market cycle.

One of our key corporate objectives is to continue to increase the Ore Reserve base across our asset portfolio, particularly in close proximity to DeGrussa. In this regard, the Company has a number of new growth initiatives underway at DeGrussa and within the surrounding Doolgunna region. These include an evaluation of Mineral Resources not currently in our mine plan but located in positions easily accessible from existing underground infrastructure; ongoing work to establish a processing route for copper oxide stockpiles remaining on site from the early stages of the operation; and an evaluation of other styles of copper mineralisation in the region.

We have also been very successful over the past 12 months in expanding our exploration land-holding in the highly-prospective region surrounding the DeGrussa mining operation.

## Chairman's Letter

Our total exploration footprint in the Greater Doolgunna region now totals 5,846$km^2$ – a more than fourteen-fold increase since our initial discovery at DeGrussa in 2009. This includes a 90km strike length of prospective VMS lithologies.

Organic growth through exploration remains a core business philosophy and has been responsible for creating the successful mid-tier company that Sandfire is today. We will continue to work hard to unlock the outstanding prospectivity from within our Doolgunna exploration package, where our highly-skilled exploration team is continuing to make significant inroads towards unlocking the next discovery.

This work includes the application of some of the very latest geophysical and geochemical techniques to revisit previously explored areas, and an aggressive push into newly-secured ground. We are confident that this combination of lateral thinking, state-of-the-art technology and an overall highly professional, modern day approach to exploration will reward us in the years ahead.

We also remain on the look-out for quality acquisitions where we feel our team can unlock significant value for shareholders. Our Business Development Team has reviewed many projects and opportunities globally; however, none have so far measured up to our assessment criteria.

We will continue to actively pursue high-quality acquisitions, but we will maintain a high level of discernment and vetting before spending shareholders' funds. We remain first and foremost a business focused on maximising financial returns for our shareholders, not a company focused on growing volumes and tonnages for their own sake.

In respect of one key growth asset, I am pleased to report that we successfully progressed the Black Butte copper project in central Montana, USA on a number of fronts during the year. As a result of our financial support of our Vancouver based subsidiary, Tintina Resources Inc, and an opportunistic decision to buy-out a fellow shareholder, we have increased our ownership in Tintina to 78 per cent since 2016, further consolidating our ownership position in one of the World's premier high-grade undeveloped copper projects.

The Black Butte Project is a key part of Sandfire's longer term strategic growth pipeline. In August of this year, the Montana Department of Environmental Quality determined that the Mine Operating Permit lodged by Tintina was "Complete and Compliant". This significant milestone marked the culmination of many months of exhaustive and detailed technical work to refine the development and operating plan for Black Butte, which has the potential to deliver life-of-mine production of approximately 30,000 tonnes of copper-in-concentrate per annum over an 11-year mine life, as well as generating long-term employment for over 260 direct employees and full-time contractors.

We are now moving into the final stage of permitting for Black Butte, the 12-month Environmental Impact Statement (EIS) process, following which we intend to move rapidly into construction and development to unlock the significant economic value of the high-grade copper mineral resources.

Turning finally to corporate and governance matters, the ongoing strength of the Company's operational and financial performance is, in part, a reflection of the long-term stability and professionalism of the Board and management team.

During the year, we farewelled long-serving Director John Evans, who retired from the Sandfire Board after nearly a decade with the Company. John played a pivotal role in Sandfire's development, joining the Board in 2007 as Executive Technical Director, and guiding the exploration strategy that led to the DeGrussa discovery. His extensive experience as a geologist and senior company executive, and his strategic advice to the Board, have been invaluable to Sandfire as the Company has grown and developed.

I would like to sincerely thank John for his enormous contribution and wish him the very best for a well-earned retirement.

Following John's departure, we were fortunate to secure the services of Dr Roric Smith as an Independent Non-executive Director. Roric is a highly-credentialed geologist with extensive Australian and international experience, maintaining and enhancing the company appropriate variety of skill-sets we have available at Board level.

From a sustainability perspective, we continued to see our efforts deliver measurable value for our business and society. During the year, we developed a long-term sustainability strategy to guide our efforts across the business through until 2021.

A key component of this strategy is a strong ongoing focus on diversity within the workplace. Diversity, in all its forms, is an important part of our culture and an integral part of the way we do business at Sandfire. During the year we formed the Sandfire Diversity Committee, chaired by our Managing Director and CEO Karl Simich, to help the business develop and implement initiatives and objectives that are designed to embed a culture of diversity and inclusiveness within our organisation.

In conclusion, my introductory comments would never be complete without extending a warm vote of thanks to the entire Sandfire team of staff and contractors – led by Karl and our senior management team. There are many people across the organisation who work tirelessly to make Sandfire the hugely successful enterprise it is, and I would like to express my thanks to all of them, and their families, for their ongoing support and commitment.

Thanks also to you, our valued shareholders for your continued support.

I think we can all be justifiably proud of our achievements over the past few years, and perhaps even more importantly, excited about the opportunities in front of us.

Yours faithfully

**Derek La Ferla**

Non-Executive Chairman


# MANAGING DIRECTOR'S REPORT

I am delighted to report that the 2017 financial year has delivered yet another period of strong and successful performance for Sandfire across all areas of our business. The consistent, reliable operations at our DeGrussa Copper-Gold Mine in Western Australia have once again formed the backbone of our success, delivering growing cash-flow, robust profits and a powerful platform to continue to work towards our goal of building a diversified international mining house.

### SAFETY

Safeguarding the health and safety of all our employees and contractors remains the core focus of Sandfire's operations, and we remain absolutely committed to continuous improvement in our safety performance.

The Total Recordable Injury Frequency Rate (TRIFR) reduced further to 5.0 for the 12 months to 30 June 2017, down from 7.1 in the previous year – demonstrating that our ongoing efforts to live our 'Don't Walk Past' philosophy and improve safety leadership, culture and assurance of critical controls are paying off.

### PRODUCTION AND OPERATIONS

Production for the year was at the upper end of guidance at 67,088 tonnes of copper and 38,623 ounces of gold. A continued focus on cost control also saw a pleasing reduction in our already low C1 cash operating costs during the year, averaging US$0.93 per pound in FY2017, compared with US$0.95 per pound last year.

The performance of the underground mine remained very strong, with underground mining rates maintained at 1.53 million tonnes for the year and production sourced from all four VMS lenses at DeGrussa. Development of the Conductor 4 and Conductor 5 declines was essentially completed to the current life-of-mine design, marking a significant milestone in the operation's history.

The DeGrussa Concentrator also continues to perform well, delivering stable and consistent milling rates of 1.62 million tonnes for the year with strong overall recoveries.

With the development of the mine and the primary ventilation system now largely complete and resulting in a declining capital profile over the next few years, the DeGrussa mining operation is expected to deliver growing free cash-flow, providing the Company with an increasing pool of cash both to fund our growth initiatives and maximise returns to shareholders.

### FINANCIAL PERFORMANCE

Sandfire posted a net profit after income tax attributable to members of $77.5 million for the year, which equates to earnings per share of 49.16c (basic and diluted). This compares with a net profit attributable to members of $48.0 million for the previous year, an increase of 62 per cent.

The Company paid a final fully-franked dividend of 13cps to shareholders on 26 September 2017, increasing the annual payout to 18cps. The overall payout ratio for FY2017 was based on ~35 per cent of earnings per share, adjusted for the impact of the net loss from our subsidiary, Tintina Resources Inc (TSX-V: TAU).

The strong financial result was underpinned by another consistent operational performance, lower costs and a significantly improved copper price. Sales revenue and positive copper price adjustment gains resulted in sales revenue of $532.5 million (FY2016: $497.2 million), from payable metal sales totalling 62,663 tonnes of payable copper and 34,333 ounces of payable gold.

On a group-wide basis the cash generated by the DeGrussa Mine segment was deployed predominantly towards increased cash holdings, debt retirement and capital requirements – with $51.8 million applied

# Managing Director's Report

to finance facility repayments and interest, $59.9 million to mine development and $23.1 million for plant and equipment. The balance was applied to exploration and evaluation activities of $32.2 million, with a further $28.4 million in FY2017 interim and final dividends.

The continued strong cash-flow generation of the DeGrussa Mine segment allowed Sandfire to fully repay its outstanding bank debt during the year, with the $50.0 million outstanding balance on the original $380.0 million DeGrussa Finance Facility repaid on 31 January 2017. This marked a significant and pleasing milestone for the Company.

It is worth noting that, in five consecutive financial years since FY2013 (the first full year of operations at DeGrussa), Sandfire has generated total revenues of $2.61 billion, total operating cash-flows of $1.18 billion, net profits totalling $356.6 million – equivalent to earnings per share totalling $2.32. In the process, it has fully retired the original $380 million DeGrussa Project Finance Facility and paid out 52c in dividends to shareholders.

## EXPLORATION AND GROWTH

In terms of selecting where and how to deploy our cash, our priority remains on investing in high-quality organic growth projects located in close proximity to the DeGrussa Concentrator, including a major ongoing exploration initiative targeting new VMS discoveries, and on selected new growth projects such as the Black Butte Copper Project located in central Montana, USA.

During the year, we completed the Feasibility Study for the Monty Copper-Gold Project, part of our Joint Venture with Talisman Mining Ltd, confirming its suitability to be developed as an underground satellite source of high grade ore feed to supplement copper production from the existing DeGrussa mining operation, located 10km west of Monty.

The Feasibility Study outlined total contained metal production from the Monty Project of 70,000 tonnes of copper, 21,000 ounces of gold and 288,000 ounces of silver over a three-year production life.

Approval for the Monty Mining Proposal and Mine Closure Plan was received shortly after the end of the reporting period, paving the way for ground-breaking and mining activities to commence. Following the completion of the permitting process we moved quickly to commence mine development activities.

Our civils and earthmoving contractor, the Yagahong Alliance, immediately commenced construction of the 14km long haul road from Monty to DeGrussa and the box-cut for underground access. Cutting of the decline portal for the new underground mine is expected to commence in the December quarter of this year and underground development is expected to take approximately one year to access first ore.

In the DeGrussa near-mine environment, we currently have several growth projects under evaluation. The first of these is an assessment of underground Mineral Resources not currently included in the DeGrussa Mine Plan, in zones located close to existing development. A drilling program targeting the C5 barrier pillar area around the Shiraz and Merlot Faults will be completed at the end of CY17.

In addition, studies are continuing on the optimal development pathway to exploit the 2.8 million tonnes of oxide stockpiles at DeGrussa, which contain an estimated 35,000 tonnes of copper and 84,000 ounces of gold. A new processing concept has been developed for this ore, with a Pre-Feasibility Study planned following the completion of further testwork. Development pathways are also under evaluation for the Thaduna Copper Projects, which contain three structurally-controlled copper deposits with extensive oxide resources and significant upside potential.

At the same time, we are also continuing to invest in a major exploration effort across our vast ground-holding, where we are confident of making new breakthroughs in the year ahead. More than 200,000 metres of drilling was completed across our Doolgunna tenements in FY17, alongside the deployment of a series of state-of-the-art electromagnetic survey technologies to identify new targets.

In addition, we continue to cement our dominant landholding in the Doolgunna region, with our tenement position more than tripling over the past two years. Farm-in agreements with Enterprise Metals Ltd and Great Western Exploration Ltd during the year have expanded our aggressive push into new areas.

Turning to the Black Butte Copper Project in the USA, I am pleased to say that this project is now moving steadily towards development, having recently achieved a key permitting milestone with the Montana State authorities after the Mine Operating Permit (MOP) was declared "Complete and Compliant" in accordance with all State rules and regulations relating to the operating plan.

This milestone enables Tintina to now move ahead with the final phase of permitting, paving the way for this world-class mining development to proceed. Black Butte is without doubt one of the world's premier high-grade undeveloped copper projects, and a key part of our longer-term strategic growth pipeline.

Reflecting our enthusiasm for this project, Sandfire has increased its stake in Tintina Resources from 57 per cent to 78 per cent since the end of the 2016 financial year, by taking up our entitlement issue earlier in the year and, recently, acquiring a 16.9 per cent interest held by a fellow shareholder.

We are also continuing to progress our East Coast Exploration Initiative, targeting world-class discoveries in some of Australia's premier exploration provinces.

A key highlight over the past 12 months has been the identification of a new copper-gold porphyry mineralised zone at the Donnington prospect, part of our Temora Project in the NSW Lachlan Fold Belt. Follow-up drilling and assessment is now planned to better understand this exciting new opportunity.

## SUMMARY AND OUTLOOK

Looking to the year ahead, production for FY2018 from DeGrussa is expected to be within the range of 63-66,000 tonnes of contained copper metal and 35-38,000 ounces of gold. Headline C1 cash operating costs are expected to be within the range of US$1.00-1.05/lb.

With many analysts predicting strong long-term fundamentals for the copper market over the coming years, Sandfire is exceptionally well placed to deliver growth, leveraging from the Company's high grade, high quality mining operation at DeGrussa; a new ultra-high grade mine coming on stream at Monty; outstanding exploration upside in the world-class Doolgunna VMS district; and a growth pipeline including the Black Butte deposit and other emerging opportunities on the East Coast of Australia.

The successes and achievements of the past 12 months are a direct result of the enormous effort of our dedicated and hardworking team of staff and contractors – and I would like to extend my sincere thanks to them for their extraordinary efforts on behalf of the Company and our shareholders.

I would also like to thank you, our shareholders, for your wonderful ongoing support. I hope you share my excitement about the year ahead, and I look forward to sharing Sandfire's continued success with you all.

**Karl Simich**

Managing Director and CEO

# BOARD OF DIRECTORS

*(Left to right) Paul Hallam, Maree Arnason, Karl Simich, Derek La Ferla, Robert Scott, Roric Smith.*

## Mr Derek La Ferla

### Independent Non-Executive Chairman

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

Mr La Ferla is a 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 a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently a Partner (on a part time basis) with Western Australian firm, Lavan. 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 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 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.

## 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 40 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.

## 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, energy and manufacturing sectors and 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 Wesfarmers, she 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.

## Dr Roric Smith

### Independent Non-Executive Director

Qualifications: B.Sc (Hons) Geology, Ph.D Geology

Dr Smith is a highly experienced geologist with extensive Australian and international experience and is currently a consulting geologist for mid-tier ASX-listed gold producer Evolution Mining Limited. Until June 2016, Dr Smith was Vice President, Discovery and Chief Geologist for Evolution, where he played a key role in leading that company's exploration efforts. Prior to joining Evolution, Dr Smith held numerous senior executive positions with the gold producer AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager – North Asia Region; and Chief Geologist Australia.

# SENIOR MANAGEMENT

*(Left to right) Matthew Fitzgerald, Robert Klug, Bruce Hooper, Shannan Bamforth.*

## 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 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. Mr Fitzgerald also holds the position of Non-Executive Chairman of the Company's subsidiary Tintina Resources Inc. Mr Fitzgerald was appointed to the position of Company Secretary on 22 February 2010.

## Mr Robert Klug

### Chief Commercial Officer and Joint Company Secretary

Qualifications: B.Com, LLB

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. Mr Klug was appointed to the position of joint Company Secretary on 7 November 2013.

## Mr Richard Beazley

### Interim Chief Operating Officer

Qualifications: B.E (Mining), MBA (Technology Management), MAusIMM, MAICD

Mr Beazley is an experienced mining engineer with 30 years of experience. He has a strong corporate, operational and technical background in the resources industry. Mr Beazley is currently a Director of Altair Mining Consultancy. Altair provides expertise in developing and operating resource projects around the world from the board room to the work place. His former roles have included Managing Director of Peak Resources Limited, General Manager Operations at Consolidated Minerals and General Manager Southern Cross Operations at St Barbara Limited. Mr Beazley was appointed to the position of Interim Chief Operating Officer on 4 September 2017.

## 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. From October 2015 to July 2016 Mr Hooper was on secondment to the Tintina Resources office in Montana where he served as the Chief Executive Officer.

## 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. From January 2015 to July 2016 Mr Bamforth served as the Acting Chief Exploration Officer of Sandfire Resources. He is a member of The Australian Institute of Mining and Metallurgy.

# OPERATIONAL 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.


### DEGRUSSA COPPER GOLD MINE

***Overview***

Production for the 12 months to 30 June 2017 was 67,088 tonnes of contained copper and 38,623 ounces of contained gold, both in line with production guidance ranges. A summary of copper and gold production and sales for the year is provided below:

| FY 2017 Production Statistics | | Tonnes | Grade (% Cu) | Grade (g/t Au) | Contained Copper (t) | Contained Gold (oz) |
|---|---|---|---|---|---|---|
| Concentrator | Mined | 1,530,301 | 4.6 | 1.6 | 71,031 | 79,644 |
| | Milled | 1,623,952 | 4.6 | 1.7 | 73,891 | 86,935 |
| | **Production** | **275,078** | **24.4** | **4.4** | **67,088** | **38,623** |
| | Concentrate sales | 272,925 | 23.9 | 4.3 | 65,403 | 37,147 |

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***

Mine performance was in line with the mine production target 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 mine remaining in balance between production and back-fill.

Development of the mine and the primary ventilation system is largely complete with the contractor decreasing its development equipment. Work also commenced on the main underground pump station, which is targeted for completion in the September 2017 Quarter.

***Processing***

Copper recovery for the 2017 Financial Year was in line with the predicted recovery based on the resource copper grade and Cu:S ratio. Sandfire continues to pursue opportunities for further improvements in copper recovery.

The installation of additional rougher flotation capacity was completed in late June 2017 and initial results have shown that this has improved copper recovery in line with expectations.

***Production Guidance***

FY2018 targeted copper production is expected to be within the range of 63-66,000 tonnes of contained copper metal with gold production within the range of 35-38,000 ounces. The Group has guided that headline C1 cash operating costs are expected to be within the range of US$1.00-1.05/lb, which represents an increase over the prior period due to deeper mining operations, increased currency and lower expected copper and gold production driven by lower head grade.

***Sales & Marketing***

A total of 272,925 tonnes of concentrate was sold for the 2017 financial year containing 65,403 tonnes of copper and 37,147 ounces of gold. Shipments were completed from both Port Hedland and Geraldton.

# Operational review

***Infrastructure Projects***

*DeGrussa Solar Facility*

Construction of the DeGrussa Solar Facility was completed last year. The 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.

During the year, the solar facility experienced periods of downtime following initial commissioning. The solar facility was switched off whilst further integration works were completed by external contractors. The solar facility has recommenced operation and is providing power, albeit constrained by ongoing reliability and integration issues, to meet underground mine and concentrator requirements in conjunction with the DeGrussa diesel power facility. Further optimisation work is being undertaken to resolve these issues and achieve nameplate capacity.

*Processing*

The flotation capacity of the DeGrussa plant will be expanded with the addition of a second column cell (completed late FY2017) and additional thickening and filter capacity to be completed during FY2018 (to allow peak 400,000tpa concentrate production). These additions will enhance DeGrussa recovery, facilitate the recovery of additional copper units from Monty ore and accommodate higher concentrate production rates.

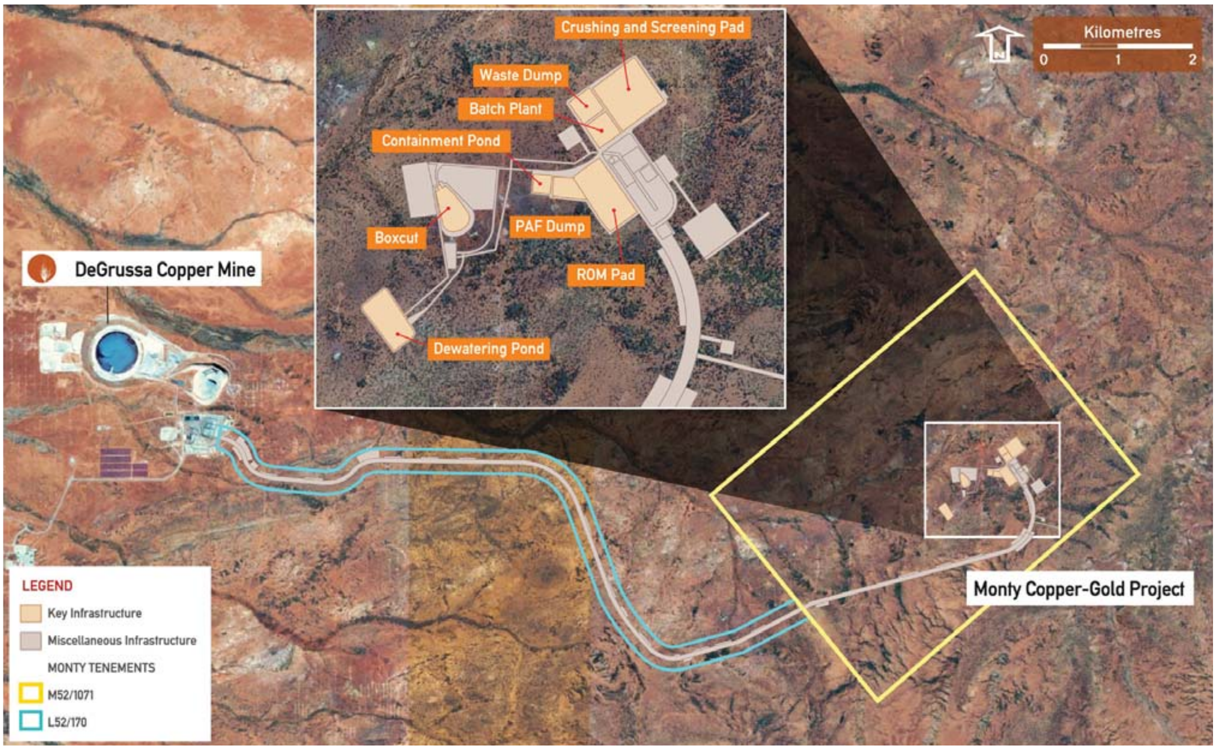
Tadhg O'Scannail (Project Manager) (left) and Homie Thanasekaran (Eriez Australia – Technical Expert) (right) in front of the rougher column cell which commenced commissioning early July 2017. Initial positive signs in copper recovery and concentrate grade – expecting approximately 1.4% improvement (based on comparable Cu:S ratio ore).

