SANDFIRE
RESOURCES NL

OPPORTUNITY REDEFINED

2018 ANNUAL REPORT

CONTENTS

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 2018. 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 2018 unless otherwise stated. All dollar figures are in Australian currency unless otherwise stated.

The Annual Report includes the Financial Report and Directors' Report approved by the Board of Directors on 29 August 2018 and released on ASX on 30 August 2018. The remainder of the Annual Report may include information that was available up until the date of this report, which includes events that have occurred subsequent to the release of the Financial Report.

ABOUT SANDFIRE

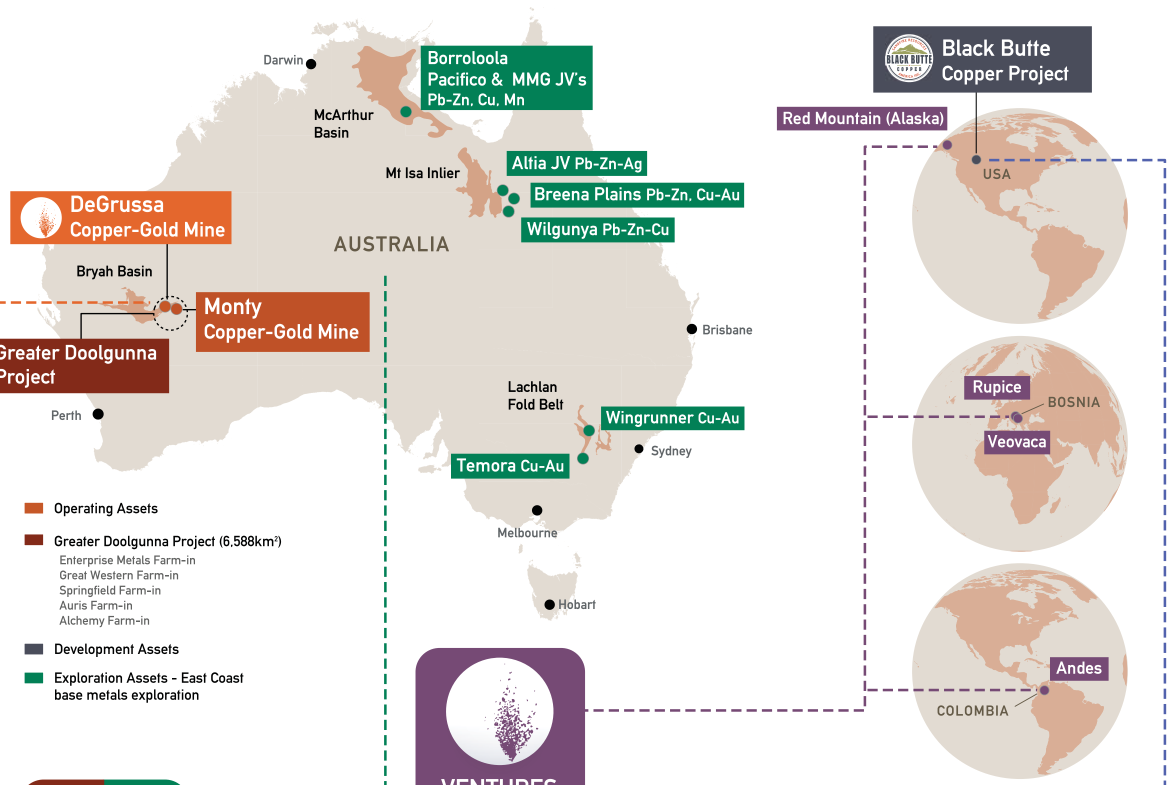
Sandfire Resources NL (ASX: SFR) is a leading mid-tier Australian mining company based in Perth, Western Australia. Sandfire's cornerstone asset is the high-grade, low cost DeGrussa Copper-Gold Mine, which is the foundation of its longer-term vision to build a diversified international mining house.

OPERATIONS

DeGrussa Copper-Gold Mine, 900km north of Perth in Western Australia
Underground mine and 1.6Mtpa Concentrator
Monty Copper-Gold Mine coming on stream, 10km east of DeGrussa (acquiring 100%)
6 years of consistent and safe operations
403,000 tonnes: contained copper production to end of FY2018
232,000 ounces: contained gold production to end of FY2018

FINANCIALS

(FY2013 - FY2018)
$3.2 billion in cumulative sales revenue
$1.5 billion in cumulative operating cash-flow (prior to exploration and evaluation expenditure)
$484 million in cumulative net profit after tax (attributable to members)
$124.6 million in cumulative dividends to shareholders



EXPLORATION

Dominant **6,588 square kilometre** portfolio across the Bryah Basin in Western Australia

$30 million annual exploration budget in Australia

VENTURES

12.7% stake in White Rock Minerals Ltd (ASX: WRM) - copper-gold in Alaska, USA

7.7% stake in Adriatic Metals Plc (ASX: ADT) - base metals in Bosnia-Herzegovina

19.4% stake in Andes Resources Ltd (unlisted exploration company) – gold and base metals in Colombia

GROWTH

78%-owned Black Butte Copper Project, Montana, USA (Sandfire Resources America Inc.), one of the top-10 undeveloped copper projects globally by grade

COMPANY STRATEGY

OUR VISION

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

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

- Safely managing the productivity of our operations by optimising production and rigorously controlling expenditure at all times;
- Investing in exploration to increase the resource base of the company by discovering new deposits; and
- Securing assets that meet our investment criteria through business development initiatives and developing assets in accordance with a set of strict economic and technical criteria.

OUR FOCUS AREAS

Optimise profitability through effective operating practices and cost consciousness.

Pursue operating excellence to produce base and precious metals profitably from our operations for the benefit of our shareholders and stakeholders.

Excellence in management of environmental, social and governance performance and prioritisation of effective stakeholder relationships as intrinsic to our social licence to operate.

Acquire and explore properties and projects in locations considered highly prospective for significant economic discoveries.

Ensure a health and safety culture which positively influences all employees, contractors and visitors as well as all who may be affected by our business operations.

Ensure our people are well supported and we embody a positive culture that fosters collaboration and excellence while providing individual opportunities.

OUR VALUES

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

2018 SNAPSHOT

"The combination of another strong and consistent production performance, lower operating costs and a significantly improved copper price translated into a set of record financial results for the year."

– Karl Simich, Managing Director and CEO

STRONG, CONSISTENT PRODUCTION AND CONTINUED LOW OPERATING COSTS

COPPER AND GOLD PRODUCTION

64,918

TONNES OF CONTAINED COPPER

39,273

OUNCES OF CONTAINED GOLD

C1 CASH OPERATING COST

US$0.93

PER POUND

(2017: US$0.93 PER POUND)

EXCEPTIONAL FINANCIAL PERFORMANCE

NET PROFIT AFTER TAX

(attributable to equity holders of parent)

$123.0M

(**2017:** $77.5 million)

59%

EARNINGS PER SHARE

77.85c

(**2017:** 49.16 cents)

58%

SALES REVENUE & PRICE ADJUSTMENTS GAINS

$606.7M

(**2017:** $532.5 million)

14%

CASH FLOW FROM OPERATING ACTIVITIES

$245.0M

(**2017:** $216.1million)

$284.6 million prior to payments for exploration and evaluation expenses

13%

CASH & DEPOSITS

$243.4M

at 30 June 2018

(**2017:** $126.7 million)

92%

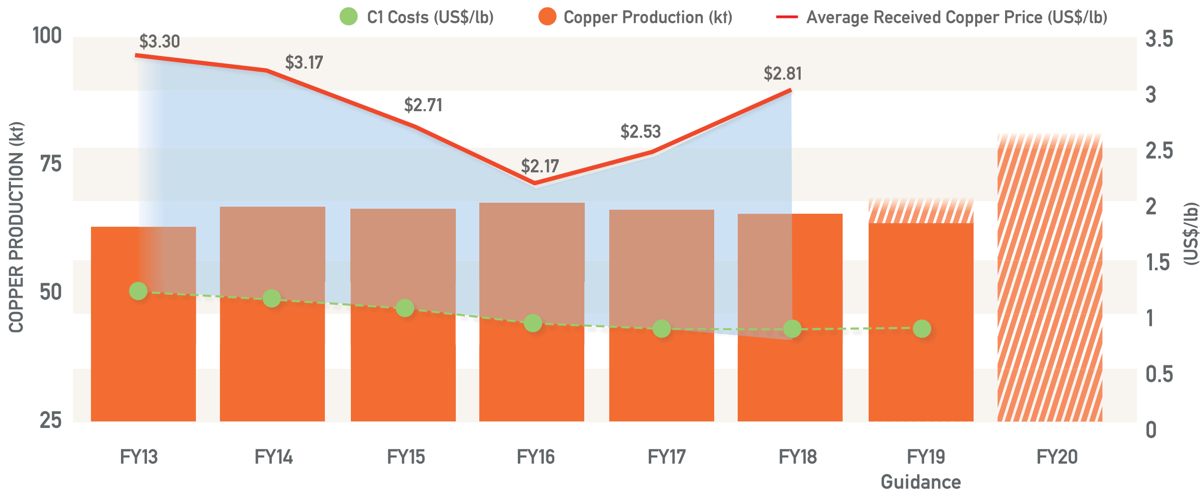
DIVIDENDS

27c FY18

18c FY17

50%

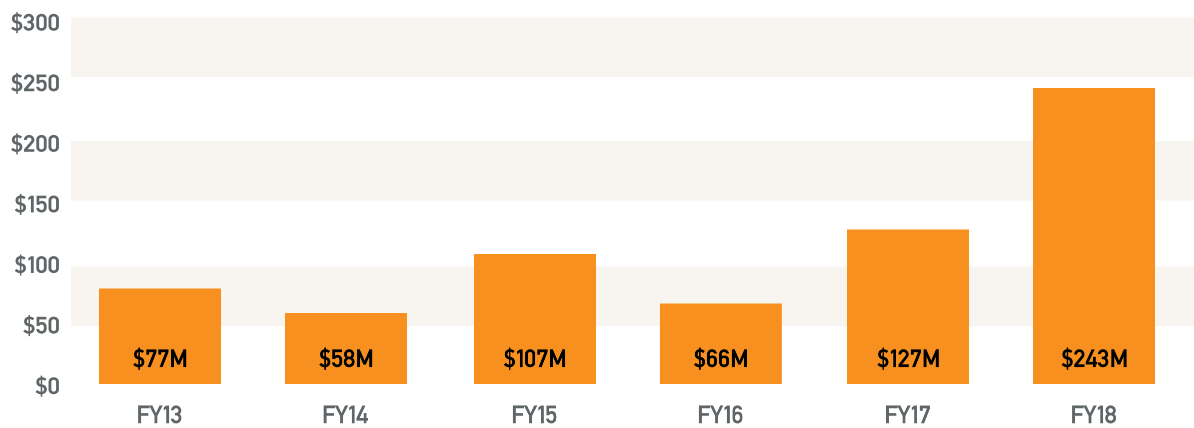
STRONG, CONSISTENT, LOW-COST PRODUCTION



DEVELOPMENT & EXPLORATION

- Monty Copper-Gold Mine deposit being developed as a satellite source of ore feed for the DeGrussa mining operation; first production on track for the December 2018 quarter.
- Acquisition of Talisman Mining Ltd's 30% interest in the Springfield Joint Ventures, which includes the Monty Copper-Gold Mine development and surrounding exploration prospects.
- Draft Operating Permit received for the 78%-owned Black Butte Copper Project in central Montana, USA, marking the commencement of the Environmental Impact Statement (EIS) – the final stage of permitting. Final EIS and Record of Decision are currently scheduled to be issued early in the 2019 year.
- Multi-pronged exploration programs continuing across Sandfire's Greater Doolgunna Project, which, including Joint Ventures and Farm-ins, now covers a total area of 6,588km^2.
- 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.
- Acquisition of cornerstone investment (acquired 11 July 2018) in ASX-listed White Rock Minerals Ltd (ASX: WRM) and formation of a strategic partnership under which Sandfire and White Rock will collaborate to advance the development of White Rock's high-grade Red Mountain Zinc VMS Project in Alaska, USA.
- Acquisition of investment stake in ASX-listed Adriatic Metals Plc (ASX: ADT) and formation of a strategic partnership under which Sandfire and Adriatic will collaborate to advance Adriatic's high-quality zinc exploration and development portfolio in Bosnia-Herzegovina.

GROWING CASH BALANCE



CHAIRMAN'S MESSAGE

Dear Shareholders

2018 has been a standout year for Sandfire – both in terms of the core operational and financial performance of our business and our continued growth and development as an organisation committed to strive for the highest standards of safety, responsibility and sustainability.

As we enjoyed our first full financial year as a debt-free copper-gold producer in "cash harvest" mode, the combination of strong production and a rising copper price translated into record revenue, profits, cash generation and dividends for the 2018 financial year.

Production was at the upper, and operating costs at the lower, end of guidance while the average received price for our primary commodity rose by 17 per cent in Australian dollar terms over the course of the year. This translated into a strong increase in profitability and rise in our market capitalisation, which exceeded $1.5 billion by financial year-end.

However, at the time of writing this report we have all received a reminder of the changing nature of commodity markets – with metal prices dropping across the board in the first few months of the new financial year in response to concerns over global trade, rising US interest rates and a strengthening US dollar.

Against this backdrop, it is worth remembering that our flagship DeGrussa Operation remains an exceptional high-grade asset which sits near the bottom of the global cost curve. This means our profitable, dividend-paying and cash-generating core operations have been capable of delivering strong shareholder returns year-in and year-out, and of weathering the ups and downs in the copper price cycle.

Despite the recent pull-back in commodities, we remain optimistic about the outlook for base metals generally and for copper in particular. The metal has exceptional market fundamentals because of the underlying strength of demand and the continued tightening of the global supply pipeline – which in turn reflects a paucity of new discoveries and declining global mine head grades.

At the same time, new demand continues to emerge due to the transition of the global economy towards green energy and battery storage technologies – and the trend to electrify the world's vehicle and transportation fleets.

As we note in our Sustainability Report, renewable energy systems consume approximately twelve times more copper than conventional power generation systems – making copper essential for any successful transition to fossil fuel alternatives. That means our primary product is well placed to benefit from the sustainability trends currently influencing global markets, and our global growth projects.

One of our key strategic objectives is to find viable pathways to grow our business – be it through diligent and focused exploration, prudent and well-considered acquisitions, or the continued development of the high-quality assets already within our global portfolio. The growing strength of our balance sheet, with a year-end cash position of $243 million and no debt, puts us in a unique position to continue making significant investments in all three areas.

"One of our key strategic objectives is to find viable pathways to grow our business – be it through diligent and focused exploration, prudent and well-considered acquisitions, or the continued development of the high-quality assets already within our global portfolio."

– Derek La Ferla, Chairman

We made outstanding progress during the year with the safe, on-time and on-budget development of the new high-grade Monty Copper-Gold Mine near DeGrussa, where first ore production is on track to occur before the end of 2018.

Our development team has been executing the development of Monty with the same professionalism and attention to detail as we did at DeGrussa. This has become the "Sandfire way", and I would like to commend the team for their diligent work in progressively checking off each of our development milestones during the year.

Sandfire utilised its strong cash position during the year to enter into a binding agreement with our Joint Venture partner, Talisman Mining Ltd, to acquire the remaining 30% interest in the Springfield Joint Ventures, including the Monty Project and surrounding exploration tenure, for $72.3 million.

This transaction is consistent with our strategic focus on consolidating growth opportunities in the highly prospective region surrounding DeGrussa, to leverage our high-quality existing infrastructure and further strengthen our dominant footprint across the Bryah Basin.

Further afield, the past financial year saw positive progress at the Black Butte Copper Project in central Montana, USA, which is being developed through our 78%-owned North American affiliate, the renamed Sandfire Resources America Inc. Black Butte is one of the top-10 undeveloped copper projects worldwide by grade and is expected to become an important component of Sandfire's long-term growth profile.

In September 2017, we received a Draft Operating Permit for the Black Butte Copper Project by the Montana Department of Environmental Quality, enabling the Company to commence the final phase of project permitting – completion of the Environmental Impact Statement (EIS).

Sandfire America has designed a state-of-the-art underground mine at Black Butte, and the award of the Draft Operating Permit reflects the Company's commitment to diligently work through all of the required permitting processes to deliver a world-class mine that sets the highest standards in terms of environmental management. Our vision for the Black Butte Copper Project is that it will be an example of responsible mining in the 21st century.