## Operational review

*Underground Mine*

The Company intends to install additional equipment to increase the rate of back-filling at the DeGrussa Underground Mine to match the production plan of the mine. This equipment will be operational in the December 2017 Quarter.

### DEVELOPMENT PROJECTS - MONTY COPPER GOLD PROJECT




A Feasibility Study on the Monty Copper-Gold Project, located 10km east of DeGrussa, was completed and approved by the Springfield Joint Venture during the reporting period. The Springfield Joint Venture comprises participating interests of Sandfire (manager – 70% interest) and Talisman Mining (ASX: TLM; "Talisman") (30% interest).

The Study was compiled by Sandfire with input from a number of key contributors, consultants and industry experts, as well as in-house Sandfire personnel.

The robust technical and financial outcomes of the Study confirmed the Monty Project's suitability to be developed as an underground satellite source of high grade ore feed to supplement copper production from the existing DeGrussa mining operation.

***Key project fundamentals***

| | FS Fundamentals | |
|---|---|---|
| Mining method | Long Hole Open Stoping with cemented aggregate fill and loose rock fill | |
| Development | 10km decline and lateral development, 0.5km vertical development | |
| Project construction | 12 months (commencing start-FY2018) | |
| First ore production | Q2 FY2019 | |
| Mine life | Three years plus one year access development | |
| Concentrator metal production (100%): | Contained metal | Payable metal |
| Copper production | 70,000 tonnes | 67,000 tonnes |
| Gold production | 21,000 ounces | 19,000 ounces |
| Silver production | 288,000 ounces | 187,000 ounces |

## Operational review

***Monty Mineral Resource, Ore Reserve and Mine Plan (100%)***

| | Mt | Cu (%) | Au (g/t) | Contained Cu (t) | Contained Gold (oz) |
|---|---|---|---|---|---|
| Mineral Resource | 1.05 | 9.4 | 1.6 | 99,000 | 55,000 |
| Ore Reserve | 0.92 | 8.7 | 1.4 | 80,000 | 42,000 |
| Mine Plan | 0.80 | 9.4 | 1.5 | 74,000 | 38,000 |

The Mine Plan incorporates the mining of the Lower Zone, which is the higher grade portion of the Ore Reserve. The Upper Zone, while marginally economic, will be subject to further technical and economic assessment in due course.

***Capital expenditure and mine development***

| | Sandfire (70%) $M | Total (100%) $M |
|---|---|---|
| Project capital | 22 | 32 |
| Pre-production costs | 28 | 40 |
| Sustaining capital | 13 | 18 |
| **Total capital** | **63** | **90** |

Project capital includes surface infrastructure, access road and other facilities. Pre-production costs include mine development (70%: $14 million), underground mine infrastructure (70%: $6 million) and mine services and administration costs (70%: $8 million).

***Monty Mining***

An underground mine will be developed comprising over 10km of lateral development and 500m of vertical development. As with DeGrussa, further drilling of the Monty orebody will be completed from access points along the decline to assist with grade control, mine development planning and further metallurgical testwork.

Sandfire has agreed to purchase Talisman's 30% share of Monty ore under an Ore Sale and Purchase Agreement (OSPA) utilising a weighbridge to be installed at the DeGrussa ROM. Following purchase, 100% of Monty ore will be blended into the DeGrussa processing plant and Sandfire will incur production and operating costs post the DeGrussa weighbridge.

Monty ore will be purchased from Talisman on a sliding scale with recognition of the prevailing copper, gold and silver prices and annual indexed cost adjustments.

Mining cash operating costs at Monty are expected to be similar to DeGrussa on a costs per pound of payable copper production (C1) basis. Higher ore unit mining costs associated with narrower orebody width, smaller stope size and the use of cemented aggregate fill (rather than paste fill as used at DeGrussa) will be offset by the higher grade of the Monty deposit.

The existing 1.6Mtpa DeGrussa mining rate will progressively reduce from mid-FY2019, to allow capacity for ore from Monty to be blended and resulting in an alignment of the production profiles of the two mines through to 2021.

***DeGrussa Processing - Monty***

Metallurgical test work completed on the Monty ore has demonstrated a continuation of the DeGrussa recovery curve, where recoveries typically increase in line with higher Cu:S ratio and associated copper grade. Monty ore is expected to blend well with DeGrussa ore and increase overall head grade, recovery and concentrate production, with no material impact expected on concentrate quality or marketability.

***Approvals***

Mining Lease 52/1071 was granted by the Department of Mines and Petroleum of Western Australia. The granted Mining Lease covers a total area of 16.42km2 around the Monty deposit and has an initial term of 21 years. A Miscellaneous Licence which will accommodate a haul road between Monty and DeGrussa has also been granted by the Department of Mines and Petroleum.

As a result these regulatory milestones, all tenure in relation to the Monty Project has now been granted.

Approval for the Mining Proposal and Mine Closure Plan for the Monty Copper-Gold Mine was received shortly after the end of the reporting period. This key environmental approval authorises the Joint Venture to commence ground-breaking and mining activities at Monty.

***Commencement of Construction***

Following the approval of the Mining Proposal, the Civils and Earthmoving Contractor, Yagahong Alliance, immediately commenced construction of the 14km long haul road from Monty to DeGrussa and the box-cut for underground access.

Cutting of the decline portal for the new underground mine is expected to commence in the December 2017 Quarter and underground development is expected to take approximately one year to access first ore.

### SPRINGFIELD JOINT VENTURE AGREEMENTS

In addition to the OSPA outlined above, Sandfire and Talisman have also signed a more detailed Exploration Joint Venture Agreement (EJVA) over the Springfield Project as well as a Mining Joint Venture Agreement (MJVA) over the Monty deposit and immediate surrounding area. These agreements are based on the model forms published by the Australian Mining and Petroleum Lawyers Association (AMPLA).

| EJVA |
| --- |
| • All decisions made by majority vote of percentage ownership interest in the project except for a small number of items that must be made by unanimous decision; |
| • Day-to-day operation of the project rests with the manager, with Sandfire appointed as initial manager of the project; |
| • All budgets set by the manager and approved by majority vote; and |
| • Dilution provisions to apply if any participant does not contribute its share of any budget. |
| **MJVA** |
| • Economic discoveries from the EJVA become subject to the MJVA (or a new MJVA depending on their scale) after completion of a bankable feasibility study; |
| • Monty deposit to be developed and mined under the MJVA; |
| • Majority of terms from the EJVA are repeated in the MJVA; and |
| • Sandfire has been appointed manager of the MJVA. |

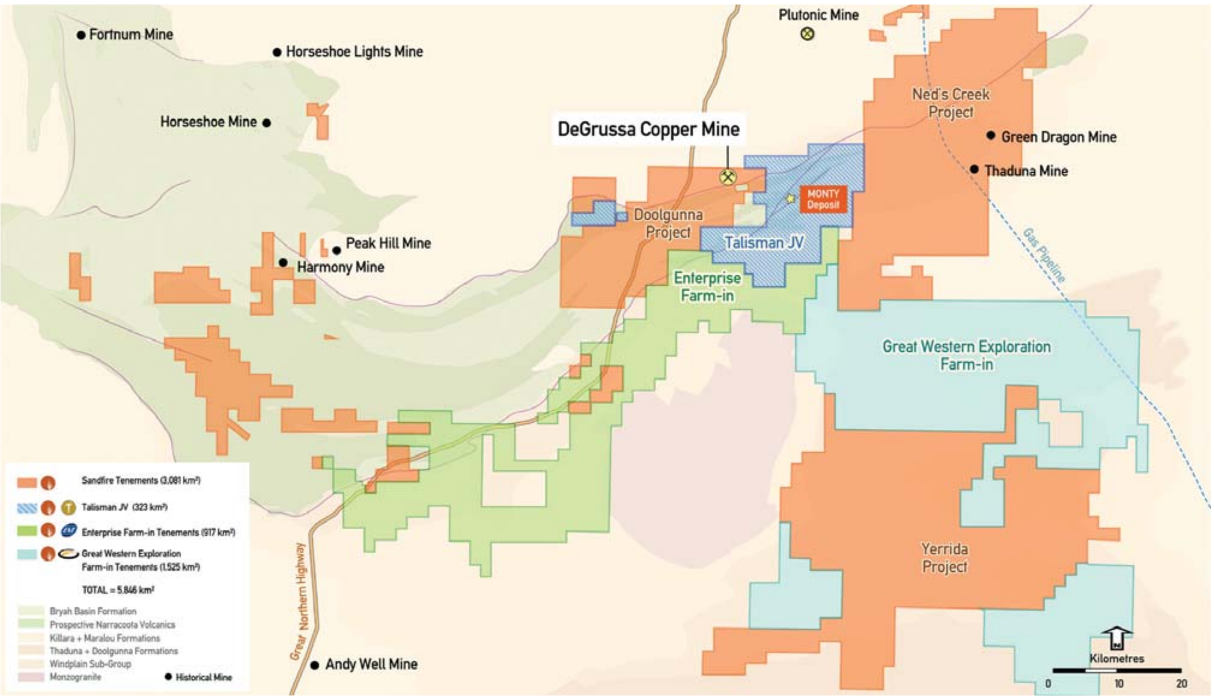
### DEGRUSSA OXIDE COPPER PROJECT

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.

An alternative process route for the Oxide Copper Project at DeGrussa is the use of glycine. This processing route being further investigated when the terms of an agreement with the holders of glycine technology are agreed.

## DOOLGUNNA EXPLORATION, WESTERN AUSTRALIA (WA)

Greater Doolgunna exploration, which includes the Springfield Exploration Joint Venture, the Ned's Creek Project, the Enterprise Metals Farm-in and the Great Western Exploration Farm-in, provides an aggregate contiguous exploration area of 5,846km$^2$. This includes over 90km of strike extent in host VMS lithologies. Much of this stratigraphy is obscured beneath transported cover and requires systematic aircore (AC) drilling to test the bedrock geochemistry and identify prospective areas.




Sandfire tenement holding in the Greater Doolgunna area.

# Operational review

Key components of the Company's exploration activity at Doolgunna during the 2017 Financial Year included:

- Diamond and reverse circulation (RC) drilling to test for potential extensions to the oxide copper mineralisation at the Monty deposit;
- Completion of structural, geological, and regolith modelling at multiple prospects;
- Continuation of down-hole electromagnetic (DHEM) surveying across the Doolgunna area;
- AC drilling of prospective areas for geological interpretation and identification of geochemical anomalies for targeting purposes;
- AC drilling at the recently-acquired Enterprise Metals farm-in project to aid geological interpretation and provide quality geochemical coverage of the interpreted Karalundi Formation, which hosts the DeGrussa and Monty copper-gold deposits;
- RC drilling to test geochemically anomalous areas in the Doolgunna Project; and
- AC drilling at the Ned's Creek Project targeting shear-hosted epigenetic copper mineralisation.

Following is a summary of drilling (in metres) completed during the 2017 Financial Year.

| Project | AC/RAB Drilling | RC Drilling | UG Diamond Drilling | Surface Diamond Drilling | Total Drilling |
|---|---|---|---|---|---|
| Doolgunna (SFR 100%) | 36,179 | 10,883 | 11,590 | 3,886 | 62,538 |
| Ned's Creek (SFR 100%) | 16,457 | - | - | - | 16,457 |
| Springfield JV (SFR 70%) | 55,870 | 9,594 | - | 6,045 | 71,509 |
| Enterprise JV (Earn-in) | 48,627 | 1,945 | - | 1,570 | 52,142 |
| **TOTAL FY2017** | **157,133** | **22,422** | **11,590** | **11,501** | **202,646** |

***Springfield Exploration Joint Venture***
The Springfield Exploration JV project comprise the Springfield, Halloween and Halloween West Projects, which abut Sandfire's DeGrussa-Doolgunna tenements. The projects are being explored under a Joint Venture agreement with Talisman Mining Limited under which Sandfire has earned 70%. Exploration programs planned or currently in progress in the Springfield JV area include:

- Deep diamond drilling at the Monty deposit targeting potential along-strike mineralisation within the same host sediment sequence;
- Ongoing DHEM surveying of deep RC and deep diamond drilling holes; and
- Continued systematic AC drilling over the Monty, Monty South and South-Eastern Volcanics Prospect areas.

The discovery of the high-grade Monty deposit bolsters the eastern Bryah Basin as a highly prospective exploration district with excellent potential for additional VMS discoveries.

Deep diamond drilling at Monty targeted potential down-dip and along-strike mineralisation within the same host sediment sequence as the Monty deposit. The holes were used to close off any potential mineralisation located at depth and will provide deep platforms for DHEM surveying.

AC drilling at Springfield continues to inform the geological setting in the district. Analytical data from the drilling is appraised using a geochemical data evaluation protocol that has been developed by Sandfire for target generation in the Bryah Basin. Target areas will be subject to follow-up drilling and DHEM.

Geological interpretation of the Springfield Project is ongoing.

***Doolgunna Project***
Regional diamond, RC and AC drilling at the Doolgunna Project was focused on the Red Bore East, Homestead and Shed Well prospects.

At Red Bore East, drilling was designed to in-fill current gaps in geochemical and DHEM coverage, and test geological modelling of the C5 host horizon along strike from the DeGrussa Mine.

At the Homestead Prospect, exploration diamond drilling was designed to target a DHEM anomaly plate within the Karalundi Formation. Drilling successfully intersected the target DHEM plates and hit carbonaceous shale with bedded pyrite and pyrrhotite of the Karalundi Formation. Further work is underway to trace the carbonaceous shale unit within the Homestead Prospect.

At the Shed Well Prospect, drilling targeted geochemical anomalies and prospective horizons within the Karalundi Formation. Interpretation is ongoing within the Shed Well Prospect to trace the prospective host packages.

Analytical results from the drilling will be used for anomaly identification and target vectoring purposes.

***Enterprise Project***
Sandfire entered into a Farm-in Agreement with Enterprise Metals Limited (ASX: ENT) in October 2016 to earn up to a 75% interest in Enterprise's Doolgunna Project, which adjoins Sandfire's Doolgunna tenements to the south. The Enterprise tenements cover over 60km of strike of the southern boundary of the Bryah Basin and the northern part of the Yerrida Basin. The southern Bryah Basin contains the Narracoota/Karalundi Formations which host the DeGrussa and Monty copper-gold deposits. The Company considers that the Enterprise tenements offer the potential for new copper-gold discoveries.

A major regional AC exploration drilling program commenced during the year at the Vulcan Prospect, designed to provide geochemical coverage and aid detailed geological interpretation to be used for further targeting.

## Operational review

To date, the Vulcan Prospect is considered structurally and geologically complex, with Doolgunna Formation, DeGrussa Footwall and DeGrussa Main, and Sandfire Formations all intersected in AC drilling.

Minor intersections of magnetite and haematite rich, exhalite sediment with disseminated pyrite have been encountered and geological interpretation is underway to track the strike extent of these horizons for further targeting.

Regional diamond and RC drilling also commenced at the Enterprise Project late in the reporting period, focused on the Vulcan and Vulcan West prospects. Further drill planning will proceed with geological interpretation.

***Ned's Creek Project (including Thaduna)***

Sandfire executed an agreement with Ventnor Resources Limited (ASX: VRX) and Delgare Pty Ltd (a wholly owned subsidiary of Ventnor) to purchase the remaining 65% of the Thaduna/Green Dragon Copper Project, increasing the Company's stake to 100%.

The purchase was completed on the following terms:

- On settlement, a transfer of Sandfire shares to Ventnor or its nominee to a value of $2,000,000;
- A further payment of $1,000,000 if Sandfire proceeds with a decision to mine from the Project; and
- A 2.0% Net Smelter Royalty (NSR) payable up to 90,000 tonnes of recovered copper production and an ongoing NSR of 1.0% on further production.

AC drilling at the Ned's Creek Project during the reporting period was designed to test identified fault systems and understand the orientation and thickness of the structures, as well as their potential to host economic copper mineralisation.

Detailed interpretation is underway to understand the systems intersected in this drilling.

## AUSTRALIAN EXPLORATION

### Sandfire has a number of exploration projects and joint ventures around Australia including the Temora, Marsden South and Wingrunner Projects in New South Wales (NSW); the Breena Plains, Wilgunya and Altia Projects in Queensland; and the Borroloola Project in the Northern Territory.


***NSW – Temora Exploration***

Significant developments during the year included the discovery of a zone of porphyry copper-gold mineralisation at the Donnington prospect, part of the 100%-owned Temora Project in NSW. To date, eight holes have been completed into the target area, including at the nearby Punch prospect. The extent of the mineralisation is still being defined and further work is required to understand the size and shape of the higher grade system.

Significant intersections reported during the 2017 Financial Year are summarised below:

| Project | Hole Number | Easting (m) | Northing (m) | Total Depth (m) | Azimuth | Dip | Depth from (m) | Interval (m) | Cu (%) | Au (g/t) |
|---|---|---|---|---|---|---|---|---|---|---|
| Donnington | TMMRD006 | 534604 | 6218741 | 460 | 090 | -60 | 287 | 125 | 0.32 | 0.46 |
| | Including | | | | | | 314 | 44 | 0.41 | 0.62 |
| | | | | | | | 364 | 28 | 0.39 | 0.61 |
| Punch | MHACD208 | 534533 | 6219084 | 250 | 0 | -90 | 64 | 15 | 0.11 | 0.32 |

Reported at >0.3% CuEq (Cu x 0.55 Au), including at >0.5% CuEq with up to 3m internal dilution.

Holes at 236m RL in MGA94 Zone 55.

Down-hole intervals are not true widths.

## INTERNATIONAL EXPLORATION – BLACK BUTTE COPPER PROJECT, CENTRAL MONTANA, USA


Sandfire holds a 78% interest, via North American-listed company Tintina Resources (TSX.V: TAU), in the premier, high-grade Black Butte Copper Project, located in central 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 ranch land, the Black Butte 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 15.7Mt grading 3.4% Cu, 0.1% Co and 14g/t Ag for 533,600t of contained copper and Inferred Resources totalling 2.3Mt grading 2.8% Cu, 0.09% Co and 14g/t Ag for 63,500t 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. This makes Black Butte one of the top-10 undeveloped copper projects worldwide by grade.

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.

Sandfire and Tintina are committed to ensuring the protection of the natural environment in the surrounding area, with the proposed mine being wholly underground, with no open pit and minimal surface footprint. The underground workings have been designed so that water cannot run out of the mine.

Sandfire views the Black Butte Project as an excellent and complementary strategic fit with its flagship DeGrussa Copper-Gold Project in Western Australia and a key part of its longer term growth pipeline – and will continue to support Tintina both financially and by contributing its project development and operational expertise to assist with the permitting, financing and development of the project.

During the reporting period, Tintina received a third round of response comments from the Montana Department of Environmental Quality (MT DEQ) with regards to its submission in the Complete and Compliant portion of the Black Butte Copper Mine Operating Permit ("MOP") process.

The MT DEQ identified a few remaining issues requiring clarification and to which the Company responded. Subsequent to the end of the reporting period, Tintina received formal notification from the Montana Department of Environmental Quality that the Black Butte Project's Mine Operating Permit is now considered to be "Complete and Compliant" in accordance with all State rules and regulations relating to the operating plan. Once the project achieves Complete and Compliant status, a draft Mine Operating Permit will be transmitted and the process moves forward to the next step: a full Environmental Impact Study (EIS).

The EIS will be a comprehensive third-party review of the MOP and will result in a Final Record of Decision, allowing project construction to commence. In addition, Tintina will be required to attain other permits such as Air Quality, Public Water Supply, and a Montana Pollutant Discharge Elimination System (MPDES). A Clean Water Act 404 permit is currently in process.

## CORPORATE

***Investments – Tintina Resources Inc (Tintina; TSX-V: TAU)***

The Group increased its stake in North American copper development company Tintina from 57% to 61% during the period. The additional shareholding, comprising 70,691,163 shares at an average price of C$0.06 per share, was acquired by Sandfire executing its subscription privileges to purchase their pro rata share of common shares offered under Tintina's rights offer, which closed on 19 October 2016. Total consideration for the purchase amounted to C$4,241,000 ($4,250,000).

Subsequent to the end of the reporting period, Sandfire increased its stake in Tintina Resources and the Black Butte Copper Project from 61% to 78% through the acquisition of shares from a fellow shareholder.

## Operational review

***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 the Company's DeGrussa project. 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.

***Farm-in agreement with Enterprise Metals Ltd (Enterprise)***

Sandfire entered into a Farm-in Agreement with Enterprise to earn up to a 75% interest in Enterprise's Doolgunna Project, which adjoins Sandfire's Doolgunna tenements to the south.

Under the terms of the agreement, Sandfire issued Enterprise 58,431 ordinary fully paid shares at commencement and must spend a minimum of $1.5 million on exploration within two years. Sandfire may withdraw at any time after it has satisfied the Minimum Expenditure Condition without penalty. Sandfire then has the option to sole fund exploration to define a JORC 2012 compliant Mineral Resource of 50,000 tonnes of contained copper or copper equivalent resource, to earn a 75% interest in the Tenements. There is no time limit for Sandfire to satisfy the earn-in.

***Farm-in agreement with Great Western Exploration Ltd (GTE)***

Sandfire entered into a Farm-in Agreement with GTE to earn up to an initial (first earn-in) 70% interest in GTE's northern Yerrida tenements, located in Western Australia. Under the terms of the agreement, Sandfire issued GTE 82,652 ordinary fully paid shares at commencement and must spend a minimum of $1.7 million on exploration within three years to define a mineral resource of 50,000 tonnes of contained copper equivalent under the JORC 2012 code. Sandfire may withdraw at any time after it has satisfied the Minimum Expenditure Condition without penalty.

Sandfire then has the option to earn a further 10% (second earn-in) by sole funding the completion of a Feasibility Study. There is no time limit for Sandfire to satisfy the second earn-in.

***Board and management***

The Company announced the resignation of Mr Michael Spreadborough as Chief Operating Officer with effect from 30 September 2016. Mr Martin Reed filled the role of interim Chief Operating Officer from October 2016. Mr Richard Beazley replaced Mr Martin Reed as interim Chief Operating Officer on 4 September 2017.

On 30 December 2016, the Company announced the appointment of Dr Roric Smith as independent Non-executive Director and the resignation of Mr John W Evans as Non-executive Director.

# SUSTAINABILITY

## Sandfire works hard to maintain open and transparent relationships with our stakeholders. During the year, we developed a Sustainability Strategy to guide Sandfire over the period 2017-2021.

We aim to achieve high standards in safety, environmental management, productivity, governance and transparency whilst also delivering positive outcomes for society.

The strategy links the numerous activities supporting sustainable development throughout the company and connects them to broader goals. It also supports our broader business strategy, underscoring how sustainability fits with our business objectives including growth, supporting our people and safety.

Considering Sandfire's sustainability issues, four focus areas were identified for our strategy and these are shown in the diagram below. Actions and goals have been developed for each focus area. We concentrated on areas in which we have the skills and resources to allow us to make a meaningful impact and positively contribute to the achievement of sustainable development.

- Operating responsibly – We will undertake our work in a manner that respects and supports people and the environment by minimising negative impacts and supporting positive outcomes.
- Supporting economic development - We acknowledge that our success supports the economic empowerment of individuals and communities and we aim to maximise benefits and minimise negative impacts of our economic influence.
- A safe and supportive workforce - We place the highest emphasis on providing a safe and inclusive workplace. We aim to enable all employees to develop the skills they need to reach their potential in our organisation.
- Respect and accountability - We will engage respectfully with our stakeholders, behave ethically and with integrity at all times in our work and meet stakeholder expectations for accountability and transparency.

The 2017 Sustainability Report has been prepared in accordance with the GRI Standards Core option.


The 2017 Sustainability Report can be viewed at www.sandfire.com.au

Please email admin@sandfire.com.au or phone +61 8 6430 3800 to request the report to be mailed to you.


# GOVERNANCE

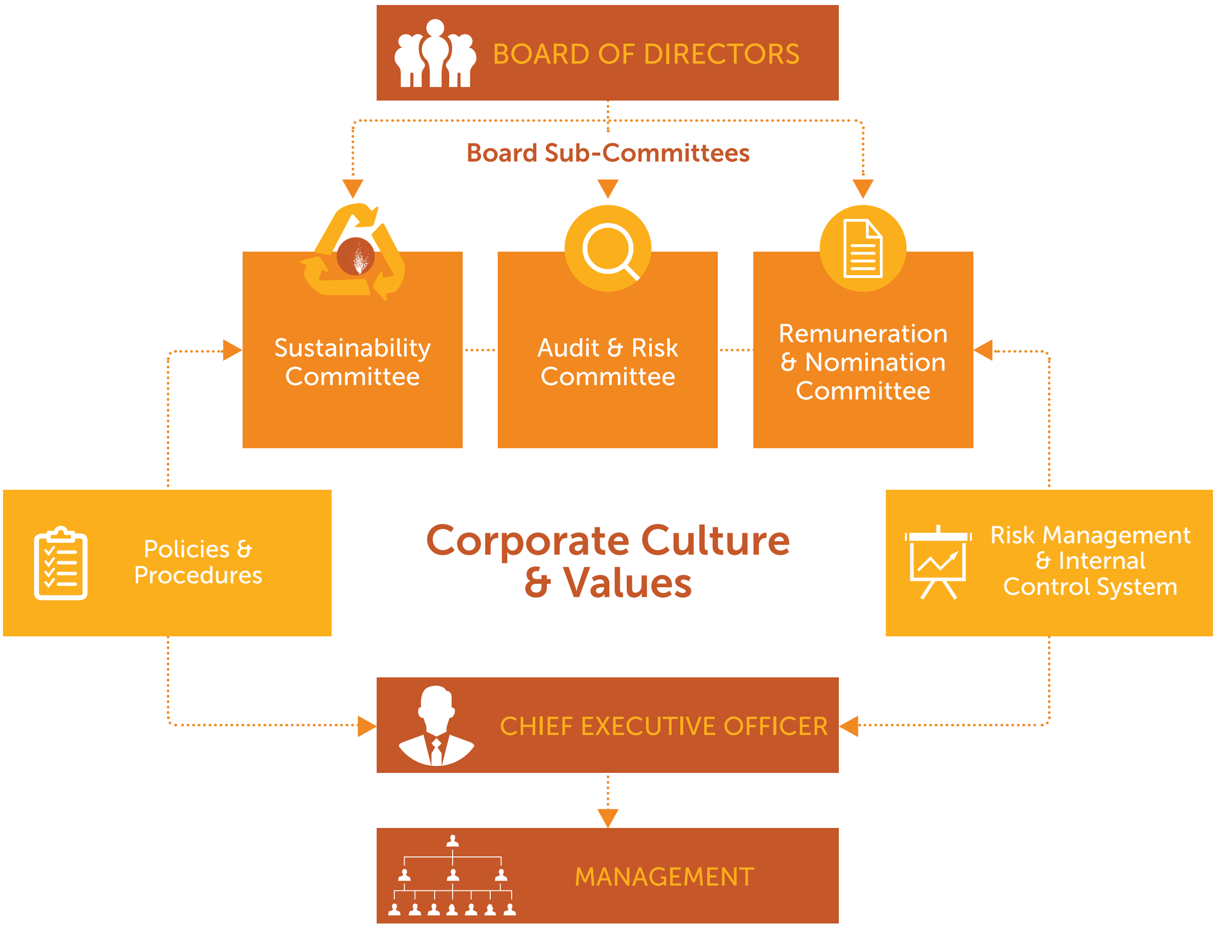
## The Board and all levels of management are fully committed to maintaining and enhancing corporate governance so that it continues to contribute to Sandfire's vision to build a sustainable, mid-tier mining company operating in the upper quartile of global performance benchmarks.

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.

Sandfire's corporate governance statement sets out the key features of Sandfire's governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Government Council (Council). Sandfire's Corporate Governance Statement is current as at 29 August 2017 and has been approved by the Board. As at 29 August 2017 the Company is fully compliant with the ASX Principles and Recommendations made by the Council. The full Corporate Governance Statement and policies, and charters referred to in this statement are available at www.sandfire.com.au.

Please email admin@sandfire.com.au or phone +61 8 6430 3800 to request the report to be mailed to you.

**Sandfire's Governance Framework**



# ORE RESERVE AND MINERAL RESOURCE

### DeGrussa Mine Underground - Ore Reserve and Mineral Resource as at 31 December 2016

| | 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 | 0.6 | 5.8 | 1.9 | 35,000 | 35,000 | Measured | 0.5 | 6.9 | 2.1 | 37,000 | 37,000 |
| | Probable | - | - | - | - | - | Indicated | - | - | - | - | - |
| | | | | | | | Inferred | - | - | - | - | - |
| | **Total** | **0.6** | **5.8** | **1.9** | **35,000** | **35,000** | **Total** | **0.5** | **6.9** | **2.1** | **37,000** | **37,000** |
| Conductor 1 | Proved | 1.9 | 4.1 | 1.4 | 79,000 | 89,000 | Measured | 2.2 | 5.0 | 1.7 | 108,000 | 117,000 |
| | Probable | 0.2 | 4.0 | 1.6 | 7,000 | 9,000 | Indicated | 0.2 | 4.7 | 1.9 | 9,000 | 12,000 |
| | | | | | | | Inferred | 0.1 | 5.4 | 1.4 | 6,000 | 5,000 |
| | **Total** | **2.1** | **4.0** | **1.4** | **86,000** | **98,000** | **Total** | **2.5** | **5.0** | **1.7** | **124,000** | **135,000** |
| Conductor 4 | Proved | 1.4 | 4.5 | 1.4 | 63,000 | 64,000 | Measured | 1.4 | 5.6 | 1.8 | 80,000 | 81,000 |
| | Probable | 0.4 | 4.8 | 1.4 | 17,000 | 16,000 | Indicated | 0.3 | 6.4 | 2.1 | 18,000 | 19,000 |
| | | | | | | | Inferred | 0.1 | 3.9 | 1.5 | 5,000 | 6,000 |
| | **Total** | **1.7** | **4.6** | **1.4** | **80,000** | **80,000** | **Total** | **1.8** | **5.6** | **1.8** | **103,000** | **107,000** |
| Conductor 5 | Proved | 1.6 | 4.9 | 2.1 | 77,000 | 107,000 | Measured | 1.5 | 6.2 | 2.5 | 92,000 | 122,000 |
| | Probable | - | - | - | - | - | Indicated | <0.1 | 4.2 | 1.1 | 1,000 | 1,000 |
| | | | | | | | Inferred | 0.1 | 7.7 | 2.2 | 4,000 | 4,000 |
| | **Total** | **1.6** | **4.9** | **2.1** | **77,000** | **107,000** | **Total** | **1.6** | **6.2** | **2.5** | **97,000** | **127,000** |
| Stockpiles | Proved | 0.1 | 4.2 | 1.7 | 4,000 | 5,000 | Measured | 0.1 | 4.2 | 1.7 | 4,000 | 5,000 |
| **Total** | **Proved** | **5.6** | **4.6** | **1.7** | **257,000** | **301,000** | **Measured** | **5.7** | **5.6** | **2.0** | **322,000** | **363,000** |
| | **Probable** | **0.5** | **4.6** | **1.5** | **24,000** | **25,000** | **Indicated** | **0.5** | **5.6** | **2.0** | **28,000** | **32,000** |
| | | | | | | | **Inferred** | **0.3** | **5.2** | **1.6** | **15,000** | **15,000** |
| | **Total** | **6.1** | **4.6** | **1.7** | **281,000** | **326,000** | **Total** | **6.5** | **5.6** | **2.0** | **365,000** | **411,000** |

### DeGrussa Mine Open Pit - Ore Reserve and Mineral Resource as at 31 December 2016

| | 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** | **90,000** |

# Ore Reserve and Mineral Resource

### DeGrussa Mine Total – Ore Reserve and Mineral Resource as at 31 December 2016

| | 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 | 0.6 | 5.8 | 1.9 | 35,000 | 35,000 | Measured | 0.5 | 6.9 | 2.1 | 37,000 | 37,000 |
| | Probable | - | - | - | - | - | Indicated | - | - | - | - | - |
| | | | | | | | Inferred | - | - | - | - | - |
| | **Total** | **0.6** | **5.8** | **1.9** | **35,000** | **35,000** | **Total** | **0.5** | **6.9** | **2.1** | **37, 000** | **37,000** |
| Conductor 1 | Proved | 1.9 | 4.1 | 1.4 | 79,000 | 89,000 | Measured | 2.2 | 5.0 | 1.7 | 108,000 | 117,000 |
| | Probable | 0.2 | 4.0 | 1.6 | 7,000 | 9,000 | Indicated | 0.2 | 4.7 | 1.9 | 9,000 | 12,000 |
| | | | | | | | Inferred | 0.1 | 5.4 | 1.4 | 6,000 | 5,000 |
| | **Total** | **2.1** | **4.0** | **1.4** | **86,000** | **98,000** | **Total** | **2.5** | **5.0** | **1.7** | **124,000** | **135,000** |
| Conductor 4 | Proved | 1.4 | 4.5 | 1.4 | 63,000 | 64,000 | Measured | 1.4 | 5.6 | 1.8 | 80,000 | 81,000 |
| | Probable | 0.4 | 4.8 | 1.4 | 17,000 | 16,000 | Indicated | 0.3 | 6.4 | 2.1 | 18,000 | 19,000 |
| | | | | | | | Inferred | 0.1 | 3.9 | 1.5 | 5,000 | 6,000 |
| | **Total** | **1.7** | **4.6** | **1.4** | **80,000** | **80,000** | **Total** | **1.8** | **5.6** | **1.8** | **103,000** | **107,000** |
| Conductor 5 | Proved | 1.6 | 4.9 | 2.1 | 77,000 | 107,000 | Measured | 1.5 | 6.2 | 2.5 | 92,000 | 122,000 |
| | Probable | - | - | - | - | - | Indicated | <0.1 | 4.2 | 1.1 | 1,000 | 1,000 |
| | | | | | | | Inferred | 0.1 | 7.7 | 2.2 | 4,000 | 4,000 |
| | **Total** | **1.6** | **4.9** | **2.1** | **77,000** | **107,000** | **Total** | **1.6** | **6.2** | **2.5** | **97,000** | **127,000** |
| Stockpiles | Proved | 2.9 | 1.4 | 1.0 | 39,000 | 89,000 | Measured | 2.9 | 1.4 | 1.0 | 39,000 | 89,000 |
| | | | | | | | Indicated | 0.2 | 0.2 | 1.1 | <1,000 | 5,000 |
| **Total** | **Proved** | **8.4** | **3.5** | **1.4** | **292,000** | **385,000** | **Measured** | **8.5** | **4.2** | **1.6** | **356,000** | **447,000** |
| | **Probable** | **0.5** | **4.6** | **1.5** | **24,000** | **25,000** | **Indicated** | **0.7** | **4.3** | **1.8** | **29,000** | **38,000** |
| | | | | | | | **Inferred** | **0.3** | **5.2** | **1.6** | **15,000** | **15,000** |
| | **Total** | **8.9** | **3.6** | **1.4** | **316,000** | **410,000** | **Total** | **9.5** | **4.2** | **1.6** | **400,000** | **500,000** |

Note:

(a) Mineral Resource is based on a 1.0% Cu cut-off and allows for mining depletion and sterilisation as at 31 December 2016.

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

### Ore Reserve Summary

The DeGrussa Ore Reserve update is based on mining depletion and a revision of mining modifying factors to 31 December 2016. Mining modifying factors were revised for all deposits and updated to reflect experience to date and future planned mining. This has resulted in a small decrease in both internal and external dilution and a small increase in mining recovery compared to the factors used for the Ore Reserves declared as at 31 December 2015.

Measured and Indicated Mineral Resources not converted to Ore Reserves are summarised in the table below. These mineral resources are generally located at the extremities, in the hangingwall and footwall of the main deposits are geometrically complex and/or narrow. Detailed technical and economic assessment is to be completed to determine conversion potential.

## Ore Reserve and Mineral Resource

### DeGrussa Mine Underground – Measured and Indicated Mineral Resources not converted to Ore Reserves as at 31 December 2016

| | Mineral Resource | | | | | |
|---|---|---|---|---|---|---|
| Deposit | Resource category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (t) | Contained Gold (oz) |
| DeGrussa | Measured | 0.1 | 4.5 | 1.5 | 2,000 | 3,000 |
| | Indicated | - | - | - | - | - |
| | **Total** | **0.1** | **4.5** | **1.5** | **2,000** | **3,000** |
| Conductor 1 | Measured | 0.5 | 4.3 | 1.3 | 23,000 | 23,000 |
| | Indicated | 0.1 | 4.6 | 1.8 | 4,000 | 5,000 |
| | **Total** | **0.6** | **4.3** | **1.4** | **27,000** | **28,000** |
| Conductor 4 | Measured | 0.3 | 4.5 | 1.4 | 13,000 | 13,000 |
| | Indicated | 0.1 | 4.9 | 2.0 | 5,000 | 7,000 |
| | **Total** | **0.4** | **4.6** | **1.6** | **18,000** | **20,000** |
| Conductor 5 | Measured | 0.3 | 4.5 | 1.6 | 12,000 | 13,000 |
| | Indicated | <0.1 | 4.2 | 1.1 | 1,000 | 1,000 |
| | **Total** | **0.3** | **4.4** | **1.5** | **12,000** | **14,000** |
| **Total** | **Measured** | **1.1** | **4.4** | **1.4** | **50,000** | **51,000** |
| | **Indicated** | **0.2** | **4.7** | **1.9** | **10,000** | **13,000** |
| | **Total** | **1.4** | **4.4** | **1.5** | **60,000** | **64,000** |

Note:

(a) Measured and Indicated Mineral Resources not converted to Ore Reserves are based on a 1.0% Cu cut-off as at 31 December 2016.

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

### Monty Mine Underground - Ore Reserve and Mineral Resource as at 31 March 2017

| | Ore Reserve | | | | | | Mineral Resource | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit | Reserve Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (t) | Contained Gold (oz) | Reserve Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (t) | Contained Gold (oz) |
| Monty | Proved | - | - | - | - | - | Measured | - | - | - | - | - |
| | Probable | 0.92 | 8.7 | 1.4 | 80,000 | 42,000 | Indicated | 1.04 | 9.3 | 1.6 | 97,000 | 54,000 |
| | | | | | | | Inferred | 0.01 | 20.7 | 2.7 | 2,000 | 1,000 |
| | **Total** | **0.92** | **8.7** | **1.4** | **80,000** | **42,000** | **Total** | **1.05** | **9.4** | **1.6** | **99,000** | **55,000** |
| Sandfire Resources NL 70% Interest | Proved | - | - | - | - | - | Measured | - | - | - | - | - |
| | Probable | 0.64 | 8.7 | 1.4 | 56,000 | 29,000 | Indicated | 0.73 | 9.3 | 1.6 | 68,000 | 38,000 |
| | | | | | | | Inferred | 0.01 | 20.7 | 2.7 | 1,000 | 1,000 |
| | **Total** | **0.64** | **8.7** | **1.4** | **56,000** | **29,000** | **Total** | **0.74** | **9.4** | **1.6** | **69,000** | **39,000** |
| Talisman Mining Ltd 30% Interest | Proved | - | - | - | - | - | Measured | - | - | - | - | - |
| | Probable | 0.28 | 8.7 | 1.4 | 24,000 | 13,000 | Indicated | 0.31 | 9.3 | 1.6 | 29,000 | 16,000 |
| | | | | | | | Inferred | 0.00 | 20.7 | 2.7 | 1,000 | - |
| | **Total** | **0.28** | **8.7** | **1.4** | **24,000** | **13,000** | **Total** | **0.32** | **9.4** | **1.6** | **30,000** | **16,000** |

Note:

(a) Calculations have been rounded to the nearest 1,000t, 0.1% Cu grade and 1,000t Cu metal, 0.1g/t Au grade, 1000oz Au metal, differences may occur due to rounding.

(b) Mineral Resource estimate for the Monty deposit as of 31 March 2016. SFR ASX release 13 April 2016.

(c) Included within the Ore Reserve is marginal grade material that is currently sub-economic that could become economic in the future. The quantity of this material is 10,000 tonnes at 2.5% Cu for 246 tonnes of copper and 0.6 g/t Au for 200 ounces of gold. This material represents 1% of the Ore Reserve tonnes and less than 1% of the contained copper and gold.