Beyond Black Butte, Sandfire has also recently further broadened its approach to investment – expanding our footprint and overall sphere of influence with the launch of our "Sandfire Ventures" strategy. This is based on the acquisition of cornerstone shareholdings in emerging junior resource companies with highly-attractive base metal exploration and development projects. Key examples include the acquisition of stakes in White Rock Minerals Ltd and Adriatic Metals Plc.

From a sustainability perspective, our emphasis is on how Sandfire fits into a larger value chain, which has implications for how we pursue our organisation's long-term strategy and goals.

Our team has been doing some excellent work to prepare the Company to embrace a much broader range of sustainability issues, including our response to environmental concerns such as climate change and water scarcity, commitment to an ethical supply chain, transparency, and maximising social and economic benefits to communities.

I encourage you to find out more about our sustainability initiatives – and the significant community contribution which Sandfire makes through its community partnerships – in our Annual Sustainability Report, which is available on the Company's website.

The outstanding results we have delivered over the past year are thanks to the extraordinary hard work and commitment of our team, led by our Managing Director, Karl Simich, and the executive management team. The knowledge, expertise and passion of our employees is the key to our future success, and I would like to extend my sincere gratitude to everyone across the organisation for their outstanding efforts and contributions this year.

I would also like to thank you – our valued shareholders – for your ongoing support.

Yours faithfully

Derek La Ferla

Non-Executive Chairman

MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS

The 2018 financial year was, by almost every measure, the strongest in Sandfire's six-year history of operations at the DeGrussa Copper-Gold Mine in Western Australia. The combination of another strong and consistent production performance, lower operating costs and a significantly improved copper price translated into a set of record financial results for the year.

We made excellent progress with the development of the new Monty Copper-Gold Mine, which will provide a new source of high-grade satellite feed to the DeGrussa operation. We increased our ownership of our key offshore development asset, the high-grade Black Butte Copper Project in Montana, USA to 78% and made significant and positive progress in advancing the permitting of this exciting project.

On the exploration front, we continued to expand our strategic footprint in the Bryah Basin through new farm-in deals, and our exploration team made an exciting breakthrough with the discovery of massive sulphides at the Morck Well Project, extending the corridor for prospective Volcanogenic Massive Sulphide (VMS) exploration.

We also continued to work hard to improve the culture of our organisation, improving the effectiveness of our communications structures, enhancing employee engagement levels and updating and communicating our strategic plan. From a sustainability perspective, we worked hard to refine and improve our stakeholder engagement practices, both nationally and internationally, and made tangible progress in a range of other areas of our environmental, social and governance practices.

The achievements of the year reflect the hard work which everyone across the Sandfire Group has put in over recent years. Our commitment to becoming more efficient and productive when commodity prices were down really paid off during the past year. Importantly, this is an ethos which I believe will continue to pay dividends in the year ahead – particularly given the recent return of volatility to global commodity markets.

"The strong cash operating margins at DeGrussa put Sandfire in the enviable position of being able to fund a major ongoing exploration program – both in the Doolgunna-Bryah Basin region and across our East Coast base metal portfolio – while at the same time investing in new mine developments and growth projects, as well as a portfolio of strategic investments which give Sandfire first-mover position in several exciting new mineral projects globally."

– Karl Simich, Managing Director and CEO

SAFETY AND SUSTAINABILITY

Safety is fundamental to our business and we place the highest emphasis on providing a safe and inclusive workplace. Our ultimate priority as an organisation is for no fatalities or serious incidents to occur.

As outlined in more detail in our Sustainability Report, we had no work-related fatalities or serious injuries during FY2018, but we did have 10 recordable injuries. While none of these related to our principal hazards, this is not acceptable to us as one injury is too many. At the end of the financial year Sandfire's total recordable injury frequency rate (TRIFR) per million hours worked was 7.1, compared to 5.0 last year, and above our target of 4.5.

While the injuries were minor, this is a disappointing result and has prompted us to redouble our efforts in this area with a strong focus on improving safety leadership and culture, whilst continuing to ensure that our principal hazards are controlled. We are confident that the proactive steps we are taking will reduce our injury rate and put us on a path to achieve our target of 4.5.

Turning to our broader efforts in the area of sustainability and ESG reporting, I encourage shareholders to read our Sustainability Report, which is available on our website and the ASX platform.

One area I would particularly like to highlight is the work that Sandfire is doing to become more flexible and creative in our approach to attracting experienced and skilled talent to the Company, and to encourage young people to consider a career in the mining industry. This is against the backdrop of an external landscape which has shifted significantly with a tightening labour market and growing skills shortage in the mining industry.

Sandfire is actively trying to address this by attracting new people to the industry by supporting scholarships and promoting the benefits of working within the industry. During the past financial year, we also trialled innovative new HR strategies such as job-sharing arrangements while ramping up training and development programs sponsored by the Company. We have continued to demonstrate strong leadership on this important issue currently confronting the mining industry.

PRODUCTION AND OPERATIONS

Production for the year was in line with production guidance ranges at 64,918 tonnes of contained copper and 39,273 ounces of contained gold. We were able to maintain an impressively low operating cost profile during the year, with C1 cash operating costs averaging US$0.93 per pound for FY2018, consistent with the previous year.

The performance of the DeGrussa underground mine remained strong, with total ore mined for FY2018 of 1.67 million tonnes at 4.3% Cu. Production was sourced from all four VMS lenses and the underground mine remained in balance between production and back-fill. With the development of the mine and primary ventilation system largely completed, sustaining mine development capital totalled $31 million for the year.

The DeGrussa Concentrator continued to perform well, delivering stable and consistent milling rates. A total of 1.64 million tonnes was milled for the year at an average head feed grade of 4.3% Cu and with overall recoveries of 91.4%. The successful commissioning of the rougher column cell delivered a positive uplift in copper recoveries, while installation of an additional concentrate thickener and filter has also been completed. This will increase peak concentrate capacity to 400,000tpa to accommodate ore from the new Monty Copper-Gold underground mine.

FINANCIAL PERFORMANCE

Sandfire posted a record net profit after income tax attributable to members of $123.0 million for the 12 months to 30 June 2018. The record result, which equates to earnings per share of 77.85 cents (FY2017: 49.16cps) (basic and diluted), compares with a net profit of $77.5 million for the previous corresponding period, an increase of 59 per cent.

This outstanding financial performance allowed the Company to pay a final fully-franked dividend of 19cps to shareholders on 25 September 2018, up from 13cps for the previous corresponding period, and increasing the annual payout to 27cps (18cps last year). The overall payout ratio for FY2018 was again based on ~35% of earnings for the full year.

The strong financial result was underpinned by another consistent operational performance, low costs and a significantly improved copper price. Sales revenue and positive copper price adjustment gains resulted in record sales revenue of $606.7 million (FY2017: $532.5 million) from payable metal sales totalling 60,247 tonnes of payable copper and 35,692 ounces of payable gold (FY2017: 62,663 tonnes of payable copper and 34,333 ounces of payable gold).

The revenue increase of $74.2 million for the year, representing an increase of 14%, was driven by strong copper markets, which also contributed to net positive quotational period (QP) price adjustments of $10.5 million over the year.

Profit before net finance expense and income tax expense was $173.8 million (FY17: $114.2 million). The DeGrussa Mine segment generated earnings before net finance and income tax expense of $226.3 million (FY17: $158.5 million), which included depreciation and amortisation charges of $129.8 million (FY17: $116.9 million).

Cash flow from operating activities increased to $245.0 million (FY17: $216.1 million) and to $284.6 million prior to payments for exploration and evaluation expenses (FY17: $248.3 million).

Sandfire finished the year with Group cash of $243.4 million (up from $126.7 million at 30 June 2017), after making dividend payments of $33.2 million, income tax payments of $61.3 million and internally funding our 70% share of the new Monty Copper-Gold Mine development ($30.3 million). The Company remains debt-free after repaying its principal debt facility in the prior period.

In reviewing these impressive numbers, it's worth pausing to reflect that, in the six consecutive financial years since operations commenced at DeGrussa, Sandfire has generated total revenues of $3.2 billion, total operating cash-flows of $1.5 billion and net profits totalling some $480 million. In the process, it has fully retired the original $380 million DeGrussa Project Finance Facility and paid out 79c in dividends to shareholders – a truly remarkable performance for a relatively small but powerful operation.

DEVELOPMENT PROJECTS

The strong cash operating margins at DeGrussa put Sandfire in the enviable position of being able to fund a major ongoing exploration program – both in the Doolgunna-Bryah Basin region and across our East Coast base metal portfolio – while at the same time investing in new mine developments and growth projects, as well as a portfolio of strategic investments which give Sandfire first-mover position in several exciting new mineral projects globally.

Development of the new Monty satellite underground mine, located 10km east of DeGrussa, commenced during the year following the completion of the Feasibility Study and permitting process in record time last year.

Strong progress was achieved with development and mining activities during the year, with on-site construction activities progressed and all pre-production surface and underground infrastructure installed and in-use.

Despite encountering some minor delays due to ground conditions, our development team and our underground mining contractor, Byrnecut Australia Pty Ltd, have done an excellent job during the year – ensuring that first ore production remains on schedule for late in the December 2018 quarter. Initial stope production is scheduled for the first quarter of 2019.

The Monty Mine is forecast to produce 70,000 tonnes of copper, 21,000 ounces of gold and 288,000 ounces of silver over a three-year production life. The introduction of ore from this high-grade (8.7% Cu) project will contribute towards a rising production profile for Sandfire from FY2020 onwards.

During the year Sandfire reached agreement to acquire Talisman Mining Ltd's 30% interest in the Springfield Exploration and Mining Joint Ventures for total consideration of $72.3 million in cash plus an ongoing 1% Net Smelter Return (NSR) royalty on any future discoveries. The transaction, which was completed subsequent to the end of the financial year, has allowed us to consolidate 100% ownership of the Monty Copper-Gold Mine and surrounding exploration tenure.

Studies also continued during the year 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.

Following completion of initial testwork, a heap leach flowsheet was confirmed as the most cost-effective processing option. Ongoing test work is focused on the use of alternative technologies in the processing route, with the Company also evaluating the use of state-of-the-art Ore Sorting technologies. We are hopeful that a suitable commercial pathway to unlock the value of this significant metal inventory will be established during FY2019.

Further afield, we are continuing to make strong progress in advancing our 78%-owned underground Black Butte Copper Project, located in central Montana in the USA, towards development. Following the key permitting milestones achieved last year, the major focus during the year was the Environmental Impact Statement (EIS) process, which represents the final stage of permitting.

Following receipt of the Draft Operating Permit, an independent third-party contractor (Environmental Resources Management) was appointed by the Montana Department of Environmental Quality (MTDEQ) to prepare the EIS, which commenced late last year. This process has progressed well, with a draft EIS expected to be available for public comment in the December 2018 Quarter.

Our North American affiliate company, Sandfire Resources America Inc., also secured a number of other ancillary permits for the project including the draft Air Quality Permit (which will be incorporated into the EIS), a 301 Permit for stream crossings, a 318 and 401 permit, a Montana Pollution Discharge Elimination System permit, and a 404 wetlands permit.

Once completed, the EIS will result in a final Record of Decision (ROD), allowing construction and development of the underground mine to commence on private ranch land in Meagher County.

Preparations are advancing well for the Definitive Feasibility Study (DFS) on the Black Butte Copper Project. A drilling program was completed during the year to recover mineralised samples for further metallurgical test work, and to inform the geological model. Mineralised core has been prepared for metallurgical testing in Canada, with the results to support the design of the proposed flowsheet for the processing plant.

The Company has also contracted SRK Consulting to complete a review of the structural geology of the project, with the results to be fed into the initial underground design work. The Company has signed a letter of intent with GR Engineering Services Ltd to be the lead consultant on the Feasibility Study. Under the arrangement with GR Engineering Services Ltd, Mining Plus Pty Ltd will prepare the Mineral Reserve Statement. Other work packages required for the DFS are currently being prepared for tender.

The completion of the DFS will provide us with the first comprehensive update of the Preliminary Economic Assessment (PEA) of the Black Butte Copper Project completed in 2013. The PEA confirmed that the Black Butte 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.

EXPLORATION

Our exploration strategy for the Doolgunna-Bryah Basin region has been developed and enhanced over a number of years as we progressively refine our understanding of the intricacies of exploration in the district.

Our regional exploration strategy comprises two main components: Volcanogenic Massive Sulphide (or VMS) exploration (targeting DeGrussa and Monty-style mineralisation) and structurally-hosted copper exploration (Thaduna and Green Dragon-style mineralisation).

VMS exploration is our primary target, given that our dominant tenement holding includes a 90km strike extent of host VMS lithologies which represents an unparalleled opportunity for VMS exploration in global terms, particularly because of its proximity to our existing processing infrastructure.

In this style of exploration, we extrapolate what we believe to be the prospective geological horizon along strike from DeGrussa and Monty and focus on establishing ownership of tenure along this key trend. We achieve this by pegging vacant ground or by entering into Joint Ventures and/or Farm-in agreements with owners of the tenure along this horizon (as was the case with the discovery of the Monty copper-gold deposit in 2015).

As a result of new farm-in deals concluded during the year we have continued to strengthen our strategic footprint across the Bryah Basin – with the recent Auris Minerals Ltd and Alchemy Resources Ltd farm-ins boosting our aggregate continuous exploration area to 6,588 square kilometres.

In areas of newly-acquired ground, our systematic and diligent approach to exploration commences with systematic first-pass programs of air-core (AC) drilling and moving-loop electromagnetics (MLEM) to allow us to see below transported cover and confirm the extents of the prospective horizon.

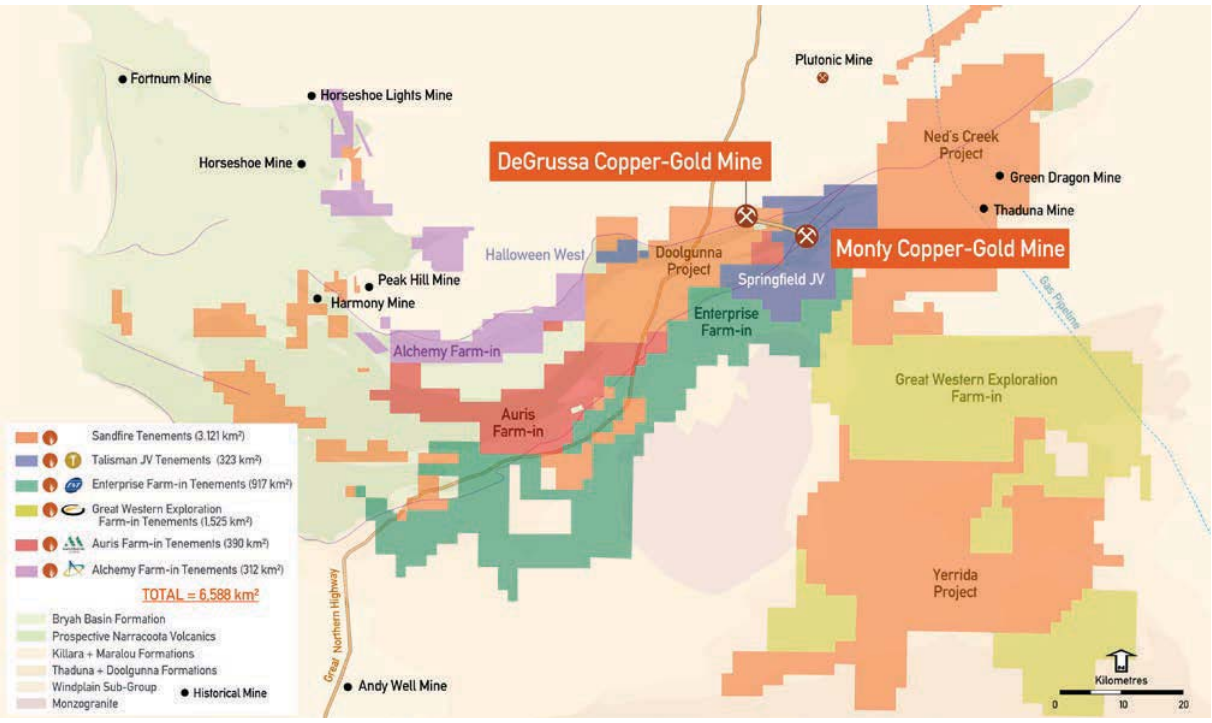
In addition to this, we also evaluate for a discrete concentration of a number of elements (geochemical anomalies) and any conductive responses that may be the product of massive sulphides. Any anomalies from this first-pass of exploration are followed up with reverse circulation (RC) or diamond drilling (DDH) to test deeper into the fresh rock for the existence of massive sulphides.

Where possible, down-hole electro magnetics (DHEM) is run on all of the deeper RC and DD holes, allowing us to survey for conductive responses off-hole much deeper than we can see with the surface DHEM.