# FINANCIAL REPORT
## For the year ended 30 June 2017

## Contents

# 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 2017 (the reporting period) and the auditor's report thereon.

### 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<br>Independent Non-Executive Chairman | Appointed 17 May 2010 |
| Mr Karl Simich<br>Managing Director & Chief Executive Officer | Appointed Director 27 September 2007<br>Managing Director and Chief Executive Officer since 1 July 2009 |
| Mr Robert Scott<br>Independent Non-Executive Director | Appointed 30 July 2010 |
| Mr Paul Hallam<br>Independent Non-Executive Director | Appointed 21 May 2013 |
| Ms Maree Arnason<br>Independent Non-Executive Director | Appointed 18 December 2015 |
| Dr Roric Smith<br>Independent Non-Executive Director | Appointed 31 December 2016 |
| Mr W John Evans<br>Non-Executive Director | Appointed 2 October 2007<br>Resigned 31 December 2016 |

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

| **Derek La Ferla, age 58** | **Independent Non-Executive Chairman** |
|---|---|
| Qualifications | B.Arts, B.Juris, B.Law, Fellow of AICD |
| Experience | Mr La Ferla is a 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 a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently a Partner (on a part time basis) with Western Australian firm, Lavan and is Chairman of Veris Limited (previously called OTOC Limited) and Threat Protect Australia Limited. He is also a non-executive Director of Goldfields Money Limited. Mr La Ferla 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).<br>Non-executive Chairman of Threat Protect Australia Limited (since 3 September 2015).<br>Non-executive Chairman of Veris Limited (since 28 October 2011). |
| Special responsibilities | Member of the Remuneration and Nomination Committee.<br>Member of the Audit and Risk Committee.<br>Member of the Sustainability Committee. |

| **Karl Simich, age 53** | **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. |

### Directors (continued)

| | |
|---|---|
| **Robert Scott, age 70** | **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).<br>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). |
| Special responsibilities | Chairman of the Audit and Risk Committee.<br>Member of the Remuneration and Nomination Committee. |
| **Paul Hallam, age 62** | **Independent Non-Executive Director** |
| Qualifications | BE (Hons) Mining, FAICD, FAusIMM |
| Experience | Mr Hallam is a highly experienced resource industry executive with more than 40 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).<br>Non-executive Director of Gindalbie Metals Ltd (since December 2011). |
| Special responsibilities | Chairman of the Remuneration and Nomination Committee.<br>Member of the Audit and Risk Committee. |
| **Maree Arnason, age 52** | **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 and manufacturing sectors and 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 Wesfarmers, has broadened her work over the past 10 years to include directorships in listed and private companies.<br><br>Ms Arnason is a Non-executive Director of ASX-listed mineral sands producer MZI Resources and 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 | Chair of the Sustainability Committee.<br>Member of the Audit and Risk Committee. |
| **Roric Smith, age 55** | **Independent Non-Executive Director** |
| Qualifications | B.Sc (Hons) Geology, Ph.D Geology |
| Experience | Dr Smith is a highly experienced geologist with extensive Australian and international experience and is currently a consulting geologist for mid-tier ASX-listed gold producer Evolution Mining Limited. Until June 2016, Dr Smith was Vice President, Discovery and Chief Geologist for Evolution, where he played a key role in leading that company's exploration efforts.<br><br>Prior to joining Evolution, Dr Smith held numerous senior executive positions with the gold producer AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager – North Asia Region; and Chief Geologist Australia. Dr Smith holds a B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa. |
| Special responsibilities | Member of the Sustainability Committee. |

# Directors' Report

## 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 | 5,009,735 |
| Robert Scott | 5,000 |
| Paul Hallam | - |
| Maree Arnason | - |
| Roric Smith | - |

## 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. Mr Fitzgerald also holds the position of Non-Executive Chairman of the Company's subsidiary Tintina Resources Inc. |
| **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. |

## 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 | 4 | 4 | 4 | 4 | 3 | 4 |
| Karl Simich | 9 | 9 | - | - | - | - | - | - |
| Robert Scott | 9 | 9 | 4 | 4 | 4 | 4 | 2 | 2 |
| Paul Hallam | 9 | 9 | 4 | 4 | 4 | 4 | - | - |
| Maree Arnason | 9 | 9 | 4 | 4 | - | - | 4 | 4 |
| Roric Smith *(appointed 31 Dec 2016)* | 5 | 5 | - | - | - | - | 3 | 3 |
| W John Evans *(resigned 31 Dec 2016)* | 4 | 4 | - | - | - | - | 1 | 1 |

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.

# Directors' Report

### 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 of the Board during the year are set out below. Directors were a member of the committee for the entire period unless otherwise noted.

| Audit and Risk | Remuneration and Nomination | Sustainability |
|---|---|---|
| Robert Scott - Chairman | Paul Hallam - Chairman | Maree Arnason – Chair A |
| Derek La Ferla | Derek La Ferla | Derek La Ferla |
| Paul Hallam | Robert Scott | Roric Smith *(appointed 8 May 2017)* |
| Maree Arnason | | Robert Scott *(resigned 8 May 2017)* |
| | | W John Evans A |

A Ms Maree Arnason was appointed as Chair of the Sustainability Committee on 1 January 2017, following the resignation of Mr W John Evans on 31 December 2016.

### Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 13 cents per share, to be paid on 26 September 2017. The record date for entitlement to this dividend is 12 September 2017. The financial impact of this dividend amounting to $20,516,000 has not been recognised in the Financial Statements for the year ended 30 June 2017 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 July 2015, 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 |
|---|---|---|---|---|---|
| 7 March 2017 | 21 March 2017 | 2017 FY Interim | 5 | 5 | 7,887 |
| 12 September 2016 | 26 September 2016 | 2016 FY Final | 9 | 9 | 14,191 |
| 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 |

### Principal activities

The principal activities during the year of the consolidated Group were:

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

### Project review, strategies and future prospects

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

### Financial review

| Year ended 30 June 2017 | DeGrussa Copper Mine $000 | Other A $000 | Group $000 |
|---|---|---|---|
| Sales revenue | 513,153 | - | 513,153 |
| Realised and unrealised price adjustment gain | 19,395 | - | 19,395 |
| Profit (loss) before net finance and income tax expense | 158,489 | (44,317) | 114,172 |
| Profit before income tax expense | | | 110,404 |
| Net profit | | | 75,016 |
| Basic and diluted earnings per share | | | 49.16 cents |

A Includes the Exploration & Evaluation segment and Other Activities as detailed in Note 3 to the consolidated Financial Statements.

The DeGrussa Copper Mine contributed profit before net finance and income tax of $158.5 million (2016: $117.9 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 $44.3 million (2016: loss of $43.0 million).

Dividends of $22.1 million were declared during the year, comprising $14.2 million in respect of the 2016 financial year. On 30 August 2017 the Directors of the Company announced a final dividend on ordinary shares in respect of the 2017 financial year. The total of the dividend is $20.5 million and represents a fully franked dividend of 13 cents per share. The dividend has not been provided for in the consolidated Financial Statements for the year ended 30 June 2017.

# Directors' Report

## Financial review (continued)

### *Sales revenue*

| DeGrussa Copper Mine | 30 Jun 2017 $000 | 30 Jun 2017 % |
|---|---|---|
| Revenue from sales of copper in concentrate | 449,984 | 87.7 |
| Revenue from sales of gold in concentrate | 56,947 | 11.1 |
| Revenue from sales of silver in concentrate | 6,222 | 1.2 |
| | **513,153** | **100.0** |

A total of 26 shipments were completed from Port Hedland and Geraldton during the year.

Realised and unrealised priced adjustment gains of $19.4 million were recorded for the period as a result of a net increase in commodity prices during quotational sales periods (QP).

From time to time the Group may utilise QP hedging to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. 12,450 tonnes of copper sales subject to QP were hedged under vanilla USD copper swaps during the year ended 30 June 2017. A gain of $2.1 million has been recognised as part of other income with respect to closed hedges. The hedges were considered to be economic hedges, however were not designated into a hedging relationship for accounting purposes.

### *Operations costs*

| DeGrussa Copper Mine | 30 Jun 2017 $000 | 30 Jun 2016 $000 |
|---|---|---|
| Mine operations costs | 115,533 | 118,378 |
| Employee benefit expenses | 31,079 | 35,764 |
| Freight, treatment and refining expenses | 84,182 | 90,616 |
| Changes in inventories of finished goods and work in progress | 3,883 | 2,723 |
| | **234,677** | **247,481** |

### *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 2017 the Group's Exploration and Evaluation segment contributed a loss before net financing expense and income tax of $33.1 million (2016: $33.2 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure for areas of interest not yet considered to be commercially viable is expensed as incurred.

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

(b) 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;

(c) Other Australian exploration projects;

(d) Expenditure arising on the consolidation of the Group's controlled entities, including the Group's investment in Tintina Resources Inc; and

(e) Expenditure associated with the Group's equity accounted investments, including the Group's investment in WCB Resources Ltd.

### *Depreciation and amortisation*

| | WDV June 2017 $000 | WDV June 2016 $000 | Depreciation and amortisation during the year $000 |
|---|---|---|---|
| Mine properties | 190,320 | 209,167 | 79,253 |
| Plant and equipment, including assets under construction | 178,696 | 198,019 | 38,068 |
| **Total depreciation and amortisation** | | | **117,321** |

### *Investments – Tintina Resources Inc*

Tintina contributed $6.3 million (2016: $3.8 million) in losses to the Group's result for the year ended 30 June 2017. $3.8 million (2016: $2.1 million) of these losses are attributable to the members of the parent entity, Sandfire.

### *Income tax expense*

Income tax expense of $35.4 million for the year consists of current and deferred tax expense and is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for temporary differences between tax and accounting treatments. Cash tax payments during the year amounted to $27.6 million. As at 30 June 2017, the Group has a $20.5 million current tax payable with respect to the 2017 financial year.

# Directors' Report

## Financial review (continued)

***Financial Position***
Net assets of the Group have increased by $58.2 million to $441.8 million during the reporting period.

*Cash balance*
Group cash on hand was $126.7 million as at 30 June 2017 (the Company $123.6 million).

*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.

*Exploration and evaluation assets*
Exploration and evaluation assets have increased by $3.4 million since 30 June 2016 predominantly due to the acquisition of the Thaduna/Green Dragon Copper Project from Ventnor Resources Ltd ($2.2 million).

*Mine properties*
The Company invested $55.8 million in underground mine development activities during the year at the DeGrussa Mine, to establish decline and development access to the sulphide ore bodies ahead of stoping activities. A further $3.8 million has been invested in the Monty Copper-Gold Project with the commencement of site-based development activities, including excavation of the box-cut for underground access and construction of the 14km long haul road.

*Plant and equipment, including assets under construction*
Plant and equipment, including assets under construction, at cost have increased by $17.7 million to $351.8 million at the end of the year.

*Current and deferred tax liabilities*
Taxable profit on operations during the year exceeded tax instalments resulting in the Group booking a current income tax liability of $20.5 million at year end. In addition, the Group has booked a net deferred tax liability position of $48.4 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*
In light of its strong cash position and the improvement in the Australian Dollar copper price over the past 12 months, the Company elected to repay the full outstanding balance in its Revolver Facility on 31 January 2017. The Company retained access to the $85 million Revolver Facility, which can be redrawn if necessary.

This marks a significant milestone for the Company, with the original $380 million DeGrussa Finance Facility, secured in 2011 to fund the DeGrussa Copper Project, fully repaid nearly 12 months ahead of the scheduled repayment.

The Company also elected not to renew the $25 million working capital facility with ANZ, which could 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 $216.1 million for the year. Net cash flow from operating activities prior to exploration and evaluation activities was $248.3 million for the year.

*Investing activities*
Net cash outflow from investing activities was $83.1 million for the period. This included payments for property, plant and equipment purchases ($23.1 million) and payments for mine development ($59.9 million).

*Financing activities*
Net cash outflow from financing activities of $72.4 million for the year included finance facility repayments ($50.0 million); payment of interest and other costs of finance ($1.2 million); and dividend payments ($22.3 million).

## 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.

In addition to the discussion contained above on the Group's operational and financial review, 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 DeGrussa operation.

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 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, costs and associated risks. The Group actively manages its contractors to the extent possible working within its agreements with them.

# Directors' Report

## Risks (continued)

**Business and operational (continued)**

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 2021, representing the mining of currently identified economic 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. In order to reduce the exposure to fluctuations in copper price during the Quotational Period (QP) period, the Group may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, 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, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. 12,450 tonnes of copper sales subject to QP were hedged under USD copper swaps during the 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'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.

## 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, 'Operational and financial review'.

## Significant events after the balance date

**Investment in Tintina Resources Inc**

On 31 July 2017, the Group increased its stake in North American copper development company Tintina to 78% from 61%, by acquiring a further 17% interest. The additional shareholding, comprising 54,632,580 shares, was acquired by Sandfire in an off-market transaction at an average price of C$0.13 per share, for total consideration of C$7,130,000 ($7,123,000).

## Significant events after the balance date (continued)

**Dividends**
On 29 August 2017, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $20,516,000, which represents a fully franked dividend of 13 cents per share. The dividend has not been provided for in the 30 June 2017 Financial Statements.

**Interest bearing liabilities – finance facilities**
On 29 August 2017 the Group reduced the redrawable amount of the $85 million Revolver Facility to nil.

**Related party loan**
Subsequent to 30 June 2017, Sandfire BC Holdings (Australia) Pty Ltd loaned US$1,000,000 to Tintina Montana Inc, a wholly owned subsidiary of Tintina Recourse Inc. Interest is charged at 5% per annum.

## Likely developments and expected results

The Group will continue mining operations from its DeGrussa Copper Mine; further the development of the Monty Copper-Gold Project; and continue 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 financial report under 'Operational and financial review'.

## 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.

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.

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. 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.

## Share options

**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.

**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.

**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.

**Share options expired**
No options expired during or since the end of the financial year.

## 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 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.

## Indemnification and insurance of Directors, Officers and Auditors (continued)

**Indemnification (continued)**

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 Secretaries. 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.

### Rounding

The amounts contained in this financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

### Auditor independence and non-audit services

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

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

### 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 2017, 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

Ernst & Young

F Drummond
Partner
29 August 2017



FD:JH:SFR:032

### 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:

| | 2017<br>$ |
|---|---|
| Taxation services | 109,516 |
| Other advisory services | 78,230 |
| | **187,746** |

# Directors' Report

### 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 2017.

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

**Key Outcomes for Remuneration in FY2017**

- ***Short term incentive plan***
  - 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 15%, which was a very pleasing result.
  - Executives received an average of 81% of their STI Plan target for performance against a mix of financial and non-financial individual KPIs.
  - The quarterly assessed STI was suspended on 30 June 2016 due to the prolonged period of subdued copper price in line with generally lower base metal markets.
- ***Long term incentive plan***
  - The annual award of rights was issued to executives other than the Chief Executive Officer on 30 June 2017. Rights will be granted to the CEO, subject to shareholder approval at the Company's AGM, in November 2017.
  - Subsequent to year end, the Board resolved that 67.5% of the first tranche of performance rights granted during calendar year 2015 (which had a performance period of 1 July 2015 to 30 June 2017) have vested. An independent consultant determined that Sandfire was ranked 14th out of 33 companies in the comparator group (at the 59.4th percentile).
- When considering the context of the wider mining sector and the comparative position of salaries at Sandfire as compared to market, the Committee recommended that only one KMP salary increase, reflecting an expanded job role, across the business in FY17. The CEO's salary has not increased since 1 January 2014, and the CFO's salary has not increased since 1 January 2013.
- Board and Committee fee levels for NEDs, including the Chairman, which are reviewed annually, did not increase in FY17. The fees have not increased since 1 January 2014.
- The Board and Committee engaged remuneration consultants in respect of remuneration information and long term incentive performance.

**Developments for Remuneration in FY2018 and beyond**

The LTI plan is scheduled to be reviewed by the Board by 1 July 2018, which is the third anniversary of the commencement of the plan.

The Board is confident that Sandfire's remuneration policies continue to support the Group's financial and strategic goals. We remain committed to transparency and an ongoing dialogue with shareholders on remuneration.

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*

# Directors' Report

## Remuneration report

**Contents**



### 1 Remuneration report overview

The Directors of Sandfire present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2017. The Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The report details the remuneration arrangements for Sandfire's key management personnel (KMP):

- Non-executive Directors (NEDs); and
- Executive Directors and senior executives (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 FY2017.

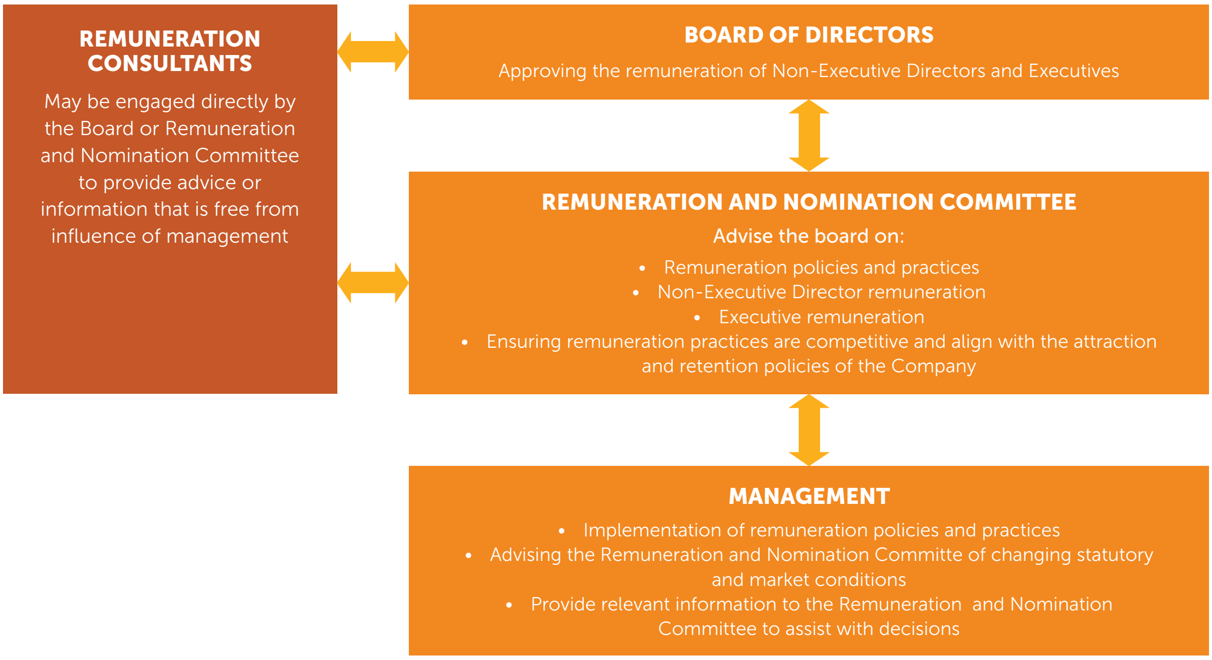
| Name | Position | Term as KMP |
|---|---|---|
| **Non-executive Directors** | | |
| Derek La Ferla | Independent Chairman | All of 2017 |
| Robert Scott | Independent NED | All of 2017 |
| Paul Hallam | Independent NED | All of 2017 |
| Maree Arnason | Independent NED | All of 2017 |
| Roric Smith | Independent NED | Appointed 31 December 2016 |
| W John Evans | NED | Resigned 31 December 2016 |
| **Executive KMP** | | |
| Karl Simich | Managing Director and Chief Executive Officer | All of 2017 |
| Martin Reed | Interim Chief Operating Officer | Appointed 1 October 2016 |
| Matthew Fitzgerald | Chief Financial Officer and Joint Company Secretary | All of 2017 |
| Robert Klug | Chief Commercial Officer and Joint Company Secretary | All of 2017 |
| Michael Spreadborough | Chief Operating Officer | Resigned 30 September 2016 |

### Remuneration report (continued)

**2 How remuneration is governed**

***Remuneration decision making***

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




The composition of the Company’s Remuneration and Nomination Committee (Committee) is set out on page 30 of this Annual Report. Further information on the Remuneration and Nomination Committee’s role, responsibilities and membership is set out in Sandfire’s Corporate Governance Statement, which 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 2017 financial year, the Committee engaged the services of independent remuneration consultant, 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 $30,000. Other services provided by Psytec included other human resources (HR) and strategic planning services. The fees for other services were $63,000.

Ernst & Young (EY) provided the Company remuneration advisory services in respect of determining the level of total shareholder return (TSR) performance against the comparator group in relation to the Company’s long term incentive (LTI) plan. No remuneration recommendations, as defined by the Corporations Act, were provided by EY during the financial year.

***Remuneration report approval at FY16 Annual General Meeting (AGM)***

The remuneration report for FY16 received positive shareholder support at the FY16 AGM with a vote of 99% in favour.

**3 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
- Attract and retain 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.

# Directors' Report

## Remuneration report (continued)

The elements of the executive remuneration framework and its connection to Sandfire's strategy are summarised below.

### VISION

The vision of Sandfire Resources is to build a sustainable, mid-tier mining company operating in the upper quartile of global performance benchmarks.

### KEY MEASURE OF SUCCESS

Sandfire is in the business of producing base and precious metals safely and profitably from its operations for the benefit of its shareholders and stakeholders. Its focus is on three business elements:

- Increasing the resource base of the company by discovering new deposits through its exploration programs;
- Securing assets that meet its investment criteria through business development initiatives and developing assets in accordance with a set of strict economic and technical criteria; and
- Managing the productivity of its operations by maximising production and rigorously controlling expenditure at all times.