In the Bryah Basin, exploration is complicated by the amount of transported cover we encounter across the region – in some places reaching upwards of 160m below surface, and the structural complexity of the region.

This complexity is also an opportunity and makes these high-value styles of deposits relatively under explored in the region, if explored at all. Our team has shown that it has the commitment and competence to unlock new discoveries in the region, and the two VMS discoveries we have made so far in the east of the Basin (DeGrussa and Monty) are both of exceptional grade and significantly reward continued exploration effort.

We continue to learn on the ground, refine our techniques and work with our partners, both subject matter experts and technology specialists, to ensure that we are at the cutting edge of VMS exploration. Our belief is that the Bryah Basin is the most prospective, high grade copper belt in Australia and worthy of continued focus and exploration.



Sandfire tenement holding in the Greater Doolgunna area.

We completed a total of over 256,000 metres of drilling across our Doolgunna tenements during FY2018, including nearly 210,000 metres of RAB and AC drilling, supported by geophysics and a continued review of geochemistry. This expansive work program spanned multiple prospects, including Homestead, Vulcan West, Airstrip South, Jenkins, Cabernet, and the area surrounding the Monty Project.

One of the highlights of the year was the discovery of narrow zones of supergene and fresh massive sulphide mineralisation at the Morck Well JV area, with significant results from Aircore drilling including intercepts of 11m grading 3.5% copper from 73m in MWAC0109 including a 3m zone grading 9.5% Cu.

The overall tenor and grade of the mineralisation encountered is very encouraging and is the first time we have intersected massive sulphides outside of the DeGrussa mine complex and the more recent Monty discovery. While we have not yet been able to convert this early encouragement into a commercial discovery, we remain extremely optimistic about the potential of this area – where the highly prospective Karalundi trend extends from the Homestead area, through Vulcan West and moving south-west to the Morck's Well Project.

Step-out RC drilling supported by down-hole electromagnetic surveying and surface electro-magnetic surveying is continuing across this exciting corridor, where we continue to see numerous encouraging geological indicators for a potential new breakthrough discovery.

We are excited by the new exploration opportunities that we have secured by acquiring Independence Group's farm-in rights over the base metal prospective tenements held by Alchemy Resources. In addition to extending our prospective footprint directly along strike from the DeGrussa mine and plant, this deal has given us numerous new exploration targets. A multi-pronged exploration program commenced in this area in September.

We are also continuing to progress our east coast exploration initiative, targeting world-class discoveries in some of Australia's premier exploration provinces. Extensive drilling programs continued during the year at the Temora Project in NSW to follow up on the significant porphyry copper mineralisation discovered at the Donnington prospect last year.

SANDFIRE VENTURES

Sandfire further expanded its asset portfolio through the acquisition of cornerstone shareholdings in two highly prospective ASX listed companies, comprising a 7.7% strategic stake in Adriatic Metals Plc (ASX: ADT) and a 12.7% investment in White Rock Minerals Ltd (ASX: WRM).

Adriatic holds the Veovaca and Rupice polymetallic projects in Bosnia Herzegovina. Recent drilling in the Rupice Project has delivered broad, high-grade intercepts including 64m @ 4.6g/t Au, 537g/t Ag, 0.9% Cu, 7.7% Pb, 10.8% Zn, 46% $BaSO_4$ from 214m.

Sandfire and Adriatic have entered into a strategic partnership agreement under which Adriatic will have access to Sandfire's significant technical expertise to develop the Veovaca and Rupice projects, as well as further strategic support to unlock the potential from Adriatic's regional exploration portfolio.

The investment in White Rock was completed subsequent to the end of the reporting period, with the parties also agreeing to formalise a strategic relationship in relation to White Rock's globally significant high-grade Red Mountain Zinc VMS Project in Alaska.

We also acquired a 19.4% strategic interest in unlisted exploration company, Andes Resources Ltd (Andes), during the year, also agreeing to form a Technical Committee under which Andes will have access to Sandfire's technical expertise to develop its Andes Project. The majority of the project, which is prospective for gold and copper, lies within the municipalities of Andes, Jardin, Betania & Bolivar in the department of Antioquia, Colombia.

These strategic investments provide compelling growth opportunities over the medium term.

SUMMARY AND OUTLOOK

Sandfire has a hard-earned and well-justified reputation as a consistent and reliable performer in the mid-tier mining sector on the ASX.

I believe that the professionalism, focus and diligence of our approach will stand us in good stead as we continue to advance towards our goal of building a diversified international mining house through new mine development activities in Australia and the USA and a continued expansive commitment to exploration.

The Company has much to look forward to over the year ahead, and beyond.

Production for FY2019 is forecast at 63-67kt of copper and 37-40koz of gold, at a C1 cash cost of US$1.00-1.05/lb, with the continued strong cash generation at DeGrussa and the Company's debt-free balance sheet providing a solid foundation for our aspiration to develop a global portfolio of high-quality resource assets.

We are pleased to have completed the acquisition of 100% of the Springfield assets, including the Monty mine, which will come on stream by the end of the 2018 calendar year. Exploration activities will continue to gather momentum on a number of fronts. And we are eagerly anticipating the receipt of final approvals for the Black Butte Copper Project in Montana, which will allow that project to move into full development mode.

This exceptional growth platform is the result of the outstanding ongoing hard work and commitment of our dedicated team of staff and contractors, and I would like to extend my sincerest thanks to them for their significant efforts during the year. As always, I would also like to gratefully acknowledge the wonderful support of our loyal shareholders. This is an exciting period for Sandfire, and we can all be justifiably proud of the tremendous opportunities that lay ahead.

Karl Simich

Managing Director and CEO


SANDFIRE


SANDFIRE
RESOURCES NL

BOARD OF DIRECTORS

1. 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 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).

2. Mr Karl M 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 various 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.

3. Mr Robert Scott

Independent Non-Executive Director

Qualifications: FCA

Mr Scott is a Chartered Accountant and former international partner with major global accounting firms with over 35 years' experience in corporate structuring and taxation planning. He has served as a Chairman and as non-executive director with various publicly listed resource companies with operational experience in Australia, USA and Asia and has a strong focus on project governance, audit and risk management. Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia and is a member of the Australian Institute of Company Directors. Mr Scott has served as the Chairman of Homeloans Ltd and as a Non-executive Director of RTG Mining Inc.

4. Mr Paul Hallam

Independent Non-Executive Director

Qualifications: BE (Hons) Mining, FAICD, FAusIMM

Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. Mr Hallam retired in 2011 to pursue a career as a professional non-executive director. He has held Australian and international non-executive director roles since 1997.
His former executive 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. In these and previous roles Mr Hallam has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversite and management for multiple mining operations. 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.

5. 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 with companies including BHP, Carter Holt Harvey and Wesfarmers and has significant leadership expertise working in complex corporate and project environments with a focus on risk and reputation. Ms Arnason is a Non-Executive Director of ASX-listed mineral sands producer MZI Resources, a Co-Founder/Director of Energy Access Services, who operate an automated and independent Western Australian-focused wholesale gas trading platform and a member of the Australian Securities and Investments Commission (ASIC) Director Advisory Panel. An active not-for-profit contributor for 25 years, Ms Arnason serves on CEDA's (Committee for Economic Development of Australia) WA State Advisory Council, the Juniper Board - one of WA's largest aged care community benefit organisations and is a life member and past National Director of the Australia China Business Council.

6. 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 Non-Executive Director of Saracen Mineral Holdings 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. Dr Smith holds a B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa.

SENIOR MANAGEMENT

1. Mr Richard Beazley

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.

2. Mr Matthew Fitzgerald

Chief Financial Officer and Joint Company Secretary

Qualifications: B.Com, CA

Mr Fitzgerald is a chartered accountant with extensive experience in the resources industry. He began his career in the Assurance & Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald is also the Chairman of Sandfire Resources America Inc. (TSX.V: SFR), which is permitting the 100% owned and leased Black Butte Copper Project. Sandfire owns 78.1% of Sandfire Resources America Inc.

3. Mr Robert Klug

Chief Commercial Officer and Joint Company Secretary

Qualifications: B.Com, LLB

Mr Klug is an experienced commercial manager having held accounting, senior legal, corporate finance and executive management roles in his 25 plus year career. Initially trained as an auditor at KPMG, Mr Klug completed a law degree at Murdoch University and worked as a corporate lawyer in London before joining Freehills in Perth advising small and mid-cap resources companies. As a Director of Carmichael Capital Markets, the corporate finance arm of DJ Carmichael Stockbrokers, Mr Klug developed his expertise in corporate finance before moving to senior management roles within ASX listed resource companies including St Barbara Limited and Heron Resources Limited. Since joining Sandfire in 2012, Mr Klug has overseen all legal and commercial aspects of the business with specific responsibilities related to sales, marketing and ESG.

4. 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 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 Sandfire Resources America Inc. office in Montana where he served as the Chief Executive Officer.

5. Mr Shannan Bamforth

General Manager Geology

Qualifications: B.Sc (Geo)

Mr Bamforth is a geologist with over 20 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 in 2010, Mr Bamforth held various senior positions with a variety of companies including Regent Pacific Group, St Barbara Mines, AngloGold Ashanti, and Acacia Resources. He is a member of The Australian Institute of Mining and Metallurgy.

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 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.

To assist the Board to discharge its responsibilities, the Board has established the following committees:

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

Details of relevant qualification and experience for Committee members can be found on pages 23 to 25 of the Annual Report.

Whilst the Board of Directors is responsible for establishing the corporate governance framework of the Group, at Sandfire, we believe good governance is the collective responsibility for all levels of management and staff. We believe that excellence in governance is intrinsic to our social license to operate and essential for the long-term sustainability of our business and is one of our key focus areas and measures of success.

Our governance framework supports our people to deliver our strategy and provides an integral role in effective and responsible decision making. Sandfire's Code of Conduct and governance policies reinforce the importance of our values in carrying out our responsibilities to shareholders, employees, business partners, government, regulators and broader community.

The Company regularly reviews its governance arrangements and corporate governance policies to reflect the growth of the Company, current legislation and best practise. Further information about governance at Sandfire, as well as copies of our Board and Committee Charters; Code of Conduct and various governance policies can be found on the Governance page on our website at www.sandfire.com.au.

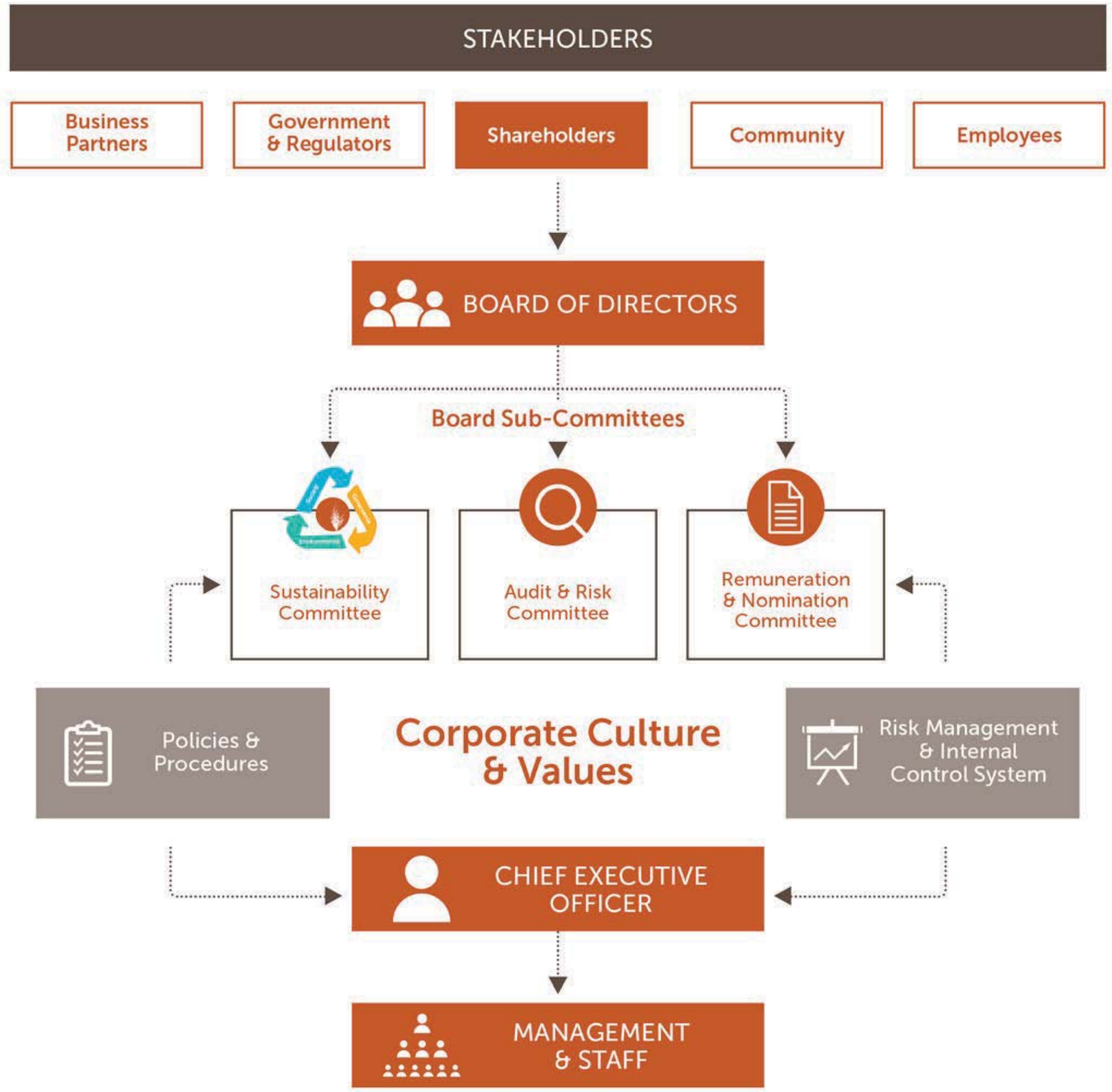
2018 Corporate Governance Statement

Sandfire's Corporate Governance Statement outlines the key features of Sandfire's corporate governance framework, by reference to the ASX Corporate Governance Council's 3rd Edition of its Corporate Governance Principles and Recommendations (ASX Recommendations).

Sandfire's Corporate Governance Statement is accurate and current as at 12 October 2018 and has been approved by the Board of Directors. During the FY2018 reporting period, the Company's corporate governance practices have complied with all relevant ASX Recommendations.

The Corporate Governance Statement can be found on Sandfire's website at http://www.sandfire.com.au/investor/governance.html along with the ASX Appendix 4G, a checklist cross-referencing the ASX Recommendations to disclosures in the Corporate Governance Statement, the 2018 Annual Report and the Company website.

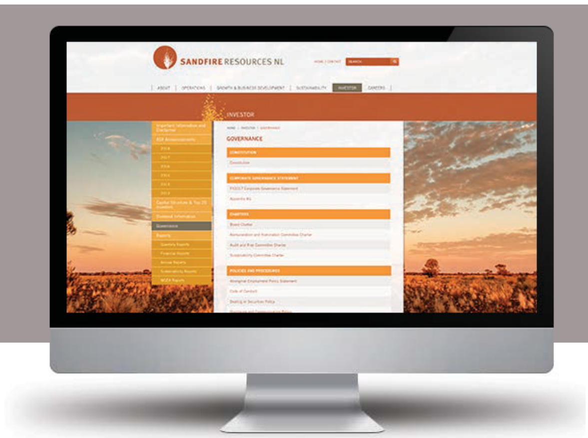
GOVERNANCE FRAMEWORK



SUPPORTING DOCUMENTS

* Company Constitution
* Code of Conduct
* Board and Committee Charters
* Policies and procedures
* Corporate Governance Statement

Available on our website
www.sandfire.com.au/investor/governance.html



SUSTAINABILITY

Sandfire is committed to open and transparent communication. Sandfire's fourth annual Sustainability Report, available on the Company's website, provides comprehensive disclosure on how it responds to sustainability challenges and opportunities and its management of economic, environment, social and governance issues.

In FY2017, Sandfire announced its sustainability strategy to guide Sandfire over the period 2017 – 2021. The strategy links the numerous activities supporting sustainable development throughout the Company and connects them to broader goals. It also supports Sandfire's broader business strategy, underscoring how sustainability fits within its business objectives including growth, supporting its people, safety and operating responsibly.

Progress made against this strategy and the associated targets are detailed in Sandfire's Sustainability Report.

Sandfire reports its sustainability information in accordance with the Global Reporting Initiative (GRI) Standards G4 'core' option.

The 2018 Sustainability Report
can be viewed at
www.sandfire.com.au

ORE RESERVES AND MINERAL RESOURCES

Sandfire's Ore Reserve and Mineral Resource estimates are presented on the following pages of this report. The mineral resource estimates are reported inclusive of ore reserve estimates. Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

The ASX releases, including JORC Table 1 documentation, which detail the material assumptions and technical parameters for each estimate, and the JORC Code Competent Person Statements for Ore Reserves and Mineral Resources are available on the Company's website at www.sandfire.com.au (refer to the *Mineral Resources, Ore Reserves & Mine Plan* page of the Operations menu).

No material changes have occurred in Sandfire's ore reserve and mineral resource estimates since the previous Annual Report, except for those declared for the DeGrussa Copper-Gold Mine. A comparison of the current declared mineral resource and ore reserve estimates to that of the previous year for DeGrussa is outlined in the table below.

	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Mineral Resource					
31 Dec 2016	9.5	4.2	1.6	400,000	500,000
31 Dec 2017	7.6	4.1	1.6	311,000	384,000
Ore Reserve					
31 Dec 2016	8.9	3.6	1.4	316,000	410,000
31 Dec 2017	8.5	3.4	1.3	290,000	359,000

The variance between the 2016 and 2017 DeGrussa mineral resource estimates primarily reflects mining depletion and sterilisation. The variance between the 2016 and 2017 DeGrussa ore reserve estimates reflects mining depletion, revision to mining modifying factors, review and conversion of previously unconverted underground mineral resources, and a review and update of open pit surface stockpiles.

The DeGrussa mineral resource and ore reserve is declared as at 31 December 2017. Material changes have occurred in the interim period up to 30 June 2018 and are due to mining depletion of approximately 0.8 Mt at 4.5% Cu, 1.4 g/t Au for 37,000t of contained copper and 38,000oz of contained gold.

DeGrussa Copper-Gold Mine Underground – Ore Reserve and Mineral Resource as at 31 December 2017

	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	0.4	6.0	2.1	26,000	30,000	Measured	0.4	7.2	2.6	28,000	32,000
	Probable	<0.1	4.8	1.1	1,000	1,000	Indicated	<0.1	1.6	1.0	<1000	1,000
							Inferred	-	-	-	-	-
	Total	**0.5**	**5.9**	**2.1**	**27,000**	**31,000**	**Total**	**0.4**	**6.9**	**2.5**	**28,000**	**33,000**
Conductor 1	Proved	1.8	3.9	1.5	69,000	85,000	Measured	1.5	5.4	2.0	81,000	98,000
	Probable	0.3	3.4	1.2	9,000	10,000	Indicated	0.2	1.6	0.4	3,000	3,000
							Inferred	<0.1	4.4	2.0	<1,000	<1,000
	Total	**2.0**	**3.8**	**1.4**	**78,000**	**95,000**	**Total**	**1.7**	**4.9**	**1.8**	**85,000**	**102,000**
Conductor 4	Proved	1.3	4.6	1.6	60,000	66,000	Measured	1.2	6.2	2.1	73,000	78,000
	Probable	0.4	3.8	1.3	16,000	18,000	Indicated	0.1	1.4	0.5	2,000	2,000
							Inferred	0.1	3.6	1.4	4,000	5,000
	Total	**1.7**	**4.4**	**1.5**	**76,000**	**84,000**	**Total**	**1.4**	**5.6**	**1.9**	**79,000**	**85,000**
Conductor 5	Proved	1.2	4.8	2.2	60,000	86,000	Measured	1.2	6.4	2.8	76,000	107,000
	Probable	0.2	4.6	1.8	11,000	14,000	Indicated	0.1	4.0	1.6	5,000	7,000
							Inferred	<0.1	4.4	1.7	1,000	1,000
	Total	**1.5**	**4.8**	**2.1**	**71,000**	**100,000**	**Total**	**1.4**	**6.1**	**2.6**	**82,000**	**115,000**
Stockpiles	Proved	0.1	4.9	1.9	3,000	4,000	Measured	0.1	4.9	1.9	3,000	4,000
Total	**Proved**	**4.8**	**4.5**	**1.8**	**218,000**	**271,000**	**Measured**	**4.3**	**6.0**	**2.3**	**261,000**	**319,000**
	Probable	**1.0**	**3.9**	**1.4**	**37,000**	**42,000**	**Indicated**	**0.5**	**2.2**	**0.8**	**11,000**	**13,000**
							Inferred	**0.1**	**3.8**	**1.5**	**5,000**	**6,000**
	Total	**5.8**	**4.4**	**1.7**	**255,000**	**313,000**	**Total**	**4.9**	**5.6**	**2.1**	**277,000**	**338,000**

Ore Reserves and Mineral Resources (continued)

DeGrussa Copper-Gold Mine Open Pit – Ore Reserve and Mineral Resource as at 31 December 2017

	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	2.7	1.3	0.5	34,000	46,000	Measured	2.7	1.3	0.5	34,000	46,000
	Probable	-	-	-	-	-	Indicated	-	-	-	-	-
							Inferred	-	-	-	-	-
	Total	**2.7**	**1.3**	**0.5**	**34,000**	**46,000**	**Total**	**2.7**	**1.3**	**0.5**	**34,000**	**46,000**

DeGrussa Copper-Gold Mine Total - Ore Reserve and Mineral Resource as at 31 December 2017

	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	0.4	6.0	2.1	26,000	30,000	Measured	0.4	7.2	2.6	28,000	32,000
	Probable	<0.1	4.8	1.1	1,000	1,000	Indicated	<0.1	1.6	1.0	<1,000	1,000
							Inferred	-	-	-	-	-
	Total	**0.5**	**5.9**	**2.1**	**27,000**	**31,000**	**Total**	**0.4**	**6.9**	**2.5**	**28,000**	**33,000**
Conductor 1	Proved	1.8	3.9	1.5	69,000	85,000	Measured	1.5	5.4	2.0	81,000	98,000
	Probable	0.3	3.4	1.2	9,000	10,000	Indicated	0.2	1.6	0.4	3,000	3,000
							Inferred	<0.1	4.4	2.0	<1,000	<1,000
	Total	**2.0**	**3.8**	**1.4**	**78,000**	**95,000**	**Total**	**1.7**	**4.9**	**1.8**	**85,000**	**102,000**
Conductor 4	Proved	1.3	4.6	1.6	60,000	66,000	Measured	1.2	6.2	2.1	73,000	78,000
	Probable	0.4	3.8	1.3	16,000	18,000	Indicated	0.1	1.4	0.5	2,000	2,000
							Inferred	0.1	3.6	1.4	4,000	5,000
	Total	**1.7**	**4.4**	**1.5**	**76,000**	**84,000**	**Total**	**1.4**	**5.6**	**1.9**	**79,000**	**85,000**
Conductor 5	Proved	1.2	4.8	2.2	60,000	86,000	Measured	1.2	6.4	2.8	76,000	107,000
	Probable	0.2	4.6	1.8	11,000	14,000	Indicated	0.1	4.0	1.6	5,000	7,000
							Inferred	<0.1	4.4	1.7	1,000	1,000
	Total	**1.5**	**4.8**	**2.1**	**71,000**	**100,000**	**Total**	**1.4**	**6.1**	**2.6**	**82,000**	**115,000**
Stockpiles	Proved	2.8	1.3	0.6	37,000	50,000	Measured	2.8	1.3	0.6	37,000	50,000
							Indicated	-	-	-	-	-
Total	**Proved**	**7.5**	**3.4**	**1.3**	**253,000**	**317,000**	**Measured**	**7.0**	**4.2**	**1.6**	**295,000**	**365,000**
	Probable	**1.0**	**3.9**	**1.4**	**37,000**	**42,000**	**Indicated**	**0.5**	**2.2**	**0.8**	**11,000**	**13,000**
							Inferred	**0.1**	**3.8**	**1.5**	**5,000**	**6,000**
	Total	**8.5**	**3.4**	**1.3**	**290,000**	**359,000**	**Total**	**7.6**	**4.1**	**1.6**	**311,000**	**384,000**

Notes:

(a) Mineral Resource is based on a 1.0% Cu cut-off and allows for mining depletion and sterilisation as at 31 December 2017.

(b) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

(c) Ore Reserve include mining dilution and recovery.

Monty Copper-Gold Mine Underground – Ore Reserve as at 31 March 2017 and Mineral Resource as at 31 March 2016

	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**

Notes:

(a) Mineral Resource is based on a 1.0% Cu cut-off.

(b) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

(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.

(d) Ore Reserve and Mineral Resource is reported on a 100% Sandfire basis, following the acquisition of Talisman Mining Ltd's 30% interest in the Springfield Joint Ventures.

Black Butte Copper-Gold Project – Mineral Resource as at 31 December 2016

Deposit	Resource Category	Tonnes (Mt)	Copper (%)	Silver (g/t)	Cobalt (%)	Contained Copper (t)	Contained Silver (oz)	Contained Cobalt (t)
Black Butte	Measured	2.7	3.0	16	0.12	79,000	1,393,000	3,000
	Indicated	13.0	3.5	13	0.10	454,000	5,584,000	13,000
	Inferred	2.3	2.8	14	0.09	63,000	1,003,000	2,000
	Total	**18.0**	**3.3**	**14**	**0.10**	**597,000**	**7,980,000**	**18,000**

Notes:

(a) Black Butte is owned by North American-listed Company Sandfire Resources America Inc. (TSX-V: SFR). Sandfire Resources NL holds a 78.1% interest. The figures shown represent 100% of the Mineral Resource.

(b) Mineral Resource is based on a 1.6% Cu cut-off for Johnny Lee Upper Zone and Lowry, 1.5% Cu cut-off for Johnny Lee Lower Zone.

(c) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

Thaduna and Green Dragon Project – Mineral Resource as at 31 December 2016

Deposit	Resource Category	Tonnes (Mt)	Copper (%)	Silver (g/t)	Contained Copper (t)	Contained Silver (oz)
Thaduna	Measured	-	-	-	-	-
	Indicated	2.7	2.2	4.0	59,000	349,000
	Inferred	2.8	2.1	5.4	60,000	480,000
	Total	**5.5**	**2.2**	**4.7**	**119,000**	**829,000**
Green Dragon	Measured	-	-	-	-	-
	Indicated	1.8	1.3	1.8	23,000	102,000
	Inferred	0.8	1.0	1.2	8,000	31,000
	Total	**2.6**	**1.2**	**1.6**	**32,000**	**134,000**
Total	Measured	-	-	-	-	-
	Indicated	4.5	1.8	3.1	82,000	451,000
	Inferred	3.6	1.9	4.4	68,000	512,000
	Total	**8.2**	**1.8**	**3.7**	**150,000**	**963,000**

Notes:

(a) Mineral Resources for both Thaduna and Green Dragon are based on a 0.5% Cu cut-off.

(b) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

Ore Reserves and Mineral Resources (continued)

Temora Project – Mineral Resource as at 31 December 2016

Deposit	Resource Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Dam	Measured	-	-	-	-	-
	Indicated	25	0.34	0.48	83,000	381,000
	Inferred	16	0.24	0.30	37,000	151,000
	Total	**40**	**0.30**	**0.41**	**121,000**	**532,000**
Cullingerai	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	24	0.30	0.31	72,000	237,000
	Total	**24**	**0.30**	**0.31**	**72,000**	**237,000**
Estoril	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	14	0.21	0.35	30,000	160,000
	Total	**14**	**0.21**	**0.35**	**30,000**	**160,000**
Mandamah	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	26	0.34	0.38	89,000	314,000
	Total	**26**	**0.34**	**0.38**	**89,000**	**314,000**
Yiddah	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	127	0.32	0.14	410,000	574,000
	Total	**127**	**0.32**	**0.14**	**410,000**	**574,000**
Gidginbung	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	8.0	0.09	1.5	7,000	391,000
	Total	**8.0**	**0.09**	**1.5**	**7,000**	**391,000**
Total	Measured	-	-	-	-	-
	Indicated	25	0.34	0.48	83,000	381,000
	Inferred	215	0.30	0.26	645,000	1,827,000
	Total	**240**	**0.30**	**0.29**	**728,000**	**2,207,000**

Notes:

(a) Mineral Resources for Dam, Cullingerai, Estoril, Mandamah, Yiddah are based on a 0.3% CuEq cut-off which is calculated as CuEq = Cu % + Au g/t ((PAu * RecAu)/ (PCu * RecCu)) where Cu price = 3.53 AUD$/lb, Au price = 1,600 AUD$/oz, Cu recovery = 90% and Au recovery = 75%.

(b) Mineral Resource for Gidginbung is based on a 1g/t Au cut-off.

(c) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

Competent Person Statements

The information in this report that relates to ore reserves or mineral resources is based on information compiled by the Competent Persons listed in the table below. All Competent Persons listed below have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. All Competent Persons consent to the inclusion in the report of their respective matters based on the information in the form and context in which it appears.

Activity	Competent Person	Professional Membership	SFR Relationship	Responsible Activity
Mineral Resources	Callum Browne	MAusIMM	Senior Resource Geologist	DeGrussa and Monty Mineral Resource Estimates
	Ekow Taylor	MAusIMM	Former SFR Senior Resource Geologist	Thaduna/Green Dragon Mineral Resource Estimate
	Michael Lechner	AIPG/CPG	Independent Consultant	Black Butte Mineral Resource Estimates
	Ross Corben	FAusIMM	Independent Consultant	Temora Project Mineral Resource Estimates
Ore Reserves	Neil Hastings	MAusIMM(CP)	Principal Mining Engineer	DeGrussa and Monty Ore Reserve Estimates

FINANCIAL REPORT
For the year ended 30 June 2018

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 2018 (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 Independent Non-Executive Chairman	Appointed 17 May 2010
Mr Karl Simich Managing Director & Chief Executive Officer	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr Robert Scott Independent Non-Executive Director	Appointed 30 July 2010
Mr Paul Hallam Independent Non-Executive Director	Appointed 21 May 2013
Ms Maree Arnason Independent Non-Executive Director	Appointed 18 December 2015
Dr Roric Smith Independent Non-Executive Director	Appointed 31 December 2016

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

Derek La Ferla, age 59	**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 November 2015). Non-Executive Chairman of Threat Protect Australia Limited (since September 2015). Non-Executive Chairman of Veris Limited (since October 2011).
Special responsibilities	Member of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee. Member of the Sustainability Committee.
Karl Simich, age 54	**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 various 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' Report

Directors (continued)

Robert Scott, age 71	**Independent Non-Executive Director**
Qualifications	FCA
Experience	Mr Scott is a Chartered Accountant and former international partner with major global accounting firms with over 35 years' experience in corporate structuring and taxation planning. He has served as a Chairman and as non-executive director with various publicly listed resource companies with operational experience in Australia, USA and Asia and has a strong focus on project governance, audit and risk management. Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia and is a member of the Australian Institute of Company Directors. Mr Scott has served as the Chairman of Homeloans Ltd and as a Non-executive Director of RTG Mining Inc.
Other current listed company directorships	Non-Executive Director of Homeloans Ltd (since November 2000; Non-Executive Chairman from November 2014 to November 2017). 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. Member of the Remuneration and Nomination Committee.
Paul Hallam, age 63	**Independent Non-Executive Director**
Qualifications	BE (Hons) Mining, FAICD, FAusIMM
Experience	Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. Mr Hallam retired in 2011 to pursue a career as a professional non-executive director. He has held Australian and international non-executive director roles since 1997. His former executive 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. In these and previous roles Mr Hallam has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversite and management for multiple mining operations. 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 Gindalbie Metals Ltd (since December 2011).
Former listed company directorships in last three years	Non-Executive Director of Altona Mining Ltd (March 2013 to April 2018).
Special responsibilities	Chairman of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee.
Maree Arnason, age 53	**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 with companies including BHP, Carter Holt Harvey and Wesfarmers and has significant leadership expertise working in complex corporate and project environments with a focus on risk and reputation. Ms Arnason is a Non-Executive Director of ASX-listed mineral sands producer MZI Resources, a Co-Founder/Director of Energy Access Services, who operate an automated and independent Western Australian-focused wholesale gas trading platform and a member of the Australian Securities and Investments Commission (ASIC) Director Advisory Panel. An active not-for-profit contributor for 25 years, Ms Arnason serves on CEDA's (Committee for Economic Development of Australia) WA State Advisory Council, the Juniper Board - one of WA's largest aged care community benefit organisations and is a life member and past National Director of the Australia China Business Council.
Other current listed company directorships	Non-Executive Director of MZI Resources Limited (since May 2015).
Special responsibilities	Chair of the Sustainability Committee. Member of the Audit and Risk Committee.