### 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**

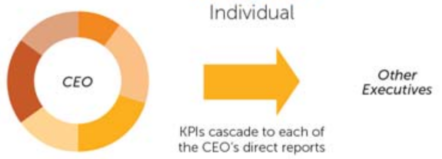
Cash and superannuation

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

**Performance Measure**

Annual KPIs

Individual




- Safety **10%**
- Business Performance **20%**
- Growth **20%**
- Company, Culture, Communication & Management Style **15%**
- Business Relationships **20%**
- General Management **15%**

**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

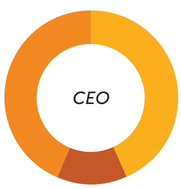
**Performance Measure**

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 |

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:




- Fixed Remuneration **44%**
- LTI **44%**
- STI **12%**


- Fixed Remuneration **53%**
- LTI **32%**
- STI **15%**

## Remuneration report (continued)

***Elements of executive remuneration***

| | |
|---|---|
| Total Fixed Remuneration (TFR) | |
| **What is included in TFR?** | An executive's total fixed remuneration comprises base pay and statutory superannuation contributions and is designed to reward for the scope of the executive's; role, skills and qualifications, and performance. |
| **When and how is TFR reviewed?** | TFR is reviewed annually taking into account market competitiveness as well as Company and individual performance. Any adjustments to TFR for the CEO and the other executive KMP must be approved by the Board after the recommendation by the Remuneration and Nomination Committee. The policy is to position TFR between the median and the upper quartile for executive KMP, against its defined market to ensure a competitive offering. The Committee may find it reasonable to shift the market positioning for the executive, based on an assessment of Company and individual performance. |
| **What is the market utilised for TFR analysis?** | 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. |
| Total Variable Remuneration (TVR) | |
| **What is included in TVR?** | An executive's total variable remuneration comprises short term incentive payments and long term incentive payments. This remuneration component is at risk. |
| Short Term Incentive (STI) Plan | |
| **Why does the Board consider the STI Plan is appropriate?** | The purpose of the STI Plan is to make a proportion of the total market reward package subject to meeting various targets linked to Sandfire's business objectives. The STI Plan is designed to focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment. |
| **What types of award are granted under this plan?** | Cash incentives are paid. The amount of the reward depends on the performance level of achievement for each key performance indicator (KPI). |
| **What is the performance period?** | The performance period for the annual STI is 1 January to 31 December.<br><br>In the prior year there was also a quarterly assessed STI. This STI was suspended on 30 June 2016 due to the prolonged period of subdued copper price in line with generally lower base metal markets. |
| **What are KPIs?** | Key Performance Indicator (KPIs) cover individual objectives that are financial and non-financial and represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value. |
| **How much TFR is at risk?** | 30% of TFR is at risk. |
| **How are KPIs set?** | The Board assesses and sets the KPIs applicable to the CEO, and the CEO cascades and sets the KPIs for each of his direct reports in consultation with the Board. |
| **What KPIs are in place for STIs?** | For calendar year 2016, the key areas of focus included keeping people safe, improving the Company's business performance, and progressing the Company's growth objectives. Please refer to the table in STI performance and outcomes for FY2017 section below for a detailed list of the CEO's KPIs, including relative weightings, and commentary on the performance assessment and achievements. |
| **What are the performance levels for the KPIs?** | The KPIs have a range of performance levels, from unsatisfactory to superior.<br><br>Performance level — Payment (% of TFR)<br>Did not meet — -<br>Adequate — 15.00%<br>Fully competent — 22.50%<br>Superior — 30.00% |
| **Who assesses performance of executives?** | The Chairman of the Board reviews the CEO's performance against each of his calendar year KPIs. The 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. |
| **What happens to the STI awards when an executive ceases employment?** | If the executive's employment is terminated for cause, no STI will be paid.<br><br>If the executive resigns before the end of the performance period, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the executive. |
| **Can Sandfire clawback STI payments?** | In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel the STI payment and may also clawback STI payments paid in previous financial years, to the extent this can be done in accordance with the law. |

## Remuneration report (continued)

Long Term Incentive (LTI) Plan

| | |
|---|---|
| **Why does the Board consider the LTI Plan appropriate?** | The Company believes that the LTI Plan can:<br>• Focus and motivate senior executives to achieve outcomes that are aligned to optimising shareholder value;<br>• Ensure that business decisions and strategic planning have regard to the Company's long term performance;<br>• Be consistent with contemporary remuneration governance guidelines;<br>• Be consistent and competitive with current practices of comparable companies; and<br>• 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 2017?** | Awards will be made annually.<br>Rights were granted to executives other than the CEO on 30 June 2017. Rights will be granted to the CEO following shareholder approval at the Company's AGM in November 2017. 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).<br>The CEO's multiplier is 1.0 x TFR; the senior executives' multiplier is 0.6 x TFR. |
| **What are the vesting conditions?** | The vesting conditions consist of a:<br>• 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; and<br>• Performance condition – Sandfire's TSR as measured against a comparator group constituting companies in the ASX200 Resources Index (ASX: XJR). |
| **What is TSR?** | TSR measures the percentage growth in a company's share price together with the value of dividends received during the period. |
| **What level of relative TSR performance is required for the performance rights to vest?** | 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.<br>**TSR ranking versus comparator group** — **Percentage of rights that vest**<br>Less than 51st percentile — Nil<br>51st percentile — 50% of rights vest<br>Greater than 51st percentile but less than 75th percentile — Between 50% and 100% rights vest<br>Greater than 75th percentile — 100% of rights vest |
| **What is the performance period?** | 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).<br>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.<br>As a transitional arrangement for the rights granted in FY2015 only, the LTI performance period commence on 1 July 2015 and rights were allocated as two equal tranches:<br>• 50% of the rights will be performance tested against the relative TSR measure for the period 1 July 2015 to 30 June 2017; and<br>• 50% of the rights will be performance tested against the relative TSR measure for the period 1 July 2015 to 30 June 2018. |
| **Why does the Board consider relative TSR is an appropriate performance measure?** | The Board considers that relative TSR is an appropriate performance hurdle because it rewards participants for superior performance on matters which they have the ability to influence. If an absolute measure was used, this may not motivate participants because Sandfire's share price is largely impacted by the USD copper price, which participants have no ability to influence. It is the most prevalent long term incentive hurdle in the ASX200 mining sector. |
| **Why does the Board consider the ASX200 Resources Index an appropriate comparator group?** | The Board considers the ASX200 Resources Index to be an appropriate comparator group because this index, like Sandfire, is exposed to the resources sector of the Australian equity market and encompasses the various external factors that affect this sector. |
| **Who calculates Sandfire's relative TSR performance?** | To ensure an objective assessment of the relative TSR comparison, the Company employs an independent consultant to calculate the TSR ranking. |
| **When is the LTI Plan scheduled to be reviewed by the Board?** | By the third anniversary of the first grant, being 1 July 2018. |

## Remuneration report (continued)

| Long Term Incentive (LTI) Plan (continued) | |
|---|---|
| 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. |
| Can Sandfire clawback LTI awards? | In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may:<br>• Reset the vesting conditions and/or alter the performance period applying to the award;<br>• Deem all awards which have not vested to have lapsed or been forfeited,<br>• Deem all or any shares following vesting of an award to have lapsed or been forfeited; and/or<br>• Where share have been allocated to an executive and have been subsequently sold, require the executive to repay the net proceeds of such as sale. |
| 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. |

***STI performance and outcomes for FY2017***

*Linking reward and performance – CEO performance objectives and key highlights*
The key financial and non-financial objectives and targets for the CEO in the 2016 calendar year (CY), with commentary on achievements are provided below.

| Category | Weighting (% of STI) | Objective and Target | Result | Achievement |
|---|---|---|---|---|
| Safety[1] | 10% | Total Recordable Injury Frequency Rate (TRIFR) ≤ 7. | Superior | Keeping our people safe is our highest priority and in CY16 Sandfire continued its trend in reducing TRIFR achieving a 15% reduction from 7.4 (CY2015) to 6.3.<br><br>Focus on improving safety leadership, culture and assurance of critical controls. |
| Business performance | 20% | FY2017 Production guidance<br><br>65-68kt of contained copper and 35-40koz of contained gold. | Fully competent | FY2016 production guidance met.<br>FY2017 production guidance on track. |
| | | FY2017 C1 Cost guidance<br><br>C1 cost US$0.95-1.05/lb | | FY2016 C1 cost guidance met.<br>FY2017 C1 cost guidance on track. |
| | | Initiates and implements all aspects of the Company's capital management programs to fund ongoing growth and development plans. | | The capital management program and cash flow position of the Company enabled the $380M DeGrussa finance facility to be fully repaid 11 months ahead of schedule. |
| Growth | 20% | Investigates and evaluates potential new business opportunities within the framework of the mission of the business and actions new initiatives where appropriate. | Fully competent | Evaluated and reviewed several new business opportunities in detail.<br><br>Monty Copper Gold Project: drill-out; maiden Mineral Resource estimate; scoping study; and feasibility study completed. Mining lease application lodged and production timelines achieved.<br><br>Farm-in agreement with Enterprise Metals Ltd achieved on highly prospective area, increasing the Doolgunna exploration area by 28%.<br><br>Multi-pronged exploration program across expanded Doolgunna tenement holding completed with systematic AC, RC and Diamond drilling activity of 145,000 metres.<br><br>Maiden drilling program undertaken on the Temora projects.<br><br>Tintina Resources Inc: progressing Mine Operating Permit process and increased holding to 61%. |
| Company culture, communication and management style | 15% | Contributes to developing a culture and a participative management style that embraces company values; teamwork; reward for performance; regular communication with and feedback from all employees. | Adequate | Various internal measures were assessed by the Chairman and after consideration of all factors, recommended outcome of adequate was approved by the Board. |

[1] In the event of a fatality no reward is made for the safety KPI.

## Remuneration report (continued)

CEO calendar year 2016 STI assessment (continued)

| Category | Weighting (% of STI) | Objective and Target | Result | Achievement |
|---|---|---|---|---|
| Business relationships | 20% | Serves as spokesman of the Company and manages the corporate image through contact with the media, industry peers, government agencies and financial institutions.<br><br>Develops and maintains effective business relationships with shareholders and other major stakeholder at the highest level through continuous contact and formal presentations. | Superior | Various measures of success were assessed by the Chairman, including effective engagement with national and international stakeholders, which the Company considers is key to the ongoing success of the Company. On this basis, the Chairman recommended outcome of superior was approved by the Board. |
| General management | 15% | Provides leadership, guidance and directs the exploration, development, operational, marketing and administrative activities of the business, by managing the heads of those functions that comprise the structure of the Company.<br><br>Ensures that GMT operates as an effective and coherent team. | Fully competent | Various measures of success were assessed by the Chairman and after consideration of all factors recommended outcome of competent was approved by the Board. |

Details of STI payments awarded to executives as a result of 2017 performance are included in the table below.

| Name | STI Payment $ | Maximum potential value of payment $ | Percentage of maximum grant awarded | Percentage of maximum grant forfeited |
|---|---|---|---|---|
| Karl Simich | 259,930 | 330,000 | 78.8% | 21.2% |
| Matthew Fitzgerald | 111,653 | 135,338 | 82.5% | 17.5% |
| Robert Klug | 102,947 | 124,785 | 82.5% | 17.5% |

***LTI performance and outcomes for FY2017***

The LTI awards on foot (including those granted as part of the 2017 LTI awards) are detailed in the table below. Should the awards not vest, the awards will expire at vesting date.

| Name | Grant | Grant date | Number of performance rights | Fair value of performance right [A] | Performance and service period | Vesting Date [B] |
|---|---|---|---|---|---|---|
| Karl Simich [C] | FY2016 | 18 Nov 2016 | 216,174 | $3.87 | 1 Jul 2016 to 30 Jun 2019 | 1 Oct 2019 |
| | FY2015 | 18 Nov 2015 | 125,842 | $3.90 | 1 Jul 2015 to 30 Jun 2018 | 1 Oct 2018 |
| | FY2015[D] | 18 Nov 2015 | 125,842 | $4.02 | 1 Jul 2015 to 30 Jun 2017 | 1 Oct 2017 |
| Matthew Fitzgerald | FY2017 | 30 Jun 2017 | 48,278 | $3.38 | 1 Jul 2017 to 30 Jun 2020 | 1 Oct 2020 |
| | FY2016 | 30 Jun 2016 | 53,194 | $2.89 | 1 Jul 2016 to 30 Jun 2019 | 1 Oct 2019 |
| | FY2015 | 20 Apr 2015 | 30,966 | $2.77 | 1 Jul 2015 to 30 Jun 2018 | 1 Oct 2018 |
| | FY2015[D] | 20 Apr 2015 | 30,966 | $2.70 | 1 Jul 2015 to 30 Jun 2017 | 1 Oct 2017 |
| Robert Klug | FY2017 | 30 Jun 2017 | 48,157 | $3.38 | 1 Jul 2017 to 30 Jun 2020 | 1 Oct 2020 |
| | FY2016 | 30 Jun 2016 | 49,046 | $2.89 | 1 Jul 2016 to 30 Jun 2019 | 1 Oct 2019 |
| | FY2015 | 20 Apr 2015 | 28,551 | $2.77 | 1 Jul 2015 to 30 Jun 2018 | 1 Oct 2018 |
| | FY2015[D] | 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 27 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 by 1 October of each year, following full year results announcement.

C In accordance with the terms of the plan and the 2017 grant of rights under the plan, Mr Simich will receive 196,198 rights on approval from shareholders at the Company's AGM in November 2017.

D Subsequent to year end an independent consultant calculated that the Company achieved a TSR of 10.50% for the performance period 1 July 2015 to 30 June 2017. This ranked Sandfire 14th out of 33 companies in the comparator group (at the 59.4th percentile). Given Karl Simich, Matthew Fitzgerald and Robert Klug met the required service condition of the LTI plan, 67.5% of rights in the first tranche met the vesting conditions. Accordingly, the Board resolved that 84,943 performance rights vest to Karl Simich; 20,902 performance rights vest to Matthew Fitzgerald; and 19,271 performance rights vest to Robert Klug.

## Remuneration report (continued)

***Legacy LTI Plans***

The **Long-term Indexed Bonus 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 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 was provided as a grant of options over ordinary shares. 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 on 15 December 2018 and the INV/test price ranges from $7.21 to $9.61.
- 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 2017 was $5.65.

With the introduction of the LTI Plan, no further awards are planned to be made under the Legacy LTI Plans.

### 4 Executive KMP contracts

Remuneration arrangements for executive KMP are formalised in employment agreements or service contracts (contracts). The following table outlines the key terms of the contracts with executives.

| Name | Term of contract | Notice period from the Company [A] | Notice period from the KMP | Treatment of STI and LTI upon termination |
|---|---|---|---|---|
| Karl Simich | Rolling service contract | 12 months | 6 months | **STI** payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company.<br>**Rights (LTI Plan):** Refer to section 3.<br>**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. |
| Matthew Fitzgerald | Ongoing employment agreement | 6 months | 6 months | **STI** payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company.<br>**Rights (LTI Plan):** Refer to section 3.<br>**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. |
| Robert Klug | Ongoing employment agreement | 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.

***Termination payments***

The following arrangements applied to outgoing executives in office during FY17.

*Michael Spreadborough*

- Mr Spreadborough resigned as the Company's Chief Operating Officer on 30 September 2016. As a result, he received a termination payment of $305,555.
- Mr Spreadborough did not receive STI payments for the financial year ending 30 June 2017.
- Awards made to Mr Spreadborough under the Company's LTI Plan lapsed on his resignation date.
- The Board permitted Mr Spreadborough to retain 600,000 options previously granted to him as remuneration. The options, granted 14 October 2013, have an expiry date of 15 July 2018.

## Remuneration report (continued)

### 5 Executive KMP actual remuneration earned in FY17

The remuneration prepared in accordance with the statutory obligations and accounting standards is outlined in section 6 of this report. The cash value of earnings realised by executive KMP in FY17 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 2017 financial year and the value of LTIs that vested during the year. This differs from the remuneration details prepared in section 6 of the 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] $ | Termination payments $ | Total actual remuneration $ |
|---|---|---|---|---|---|
| Karl Simich | 1,100,000 | 259,930 | - | - | 1,359,930 |
| Martin Reed [D] | 446,834 | - | - | - | 446,834 |
| Matthew Fitzgerald | 451,125 | 111,653 | - | - | 562,778 |
| Robert Klug | 432,975 | 102,947 | - | - | 535,922 |
| Michael Spreadborough [E] | 124,824 | - | - | 305,555 | 430,379 |

A Fixed remuneration includes base salary, superannuation and leave entitlements. 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.

D Mr Reed was appointed to the position of Interim Chief Operating Officer on 1 October 2016 and his salary and fees are paid to Pilot Hole Pty Ltd. Mr Reed did not participate in the Company's incentive plans.

E Mr Spreadborough resigned 30 September 2016.

### 6 Statutory executive KMP remuneration disclosures

| | | Short-term benefits | | Long-term benefits | Post-employment | Share-based payments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | | Salary & fees $ | STI payment [A] $ | Long service leave $ | Super-annuation $ | LTI Plan rights $ | Legacy LTI rights $ | Termination payments $ | Total $ | Performance related % |
| Karl Simich [B] | **2017** | **1,100,000** | **259,930** | - | - | **605,517** | **(16,814)[C]** | - | **1,948,633** | **43.55** |
| | 2016 | 1,100,000 | 350,350 | - | - | 417,223 | (473,213) | - | 1,394,360 | N/A |
| Martin Reed [D] | **2017** | **446,834** | - | - | - | - | - | - | **446,834** | - |
| Matthew Fitzgerald | **2017** | **431,125** | **111,653** | **26,185** | **20,000** | **106,174** | - | - | **695,137** | **31.34** |
| | 2016 | 426,125 | 140,299 | 39,987 | 25,000 | 59,107 | - | - | 690,518 | 28.88 |
| Robert Klug | **2017** | **395,411** | **102,947** | **28,851** | **37,564** | **97,897** | - | - | **662,670** | **30.31** |
| | 2016 | 379,863 | 127,820 | 36,310 | 36,087 | 54,317 | - | - | 634,397 | 28.71 |
| Michael Spreadborough [F] | **2017** | **117,786** | - | - | **7,038** | **(78,396)** | - | **305,555** | **351,983** | **N/A[E]** |
| | 2016 | 471,144 | 148,342 | 3,676 | 30,000 | 65,659 | - | - | 718,821 | 29.77 |
| **Total** | **2017** | **2,491,156** | **474,530** | **55,036** | **64,602** | **731,192** | **(16,814)** | **305,555** | **4,105,257** | **N/A** |
| | 2016 | 2,377,132 | 766,811 | 79,973 | 91,087 | 596,306 | (473,213) | - | 3,438,096 | N/A |

A Includes amounts that were earned and paid 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 2017 financial year.

B Mr Simich's remuneration is paid to Resource Development Company Pty Ltd.

C The credit of $16,814 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. Mr Simich received no cash value from this plan in FY17.

D Mr Reed was appointed to the position of Interim Chief Operating Officer on 1 October 2017 and his salary and fees are paid to Pilot Hole Pty Ltd. Mr Reed did not participate in the Company's incentive plans.

E Percentage not disclosed given the negative value in the LTI Plan rights.

F Mr Spreadborough resigned on 30 September 2016 and forfeited his LTI Plan performance rights. Any share based payments expense previously recognised under AASB 2 in respect of the rights has been reversed.

## Remuneration report (continued)

### 7 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 calibre, 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 |

***Statutory NED fee disclosures***

NED fees for the year ended 30 June 2017 and 30 June 2016 are set out below.

| | | Short-term benefits | | Post-employment | |
|---|---|---|---|---|---|
| Name | Financial year | Salary & fees $ | Other $ | Superannuation $ | Total $ |
| Derek La Ferla | **2017** | **177,637** | **-** | **12,363** | **190,000** |
| | 2016 | 173,516 | - | 16,484 | 190,000 |
| Robert Scott | **2017** | **110,011** | **-** | **4,989** | **115,000** |
| | 2016 | 110,011 | - | 4,989 | 115,000 |
| Paul Hallam [A] | **2017** | **114,617** | **-** | **10,447** | **125,064** |
| | 2016 | 191,154 | - | 15,616 | 206,770 |
| Maree Arnason [B] | **2017** | **95,890** | **-** | **9,110** | **105,000** |
| | 2016 | 46,644 | - | 4,431 | 51,075 |
| Roric Smith [C] | **2017** | **43,612** | **-** | **4,143** | **47,755** |
| W John Evans [D] | **2017** | **57,500** | [E] **32,500** | **-** | **90,000** |
| | 2016 | 115,000 | 65,000 | - | 180,000 |
| **Total remuneration** | **2017** | **599,267** | **32,500** | **41,052** | **672,819** |
| | 2016 | 636,325 | 65,000 | 41,520 | 742,845 |

A $10,064 (FY2016: $91,770) of the fees paid to Mr Hallam relate to his position of Non-executive Director for the Company's subsidiary, Tintina Resources Inc (Tintina).

B Ms Arnason was appointed as Director on 18 December 2015.

C Dr Smith was appointed as Director on 31 December 2016.

D Mr Evans resigned as Director on 31 December 2016.

E 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.

# Directors' Report

### 8 Equity instrument disclosure relating to KMP

***Shareholdings of KMP***

The movement during the year in the number of 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 16 | Purchases | Exercise of options | Sales | Balance at 30 Jun 17 | Held on resignation |
|---|---|---|---|---|---|---|
| Derek La Ferla | 21,668 | - | - | - | 21,668 | - |
| Robert Scott | 5,000 | - | - | - | 5,000 | - |
| Karl Simich | 6,009,735 | - | - | (1,000,000) | 5,009,735 | - |
| Robert Klug | 2,000 | - | - | (1,500) | 500 | - |
| W John Evans [A] | 725,215 | - | - | - | - | 725,215 |

A Mr Evans resigned as Director on 31 December 2016.

***Minimum shareholding and holding conditions***

The Company's position is that the decision to invest or hold equity in Sandfire is a personal choice of each KMP. The Company enables executives to participate as a shareholder through the LTI Plan.

***Rights disclosures***

*Reconciliation of performance rights – LTI Plan*

| Name | Balance at 1 Jul 16 | Granted as remuneration | Rights Exercised | Rights Forfeited | Balance at 30 Jun 17 | Vested and exercisable | Unvested | Maximum value of unvested rights [A] |
|---|---|---|---|---|---|---|---|---|
| Karl Simich | 251,684 | 216,175 | - | - | 467,859 | - | 467,859 | $1,833,262 |
| Matthew Fitzgerald | 115,126 | 48,278 | - | - | 163,404 | - | 163,404 | $486,289 |
| Robert Klug | 106,148 | 48,158 | - | - | 154,306 | - | 154,306 | $460,691 |
| Michael Spreadborough [B] | 127,890 | - | - | (127,890) | - | - | - | - |

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

B Mr Spreadborough resigned on 30 September 2016 and forfeited his LTI Plan performance rights.