Directors' Report

Directors (continued)

Roric Smith, age 56	**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 Non-Executive Director of Saracen Mineral Holdings 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. Dr Smith holds a B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa.
Other current listed company directorships	Non-Executive Director of Saracen Mineral Holdings Limited (since July 2018).
Special responsibilities	Member of the Sustainability Committee.

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	4,894,679
Robert Scott	5,000
Paul Hallam	-
Maree Arnason	-
Roric Smith	-

As at the date of this report, there were no options over unissued ordinary shares in the Company.

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 Sandfire Resources America Inc. (formerly Tintina Resources Inc.).
Robert Klug	**Joint Company Secretary and Chief Commercial Officer**
Qualifications	B.Com, LLB
Experience	Mr Klug is an experienced commercial manager having held accounting, senior legal, corporate finance and executive management roles in his 25 plus year career. Initially trained as an auditor at KPMG, Mr Klug completed a law degree at Murdoch University and worked as a corporate lawyer in London before joining Freehills in Perth advising small and mid-cap resources companies. As a Director of Carmichael Capital Markets, the corporate finance arm of DJ Carmichael Stockbrokers, Mr Klug developed his expertise in corporate finance before moving to senior management roles within ASX listed resource companies including St Barbara Limited and Heron Resources Limited. Since joining Sandfire in 2012, Mr Klug has overseen all legal and commercial aspects of the business with specific responsibilities related to sales, marketing and ESG.

Directors' Report

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 are detailed below:

	Board Meetings		Meetings of Committees					
			Audit and Risk		Remuneration and Nomination		Sustainability	
	A	B	A	B	A	B	A	B
Derek La Ferla	7	7	4	4	4	4	6	6
Karl Simich	7	7	-	-	-	-	-	-
Robert Scott	7	7	4	4	4	4	-	-
Paul Hallam	7	7	4	4	4	4	-	-
Maree Arnason	7	7	4	4	-	-	6	6
Roric Smith	7	7	-	-	-	-	5	6

A Number of meetings attended.

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

Committee membership

As at the date of this report, the Board has 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
Derek La Ferla	Derek La Ferla	Derek La Ferla
Paul Hallam	Robert Scott	Roric Smith
Maree Arnason		

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 19 cents per share, to be paid on 25 September 2018. The record date for entitlement to this dividend is 11 September 2018. The financial impact of this dividend amounting to $30,252,000 has not been recognised in the Financial Statements for the year ended 30 June 2018 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 July 2016, 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
5 March 2018	20 March 2018	2018 FY Interim	8	8	12,638
12 September 2017	26 September 2017	2017 FY Final	13	13	20,537
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

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 Copper-Gold Mine in Western Australia;
- Development of Sandfire Resources America Inc.'s high-grade Black Butte Copper Project; and
- Exploration, evaluation and development of mineral tenements and projects in Australia and overseas, including investment in early stage mineral exploration companies.

Directors' Report

Operational and financial 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 Western Australia'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-Gold Mine (see Figure 1).

Figure 1: Map of Australia displaying the location of the DeGrussa Copper-Gold Mine.

DeGrussa Copper-Gold Mine

Overview

Production for the 12 months to 30 June 2018 was 64,918 tonnes of contained copper and 39,273 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 2018 Production Statistics		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined	1,665,860	4.3	1.6	70,717	83,782
	Milled	1,641,244	4.3	1.7	71,012	87,891
	Production	**268,093**	**24.2**	**4.6**	**64,918**	**39,273**
	Concentrate sales	260,765	24.1	4.6	62,918	38,510

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

Production was sourced from all lenses at DeGrussa throughout the reporting period, with the mine remaining in balance between production and back-fill.

Processing

Mill throughput rates for the year were in line with budget.

Copper recovery during the first half of the year was impacted by elevated talc levels in the ore feed from the C1 deposit. Talc will float naturally and downgrades concentrate grade. To offset the impact to grade, fewer composite particles are accepted to the concentrate stream, resulting in a reduction in recovery.

The successful commissioning of the rougher column cell early in the reporting period delivered a positive uplift in copper recovery in line with expectations, with a ~1.4% improvement (based on comparable Cu:S ratio for ore and averaging talc levels).

Production Guidance

FY2019 targeted copper production is expected to be within the range of 63,000-67,000 tonnes of contained copper metal with gold production within the range of 37,000-40,000 ounces.

Sales & Marketing

A total of 260,765 tonnes of concentrate was sold for the year containing 62,918 tonnes of copper and 38,510 ounces of gold. 25 shipments were completed from both Port Hedland and Geraldton during the year.

DeGrussa Solar Facility

The solar farm has been actively producing into the DeGrussa electrical network throughout the reporting period, providing 17.2% of the overall power usage for FY2018.

DeGrussa Oxide Copper Project

Following the completion of initial test work, a heap leach flowsheet was confirmed as the most cost effective processing option. Column test work has returned encouraging results to support ongoing work focused on the use of glycine in the processing route. These tests were devised to reproduce a heap leach environment.

Composites created from RC drilling were placed under leaching conditions (glycine and acid), with the first of series of columns terminated in June 2018 and the residues sent to ALS Laboratories for QEMSCAN analysis.

Site-based ore sorting is currently being tested, with induction and X-ray sorting technologies tested. Samples of ore and waste have been sent to Nagrom and a sorting program to distinguish high-density (copper-bearing) rocks has been created. Final testing is planned to be completed during the September 2018 Quarter.

Directors' Report

Operational and financial review (continued)

Development Projects

Springfield Mining Joint Venture - Monty Copper-Gold Mine

The Monty Copper-Gold Mine, located 10km east of the DeGrussa Copper-Gold Mine, is being developed under a Joint Venture agreement (Springfield Mining Joint Venture) and comprises participating interests of Sandfire (Manager – 70%) and Talisman Mining Ltd (ASX: TLM; "Talisman") (30%).

Strong progress was achieved on development of the satellite Monty Copper-Gold Mine during the year, with on-site construction activities progressed and all pre-production surface and underground infrastructure installed and in-use.

The underground mining contractor, Byrnecut Australia Pty Ltd, continues to progress Monty development and, at the end of the reporting period, the underground decline had advanced to 1,013 metres, compared to a corresponding feasibility study budget of 1,163 metres (13% under budget). Total development advance was 2,163 metres as at 30 June 2018, compared to the Feasibility Study schedule of 2,508 metres.

Development advance was slowed during the June 2018 quarter as remedial ground support activities were undertaken on areas where poorer ground was intersected and pumping capacity was installed to cater for expected water inflows. The key critical activity in the September 2018 quarter will be the development of the Diamond Drill Platform off the Return Airway as part of the broader grade control program in setting up for stoping.

First ore production remains on schedule for late December 2018, with initial stope production planned to commence during the March 2019 quarter.

In June 2018, Sandfire announced that it had reached an in-principle agreement with Talisman to acquire Talisman's 30% interest in the Springfield Mining Joint Venture. Refer to the Corporate section of the Operating and Financial Review on page 32 for further details.

Black Butte Copper Project, Montana, USA (Sandfire: 78%)

Sandfire holds a 78% interest, via North American-listed company Sandfire Resources America Inc. (formerly Tintina Resources Inc.) (SFR.V: SFR) in the premier, high-grade Black Butte Copper Project (Project), located in central Montana in the United States.

The Project, which is being permitted by Tintina Montana Inc. (Tintina), a 100%-owned subsidiary of Sandfire America, 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 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 totaling 15.7Mt grading 3.4% Cu, 0.1% Co and 14g/t Ag for 533,600t of contained copper and Inferred Resources totaling 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 the Project 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.

The Group has previously announced a JORC compliant Mineral Resource for the Black Butte Copper Project of 18Mt at 3.3% Cu, 14g/t Ag, 0.10% Co for 597,000t of copper, 7,980,000 of silver and 18,000t of cobalt. Refer to Sandfire's ASX release, titled, 'Sandfire Group JORC Mineral Resource and Ore Reserve Statement', dated 19 October 2017 for further details.

Permitting Progress

In September 2017, the Draft Operating Permit was received from the Montana Department of Environmental Quality (MT DEQ) Hard Rock Mining Bureau, formally concluding the "Completeness & Compliance" review and marking the commencement of the Environmental Impact Statement (EIS), the final stage of permitting.

Following receipt of the Draft Operating Permit, an independent third party contractor (Environmental Resources Management) was appointed to produce an EIS. The Scoping Period for the EIS concluded on 16 November 2017, clearing the way for the EIS to proceed.

Preparation of the EIS under the supervision of the MT DEQ is progressing with a draft EIS potentially available for public comment in the second Quarter of the 2019 financial year.

In addition to the EIS, Sandfire America is required to obtain a number of ancillary permits which will be incorporated into the Final EIS. To date, Sandfire America has received a 301 Permit for stream crossings from the Meagher County Conservation District, a 318 and 401 permit, and a Storm Water Pollution Plan Prevention permits from the MT DEQ. A 404 wetlands permit – the only federal permit required for the project – was received from the United States Army Corp of Engineers. The draft Air Permit was issued by MT DEQ in June 2018.

Directors' Report

Operational and financial review (continued)

Once completed, the EIS will result in a Final Record of Decision (ROD), allowing construction and development of the underground mine to commence.

The Montana Public Service Commission has approved an agreement between Fergus Electric Cooperative and NorthWestern Energy to provide power to the Project. Fergus Electric will construct a new 100-kV transmission line and sub-station, which will draw from an existing NorthWestern transmission facility. Under the terms of the agreement, Sandfire America will be responsible for the total cost of construction of the new power transmission line.

Bankable Feasibility Study (BFS)

Preparations are well advanced for the Project's BFS. In addition to the metallurgical work discussed below, Sandfire America has contracted SRK Consulting to complete a review of the structural geology of the Project. This review will feed in to the initial underground design work. Other work packages required for the BFS are being prepared for tender.

Metallurgical Drilling and Test Work

The drilling program undertaken during 2018 has focused on recovering mineralised samples for further metallurgical test work, and to inform the geological model. The drilling focused on the Upper Copper Zone of the Johnny Lee deposit (16 holes), with two additional holes being drilled in the Lower Copper Zone of the Johnny Lee deposit.

A total of 2,011 kilograms of mineralised core has been prepared for metallurgical testing at Base Metallurgical Laboratories (BML) in Kamloops, British Columbia. The results of this test work will support the design of the proposed process flow sheet for the processing plant which is an integral component of the BFS.

An additional three diamond drill holes were completed outside the known mineralised zones to investigate areas of planned future facilities.

Doolgunna Exploration, Western Australia (WA)

Sandfire's tenement holding in the Greater Doolgunna region provides an aggregate contiguous exploration area of 6,588km2 (see Figure 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.

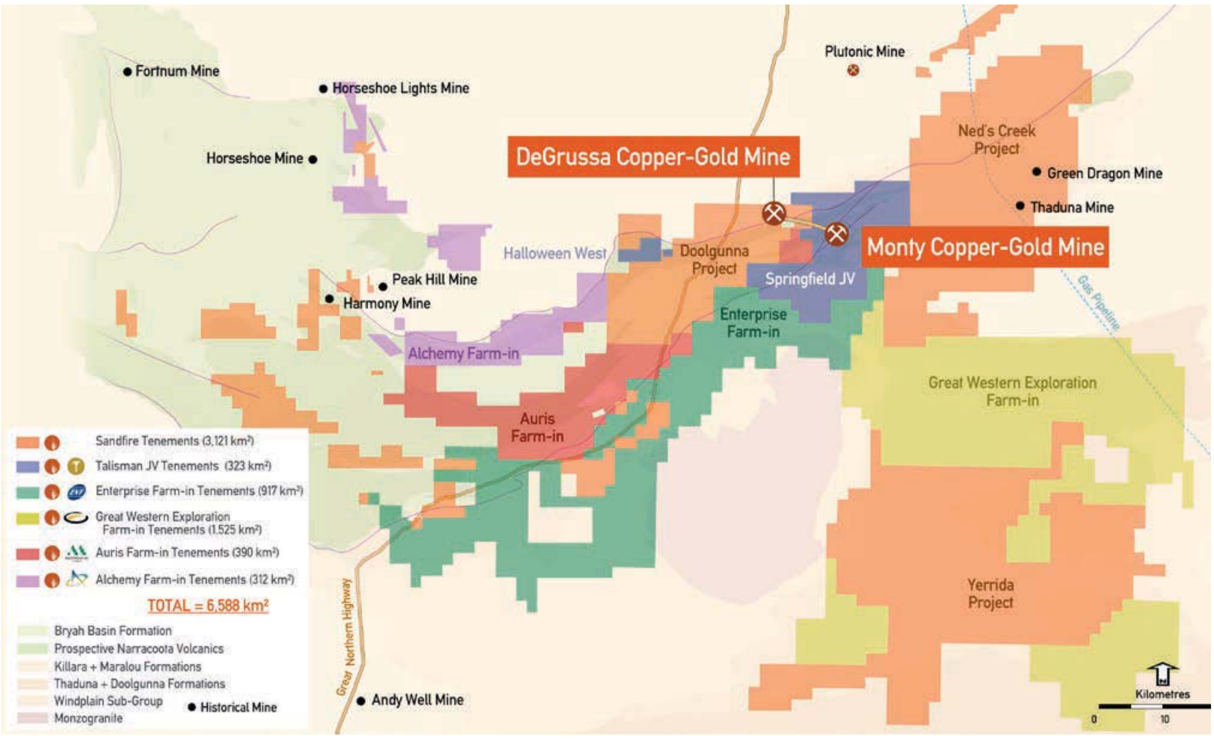


Figure 2: Sandfire tenement holding in the Greater Doolgunna area.

Key components of the Company's exploration activity at Doolgunna during the financial year included:

- Completion of first pass drilling programs at the new Morck Well East Project, with three Air Core (AC) holes intersecting visible copper mineralisation, including native copper, chalcocite, chalcopyrite and pyrite.
- Reverse Circulation (RC) and Diamond Hole (DDH) drilling at the Enterprise Project to test stratigraphy along-strike to the north-east of mineralisation intersected in AC drilling in the Morck Well project area.
- Completion of a major drilling program at the Enterprise Project, including AC drilling targeted at the prospective mafic-sedimentary horizons through the Mount Leak, White Well and Ruby Well prospect areas, and RC drilling within the Ruby Well and White Well prospects to test a number of anomalies identified by an aeromagnetic survey completed in 2017.

Directors' Report

Operational and financial review (continued)

- RC and DDH drilling within the Homestead, Vulcan and Vulcan West Prospect areas to test the potentially prospective sediment horizons in the stratigraphy interpreted in these areas and geochemical anomalism identified in AC drilling.
- AC drilling targeting the narrow sediment packages in the Homer prospect area and to in-fill previous AC drilling within the Southern Volcanics area, which form part of the Springfield Exploration Joint Venture with Talisman.
- Completion of RC drilling and a deep diamond drill hole along strike from the Monty Copper-Gold Deposit to confirm the current interpretation of the Monty host horizon and test down-dip of anomalous geochemistry and minor sulphide intersections.
- The completion of an Airborne Versatile Electromagnetic (VTEM) survey over the West Bryah, Enterprise and Yerrida blocks.
- The commencement of diamond drilling at the Ned's Creek Project.

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%)	3,434	* 8,781	11,028	6,536	29,779
Ned's Creek (SFR 100%)	-	559	-	28	587
Springfield JV (SFR 70%)	10,769	3,299	-	3,520	17,588
Enterprise JV (Earn-in)	177,231	8,803	-	2,219	188,253
Auris JV (Earn-in)	18,041	1,344	-	882	20,267
TOTAL FY2018	**209,475**	**22,786**	**11,028**	**13,185**	**256,474**

* Includes 1,034 metres of Environmental and Metallurgical drilling.

Morck Well East Project

Sandfire entered into a farm-in agreement with Auris Minerals Limited ("Auris"; ASX: AUR) for the Morck Well East JV Project, located 22km south-west from DeGrussa, in February 2018. Sandfire can earn up to a 70% interest in five exploration tenements in the eastern portion of the Bryah Basin.

Extensive Programs of AC, RC and DDH were completed at the Morck Well JV project during the financial year. AC drilling in the far north-east of the Morck Well JV area returned narrow zones of supergene and fresh massive sulphide mineralisation, with significant results including:

- MWAC0109 11m at 3.5% Cu from 73m including 3m at 9.5% Cu from 81m;
- MWAC0111 6m at 1.3% Cu from 112m including 1m at 4.5% Cu from 113m; and
- MWAC0112 9m at 2.3% Cu from 146m including 3m at 5.7% Cu from 149m.

While the high-grade intersections returned from these AC holes are narrow, the overall tenor and grade of the mineralisation encountered is encouraging and supports continued exploration along this corridor. All intercept lengths are down hole and true widths are not known.

Three deep RC holes were drilled to follow-up the positive AC intercepts. MWRC0001 was designed to intersect a deeper, down-dip extension of significant mineralisation observed in AC drill holes MWAC0109, MWAC0111 and MWAC0112.

MWRC0001 intersected a narrow, one metre interval of minor to moderate pyrite and chalcopyrite and multiple thin horizons of strongly chlorite altered sediments and magnetite-rich exhalite material with minor pyrite and chalcopyrite.

MWRC0002 and MWRC0003 were drilled along strike to the south-west and north-east of MWRC0001 respectively. Both drill holes were targeting deep intersections of the sediment horizon hosting mineralisation in MWAC0109, MWAC0111 and MWAC0112. MWRC0002 intersected the host sediment horizon (MWRC0003 was collared in the Auris tenement and traversed the tenement boundary and drilled into the Enterprise Metals Ltd tenement from 55m downhole). No significant mineralisation was observed.

DDH drilling comprised one hole. MWDD0001 was completed to an end of hole depth of 686.2m and targeted a down-dip extension of mineralisation intersected in shallower AC drilling (MWAC0109, MWAC0111, MWAC0112). MWDD0001 intersected a narrow mineralised zone of semi-massive pyrite with minor remobilised chalcopyrite approximately 60m down-dip of massive sulphide mineralisation intersected in MWAC0112. This intersection was approximately 170m up-dip of the narrow, one metre intersection of pyrite and minor chalcopyrite intersected below in MWRC0001. See Auris Minerals Ltd's ASX announcement, titled 'Morck Well JV Update', dated 20 July 2018.

The intersection of massive sulphide mineralisation in the Karalundi Formation has re-enforced the interpretation that the prospective sequence continues into the Morck Well JV Project area. The mineralisation is present within a similar stratigraphic unit to that seen at DeGrussa and Monty. Down Hole Electromagnetic Surveying has been completed on all RC and DDH drilling. No significant responses of mineralisation were identified in surveying of these drill holes.

Although no mineralisation of economic potential has been identified to date, the intersection of massive sulphides in shallow AC drilling highlights the potential for the Karalundi trend from Homestead, through Vulcan West and moving south-west through the Morck Well Project. Geological interpretation is an ongoing process and will be incorporated with incoming assays, and geophysical datasets to continue to generate a robust interpretation to be used for further targeting. Deep RC drilling is planned to continue to test deep intersections of the host sediment horizon moving southwest from MWRC0002. Three drill holes are currently planned on 400m line spacing and will provide deep DHEM platforms as well as assist in refining of the geological interpretation.

A large, significant Moving Loop Electromagnetic (MLEM) surveying programme is planned to test the prospective Karalundi Formation throughout the Morck Well Project. This programme is expected to commence and continue throughout the September 2018 Quarter.

Regional aircore drilling will continue to target the Karalundi formation throughout the Morck Well Project with the aim of providing high quality geochemistry, assisting with detailed geological interpretation and identifying any further shallow intersections of mineralisation. This programme is expected to continue throughout the September Quarter on a 400m x100m line and hole spacing.

Operational and financial review (continued)

Enterprise Project

Sandfire entered into a Farm-in Agreement with Enterprise Metals Limited ("Enterprise"; 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.

DDH, RC and AC drilling was conducted at the Enterprise Project throughout the year.

Drilling at the Vulcan and Vulcan West prospects has highlighted the complexity of the area. The prospective horizon within these prospects likely contains multiple horizons with VMS potential at differing stratigraphic levels.

DDH and RC holes were completed within the Homestead – Vulcan - Vulcan West area focused on tracking and defining the prospective Karalundi sediments from Homestead through to Vulcan West and providing downhole EM platforms within the most prospective areas. This particular trend has shown abundant evidence of a fertile VMS system, with prospectivity generally increasing to the south-west.

AC drilling was completed at the Mount Leake, White Well, and Ruby Well prospects and additional infill AC drilling occurred in the Vulcan West prospect providing greater coverage over the prospective host horizon. Select RC follow up drilling will occur where AC penetration was poor and where anomalous geochemical results are returned from AC drilling.

Ned's Creek Project (including Thaduna)

DDH drilling commenced at the Ned's Creek Project during the June 2018 Quarter, with the program designed to test a strong geophysical conductor identified through the inversion of VTEM data over Ned's Creek. The hole was ongoing at the end of the reporting period.

Yerrida North Project

Sandfire commenced a VTEM geophysical survey that included the Yerrida North JV area during the June 2018 Quarter. The survey has been flown at 200m line spacing and will cover a large portion of the Yerrida North JV area. The survey has successfully mapped highly variable conductive terrain, and will aid in exploration within the Yerrida North JV project, where Sandfire is targeting VMS mineralisation similar to DeGrussa.

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 (QLD); and the Borroloola Project in the Northern Territory (NT).

Details of these projects can be found on Company's website www.sandfire.com.au and the Company's June 2018 Quarterly Report ASX announcement, dated 27 July 2018.

Figure 3: Location map of Sandfire's Australian Exploration Projects.

NSW – Temora Exploration

Drilling at the Temora Project comprised DDH and AC drilling targeting a number of prospects in the northern Mandamah alteration zone.

At the Donnington prospect, follow-up holes were targeted at extensions to the existing mineralisation. Significant copper mineralisation associated with intense porphyry-style quartz-magnetite-chalcopyrite sheeted veining was intersected in two of the holes, TMMRD017 and TMMRD019, however no improvement in grade has been encountered. Indications are that the higher grade portion of the system is now likely to be deeper beneath the intersected mineralisation.

Drill testing has also been completed at Horsetail, Punch North and Lawrence South prospects with no significant mineralisation intersected in TMMRD020, TMMRD021 and TMMRD024.

Two holes, TMMRD022 and TMMRD023, were completed at the Mandamah deposit to better understand the structure and mineralised core to the system and test for a north-western extension. Strong vein-hosted and disseminated mineralisation was encountered in TMMRD022, with clear structures offsetting the high-grade mineralisation. The rocks are highly fractured, which is attributed to both faulting and gypsum being leached from initial anhydrite veining in the upper portion of the deposit. Results have included: 165m @ 0.51% Cu and 0.37 g/t Au from 168m, including 56m @ 0.8% Cu and 0.54 g/t Au from 218m.

Ground gravity and drone magnetics geophysical surveys are being completed at the Temora and Bland Creek project areas. Access arbitration continues to gain access to high priority targets next year at the Temora project close to the Rain Hill monzonite.

Directors' Report

Operational and financial review (continued)

Corporate activities review

Agreement to acquire Talisman Mining Ltd's 30% interest in the Springfield Joint Ventures

On 8 June 2018, Sandfire announced it had reached an in-principle agreement with Talisman Mining Ltd ("Talisman"; ASX:TLM) to acquire Talisman's 30% interest in the Springfield Exploration and Mining Joint Ventures in the Doolgunna region of WA. Subsequent to year end, on 8 August 2018, the Company further announced the parties had signed a binding conditional Sale and Purchase Agreement relating to the acquisition (Transaction).

The Springfield Joint Ventures include the Monty copper-gold deposit, currently being developed as a new satellite underground mine to feed Sandfire's nearby DeGrussa Copper-Gold Mine (the Springfield Mining Joint Venture) and the surrounding exploration tenements (the Springfield Exploration Joint Venture). The package also includes Talisman's interest in the Halloween West Project.

The purchase price comprises $72.3 million for Talisman's subsidiary, Talisman A Pty Ltd, on a debt-free and cash-free basis and an ongoing 1% Net Smelter Return (NSR) royalty payable to Talisman on any future discoveries within the Springfield Joint Venture areas (NSR Royalty). Sandfire will also be required to pay stamp duty and other transaction costs in relation to the Transaction.

Through its acquisition of Talisman A, Sandfire will also assume the existing 2.25% gross revenue royalty held by Taurus Mining Finance Fund payable on 30% of the copper and gold produced from the Monty deposit area, capped at 29,700t of copper and 16,500oz of gold (based on a 30% revenue share).

Completion of the Transaction is subject to approval by a simple majority of Talisman's shareholders at an Extraordinary General Meeting scheduled to be held in October 2018.

Andes Resources Ltd
During June 2018, Sandfire acquired an interest in unlisted exploration company, Andes Resources Ltd ("Andes"), subscribing for 16,666,667 shares for total consideration of $2.0 million.

In addition, Sandfire and Andes have agreed to form a Technical Committee under which Andes will have access to Sandfire's technical expertise to develop its Andes Project. The majority of the project, which is prospective for gold and copper, lies within the municipalities of Andes, Jardin, Betania & Bolivar in the department of Antioquia, Colombia.

Adriatic Metals Plc
On 26 April 2018, Sandfire acquired an investment in Adriatic Metals PLC ("Adriatic"; ASX: ADT) subscribing for 10,000,000 shares at $0.20 per share as part of Adriatic's initial public offer (IPO). The consideration for the purchase amounted to $2.0 million for a relevant interest of 7.65%.

In addition, Sandfire and Adriatic have entered into a strategic partnership agreement under which Adriatic will have access to Sandfire's technical expertise to develop its Veovaca and Rupice polymetallic projects in Bosnia Herzegovina, as well as further strategic support to unlock the potential from Adriatic's regional exploration portfolio.

Kingston Resources Ltd
During the year WCB Resources Ltd and Kingston Resources Ltd ("Kingston"; ASX: KSN) announced the execution of a Binding Heads of Agreement (HOA) to merge the two companies by way of an Arrangement Agreement under Canadian Law. The merger, which was formally approved in November 2017, resulted in the Group's previously held investment in Toronto based listed explorer, WCB Resources Ltd, converting to an 11.43% interest (113,499,999 ordinary shares) in Australian based exploration company, Kingston.

As at 30 June 2018 the Company's interest in Kingston is 9.34%.

Sandfire Resources America Inc.
During July 2017, the Group increased its stake in North American copper development company Sandfire Resources America Inc. ("Sandfire America"; TSX-V: SFR) (formerly Tintina Resources Inc.) to 78.06% from 61.18%, by acquiring a further 16.88% interest. The additional shareholding, comprising 54,632,580 shares, was acquired by the Company in an off-market transaction from Electrum Global Holdings L.P. Total consideration for the purchase amounted to C$7,130,000 ($7,123,000).

In October 2017, the Group also executed its rights to purchase their pro rata of common shares offered under Sandfire America's rights offer, which closed on 23 October 2017. The additional shareholding, comprising 140,315,465 shares at an average price of C$0.06 per share, did not result in a change to the Group's holding percentage of Sandfire America. Total consideration for the purchase amounted to C$8,419,000 ($8,666,000).

Farm-in agreement with Auris Minerals Ltd and Fe Ltd
In February 2018 Sandfire entered into a Farm-in Agreement with Auris Minerals Ltd ("Auris" ASX: AUR) and Fe Ltd ("Fe" ASX: FEL) to earn up to a 70% interest in relation to the Morck Well East JV Project (Auris 80%:Fe 20%) and Auris' 100% owned Doolgunna Project located in Western Australia's Bryah Basin.

Under the terms of the agreement, Sandfire issued Auris 166,006 ordinary fully paid shares and issued Fe 41,502 ordinary fully paid shares at commencement, in total 207,508 ordinary fully paid shares were issued equal to $1.5 million in accordance with the agreement. In addition Sandfire must incur a minimum of $2.0 million in exploration within two years. Further details of the agreement are outlined in Auris' ASX Announcement titled, 'Sandfire Farm-In to Morck Well East & Doolgunna Projects', dated 27 February 2018.

Management
On 4 September 2017 experienced mining executive Mr Richard Beazley was appointed as Chief Operating Officer, replacing Mr Martin Reed, who filled the role of Interim Chief Operating Officer from October 2016.

Operational and financial review (continued)

Year ended 30 June 2018	DeGrussa Copper Mine $000	Other [A] $000	Group $000
Sales revenue	596,242	-	596,242
Realised and unrealised price adjustment gain	10,470	-	10,470
Profit (loss) before net finance and income tax expense	226,320	(52,555)	173,765
Profit before income tax expense			175,541
Net profit			120,753
Net profit attributable to the equity holders of the parent			123,024
Basic and diluted earnings per share			77.85 cents

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

The DeGrussa Copper-Gold Mine contributed profit before net finance and income tax of $226.3 million (2017: $158.5 million) from underground mining and concentrator operations. Other includes the Exploration and Evaluation segment and the Group's corporate functions that cannot be directly attributed to the Group's operating segments, and contributed a loss before net finance and income tax of $52.6 million (2017: loss of $44.3 million).

Dividends of $33.2 million were declared during the year, comprising $20.5 million in respect of the 2017 financial year. Subsequent to year end the Directors of the Company announced a final dividend on ordinary shares in respect of the 2018 financial year. The final dividend of $30.3 million and represents a fully franked dividend of 19 cents per share. Combined with the interim dividend of 8 cents per share represents 35% of the earnings per share for the full year. The final dividend has not been provided for in the consolidated Financial Statements for the year ended 30 June 2018.

Sales revenue

DeGrussa Copper-Gold Mine	30 Jun 2018 $000	30 Jun 2018 %
Revenue from sales of copper in concentrate	528,816	88.7
Revenue from sales of gold in concentrate	61,776	10.4
Revenue from sales of silver in concentrate	5,650	0.9
	596,242	**100.0**

A total of 25 shipments were completed from Port Hedland and Geraldton during the year.

Realised and unrealised priced adjustment gains of $10.5 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 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. The hedges are generally considered to be economic hedges, however are not designated into a hedging relationship for accounting purposes. There were no hedging activities undertaken during the year.

Operations costs

DeGrussa Copper-Gold Mine	30 Jun 2018 $000	30 Jun 2017 $000
Mine operations costs	125,452	115,533
Employee benefit expenses	25,140	31,079
Treatment and refining charges	36,667	44,464
Freight expenses	40,800	39,718
Changes in inventories of finished goods and work in progress	(8,123)	3,883
	219,936	**234,677**

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).

Directors' Report

Operational and financial review (continued)

Exploration and evaluation

For the year ended 30 June 2018 the Group's Exploration and Evaluation segment contributed a loss before net financing expense and income tax of $39.1 million (2017: $33.1 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.

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

a) Near-mine and Doolgunna regional exploration, which include a number of joint venture earn-in arrangements, most significantly the Springfield Joint Ventures with Talisman Mining Ltd;

b) Other Australian exploration projects; and

c) Expenditure arising on the consolidation of the Group's controlled entities and equity accounted associates, including the Group's investment in Sandfire Resources America Inc.

Depreciation and amortisation

	Carrying value June 2018 $000	WDV June 2017 $000	Depreciation and amortisation during the year $000
Mine properties	166,581	190,320	92,267
Plant and equipment, including assets under construction	164,038	178,696	38,044
	330,619	**369,016**	**130,311**

Sandfire Resources America Inc.

Sandfire Resources America Inc. contributed $10.3 million (2017: $6.3 million) in losses to the Group's result for the year ended 30 June 2018. $8.0 million (2017: $3.8 million) of these losses are attributable to the members of the parent entity, Sandfire.

Income tax expense

Income tax expense of $54.8 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 $61.3 million. As at 30 June 2018, the Group has a $31.2 million current tax payable with respect to the 2018 financial year.

Financial Position

Net assets of the Group have increased by $90.2 million to $532.1 million during the reporting period.

Cash balance

Group cash on hand was $243.4 million as at 30 June 2018 (the Company $238.0 million).

Trade and other receivables

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

Financial investments

Financial investments represents the Group's investments in various early stage mining and exploration companies. The fair value of the investments as at 30 June 2018 was $9.9 million, which includes $3.4 million fair value uplift.

Exploration and evaluation assets

Exploration and evaluation assets increased by $2.6 million during the year predominantly due to the farm-in arrangement for the Morck Well East JV Project, which resulted in an issue of Sandfire shares to the value of $1.5 million as detailed under the Corporate Activities review.

Mine properties

The Company invested a total of $66.3 million in underground mine development activities during the year. $30.3 million related to development works at the new Monty Copper-Gold Mine, including completion of the surface infrastructure works and advancement of the decline and lateral development. A further $36.0 million mine development related to underground development at the DeGrussa Copper-Gold Mine, to establish development access to the sulphide ore bodies ahead of future stoping activities.

Plant and equipment, including assets under construction

The carrying value of plant and equipment, including assets under construction, has decreased by $14.7 million to $164.0 million at the end of the year. Including depreciation for the year of 38.0 million as detailed above.