*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 16 | Grant Date | Fair value [A] | INV [B]/ Test price | Expiry date | Initial vesting date | Number | % | Number | 15 Dec 16 Test price | 15 Jun 17 Test price | Number | % | Balance at 30 Jun 17 | Maximum value of unvested rights [D] |
| Karl Simich | 200,000 | 14 Oct 13 | $0.17 - $0.56 | $7.21 | 15 Dec 18 | 15 Jun 15 | - | - | 200,000 | $6.03 | $6.00 | - | - | 200,000 | $112,130 |
| | 200,000 | 14 Oct 13 | $0.06 - $0.35 | $8.41 | 15 Dec 18 | 15 Jun 16 | - | - | 200,000 | $6.03 | $6.00 | - | - | 200,000 | $70,681 |
| | 200,000 | 14 Oct 13 | $0.02 - $0.22 | $9.61 | 15 Dec 18 | 15 Jun 17 | 200,000 | 100 | 200,000 | - | $6.00 | - | - | 200,000 | $44,763 |
| | 500,000 | 8 Aug 11 | - | $8.66 | 15 Dec 16 | 15 Jun 13 | - | - | 500,000 | $6.03 | - | 500,000 | 100 | - | - |
| | 500,000 | 8 Aug 11 | - | $9.96 | 15 Dec 16 | 15 Jun 14 | - | - | 500,000 | $6.03 | - | 500,000 | 100 | - | - |
| | 500,000 | 8 Aug 11 | - | $11.36 | 15 Dec 16 | 15 Jun 15 | - | - | 500,000 | $6.03 | - | 500,000 | 100 | - | - |
| **Total** | **2,100,000** | | | | | | | | | | | | | **600,000** | **$227,574** |

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.

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.

# Directors' Report

## Remuneration report (continued)

***Option holdings of KMP***

The table below shows a reconciliation of the vested and exercisable options held by each KMP as at 30 June 2017.

| | Balance at 1 Jul 16 | | | | | | | Balance at 30 Jun 17 | | 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 |
| Matthew Fitzgerald | 70,000 | - | 14 Oct 13 | $1.08 | $7.60 | 15 Jul 18 | 30 Sep 14 | 70,000 | - | - | - | - |
| | 70,000 | - | 14 Oct 13 | $1.17 | $8.80 | 15 Jul 18 | 30 Sep 15 | 70,000 | - | - | - | - |
| | - | 70,000 | 14 Oct 13 | $1.28 | $10.00 | 15 Jul 18 | 30 Sep 16 | 70,000 | - | 70,000 | - | - |
| Robert Klug | 70,000 | - | 14 Oct 13 | $1.08 | $7.60 | 15 Jul 18 | 30 Sep 14 | 70,000 | - | - | - | - |
| | 70,000 | - | 14 Oct 13 | $1.17 | $8.80 | 15 Jul 18 | 30 Sep 15 | 70,000 | - | - | - | - |
| | - | 70,000 | 14 Oct 13 | $1.28 | $10.00 | 15 Jul 18 | 30 Sep 16 | 70,000 | - | 70,000 | - | - |
| Michael Spreadborough [B] | 200,000 | - | 14 Oct 13 | $1.08 | $7.60 | 15 Jul 18 | 30 Sep 14 | 200,000 | - | - | - | - |
| | 200,000 | - | 14 Oct 13 | $1.17 | $8.80 | 15 Jul 18 | 30 Sep 15 | 200,000 | - | - | - | - |
| | - | 200,000 | 14 Oct 13 | $1.28 | $10.00 | 15 Jul 18 | 30 Sep 16 | 200,000 | - | 200,000 | - | - |

A Each option carries the right to subscribe for one fully paid ordinary share in Sandfire. 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.

B Mr Spreadborough resigned on 30 September 2016. The Board permitted Mr Spreadborough to retain 600,000 options previously granted to him as remuneration.

### 9 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 2017 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 2017 $ | Balance outstanding as at 30 Jun 2017 $ |
|---|---|---|---|
| **Karl Simich**<br>Tongaat Pty Ltd | Lease of corporate office parking premises | 9,600 | - |
| **Karl Simich**<br>Resource Development Company Pty Ltd | Lease of corporate office parking premises | 9,300 | - |
| **Karl Simich**<br>Resource Development Company Pty Ltd | Corporate and financial services | 636,047 | - |
| | | 654,947 | - |

## Remuneration report (continued)

### 10 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 13 | 30 Jun 14 | 30 Jun 15 | 30 Jun 16 | 30 Jun 17 |
|---|---|---|---|---|---|
| Net profit ($'000) | 87,998 | 78,158 | 68,955 | 46,370 | 75,016 |
| Net profit attributable to equity holders of the parent entity ($'000) | 87,998 | 78,158 | 68,955 | 47,978 | 77,510 |
| Cash and cash equivalents at year end ($'000) | 77,070 | 57,590 | 107,154 | 66,223 | 126,743 |
| Secured bank loan balance at year end ($000) | (285,000) | (160,000) | (120,000) | (50,000) | - |
| Net cash inflow from operating activities ($'000) | 250,230 | 223,035 | 224,045 | 133,896 | 216,138 |
| Basic earnings per share (cents) | 57.48 | 50.22 | 44.18 | 30.54 | 49.16 |
| ASX share price at the end of the year | $5.12 | $6.22 | $5.75 | $5.23 | $5.65 |
| Dividend per share | - | 10 cents | 13 cents | 11 cents | 18 cents |

A Refer to the Operational 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 2017

# Consolidated Income Statement
## for the year ended 30 June 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Sales revenue | 4 | 513,153 | 497,165 |
| Realised and unrealised price adjustment gain (loss) | 4 | 19,395 | (11,348) |
| Other income | | 2,138 | 501 |
| Changes in inventories of finished goods and work in progress | | (3,883) | (2,723) |
| Mine operations costs | | (115,533) | (118,378) |
| Employee benefit expenses | 5 | (45,245) | (48,065) |
| Freight, treatment and refining expenses | | (84,182) | (90,616) |
| Royalties expense | | (24,625) | (21,408) |
| Exploration and evaluation expenses | | (23,208) | (24,939) |
| Depreciation and amortisation expenses | 19 | (117,321) | (99,402) |
| Share of net loss of equity accounted investments | | - | (1,478) |
| Impairment expense | 20 | (360) | (1,126) |
| Reversal of impairment | 20 | - | 2,212 |
| Administrative expenses | | (6,157) | (5,439) |
| **Profit before net finance expense and income tax expense** | | **114,172** | **74,956** |
| | | | |
| Finance income | 6 | 1,392 | 1,369 |
| Finance expense | 6 | (5,160) | (7,949) |
| Net finance expense | | (3,768) | (6,580) |
| **Profit before income tax expense** | | **110,404** | **68,376** |
| | | | |
| Income tax expense | 7 | (35,388) | (22,006) |
| **Net profit for the year** | | **75,016** | **46,370** |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | 77,510 | 47,978 |
| Non-controlling interests | | (2,494) | (1,608) |
| | | 75,016 | 46,370 |
| | | | |
| **Earnings per share (EPS):** | | | |
| Basic EPS attributable to ordinary equity holders (cents) | 8 | 49.16 | 30.54 |
| Diluted EPS attributable to ordinary equity holders (cents) | 8 | 49.16 | 30.54 |

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 2017

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Net profit for the year** | **75,016** | **46,370** |
| | | |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss in subsequent periods:* | | |
| Foreign currency translation differences, net of income tax | (381) | (1,455) |
| Gain on revaluation of available-for-sale financial assets, net of income tax | 52 | - |
| Other comprehensive income for the year, net of tax | (329) | (1,455) |
| | | |
| **Total comprehensive income for the year, net of tax** | **74,687** | **44,915** |
| | | |
| **Attributable to:** | | |
| Equity holders of the parent | 77,175 | 46,614 |
| Non-controlling interests | (2,488) | (1,699) |
| | **74,687** | **44,915** |

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

# Consolidated Balance Sheet
## as at 30 June 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 9 | 126,743 | 66,223 |
| Trade and other receivables | 16 | 15,970 | 20,467 |
| Inventories | 17 | 26,473 | 30,070 |
| Other current assets | | 3,006 | 3,407 |
| **Total current assets** | | **172,192** | **120,167** |
| Inventories | 17 | 11,698 | 11,698 |
| Exploration and evaluation assets | 18 | 21,852 | 18,489 |
| Property, plant and equipment | 19 | 369,016 | 407,186 |
| Other non-current assets | | 1,151 | 1,213 |
| **Total non-current assets** | | **403,717** | **438,586** |
| **TOTAL ASSETS** | | **575,909** | **558,753** |
| | | | |
| **LIABILITIES** | | | |
| Trade and other payables | 10 | 35,478 | 30,885 |
| Interest bearing liabilities | 12 | 1,567 | 1,767 |
| Income tax payable | 7 | 20,460 | 7,222 |
| Provisions | 28 | 3,352 | 3,563 |
| **Total current liabilities** | | **60,857** | **43,437** |
| Trade and other payables | 10 | 97 | 117 |
| Interest bearing liabilities | 12 | 210 | 50,094 |
| Provisions | 28 | 24,534 | 27,675 |
| Deferred tax liabilities | 7 | 48,361 | 53,822 |
| **Total non-current liabilities** | | **73,202** | **131,708** |
| **TOTAL LIABILITIES** | | **134,059** | **175,145** |
| | | | |
| **NET ASSETS** | | **441,850** | **383,608** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 11 | 230,733 | 228,014 |
| Reserves | 11 | 2,938 | 2,369 |
| Retained profits | | 203,110 | 147,602 |
| **Equity attributable to equity holders of the parent** | | **436,781** | **377,985** |
| Non-Controlling interest | | 5,069 | 5,623 |
| **TOTAL EQUITY** | | **441,850** | **383,608** |

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 2017

| | Note | Issued capital $000 | Foreign currency translation reserve $000 | Retained profits $000 | Other reserves* $000 | Total $000 | Non-controlling Interest $000 | Total equity $000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2016** | | **228,014** | **415** | **147,602** | **1,954** | **377,985** | **5,623** | **383,608** |
| Profit for the period | | - | - | 77,510 | - | 77,510 | (2,494) | 75,016 |
| Other comprehensive income | | - | (387) | - | 52 | (335) | 6 | (329) |
| **Total comprehensive income for the period** | | **-** | **(387)** | **77,510** | **52** | **77,175** | **(2,488)** | **74,687** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Issue of shares | | 2,800 | - | - | - | 2,800 | - | 2,800 |
| Share issue costs | | (81) | - | - | - | (81) | (44) | (125) |
| Share based payments | | - | - | 76 | 1,005 | 1,081 | 58 | 1,139 |
| Dividends | 15 | - | - | (22,078) | - | (22,078) | - | (22,078) |
| Rights issue in controlled entity | | - | - | - | (101) | (101) | 1,920 | 1,819 |
| **At 30 June 2017** | | **230,733** | **28** | **203,110** | **2,910** | **436,781** | **5,069** | **441,850** |

* Other reserves consists of share based payments reserve; fair value reserve and equity reserve.

| | Note | Issued capital $000 | Foreign currency translation reserve $000 | Retained profits $000 | Other reserves* $000 | Total $000 | Non-controlling Interest $000 | Total equity $000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2015** | | **225,520** | **1,779** | **114,678** | **5,801** | **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 | 15 | - | - | (18,832) | - | (18,832) | - | (18,832) |
| Acquisition of subsidiary | 22 | - | - | - | - | - | 7,293 | 7,293 |
| **At 30 June 2016** | | **228,014** | **415** | **147,602** | **1,954** | **377,985** | **5,623** | **383,608** |

* Other reserves consists of share based payments reserve and equity reserve.

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 2017

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts | | 534,773 | 484,320 |
| Cash paid to suppliers and employees | | (260,264) | (296,789) |
| Income tax paid | | (27,607) | (22,401) |
| Payments for exploration and evaluation | | (32,156) | (32,603) |
| Interest received | | 1,392 | 1,369 |
| **Net cash inflow from operating activities** | 9 | **216,138** | **133,896** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation assets | | (159) | (68) |
| Proceeds from sale of property, plant and equipment | | 209 | 432 |
| Payments for plant and equipment, including assets under construction | | (23,054) | (15,301) |
| Payments for mine properties | | (59,932) | (69,640) |
| Acquisition of subsidiary, net of cash acquired | 22 | - | 3,698 |
| Payments for investments | | (148) | - |
| Security deposits and bonds | | 14 | (21) |
| **Net cash outflow from investing activities** | | **(83,070)** | **(80,900)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from share issue – Tintina Resources Inc | | 1,819 | - |
| Share issue costs | | (129) | (9) |
| Repayment of borrowings | | (50,000) | (70,000) |
| Repayment of finance lease liabilities | | (626) | (1,224) |
| Interest and other costs of finance paid | | (1,180) | (3,394) |
| Cash dividend paid to equity holders | | (22,308) | (19,059) |
| **Net cash outflow from financing activities** | | **(72,424)** | **(93,686)** |
| | | | |
| **Net increase (decrease) in cash and cash equivalents** | | **60,644** | **(40,690)** |
| Net foreign exchange differences | | (124) | (241) |
| Cash and cash equivalents at the beginning of the period | | 66,223 | 107,154 |
| **Cash and cash equivalents at the end of the period** | 9 | **126,743** | **66,223** |

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

# Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

## INDEX – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Group information and basis of preparation

### 1 Corporate information

Sandfire Resources NL 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 24. Information on other related party relationships of the Group is provided in Note 26.

### 2 Basis of preparation

The consolidated financial statements of the Group for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 29 August 2017.

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 also complies with IFRS as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for trade receivables, 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 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 2016. 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 is not yet effective.

#### (a) Key estimates and judgements

The preparation of the Group's consolidated financial statement requires management to make judgments in the process of applying the Group's accounting policies and estimates that effect the reported amounts of revenue, expenses, assets and liabilities. Judgements and estimates which are material to the financial report are found in the following notes.

| Note | | Key estimate or judgement |
|---|---|---|
| Note 4 | Sales revenue | • Price adjustment for estimate of product specifications.<br>• Fair value of receivables is based on the closing forward LME metal price. |
| Note 7 | Income tax | • The recognition of deferred tax asset depends on the probability of future taxable profits. |
| Note 14 | Fair value measurement | • Where the fair value of an instrument is not determinable with reference to active market prices, a valuation technique is used to estimate the fair value of the instrument. |
| Note 18 | Exploration and evaluation assets | • The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have reached a stage that permits a reasonable assessment of the commercial viability of mineral resources. |
| Note 20 | Impairment of non-financial assets | • The recoverable amount of Mine Properties is determined based on the Group's estimate of mineral resources that can be commercially extracted. |
| Note 21 | Commitments | • The classification of a lease as an operating lease or finance lease is dependent on the Group's judgement of whether risks and rewards transfers from the lessor to the lessee. |
| Note 28 | Provisions | • Rehabilitation, restoration and dismantling provisions are reassessed at the end of each reporting period. The estimated costs include judgement regarding the Group's expectation of the level of rehabilitation activities that will be undertaken, technological changes, regulatory changes, inflation rate and discount rate. |

#### (b) Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of Sandfire Resources NL and its subsidiaries (as outlined in Note 24).

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. 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.

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.

The 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 in 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.

## 2 Basis of preparation (continued)

### (b) Basis of consolidation and business combinations (continued)

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.

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.

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.

### (c) Foreign currencies

*Functional and presentation currency*
The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each entity in the Group 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.

*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 Other Comprehensive Income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is 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 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.

### (d) 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;
- 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.

### (e) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant in understanding of the financial statements are provided throughout the notes to the financial statements.

## Segment Information

This section contains information which will help users understand how the Group's operating segments are organised, with each segment representing a strategic business.

### 3 Segment information

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 (CODM) in deciding how to allocate resources and in assessing performance.

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. The Group has the following operating segments:

| Segment name | Description |
|---|---|
| **DeGrussa Copper Mine** | This segment consists of 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. |
| **Exploration and evaluation** | This segment 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.

**Segment results**

| Income statement for the year ended 30 June 2017 | DeGrussa Mine $000 | Exploration & evaluation $000 | Other activities $000 | Group $000 |
|---|---|---|---|---|
| Sales revenue | 513,153 | - | - | 513,153 |
| Realised and unrealised price adjustment gain | 19,395 | - | - | 19,395 |
| Other income | 2,138 | - | - | 2,138 |
| Changes in inventories of finished goods and work in progress | (3,883) | - | - | (3,883) |
| Mine operations costs | (115,533) | - | - | (115,533) |
| Employee benefit expenses | (31,079) | (9,273) | (4,893) | (45,245) |
| Freight, treatment and refining expenses | (84,182) | - | - | (84,182) |
| Royalties expense | (24,625) | - | - | (24,625) |
| Exploration and evaluation expenses | - | (23,208) | - | (23,208) |
| Depreciation and amortisation expenses | (116,895) | (230) | (196) | (117,321) |
| Impairment expense | - | (360) | - | (360) |
| Administrative expenses | - | - | (6,157) | (6,157) |
| **Profit (loss) before net finance and income tax** | **158,489** | **(33,071)** | **(11,246)** | **114,172** |
| Finance income | | | | 1,392 |
| Finance expense | | | | (5,160) |
| **Profit before income tax** | | | | **110,404** |
| Income tax expense | | | | (35,388) |
| **Net profit for the year** | | | | **75,016** |

### 3 Segment information (continued)

| 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) |
| Water ingress expenses | - | 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** |

#### 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 and liabilities

The Group does not separately report assets and liabilities for its operating segments to the CODM, as a majority of the Group's net assets are attributable to the DeGrussa Copper Mine segment and the Group does not consider net assets attributable to the other operating segments to be material.

As at 30 June 2017 and 2016, no material assets or liabilities were located outside Australia.

#### Information about geographical areas and product

The Group's sales revenue (see Note 4 for details) arise from sales to customers in Asia. A majority of the product was sent to China for processing (69%), a portion was sent to Philippines (27%) and Japan (4%). During 2016, a majority of the product was sent to China for processing (89%), a portion was sent to Philippines (7%) and Japan (4%). The revenue information is based on the location of the customer's operations.

Four customers (2016: 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 27% of total revenue, contributing approximately 84% of total revenue (2016: 77%).

As at 30 June 2017 and 2016, no material assets or liabilities were located outside Australia.

## Results for the year

This section focuses on the results and performance of the Group. It includes information on profitability and the resultant return to shareholders via earnings per share.

### 4 Sales revenue

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Sales revenue** | | |
| Sales of copper in concentrate | 449,984 | 438,865 |
| Sales of gold in concentrate | 56,947 | 53,433 |
| Sales of silver in concentrate | 6,222 | 4,867 |
| | 513,153 | 497,165 |
| **Realised and unrealised price adjustment gain (loss)** | | |
| Copper price adjustment | 19,014 | (13,571) |
| Gold price adjustment | (532) | 1,762 |
| Silver price adjustment | 797 | 843 |
| Other adjustments | 116 | (382) |
| | 19,395 | (11,348) |

**Recognition and measurement**

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 is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excludes taxes or duty.

#### Key estimates and judgements

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 London Metals Exchange (LME) metal prices at the time of shipment to the customer. 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 sales transaction 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 and represents an embedded derivative. Accordingly, the Group has designated the receivable at fair value through profit and loss. Subsequent changes in fair value of the receivable is recognised in the income statement in each period until final settlement. A key input into the fair value determination of the receivable at the balance date is the closing forward LME metal price on the final day of the month. The revaluation of the receivable is performed up until the final invoice is received. A favourable $19,395,000 (2016: unfavourable $11,348,000) mark-to-market adjustment to profit or loss was recognised for the year ended 30 June 2017.

## 5 Expenses

Profit before income tax includes the following expenses:

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Employee benefits expense** | | | |
| Wages and salaries | | 40,180 | 42,907 |
| Defined contribution superannuation expense | | 3,372 | 3,593 |
| Employee share-based payments | 27 | 1,123 | 225 |
| Other employee benefits expense | | 1,961 | 3,234 |
| | | 46,636 | 49,959 |
| Less employee benefits expense capitalised to mine properties | | (1,391) | (1,894) |
| **Total employee benefit expense** | | **45,245** | **48,065** |
| Net profit (loss) on sale of property, plant and equipment | | 46 | (231) |

**Recognition and measurement**

*Employee share-based payments*
The accounting policy, key estimates and judgements relating to share-based payments is set out in Note 27.

*Other employee benefits*
Wages, salaries and defined contribution superannuation expense are recognised as and when employees render their services. Expenses for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

Refer to Note 28 for the accounting policy relating to short term and long term employee benefits.

Refer to the respective Balance Sheet notes for detail on key estimates and judgements.

## 6 Finance income and finance expense

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Finance income** | | |
| Interest on bank deposits | 1,392 | 1,369 |
| | | |
| **Finance expense** | | |
| Interest charges | (1,180) | (3,394) |
| Foreign exchange loss | (2,511) | (1,611) |
| Unwinding of discount on provisions | (224) | (575) |
| Finance establishment costs amortisation | (211) | (1,271) |
| Change in fair value of unquoted equity securities | - | (241) |
| Other | (1,034) | (857) |
| **Total finance expense** | **(5,160)** | **(7,949)** |

**Recognition and measurement**

Finance income is recognised as interest accrues using the effective interest method.

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.

No borrowing costs were capitalised during the year (2016: nil).

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts is in finance costs.

## 7 Income tax

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Components of income tax are:** | | |
| **Current income tax** | | |
| Current year income tax expense | 41,102 | 19,217 |
| Over provision for prior year | (258) | (2,722) |
| **Deferred income tax** | | |
| Origination and reversal of temporary differences | (5,485) | 2,927 |
| Under (over) provision for prior year | 29 | 2,584 |
| Income tax expense in the income statement | 35,388 | 22,006 |
| | | |
| **Deferred income tax related to items credited directly to equity** | | |
| Share issue costs | (4) | (3) |
| | | |
| **Reconciliation of income tax expense to pre-tax profit** | | |
| Profit before income tax | 110,404 | 68,376 |
| Income tax expense at the Australian tax rate of 30% (2016: 30%) | 33,121 | 20,512 |
| **Increase (decrease) in income tax due to:** | | |
| Non-deductible expenses | 510 | 26 |
| Foreign tax losses and temporary differences not recognised | 2,415 | 1,598 |
| Movement in unrecognised temporary differences with respect to investments | 105 | 464 |
| Over provision for prior year | (229) | (139) |
| Tax rate differential on foreign income | (534) | (455) |
| **Income tax expense** | **35,388** | **22,006** |

### Recognised tax assets and liabilities

| | 2017 | | 2016 | |
|---|---|---|---|---|
| in $000 | Current tax payable | Deferred income tax | Current tax payable | Deferred income tax |
| Opening balance | (7,222) | (53,822) | (13,128) | (48,314) |
| Charged to income | (40,845) | 5,457 | (16,495) | (5,511) |
| Charged to equity | - | 4 | - | 3 |
| Other payments | 27,607 | - | 22,401 | - |
| **Closing balance** | **(20,460)** | **(48,361)** | **(7,222)** | **(53,822)** |

## 7 Income tax (continued)

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Deferred income tax at 30 June relates to the following:** | | |
| **Deferred tax liabilities** | | |
| Mine properties | 33,628 | 35,991 |
| Plant and equipment including assets under construction | 24,353 | 29,620 |
| Other | 84 | 49 |
| Gross deferred tax liabilities | 58,065 | 65,660 |
| Set-off of deferred tax assets | (9,704) | (11,838) |
| **Net deferred tax liability** | **48,361** | **53,822** |
| | | |
| **Deferred tax assets** | | |
| Employee benefits provision | 918 | 1,045 |
| Inventories | 1,110 | 2,182 |
| Other payables and accruals | 656 | 470 |
| Rehabilitation, restoration and dismantling provision | 6,902 | 7,993 |
| Share issue costs reflected in equity | 8 | 12 |
| Other | 110 | 136 |
| Gross deferred tax assets | 9,704 | 11,838 |
| Set-off of deferred tax assets | (9,704) | (11,838) |
| **Net deferred tax assets** | - | - |

### Recognition and measurement

#### *Current income tax*

Current income tax assets and liabilities for the 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.

#### *Deferred tax*

Deferred tax is provided for using the full 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.

Except as noted below, deferred income tax is recognised for all temporary differences. 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.

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.

Deferred tax is not recognised in the following situations:

(a) Where temporary differences arise 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.

(b) In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are not recognised if 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 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 in equity is recognised 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.

## 7 Income tax (continued)

### Key estimates and assumptions

Judgment is required to determine 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. Judgements are also required about the application of income tax legislation.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows, which in turn depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions.

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.

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 $58,809,000 (2016: $55,048,000), as the requirements for recognising those deferred tax assets have not been met.

Deferred tax assets have not been recognised in respect of the losses generated in subsidiaries domiciled in Canada and the United States, as they cannot be used to offset taxable profits and are unlikely to be utlised in the near future. This includes US losses of $4,885,000 that will commence to expire from 2028 and Canadian losses of $469,000 that will commence to expire from 2036.

## 8 Earnings per share (EPS)

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Net profit attributable to equity holders of the parent | 77,510 | 47,978 |

| | 2017 Number | 2016 Number |
|---|---|---|
| Weighted average ordinary shares adjusted for the effect of dilution | 157,671,654 | 157,084,001 |

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.

There are 1,695,000 share options (refer to Note 11) 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.

## Capital and debt structure

This section contains information which will help users understand the management of the Group's capital and debt structure.

### 9 Cash and cash equivalents

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Cash at bank and on hand | 66,743 | 59,923 |
| Term deposits | 60,000 | - |
| Debt service reserve account | - | 6,300 |
| | 126,743 | 66,223 |

**Recognition and measurement**

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.

**Cash flow information**

A reconciliation between cash and cash equivalents and net cash inflow from operating activities is as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Cash and cash equivalents in the statement of cash flows | 126,743 | 66,223 |
| **Reconciliation of net profit after tax to net cash flows from operations:** | | |
| Profit for the period | 75,016 | 46,370 |
| **Adjustments for:** | | |
| (Gain) loss on sale of assets | (44) | 231 |
| Depreciation and amortisation included in the income statement | 117,532 | 100,671 |
| Interest and other costs of finance paid | 1,180 | 3,394 |
| Share based payments expense | 1,123 | 257 |
| Unrealised price adjustments and foreign currency adjustments | (2,003) | (5,813) |
| Impairment expense (reversal of impairment expense) | 360 | (1,086) |
| Income tax expense | 7,782 | (342) |
| Loss of equity accounted investments | - | 1,478 |
| Loss in fair value of unquoted equity securities | - | 241 |
| Other non-cash items | 577 | 1,183 |
| **Change in assets and liabilities:** | | |
| Decrease (increase) in trade and other receivables | 6,928 | (6,825) |
| Decrease in inventories | 3,248 | 273 |
| Increase (decrease) in trade and other payables | 4,176 | (8,569) |
| (Decrease) increase in interest bearing liabilities | (24) | 1,423 |
| Increase in provisions | 287 | 1,010 |
| **Net cash inflow from operating activities** | **216,138** | **133,896** |

## 10 Trade and other payables

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Current** | | | |
| Trade and other payables | 10 | 35,397 | 30,782 |
| Related party payables – cash-settled share-based payments | (a) | 81 | 78 |
| Related party payables – KMP related entities | (b) | - | 25 |
| | | 35,478 | 30,885 |
| **Non-current** | | | |
| Related party payables – cash-settled share-based payments | (b) | 97 | 117 |

(a) For terms and conditions relating to cash-settled share-based payments, refer to Note 27.

(b) For terms and conditions relating KMP related entities, refer to Note 26.

For explanations on the Group's liquidity risk management processes, refer to Note 13.

### Recognition and measurement

Trade and other payables are initially measured at fair value and subsequently 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.

## 11 Issued capital and reserves

### Issued ordinary shares

| | Note | 2017 Number | 2017 $000 | 2016 Number | 2016 $000 |
|---|---|---|---|---|---|
| **Movement in ordinary shares on issue** | | | | | |
| On issue at 1 July | | 157,324,918 | 228,014 | 156,854,678 | 225,520 |
| Issue of shares, net of share issue costs | (a) | 493,506 | 2,719 | 470,240 | 2,494 |
| On issue at 30 June | | 157,818,424 | 230,733 | 157,324,918 | 228,014 |

(a) The Company entered into the following agreements during the year:

**(i) 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 was required to issue Ventnor's nominee ordinary fully paid shares to the value of $2,000,000 based on a 15-day VWAP. A total of 352,423 ordinary fully paid shares were issued.

**(ii) Farm-in agreement with Enterprise Metals Ltd (Enterprise)**

Sandfire entered into a Farm-in Agreement with Enterprise to earn up to a 75% interest in Enterprise's Doolgunna Project, which adjoins Sandfire's Doolgunna tenements to the south. Under the terms of the agreement, Sandfire was required to issue Enterprise ordinary fully paid shares to the value of $300,000 based on the 5-day VWAP at the commencement date of the agreement. A total of 58,431 ordinary fully paid shares were issues.

**(iii) Farm-in agreement with Great Western Exploration (GTE)**

Sandfire entered into a Farm-in Agreement with GTE to earn up to an initial (first earn-in) 70% interest in GTE's northern Yerrida tenements. Under the terms of the agreement, Sandfire was required to issue GTE ordinary fully paid shares to the value of $500,000 based on the 5-day VWAP, at the commencement date of the agreement. A total of 82,652 ordinary fully paid shares were issued.

### Movement in shares under option

| Options expiring on or before | Exercise Price | On issue 30 Jun 16 | Issued | Exercised | Expired | On issue 30 Jun 17 |
|---|---|---|---|---|---|---|
| 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 |
| | | 1,695,000 | - | - | - | 1,695,000 |

### Recognition and measurement

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.

The holders of ordinary shares are entitled to receive dividends 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.

## 11 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 12) 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.

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 2017 and 2016.

### 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 to Note 27 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). For the Group, this relates to its investment in Tintina Resources Inc and WCB Resources Ltd, see Note 22 and 25.

## 12 Interest bearing liabilities

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Obligations under finance leases and hire purchase contracts | 168 | 344 |
| Insurance premium funding | 1,399 | 1,423 |
| | 1,567 | 1,767 |
| **Non-current** | | |
| Obligations under finance leases and hire purchase contracts | 210 | 306 |
| *Secured bank loan* | | |
| DeGrussa Project Loan Facility | - | 50,000 |
| Capitalised finance establishment costs (net of amortisation) offset | - | (212) |
| | 210 | 50,094 |

### Recognition and measurement

Interest bearing liabilities are initially measured at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ('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 income statement.

Interest bearing liabilities are de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing 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 income statement.

Refer to Note 21 for more information on finance leases.

### 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 – Revolver Facility*

As at 30 June 2017, the Company had no outstanding amount relating to the Revolver Facility, but retained access to the facility of $85 million.

### 12 Interest bearing liabilities (continued)

*Working Capital Facility*
The Company elected not to renew the $25 million working capital facility with ANZ, which could be drawn down against the value of saleable copper concentrate inventories held by the Company at the mine and ports.

*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. As at 30 June 2017, the Company has drawn $10,000 of the $100,000 facility limit.

### 13 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.

During the current reporting period, the Group's principal financial liabilities comprised loans and borrowings and trade and other payables. The main purpose of these financial liabilities were to finance the Group's operations. At the end of the reporting period, these balances were nil as all loans and borrowings were settled during the year. 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's activities expose it primarily to the following financial risks:

- Market risk including interest rate risk, foreign currency exchange risk and commodity 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 or 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 commodity price risk. The group's principal financial instruments affected by market risk include loans and borrowings, trade receivables, cash and short-term deposits.

The sensitivity analysis in the following sections relate to the position as at 30 June 2017 and 2016.

*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 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 2017.

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2017 is listed below.

| | Denominated in US$ presented in AU$000 | |
|---|---|---|
| | 2017<br>$000 | 2016<br>$000 |
| Trade and other receivables | 12,712 | 12,848 |
| Trade and other payables | - | 1,267 |

## 13 Financial risk management objectives and policies (continued)

The following tables demonstrate the sensitivity of the exposure at the balance sheet date to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax and equity is due to changes in the fair value of monetary assets and liabilities.

| | Effect on profit before tax | |
|---|---|---|
| | 2017 $000 | 2016 $000 |
| 5% increase (2016: 5% increase) | (627) | (601) |
| 5% decrease (2016: 5% decrease) | 693 | 664 |

*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.

In order to reduce the exposure to fluctuations in copper price during the Quotational Period (QP) period, the Group may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, in the form of copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments.

12,450 tonnes of copper sales subject to QP were hedged under USD copper swaps during the year, resulting in a gain of $2,115,000 (2016: nil) being recognised as part of other income. These hedges were considered to be economic hedges, however were not designated into a hedging relationship for accounting purposes.

All derivative contracts entered into by the Group were closed as at 30 June 2017 and the Group did not use any form of derivatives to hedge its exposure to commodity price risk during the previous financial year ended 30 June 2016.

The following table demonstrates the sensitivity to the exposure at the balance sheet date of a reasonably possible change in commodity prices from the 30 June 2017 London Metals Exchange (LME) forward curve, with all other variables held constant.

| | Effect on profit before tax | |
|---|---|---|
| | 2017 $000 | 2016 $000 |
| 10% increase (2016: 10% increase) | 10,122 | 9,197 |
| 10% decrease (2016: 10% decrease) | (10,122) | (9,197) |

The impact on the Group's profit before tax and equity is due to changes in the fair value of provisionally priced sales contracts outstanding at year end totaling $89,810,000 (2016: $80,113,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

**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 2017 is maintained by one financial institution.

Credit risk in trade receivables is managed by the Group 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 or impaired at the reporting date and it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

**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 majority of the Group's Liquidity Risk in 2016 related to the Group's DeGrussa Project Loan Facility. The Group has elected to repay the facility in the current year and therefore the Group's liquidity risk exposure now only relates to the trade payables as detailed in Note 10 and short term interest bearing liabilities in Note 12. All trade payables will be repaid within one year from the reporting date.

## 14 Fair value measurement

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 2017.

| | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| AFS quoted equity shares | | 209 | - | - | 209 |
| Trade receivables | (a) | - | 12,712 | - | 12,712 |
| | | 209 | 12,712 | - | 12,921 |

(a) Trade receivables relate to concentrate sale contracts that are still subject to price adjustments where the final consideration to be received 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 present value of the final settlement price using the LME forward metals prices at balance date.

The fair value of the financial instruments as at 30 June 2016 are summarised in the table below.

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| AFS quoted equity shares | 157 | - | - | 157 |
| Trade receivables | - | 12,848 | - | 12,848 |
| | 157 | 12,848 | - | 13,005 |
| **Financial liabilities** | | | | |
| Trade payables | - | 232 | - | 232 |

The carrying amount of all financial assets and all financial liabilities, recognised in the balance sheet approximates their fair value.

### Classification and measurement

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.

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.

*Fair value hierarchy*

All assets 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 assets and liabilities 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 2017 or the comparative period ended 30 June 2016.

**Key estimates and assumptions**

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.

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## 15 Dividends paid and proposed

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Cash dividends on ordinary shares declared and paid:** | | | |
| Final franked dividend for 2016: 9 cents per share (2015: 10 cents) | | 14,191 | 15,685 |
| Interim franked dividend for 2017: 5 cents per share (2016: 2 cents) | | 7,887 | 3,147 |
| | | 22,078 | 18,832 |
| **Proposed dividends on ordinary shares:** | | | |
| Final cash dividend for 2017: 13 cents per share (2016: 9 cents per share) | (a) | 20,516 | 14,191 |

(a) Subsequent to year end, the Board resolved to pay a franked dividend of 13 cents per share to be paid on 26 September 2017. The financial impact of the dividend has not been recognised in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial statements.

### Franking credit balance

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **The amount of franking credits available for the subsequent financial year are:** | | |
| Franking account balance at the end of the financial year at 30% (2016: 30%) | 37,504 | 19,348 |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 20,460 | 7,222 |
| Franking debits that will arise from the payment of dividends as at the end of the financial year | (8,793) | (6,081) |
| | 49,171 | 20,489 |

## Invested capital

This section provides information on how the Group invests and manages its capital.

## 16 Trade and other receivables

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 12,803 | 13,645 |
| Other receivables | 3,167 | 6,822 |
| | 15,970 | 20,467 |

### Recognition and measurement

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. Also refer to Note 4 Sales revenue.

Other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. 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.

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 13 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.

## 17 Inventories

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Concentrate – at cost | 8,480 | 5,545 |
| Ore stockpiles – at cost | 8,186 | 15,005 |
| Stores and consumables – at cost | 11,335 | 10,703 |
| | 28,001 | 31,253 |
| Allowance for obsolete stock – stores and consumables | (1,528) | (1,183) |
| | 26,473 | 30,070 |
| **Non-current** | | |
| Oxide copper ore stockpiles – at cost | 11,698 | 11,698 |
| | | |
| Cost of goods sold | 297,503 | 285,886 |

### Recognition and measurement

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.

## 18 Exploration and evaluation assets

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Reconciliation** | | | |
| At 1 July | | 18,489 | 5,233 |
| Resource properties and exploration tenements acquired | 11 | 3,744 | 2,892 |
| Exchange differences | | (381) | - |
| Consolidation of Tintina Resources Inc | | - | 10,364 |
| At 30 June | | 21,852 | 18,489 |

### Recognition and measurement

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. Other than acquisition costs, exploration and evaluation expenditure incurred on licenses where the commercial viability of extracting mineral resources has not yet been established is expensed when incurred. Once the commercial viability of extracting mineral resources are demonstrable (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation costs incurred. The recoverability of the exploration and evaluation assets is dependent on the successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

Exploration and evaluation assets are assessed for impairment if:

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

An exploration and evaluation asset shall be reclassified to mine properties when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and a decision has been made to develop and extract the resource. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss shall be recognised, before reclassification to mine properties. No amortisation is charged during the exploration and evaluation phase.

**Key estimates and assumptions**
The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

## 19 Property, plant and equipment

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

| 2017 | Mine Properties $000 | Plant and equipment $000 | Assets under construction $000 | Total $000 |
|---|---|---|---|---|
| Opening net carrying amount | 209,167 | 187,348 | 10,671 | 407,186 |
| Additions | 59,771 | 546 | 22,859 | 83,176 |
| Disposals | - | (162) | - | (162) |
| Transfers | - | 9,819 | (9,819) | - |
| Depreciation and amortisation | (79,253) | (38,068) | - | (117,321) |
| Movement in the rehabilitation, restoration and dismantling asset | 635 | (4,498) | - | (3,863) |
| Closing net carrying amount | 190,320 | 154,985 | 23,711 | 369,016 |
| **At 30 June 2017** | | | | |
| Gross carrying amount – at cost | 552,495 | 328,113 | 23,711 | 904,319 |
| Accumulated depreciation | (362,175) | (173,128) | - | (535,303) |
| Net carrying amount | 190,320 | 154,985 | 23,711 | 369,016 |

| 2016 | Mine Properties $000 | Plant and equipment $000 | Assets under construction $000 | Total $000 |
|---|---|---|---|---|
| Opening net carrying amount | 202,588 | 214,035 | 2,258 | 418,881 |
| Additions | 69,961 | 5,081 | 14,983 | 90,025 |
| Disposals | - | (660) | - | (660) |
| Transfers | - | 6,570 | (6,570) | - |
| Depreciation | (62,873) | (36,529) | - | (99,402) |
| Movement in the rehabilitation, restoration and dismantling asset | (509) | (1,149) | - | (1,658) |
| Closing net carrying amount | 209,167 | 187,348 | 10,671 | 407,186 |
| **At 30 June 2016** | | | | |
| Gross carrying amount – at cost | 492,089 | 323,501 | 10,671 | 826,261 |
| Accumulated depreciation | (282,922) | (136,153) | - | (419,075) |
| Net carrying amount | 209,167 | 187,348 | 10,671 | 407,186 |

Mine properties has been reclassified to Property, Plant and Equipment in the current year. This reclassification has been applied retrospectively and as a result, the comparative figures have also been reclassified in accordance with the revised format of disclosure for the current year to make the financial information more relevant. The Group has consolidated its previously disclosed mine development, development phase stripping, production stripping and rehabilitation, restoration and dismantling relating to mine development properties as Mine Properties in the current year. Plant and equipment includes plant and equipment, motor vehicles, leased equipment and rehabilitation, restoration and dismantling relating to plant and equipment. Leased equipment had a carrying value of $323,000 at the balance sheet date (2016: $685,000).

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## 19 Property, plant and equipment (continued)

### Recognition and measurement

*Plant and equipment*
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, restoration and dismantling 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 Note 28 Provisions for further information about the recognised decommissioning provision.

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.

*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. At this stage, exploration and evaluation assets are reclassified to mine properties.

Mine property and development assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses recognised. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised. No material stripping activity costs were recognised as an asset during the reporting period (2016: nil).

The balance for mine property includes mine development costs, stripping activity assets and the expected cost for the decommissioning, restoration and dismantling of an asset after its use.

*Leased assets*
Assets held under lease, which result in the Group receiving substantially all of the risk and rewards of ownership are capitalised as property, plant and equipment. Leased assets are initially measured at the lower of their fair value or the present value of the minimum lease payments.

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 the lease term.

*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) |
| Leased equipment | Straight line over the shorter of the lease term and life of the asset (3 to 5 years) |
| Mine properties | Units of ore extracted basis over the life of mine |

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

*Impairment*
The Group's policy for the impairment of non-financial assets is disclosed in Note 20.

## 20 Impairment of non-financial assets

### Testing for impairment

The Group assesses, at each reporting date, whether there is an indication that a non-financial 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.

**Key estimates and assumptions**

The recoverable amount of property, plant and equipment is dependent on the Group's estimate of ore reserves that can be economically and legally extracted. 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 on 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.

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. 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.  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.

Impairment losses for continuing operations 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.

### Impairment calculations

During the current reporting period, there were no indicators of impairment to require the Group to estimate any asset or CGU's recoverable amount and therefore no impairment was recognised (2016: nil).

## 21 Commitments

### Operating lease commitments – Group as lessee

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. The majority of the Group's operating lease commitments, disclosed in the table below, represent lease payments for the Group's solar power purchase agreement.  The remainder of the Group's leases relate to corporate office, administrative and storage facilities throughout Australia. The Group's 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 | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Within one year | | 4,867 | 5,012 |
| After one year but not more than five years | | 13,906 | 19,675 |
| Total minimum lease payments | (a) | 18,773 | 24,687 |

(a) The amount disclosed includes non-lease charges as it is not practicable to separate these.