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 $31.2 million at year end. In addition, the Group has booked a net deferred tax liability position of $32.2 million at balance date which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

Provisions

Total current and non-current provisions for the Group have increased by $5.8 million to $33.7 million as at 30 June 2018. The Group's provisions predominately relate to mine rehabilitation activities as well as some employee entitlements for long service and annual leave.

Directors' Report

Operational and financial review (continued)

Cash Flows

Operating activities
Net cash inflow from operating activities was $245.0 million for the year. Net cash inflow from operating activities prior to exploration and evaluation activities was $284.6 million for the year.

Investing activities
Net cash outflow from investing activities was $99.5 million for the period. This included payments for property, plant and equipment of $22.8 million and payments for mine development of $64.7 million.

Financing activities
Net cash outflow from financing activities of $28.9 million for the year included dividend payments of $33.2 million.

Business risks and management

The Group's operating and financial performance is subject to a range of risks and uncertainties. The Group has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact its business objectives and seeks to manage and mitigate these risks, where appropriate, to minimise adverse impacts.

Business risks are assessed on a regular basis by management, and material risks are regularly reported to the Board and its Committees. These reports include the status and effectiveness of control measures relating to each material risk. The Board, Audit and Risk Committee and the Sustainability Committee each receive reports on material risks relevant to their responsibilities and also receive updates throughout the year.

The key business risks that could have an impact on the Group achieving its financial goals and business strategy are discussed below. Information that would likely result in unreasonable prejudice to the Group has not been included. This includes information that is confidential or commercially sensitive, except where disclosure is required pursuant to our continuous disclosure obligations.

Business and operational
DeGrussa is the Group's sole operating project and profitable operating segment. For the 2018 financial year, DeGrussa derived approximately 89% of its revenue from the sale of copper contained within its concentrate, with the remainder derived from gold and silver.

As at the date of this report, the DeGrussa operation consists of two underground mines (DeGrussa in operation and Monty in development), a processing plant, a 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 relevant agreements.

The DeGrussa underground mines are 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 affect operational performance.

The Group mitigates these risks by employing appropriately qualified technical personnel and experienced managers that utilise formalised operating practices, 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
Sandfire undertakes operations in areas which may pose a safety risk including, but not limited to, handling explosives, underground operations subject to rock fall, work involving confined spaces, areas where heavy and light vehicles or people interact, manual dropped loads, operating at height, entanglement, personnel working alone and interactions with electricity.

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 as well as industry specific health considerations.

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, including contractors, are trained in the assessment of risks and hazards and the operating procedures required to operate safely.

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's management of these risks are detailed in the Environmental regulation and performance section of the Directors' Report.

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. Estimates of these costs are reflected in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets as provisions in the Financial Statements. Management seeks external assistance and review, where appropriate, to estimate these costs.

Business risks and management (continued)

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

As regulatory agencies respond to climate change over the medium term, costs of inputs may rise and restrictions may be placed on how certain resources are provided, transported and used, which may impact our licence to operate.

At Sandfire, climate related risk governance is managed by the Board's Sustainability Committee. Sandfire engages with Federal Government departments and regulators directly and indirectly via industry groups on climate change policy and legislation to ensure that material risks to Sandfire's operations are understood and effectively managed.

Sandfire is committed to reducing the energy intensity of our operations by adopting environmentally sustainable operations including our commitment to the Degrussa Solar Power Farm. Further details on Sandfire's exposure to climate related risks and how the Company manages these risks are outlined in our Annual Sustainability Report on the Company's website www.sandfire.com.au.

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.

The reserve and resource estimates and mine plans have been carefully prepared by appropriately qualified Company personnel in compliance with the Joint Ore Reserves Committee (JORC) guidelines and in appropriate instances are verified by independent mining experts. DeGrussa's mine life has been successfully extended since original discovery through expenditure on exploration and evaluation activities. The current Mine Life extends to 2022, representing the mining of currently identified economic mineralisation, including the Monty Copper-Gold deposit.

Financial

The marketability of the concentrates is dependent on mine supply, smelter demand and quality of the product. The prices received are dictated by global commodity and currency markets. Commodity prices and exchange rates have a direct and material impact on the Group's financial performance.

The Group does not actively take steps to hedge its currency or commodity risks, but may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, in order to reduce the exposure to fluctuations in copper price during the Quotational Period (QP) period. The hedges are generally 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. There were no hedging activities undertaken during the year.

The high copper grade ore of Sandfire's DeGrussa Copper-Gold Mine and its low production cost profile, relative to global copper producers, provides resilience to reduced commodity prices and an ability to maximise margins during high commodity price periods.

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

Agreement to acquire Talisman Mining Ltd's 30% interest in the Springfield Joint Ventures

On 8 June 2018, Sandfire announced it reached an in-principle agreement with Talisman Mining Ltd ("Talisman"; ASX:TLM) to acquire Talisman's 30% interest in the Springfield Exploration and Mining Joint Ventures in the Doolgunna region of WA. The Company further announced it signed a binding conditional Sale and Purchase Agreement relating to the acquisition on 6 August 2018 (Transaction).

The purchase price comprises $72.3 million for Talisman's subsidiary, Talisman A Pty Ltd, on a debt-free and cash-free basis and an ongoing 1% Net Smelter Return (NSR) royalty payable to Talisman on any future discoveries at Springfield Joint Ventures (NSR Royalty). Sandfire will also be required to pay stamp duty in relation to the Transaction and has also incurred other transaction costs.

Through its acquisition of Talisman A, Sandfire will also assume the existing 2.25% gross revenue royalty held by Taurus Mining Finance Fund payable on 30% of the copper and gold produced from the Monty deposit area, capped at 29,700t of copper and 16,500oz of gold (based on a 30% revenue share).

Completion of the Transaction is subject to approval by a simple majority of Talisman's shareholders at an Extraordinary General Meeting scheduled to be held in October 2018.

Directors' Report

Significant events after the balance date (continued)

Investment in White Rock Minerals Ltd

Subsequent to year end, Sandfire acquired a 14.22% interest in White Rock Minerals Ltd ("White Rock"; ASX: WRM), with the parties also agreeing to formalise a strategic relationship in relation to White Rock's high-grade Red Mountain Zinc VMS Project in Alaska.

The investment was completed via an equity placement of 208,333,334 shares at $0.012 (1.2 cents) per share, for total consideration of $2.5 million. Sandfire was also issued 104,166,667 unlisted options with an expiry date of 10 July 2021 and an exercise price of A$0.02 (2 cents) per option.

As at the date of this report, the Company's interest in White Rock is 12.73%.

Further details of the investment are outlined in White Rock's ASX Announcement titled, 'White Rock enters into a strategic relationship with Sandfire', dated 27 February 2018.

Farm-in agreement with Alchemy Resources Ltd

Subsequent to year end, Sandfire agreed to acquire Independence Group NL's ("IGO"; ASX: IGO) Bryah Basin Project Farm-in Rights with Alchemy Resources Ltd ("Alchemy"; ASX: ALY). The agreement transfers all of IGO's rights and remaining obligations associated with the original Letter Agreement between Alchemy and IGO dated 29 January 2014 to Sandfire, including the $3.1 million remaining spend to earn up to an 80% interest, with an earn-in expiry date of 28 October 2019.

Further details of the agreement are outlined in Alchemy's ASX Announcement titled, 'Sandfire Acquires IGO's Farm-in Interests in Alchemy's Bryah Basin Project, WA', dated 6 August 2018.

Dividends

Subsequent to year end, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is $30.3 million, which represents a fully franked dividend of 19 cents per share. The dividend has not been provided for in the 30 June 2018 Financial Statements.

Issued Capital

Exercise of options

Subsequent to year end, the Company announced the following issue of ordinary shares from the exercise of unlisted options.:

Number	Exercise Price	Expiry Date
340,000	$7.60	15 July 2018
410,000	$8.80	15 July 2018

Expiry of options

Subsequent to year end, the Company announced the expiry of the following unlisted options over ordinary shares.

Number	Exercise Price	Expiry Date
25,000	$7.60	15 July 2018
70,000	$8.80	15 July 2018
565,000	$10.00	15 July 2018

Likely developments and expected results

The Group will continue mining operations from its DeGrussa Copper-Gold Mine and further development of the Monty Copper-Gold Project as well as continued exploration and evaluation over the Group's areas of interest. 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 an Annual Environmental Report and Annual Aquifer Review Reports submitted to the Department of Water and Environmental Regulation, Annual Environmental Report submitted to the Department of Mines, Industry Regulation and Safety and Annual National Pollutant Inventory Report to the Department of Water and Environmental 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 year ended 30 June 2018 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 there are no unissued ordinary shares of the Company under option. The movement of shares under option during the year is as follows:

	Number of Options
Balance as at 1 July 2017	1,695,000
Options exercised during the year	(285,000)
Balance as at 30 June 2018	1,410,000

As detailed on page 37, subsequent to 30 June 2018 all options either expired or were exercised. 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
The following options were exercised to ordinary shares during the financial year.

Expiry Date	Exercise Price	Shares issued
15 July 2018	$7.60	200,000
15 July 2018	$8.80	85,000
15 July 2018	$10.00	Nil

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 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.

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

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 2018, 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 2018

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:

	2018 $
Taxation services	63,753
Other advisory services	61,794
	125,547

Directors' Report

Letter from the Chairman of the Remuneration and Nomination Committee

Dear shareholders

On behalf of the Board of Directors of Sandfire Resources NL, I am pleased to provide you with the Remuneration Report for the year ended 30 June 2018, for which we will seek your approval at the next annual general meeting.

The 2018 financial year was a successful one for the Company and was a direct result of the considerable efforts of our entire Sandfire team of staff and contractors, led by our Executive team.

We achieved our production guidance and bettered our cost guidance, extended the mine life at DeGrussa and continued the development of the Monty Copper-Gold Project, whilst ensuring the Company's balance sheet remained strong. From a safety standpoint, we had no work-related serious injuries in FY2018 and our total recordable injury frequency rate per million hours worked (TRIFR) was 4.6 at 31 December 2017.

More detail on the Company's performance is contained within the Directors' Report.

While the financial position of the Company has continued to remain strong, the dividend has increased, and outlook remains positive, our approach to determining remuneration outcomes has remained prudent.

- ***Executive fixed remuneration***
  - Whilst the CEO fixed remuneration continues unchanged for the past 4 years, in line with general market movements, two Executives received a nominal increase to their fixed remuneration.
- ***Executive incentives***
  - Short-term incentives (STI): Sandfire measures STI performance over the calendar year reflecting a historical practice. The 2017 calendar year resulted in the successful achievement of key short-term performance measures with Executives awarded an average of 81% of their STI opportunity. These performance results included a 27% reduction in our TRIFR to 31 December 2017 and achieving on target production and cost guidance.
  - Long-term incentives (LTI): The 3 year performance period 1 July 2015 to 30 June 2018 saw Sandfire achieve a total shareholder return (TSR) of 84.79% and ranking 11th out of 32 peer companies, in accordance with an independent assessment. This performance has resulted in 84.88% of the second tranche of the 2015 long-term incentive (LTI) award vesting subsequent to year end.
  - Legacy LTI Plans: Reflecting the share price growth during the year, an amount of $906,406 vested to the CEO in accordance with the terms of the Long-term Indexed Bonus Plan during FY2018.
- ***Board and Committee fees***
  - Base fees for the Chairman and NEDs were increased from 1 March 2018 by 15.8%, representing the first increase since 1 January 2014.

IMPROVED PROFITABILITY

▲61%

FY18 Net Profit $120.8M

(FY17: $75.0M)

Revenue and QP gains to $606.7M in FY18 ▲ from $532.5M in FY17

CONSISTENT COST PERFORMANCE AND INCREASING CASH

C1 cash operating cost (US$/lb)

$0.93 FY18

(FY17: $0.93)

CASH & DEPOSITS

$243.4M (FY18)

(FY17: $126.7M)

INCREASED SHAREHOLDER RETURNS

▲58%

EPS

77.85c

(FY17: 49.16c)

Dividends to 27c per share in FY18 ▲ from 18c in FY17

Remuneration in FY2019

The Remuneration and Nomination Committee considers stakeholder feedback in its annual review of Sandfire's remuneration structures and quantum. In 2017, stakeholders raised some questions regarding the organisation's LTI Plan as well as fuller disclosure of metrics relating to the STI Plan. The Remuneration and Nomination Committee approved enhancements in the 2018 remuneration report with the aim to improving transparency and providing more information regarding the link between pay and performance.

As foreshadowed in FY2017 a review of incentive structures has been undertaken. Initial findings from the review resulted in the Board electing not to alter any components of the current incentive framework which has worked effectively for some years. The Board will continue to monitor the remuneration framework, provide ongoing updates and dialogue with shareholders to ensure the effective alignment between performance and reward.

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

1 Remuneration report overview

The Directors of Sandfire Resources NL present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2018. This Report for the Group 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.

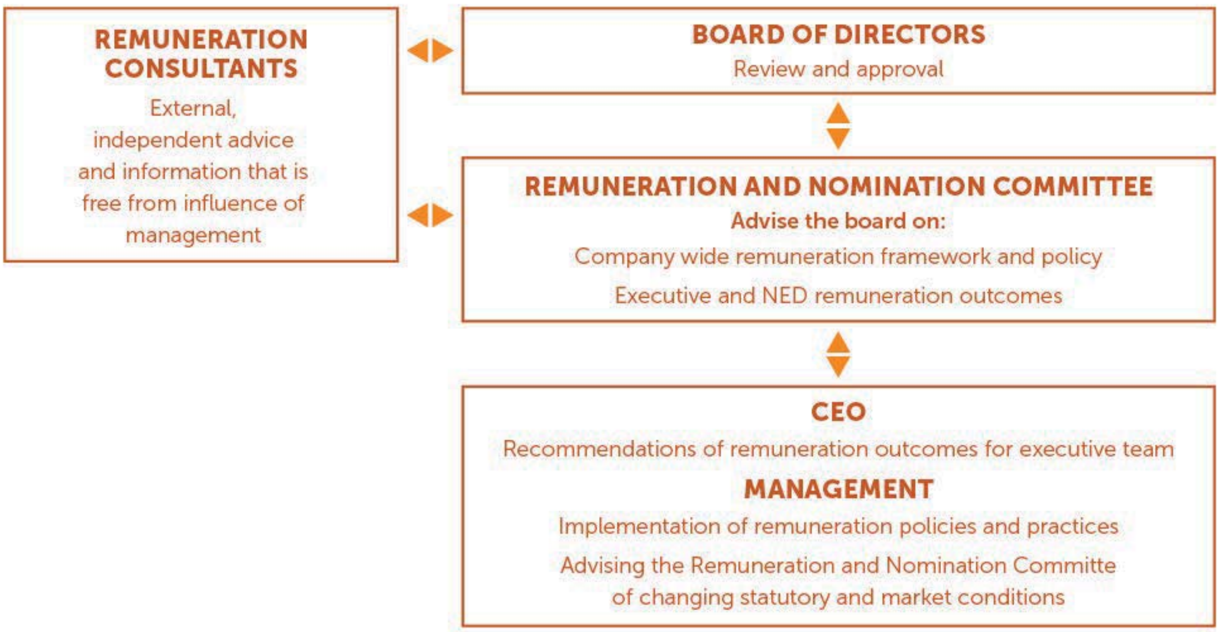
The table below outlines the KMP of the Group during FY2018.

Name	Position	Term as KMP
Non-executive Directors		
Derek La Ferla	Independent Non-Executive Chairman	Full financial year
Robert Scott	Independent NED	Full financial year
Paul Hallam	Independent NED	Full financial year
Maree Arnason	Independent NED	Full financial year
Roric Smith	Independent NED	Full financial year
Executive Directors		
Karl Simich	Managing Director and Chief Executive Officer	Full financial year
Senior Executives		
Richard Beazley	Chief Operating Officer	Appointed 4 September 2017
Matthew Fitzgerald	Chief Financial Officer and Joint Company Secretary	Full financial year
Robert Klug	Chief Commercial Officer and Joint Company Secretary	Full financial year
Former Senior Executives		
Martin Reed	Interim Chief Operating Officer	Ceased 4 September 2017

2 How remuneration is governed

Remuneration decision making

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



Directors' Report

Remuneration report (continued)

The Remuneration and Nomination Committee (Committee) operates under a Board-approved Charter. The purpose of the Committee is to provide assistance and recommendations to the Board to ensure that it is able to fulfill its responsibilities relating to the following:

- Remuneration strategy;
- NED remuneration;
- Chief Executive Officer (CEO) and senior Executive remuneration;
- Short term and long term incentive plans;
- Annual performance review of the CEO and senior Executives;
- Review remuneration reporting;
- Nomination and review of applicants for Board of Directors positions;
- Diversity strategy and gender pay strategy;
- Board size and composition;
- Director induction and continuing professional development;
- Annual Board performance review; and
- Succession planning and talent management.