The group recognised operating lease payments of $2,235,000 in the current year (2016: $1,319,000).

## 21 Commitments (continued)

**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 | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Within one year | | 183 | 369 |
| After one year but not more than five years | | 217 | 327 |
| Total minimum lease payments | | 400 | 698 |
| Less amounts representing finance charges | | (22) | (48) |
| Present value of minimum lease payments | | 378 | 650 |
| **Included in the financial statements as:** | | | |
| Current interest bearing liabilities | 12 | 168 | 344 |
| Non-current interest bearing liabilities | 12 | 210 | 306 |
| Total included in interest bearing liabilities | | 378 | 650 |

**Key estimates and assumptions**

The Group classifies leases as a finance or an operating lease 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 117 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.

**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.

Future minimum payments due under the Black Butte Agreements as at 30 June are as follows:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Within one year | 633 | 656 |
| After one year but not more than five years | 2,552 | 2,640 |
| More than five years | 12,023 | 13,125 |
| Total payments | 15,208 | 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 2017 amount to approximately $16,349,000 (undiscounted) (2016: $18,466,000).

## Group structure and related party information

This section provides information on the Group's structure as well as related party transactions.

### 22 Business combinations

**Acquisition of additional interest in Tintina Resources Inc**

The Group obtained control of Tintina on 18 November 2015 and applied the acquisition method of accounting. The assets, liabilities, income and expenses of Tintina are included in the consolidated financial statements 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. There were no adjustments to the fair values determined at acquisition date in the current year.

### 23 Information relating to Sandfire Resources NL (the Parent)

The consolidated financial statements of the Group include:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Current assets | 169,543 | 116,684 |
| Total assets | 603,160 | 577,263 |
| Current liabilities | 60,001 | 42,879 |
| Total liabilities | 132,391 | 174,207 |
| | | |
| Issued capital | 230,803 | 228,013 |
| Retained earnings | 236,275 | 172,318 |
| Share based payment reserve | 3,638 | 2,724 |
| | | |
| Profit or loss of the Parent entity | 85,956 | 57,816 |
| Total comprehensive income of the Parent entity | 86,008 | 57,816 |

### 24 Information relating to subsidiaries

The consolidated financial statements of the Group include:

| | | | % equity interest | |
|---|---|---|---|---|
| Name | Note | Country of incorporation | 2017 | 2016 |
| Tintina Resources Inc | (a), 22 | Canada | 61.18 | 57.19 |
| Sandfire BC Holdings (Australia) Pty Ltd | (b) | Australia | 100.00 | 100.00 |
| Sandfire BC Holdings Inc | (c) | Canada | 100.00 | 100.00 |
| SFR Copper & Gold Peru S.A. | | Peru | 100.00 | 100.00 |

(a) On 19 October 2016, the group increased its stake in North American copper development company Tintina Resources Inc ("Tintina", TSX-V; TAU) from 57% to 61%. The additional shareholding, comprising 70,691,163 shares at an average price of C$0.06 per share, was acquired by Sandfire executing its subscription privileges to purchase their pro rata share of common shares offered under Tintina's rights offer, which closed on 19 October 2016. Total consideration for the purchase amounted to C$4,241,000 ($4,250,000).

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

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

### 25 Other interests

**Undivided interests**

*(i) Springfield Exploration Joint Venture*

On 20 December 2013, Sandfire entered into the Springfield Exploration Joint Venture Agreement with Talisman Mining Limited ("Talisman"). In accordance with the agreement, Sandfire could obtain a 70% interest in the Joint Venture by sole funding $15 million exploration expenditure. In December 2015, the Group reached the end of the farm-in period and obtained a 70% interest.

The Springfield Exploration Joint Venture is classified as an undivided interest and the Group consolidates its 70% interest. Expenditure on the Springfield exploration projects is being jointly funded by Sandfire and Talisman on a 70:30 basis.

*(ii) Springfield Mining Joint Venture*

As parties to the Springfield Exploration Joint Venture, on 5 April 2017, Sandfire and Talisman entered into the Springfield Mining Joint Venture to undertake development of and mining activities at the Monty Deposit.

The Mining Joint Venture is classified as an undivided interest and the Group consolidates its 70% interest in the Joint Venture. Expenditure on the Monty Deposit is being jointly funded by Sandfire and Talisman on a 70:30 basis.

## 26 Related party disclosures

As at, and throughout the financial year ended 30 June 2017, the ultimate parent entity of the Group was Sandfire Resources NL.

Information in relation to interest in other entities is set out in Note 25 to the consolidated financial statements.

### Compensation of key management personnel of the Group

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term employee benefits | 3,597,453 | 3,845,268 |
| Long-term employee benefits | 55,036 | 79,973 |
| Post-employment benefits | 411,209 | 132,607 |
| Share-based payments | 714,378 | 123,093 |
| Total compensation | 4,856,472 | 4,180,941 |

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

### Transactions with KMP

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 | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Karl Simich – Tongaat Pty Ltd | Lease of corporate office parking premises | 9,600 | 9,600 | - | - |
| Karl Simich – Resource Development Company Pty Ltd | Lease of corporate office parking premises | 9,300 | 9,300 | - | - |
| Karl Simich – Resource Development Company Pty Ltd | Corporate and financial services | 636,047 | 637,592 | - | 24,750 |
| | | 654,947 | 656,492 | - | 24,750 |

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 Sandfire Resources NL was a junior exploration company.

## Other notes

### 27 Share-based payments

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

| | Note | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Expense arising from equity-settled share-based payments – SFR [A] | 27(i), (ii) | 992 | 698 |
| Expense arising from equity-settled share-based payments – TAU [B] | | 148 | 32 |
| Expense arising from cash-settled share-based payments – SFR [C] | 27(iii) | (17) | (473) |
| Total expense arising from share-based payment transactions | | 1,123 | 257 |

A Long-term Incentive Plan.

B 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.

C Long-term Indexed Bonus Plan.

#### Recognition and measurement

*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. That cost is recognised, together with a corresponding increase in the share based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. 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 vested 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.

*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 recognised as 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.

## 27 Share-based payments (continued)

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

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

| Grant date | Number | [A] Fair value | Vesting date | Performance period |
|---|---|---|---|---|
| **FY2017** | | | | |
| 30 June 2017 | 179,558 | $3.38 | 1 Oct 2020 | 3 years |
| 18 November 2016 | 216,174 | $3.87 | 1 Oct 2019 | 3 years |
| **FY2016** | | | | |
| 30 June 2016 | 252,917 | $2.89 | 1 Oct 2019 | 3 years |
| 18 November 2015 | 125,842 | $4.02 | 1 Oct 2017 | 2 years |
| 18 November 2015 | 125,842 | $3.90 | 1 Oct 2018 | 3 years |

A Represents the fair value per right at grant date.

Under the 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 service period of 3 years subject to meeting performance measures, with no opportunity to retest. Performance rights granted under the LTI Plan are not entitled to dividends nor have voting rights. Refer to the Group's Remuneration Report for details on the plan.

*Pricing model*

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

| | Grant Date | | Grant Date | | |
|---|---|---|---|---|---|
| | 30 Jun 17 | 18 Nov 16 | 30 Jun 16 | 18 Nov 15 | 18 Nov 15 |
| Fair value at measurement date | $3.38 | $3.87 | $2.89 | $4.02 | $3.90 |
| Underlying share price | $5.65 | $6.12 | $5.23 | $5.50 | $5.50 |
| Dividend yield | 3.40% | 1.94% | 2.33% | 3.25% | 3.25% |
| Expected volatility | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% |
| Risk-free rate | 2.58% | 1.89% | 1.56% | 2.00% | 2.01% |
| Expected life (years) | 3.0 | 2.6 | 3.0 | 1.9 | 2.9 |

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 (ASX: XJR). 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.

*Movements during the year*

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

| | 2017 Number | 2016 Number |
|---|---|---|
| Opening balance | 799,059 | 294,458 |
| Rights granted during the year | 395,732 | 504,601 |
| Rights vested and exercised during the year | - | - |
| Rights forfeited during the year | (127,890) | - |
| Closing balance | 1,066,901 | 799,059 |

*(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. With the introduction of the LTI Plan, no further awards have been made under the IOP Plan. Outstanding awards under the plan are: 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.

## 27 Share-based payments (continued)

The movement in the number and weighted average exercise prices of share options during the year is set out below.

| | 2017 Number | 2017 WAEP | 2016 Number | 2016 WAEP |
|---|---|---|---|---|
| Outstanding at 1 July | 1,695,000 | $8.80 | 5,845,000 | $9.85 |
| Expired during the year | - | - | (4,150,000) | $10.28 |
| Outstanding at 30 June | 1,695,000 | $8.80 | 1,695,000 | $8.80 |
| Exercisable at 30 June | 1,695,000 | $8.80 | 1,130,000 | $8.80 |

The outstanding balance at 30 June 2017 is represented by:

| Options expiring on or before | Exercise Price | On issue 30 Jun 17 |
|---|---|---|
| 15 July 2018 | $7.60 | 565,000 |
| 15 July 2018 | $8.80 | 565,000 |
| 15 July 2018 | $10.00 | 565,000 |
| | | 1,695,000 |

The weighted average remaining contractual life for share options outstanding as at 30 June 2017 is 1.00 years (2016: 2.00 years).

*(iii) Long-term Indexed Bonus Plan (LTIB Plan)*

The LTIB Plan was created to align Executive Director rewards with shareholder value and was provided as a grant of conditional rights. 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. 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 2017 and 15 December 2018 and the INV/test price ranges from $7.21 to $9.61. Refer to the Group's Remuneration Report for details.

No cash payments were made to the CEO under the LTIB Plan during the current or previous financial year.

## 28 Provisions

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Current** | | |
| Employee benefits | 3,352 | 3,563 |
| **Non-current** | | |
| Employee benefits | 1,529 | 1,031 |
| Rehabilitation, restoration and dismantling | 23,005 | 26,644 |
| | 24,534 | 27,675 |

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

| | 2017 $000 |
|---|---|
| At 1 July 2016 | 26,644 |
| Arising during the year | 554 |
| Unused amounts reversed | (4,887) |
| Unwinding of discount | 224 |
| Inflation and discount rate adjustments | 470 |
| At 30 June 2017 | 23,005 |

## 28 Provisions (continued)

### Recognition and measurement

*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.

*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. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement.

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. 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. 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 Group considers whether this is an indication of impairment of the asset as a whole and test for impairment. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase is charged directly to the income statement.

***Employee Benefits***

*(i) Short term benefits*
Liabilities for wages and salaries, including non-monetary benefits and other short term benefits 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.

*(ii) 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.

**Key estimates and assumptions**
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.

## 29 Significant events after the reporting date

### Investment in Tintina Resources Inc
On 31 July 2017, the Group increased its stake in North American copper development company Tintina to 78% from 61%, by acquiring a further 17% interest. The additional shareholding, comprising 54,632,580 shares, was acquired by Sandfire in an off-market transaction at an average price of C$0.13 per share, for total consideration of C$7,130,000 ($7,123,000).

### Dividends
On 29 August 2017, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $20,516,000, which represents a fully franked dividend of 13 cents per share. The dividend has not been provided for in the 30 June 2017 Financial Statements.

### Interest bearing liabilities – finance facilities
On 29 August 2017 the Group reduced the redrawable amount of the $85 million Revolver Facility to nil.

### Related party loan
Subsequent to 30 June 2017, Sandfire BC Holdings (Australia) Pty Ltd loaned US$1,000,000 to Tintina Montana Inc, a wholly owned subsidiary of Tintina Recourse Inc. Interest is charged at 5% per annum.

## 30 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 2017 are outlined below.

**AASB 9 Financial Instruments**

*Classification and measurement of financial assets*
Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

*Classification and measurement of financial liabilities*
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

*Impairment*
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significantr increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

*Hedge accounting*
Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

*Transition*
Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

*Impact*
The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. It will be important for entities to monitor the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG).

## 30 Accounting standards and interpretations issued but not yet effective (continued)

**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.

**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.

**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.

## 30 Accounting standards and interpretations issued but not yet effective (continued)

**Implementation of mandatory standards beyond 2017**

As detailed above, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are mandatory in 2018 and IFRS 16 *Leases* is mandatory in 2019.

The Group's process for implementing the new mandatory pronouncements is in four stages as detailed below.

- Stage 1 - Analytic: the high-level identification of accounting issues in the new pronouncement that will impact the Group.
- Stage 2 - Confirmation of understanding: the detailed review of contracts or other relevant data and training for finance, commercial, procurement and other teams.
- Stage 3 - Solution development: identifying and progressing system and data changes.
- Stage 4 - Implementation.

The Group is currently evaluating the impact of these pronouncements. This work is ongoing and additional impacts may be identified later in the implementation process.

## 31 Auditor's remuneration

The auditor of Sandfire Resources NL is Ernst & Young (EY) Australia.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Amounts received or due and receivable by EY (Australia) for:** | | |
| An audit and review of the financial report of the entity and any other entity in the consolidated group | 294,840 | 280,500 |
| *Other services in relation to the entity and any other entity in the consolidated group:* | | |
| Taxation services (R&D) | 34,948 | 26,708 |
| Other advisory services | 23,500 | 13,905 |
| | 353,288 | 321,113 |
| **Amounts received or due and receivable by related practices of EY for:** | | |
| An audit and review of the financial report of the entity and any other entity in the consolidated group | 50,742 | 47,600 |
| *Other services in relation to the entity and any other entity in the consolidated group:* | | |
| Taxation services | 74,568 | 57,504 |
| Other advisory services | 54,730 | 12,263 |
| | 180,040 | 117,367 |

# Directors' Declaration
## for the year ended 30 June 2017

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 2017 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 2017 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; 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 2017.

On behalf of the Board

**Derek La Ferla**
Non-Executive Chairman

**Karl Simich**
Managing Director and Chief Executive Officer

West Perth, 29 August 2017

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# INDEPENDENT AUDITOR'S REPORT

To the Members of Sandfire Resources NL

## Report on the audit of the financial Report

### Opinion

We have audited the financial report of Sandfire Resources NL (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of 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.

In our opinion:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



FD:JH:SFR:031

EY
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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Valuation of trade receivables

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 16 to the financial report, copper concentrate sales have a quotational pricing period. During the quotational pricing period the consideration from the sale of copper concentrate is adjusted for changes in the copper prices, with final consideration determined based on the prevailing copper price at the end of the quotational pricing period.<br>As revenue is recognised prior to the completion of the quotational pricing period, the quotational pricing adjustment feature is treated as an embedded derivative. To account for the quotational pricing feature, trade receivables are measured at fair value.<br>In determining the fair value of trade receivables, a key input is the expected copper price at the completion of the quotational pricing period, based on market forward copper prices. Changes in market forward copper prices can significantly impact the fair value of trade receivables and the unrealised price adjustment, being a gain or loss, is recognised on the consolidated statement of comprehensive income. | We assessed and tested the design and operating effectiveness of relevant controls over the valuation of trade receivables and assessed the methodologies, inputs and assumptions used by the Group in determining the fair values.<br>We compared observable inputs into the Group's valuation model, such as quoted prices, to externally available market data.<br>We performed recalculations of the fair value measurement of trade receivables. |

## 2. Recognition and measurement of rehabilitation, restoration and dismantling provisions

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 28 to the financial report, the Group has rehabilitation, restoration and dismantling provisions of $23.0 million at 30 June 2017. The calculation of these provisions requires judgment in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to net present value.<br>The Group reviews the underlining costs used to calculate the rehabilitation, restoration and dismantling provisions on a semi-annual basis, using external experts to provide support in its assessment as appropriate. This review incorporates the identification of any new rehabilitation, restoration and dismantling obligations that have arisen, an assessment of the underlining assumptions used, effects of any changes in local regulations, and the expected approach to restoration and rehabilitation. | We understood the Group's process for determining the rehabilitation, restoration and dismantling provisions, and performed testing of the movements in the provisions during the year.<br>As part of our testing, we evaluated the legal and/or constructive obligations with respect to the restoration and rehabilitation for the Degrussa and Monty operations and the intended method of restoration and rehabilitation and the associated cost estimates.<br>We also considered the competence, independence and objectivity of the external experts the Group engaged who produced the cost estimates. We assessed the accuracy of the calculations and the appropriateness of the discount rates. |



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### 3. Carrying value of inventories

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 17 to the financial report, the Group held inventories as at 30 June 2017 of $38.2 million, which related to concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles.<br><br>The valuation of these inventories is at the lower of cost and net realisable value. Valuation at cost includes different components such as allocated mining costs relating to the extraction of ore from the Degrussa mine. The determination of whether mining costs are considered to be development costs or operating costs capitalised to inventory involves a level of judgment, which can significantly impact the valuation of inventories and the amount recognised on the consolidated statement of comprehensive income when the inventories are sold. | We considered the Group's accounting policies and application thereof in respect of concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles and assessed whether this was consistent with Australian Accounting Standards.<br><br>We obtained an understanding of the process the Group uses to allocate mining costs at the different stages of production. We assessed and tested the design and operating effectiveness of the relevant controls in respect of the allocation of the mining costs.<br><br>We assessed the accuracy of the inventory calculations and tested a sample of costs to evaluate whether, based on their nature, they were allocated appropriately (i.e. capitalised to inventories or expensed). |

## Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

## Directors' responsibilities for the financial report

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

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



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### Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



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

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sandfire Resources NL for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
29 August 2017



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# 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 157,979,530 fully paid ordinary shares on 6 September 2017.

**Shareholder details**

At 6 September 2017 the Company had 3,631 holders of ordinary fully paid shares.

**Distribution of equity security holders at 6 September 2017**

| Ranges | Number of investors | Number of shares | Issued capital (%) |
|---|---|---|---|
| 1 – 1,000 | 1,952 | 764,191 | 0.48 |
| 1,001 – 5,000 | 1,116 | 2,825,193 | 1.79 |
| 5,001 – 10,000 | 265 | 2,028,797 | 1.28 |
| 10,001 – 100,000 | 260 | 6,536,716 | 4.14 |
| 100,001 – and over | 38 | 145,824,633 | 92.31 |

The number of ordinary fully paid shareholders holding less than a marketable parcel at 6 September 2017 was 421.

**Ordinary fully paid shareholders – Top 20 investors at 6 September 2017**

| Holder Name | Number of Shares | % |
|---|---|---|
| HSBC Custody Nominees Australia Ltd | 54,691,930 | 34.62 |
| J P Morgan Nominees Australia Ltd | 28,898,972 | 18.29 |
| Citicorp Nominees Pty Ltd | 23,820,541 | 15.08 |
| National Nominees Ltd | 13,893,288 | 8.79 |
| UBS Nominees Pty Ltd | 3,930,095 | 2.49 |
| BNP Paribas Nominees Pty Ltd | 3,082,606 | 1.95 |
| Tongaat Pty Ltd | 2,494,928 | 1.58 |
| BNP Paribas Nominees Pty Ltd | 2,191,816 | 1.39 |
| Zero Nominees Pty Ltd | 2,054,500 | 1.30 |
| Resource Development Company Pty Ltd | 1,486,786 | 0.94 |
| Bainpro Nominees Pty Ltd | 1,204,815 | 0.76 |
| AMP Life Limited | 1,151,587 | 0.73 |
| Kape Securities Pty Ltd | 954,750 | 0.60 |
| Merrill Lynch (Australia) Nominees Pty Ltd | 660,885 | 0.42 |
| SBN Nominees Pty Ltd | 640,000 | 0.41 |
| National Nominees Limited | 580,160 | 0.37 |
| Mr William John Evans and Mrs Carolina Maria Theresia Evans | 565,215 | 0.36 |
| Morgan Stanley Australia Securities (Nominee) Pty Ltd | 384,187 | 0.24 |
| Citicorp Nominees Pty Ltd | 329,236 | 0.21 |
| Warbont Nominees Pty Ltd | 266,528 | 0.17 |
| **Total** | **143,282,825** | **90.70** |

**Substantial shareholders of Sandfire Resources NL**

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.

Commonwealth Bank of Australia advised that as at 11 October 2016, it and its associates had an interest in 7,964,729 shares, which represented 5.05% of Sandfire capital at that time.

# ASX Additional Information

**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 6 September 2017**

| 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 6 September 2017**

| Expiry Date | Number | Holders |
|---|---|---|
| 1 July 2018 | 238,672 | 5 |
| 1 July 2019 | 410,000 | 5 |
| 1 July 2020 | 179,557 | 4 |

**On-market buy back**

The Company does not have a current buy-back plan.

# IMPORTANT INFORMATION AND DISCLAIMER

**Competent Person's Statement – Exploration Results Doolgunna**

The information in this report that relates to Exploration Results at Doolgunna 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 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 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 – Exploration Results Temora**

The information in this report that relates to Exploration Results at Temora is based on information compiled by Mr Bruce Hooper who is a Registered Professional Geoscientist (RPGeo) of The Australian Institute of Geoscientists. Mr Hooper is a permanent employee of Sandfire Resources 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 Hooper 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 Resource**

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 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**

The information in this report that relates to Ore Reserves 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 Resource and Ore Reserve, 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.

# Important Information and Disclaimer

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.

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 |
| **Robert Scott** | Independent Non-Executive Director |
| **Paul Hallam** | Independent Non-Executive Director |
| **Maree Arnason** | Independent Non-Executive Director |
| **Roric Smith** | 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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## ABN

55 105 154 185

## ASX CODE

Ordinary fully paid shares: SFR

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