A copy of the Charter is available on the Company's website under the Corporate Governance section www.sandfire.com.au.

The composition of the Committee is set out on page 26 of this Financial Report. The committee consist solely of NEDs. The CEO and others may be invited to attend all or part of meetings by the Committee Chairman as required and appropriate, but have no vote on matters before the Committee.

Use of remuneration consultants

The Committee has the resources and authority appropriate to perform its duties and responsibilities, including the authority to engage external professionals on terms it deems appropriate.

The Committee has established protocols to ensure that if remuneration recommendations, as defined by the *Corporations Act 2001*, 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.

In carrying out its review of the remuneration of the Chairman, NEDs, and Executives for the 2018 financial year, the Committee engaged the services of independent remuneration consultant, Psytec Management Services (Psytec). The Committee is satisfied that the advice received from Psytec is free from bias and undue influence. The remuneration recommendations were provided to the Committee as input into decision making only. The Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The fees paid to Psytec for the remuneration recommendations were $17,000. In addition to providing remuneration recommendations, Psytec provided other advisory services and was paid a total of $70,000 for these services.

The Committee also engaged Ernst & Young (EY) and The Reward Practice in relation to the provision of general information on market trends and services in respect of determining the level of relative total shareholder return (TSR) performance against the selected comparator group with respect to the Company's Long-Term Incentive (LTI) Plan. This did not incorporate providing the Committee with any remuneration recommendations as defined by the *Corporations Act 2001*.

Securities Trading Policy

Sandfire's Securities Trading Policy (Policy) provides clear guidance on how Company securities, including shares and options, may be dealt with and applies to NEDs, Executives and all other personnel of the Company including employees and contractors.

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company Securities including the consequences of breaching the Policy.

The Policy also sets out a specific governance approach for how the Chairman and Directors can deal in Company Securities. The Company's Policy can be accessed from the Corporate Governance section at www.sandfire.com.au.

Remuneration report approval at FY17 Annual General Meeting (AGM)

The remuneration report for FY17 received positive shareholder support at the FY17 AGM with a vote of 99% in favour.

Remuneration report (continued)

3 Executive remuneration policy and practices

Sandfire's Board is committed to delivering remuneration strategy outcomes that:

- Align the interests of Executives with shareholders and further our key business drivers;
- Attract, motivate and retain high performing Executives; and
- Reflect our business performance and sustainability.

The remuneration strategy identifies and rewards high performers and recognises the contribution of each employee to the continued growth and success of the Group. The elements of the executive remuneration framework and its 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 MEASURES OF SUCCESS

OPERATIONAL EXCELLENCE
Pursue operating excellence to produce base and precious metals profitably from our operations for the benefit of our shareholders and stakeholders.

EXPLORATION & GROWTH
Acquire and explore properties and projects in locations considered highly prospective for significant economic discoveries.

PEOPLE
Ensure our people are well supported and we embody a positive culture that fosters collaboration and excellence while providing individual opportunities.

HEALTH & SAFETY
Ensure a health and safety culture which positively influences all employees, contractors and visitors as well as all who may be affected by our business operations.

ENVIRONMENTAL, SOCIAL & GOVERNANCE
Excellence in management of environmental, social and governance performance and prioritisation of effective stakeholder relationships as intrinsic to our social licence to operate.

FINANCIAL STRENGTH
Optimise profitability through effective operating practices and cost consciousness.

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.

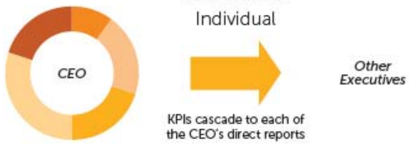
REMUNERATION COMPONENTS

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



- Health & Safety **10%**
- Operational Excellence & Financial Strength **20%**
- Exploration & Growth **20%**
- People (Culture, Communication & General Management) **30%**
- Environmental, Social & Governance **20%**

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).

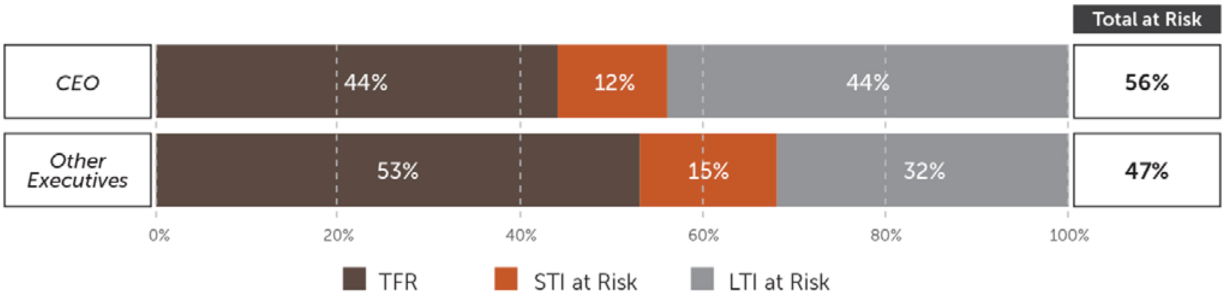
LTI at Risk

CEO	Other Executives
100% of TFR	60% of TFR

Remuneration report (continued)

2018 Executive remuneration mix

The mix of fixed and at-risk remuneration varies depending on the role and grading of the Executives. More senior positions have a greater proportion of at risk remuneration. The chart below shows the remuneration mix for exceptional performance when maximum at risk remuneration is earned for both the CEO and his direct reports in FY2018.



Total Fixed Remuneration (TFR) and market positioning of TFR

Sandfire has adopted a market positioning strategy designed to attract and retain talented employees, and to reward them for delivering strong performance. The market positioning strategy also supports fair and equitable outcomes between employees.

TFR acts as a base-level reward and includes cash, compulsory superannuation and any salary-sacrificed items (including FBT if applicable) and is reviewed annually. Sandfire has set the baseline TFR benchmark for Executives (other than the CEO) at the 75th per centile of the defined market. For the CEO, the baseline TFR benchmark is the 85th percentile. The Board considers variations to the benchmark based on:

- the size and complexity of the role;
- the criticality of the role to successful execution of the business strategy;
- role accountabilities;
- skills and experience of the individual;
- period of service; and
- market pay levels for comparable roles.

When determining the relevant market for each role, Sandfire considers the companies from which it sources talent, and to whom it could potentially lose talent. From time to time, the Board engages its independent remuneration advisor to provide remuneration benchmarking data as input into setting remuneration for Executive KMP.

Short Term Incentive (STI) Plan: Key questions and answers on how it works	
Why does the Board consider the STI Plan is appropriate?	The purpose of the STI Plan is to make a proportion of the total remuneration package subject to meeting various short-term targets linked to Sandfire's key measures of success, thereby strengthening the link between pay and performance. The STI Plan is designed to focus and motivate Executives to achieve outcomes beyond the standard expected in the normal course of employment.
How is it paid?	STI awards are paid in cash.
How much can an Executive earn?	Executives have a maximum STI opportunity of 30% of TFR. The actual outcome depends on the Executive's performance level of achievement against each key performance indicator (KPI).
What is the performance period?	The performance period is for 12 months, 1 January to 31 December.
How is performance measured?	The Board sets and assesses the Key Performance Indicators (KPIs) applicable to the CEO. The CEO sets and assesses the KPIs for other senior Executives. KPIs cover Group and individual objectives that are financial and non-financial and reflect the Group's key measures of success and the Group's core values. For calendar year 2017, the performance conditions that determined STI outcomes focused on leadership, keeping people safe, improving the Group's business performance, and progressing the Group's strategy and growth objectives. The STI performance measures were chosen as they reflect the key drivers of short-term performance and also provide a framework for delivering sustainable, long-term value to Sandfire and its shareholders. Refer to Table 2 in *STI performance and outcomes for FY2018* section for a list of the CEO's KPIs, including relative weightings and commentary on the performance assessment and achievements.

Remuneration report (continued)

What are the performance levels for the KPIs?	The KPIs have a range of pre-determined performance levels, which are detailed below. **Unsatisfactory** Represents inadequate performance. **Threshold** Represents the minimum level of performance achieved for an STI to be awarded, set at a challenging level. **Target** Represents the achievement of planned performance. **Stretch** Represents exceptional performance, set at a stretch level. Each KPI has a weighting (% of STI) and are individually assessed against the pre-determined performance levels, to achieve an STI award outcome. Consistent ratings at each performance level for the set KPIs would result in the following STI award vest. Performance level — STI Award (% of TFR) **Unsatisfactory** - **Threshold** 15.00% **Target** 22.50% **Stretch** 30.00%
How is STI assessed?	The Chairman of the Board reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of the senior Executive team as he has oversight of his direct reports and the day to day functions of the Company. The performance assessment of the CEO and other senior Executives are reviewed and approved by the Remuneration and Nomination Committee, reporting to the Board.
What happens to STI awards when an Executive ceases employment?	If the Executive's employment is terminated for cause, no STI will be paid. 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.
Is there an overriding performance condition or clawback provision?	Yes. The Board has the discretion to not to pay or reduce the amount of the STI otherwise payable, taking into consideration the interests of the Company and its shareholders. In the event of a fatality no reward is made for the safety KPI. 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.
Are any STI payments deferred?	The Board is aware of a trend in some larger ASX companies to partially defer payment of STI to subsequent years as share rights, notionally to more closely align the STI with a company's share price performance and provide a period for performance assurance. The Board has determined no deferral of STI is appropriate for the following reasons. • Deferral of STI is rare amongst the resources companies with which Sandfire competes for talent, and is considered to be a disincentive to current and prospective employees; and • The LTI is closely aligned with the Company's share price performance, and also provides a significant retention incentive.

Remuneration report (continued)

Long Term Incentive (LTI) Plan: Key questions and answers on how it works	
Why does the Board consider a LTI Plan to be appropriate?	The Board believes that an LTI Plan can: • Focus and motivate Executives to achieve outcomes that are aligned to optimising shareholder value; • Ensure that business decisions and strategic planning have regard to the Company and Group's long term performance; • Be consistent with remuneration governance guidelines; • Be consistent and competitive with current practices of comparable companies; and • Create an immediate ownership mindset among the executive participants, linking a substantial portion of the potential reward to Sandfire's ongoing share price and returns to shareholders.
How is the award delivered?	Awards are in the form of performance rights (Rights) over ordinary shares in the Company for no consideration. The Rights carry neither rights to dividends or voting.
How often are grants made and was a grant made in 2018?	Grants may be made annually at the discretion of the Board. Rights were granted to Executives other than the CEO on 29 June 2018. Rights will be granted to the CEO following shareholder approval at the Company's AGM in November 2018.
What is the quantum of the award and what allocation methodology is used	The quantum of Rights granted to an Executive is determined by the Executive's TFR; the applicable multiplier; and the face value of Sandfire shares, calculated as the 5 day volume weighted average price (VWAP) immediately prior to grant date. The CEO's multiplier is 1.0 x TFR. Other Senior Executives' multiplier is 0.6 x TFR.
What are the performance conditions?	The two performance conditions, referred to as the vesting conditions are: • **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 date the Rights vest; and • **Performance condition** – Relative total shareholder return (TSR) of Sandfire measured against a comparator group constituting companies in the ASX200 Resources Index (ASX: XJR).
What is TSR?	TSR is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time. TSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new shares.
Why were the performance conditions selected?	The Board reviews the performance conditions annually to determine the appropriate hurdles based on Sandfire's strategy and prevailing market practice. Service based conditions are used to encourage retention. Relative TSR is used because it is an objective measure of security holder value creation, is widely understood and accepted by key stakeholders and it rewards participants for superior performance on matters which they have the ability to influence. Setting long term incentive targets appropriate for different stages of the mining cycle is complex and challenging. Whilst the Board holds that long term incentives should not change during different phases of the mining cycle and remain more stable over time (unlike short term incentives that should reflect the current operational environment and macroeconomic setting) it is also acknowledged a more nuanced approach beyond relative TSR may be required in the future.
Why is the ASX200 Resources Index an appropriate comparator group?	The Board considers the ASX200 Resources Index to be an appropriate comparator group against which Sandfire's performance can be appropriately benchmarked. Benchmarking against comparable companies within the index minimises the impact of fluctuations in commodity price to illustrate how effective management have been in creating value from the Group's assets. Constituents of the ASX200 may be subject to corporate transactions (e.g. mergers and acquisitions) during the performance period and as such may result in a change to the number of companies evaluated at the vesting date.
What is the performance period?	The TSR for Sandfire and comparator group is measured over three financial years commencing 1 July. As a transitional arrangement for the Rights granted in FY2015 only: • 50% of issued Rights were tested over a performance period 1 July 2015 to 30 June 2017; and • 50% of issued Rights were tested over a performance period 1 July 2015 to 30 June 2018.

Remuneration report (continued)

<table>
<tr><td>What level of relative TSR performance is required for the Rights to vest?</td><td>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.

<table>
<tr><th>TSR of Sandfire relative to comparator group</th><th>Percentage of Rights that vest</th></tr>
<tr><td>Less than 51st percentile</td><td>Nil</td></tr>
<tr><td>51st percentile</td><td>50% of rights vest</td></tr>
<tr><td>Greater than 51st percentile but less than 75th percentile</td><td>Between 50% and 100% rights vest</td></tr>
<tr><td>Greater than 75th percentile</td><td>100% of rights vest</td></tr>
</table>

The Company employs an independent organisation to calculate the TSR ranking to ensure an objective assessment of the relative TSR comparison.</td></tr>
<tr><td>When is the LTI Plan scheduled to be reviewed by the Board?</td><td>Refer to the Letter from the Chairman of the Remuneration and Nomination Committee for developments for remuneration in FY2019 and beyond.</td></tr>
<tr><td>What happens to Rights granted under the LTI Plan when an Executive ceases employment?</td><td>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.</td></tr>
<tr><td>Can Sandfire clawback LTI awards?</td><td>In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may:
• Reset the vesting conditions and/or alter the performance period applying to the award;
• Deem all awards which have not vested to have lapsed or been forfeited,
• Deem all or any shares following vesting of an award to have lapsed or been forfeited; and/or
• Where shares have been allocated to an Executive and have been subsequently sold, require the Executive to repay the net proceeds of such as sale.</td></tr>
<tr><td>What happens in the event of a change in control?</td><td>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.</td></tr>
</table>

4. Executive remuneration outcomes in FY2018

Company performance

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

Table 1 – Company performance [A]

Measure	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18
Net profit ($'000)	78,158	68,955	46,370	75,016	120,753
Net profit attributable to equity holders of the parent ($'000)	78,158	68,955	47,978	77,510	123,024
Cash and cash equivalents at year end ($'000)	57,590	107,154	66,223	126,743	243,367
Secured bank loan balance at year end ($000)	(160,000)	(120,000)	(50,000)	-	-
Net cash inflow from operating activities ($'000)	223,035	224,045	133,896	216,138	244,965
Basic earnings per share (cents)	50.22	44.18	30.54	49.16	77.85
ASX share price at the end of the year ($)	6.22	5.75	5.23	5.65	9.16
Dividends per share (cents)	10	13	11	18	27

A Refer to the Operational and Financial Review for commentary on the Group's results, including underlying performance.

Remuneration report (continued)

STI performance and outcomes for FY2018

In accordance with the procedure set out in Section 3, an assessment was undertaken of the performance of each of the eligible Executive KMP against their 2017 calendar year (CY) KPIs. The key financial and non-financial objectives and targets for the CEO in CY2017, with commentary on achievements are provided in Table 2 below. The STI award percentages and payments to Executives are presented in Table 3.

Table 2 – Linking reward and performance – CEO performance objectives and outcomes

KPI and weighting (% of STI)	Objective and Target	Achievement (assessment period CY 2017)	Outcome
Health and Safety 10%	Zero critical incidents. Total Recordable Injury Frequency Rate (TRIFR) Threshold: TRIFR ≤ 6 Target: TRIFR ≤ 5.5 Stretch: TRIFR ≤ 5	TRIFR of 4.6 at 31 December 2017, achieving a 27% reduction from CY2016, with zero critical incidents. The focus on improving safety leadership, culture and ensuring our principal hazards are controlled.	Stretch
Operational Excellence and Financial Strength 20%	FY2017 Production Threshold: > 65kt Cu; 35koz Au Target: > 66.5kt Cu; 37.5koz Au Stretch: > 68kt Cu; 40koz Au	FY2017 production: 67,088t Cu; and 38,623oz Au. Guidance of 65-68kt of contained copper; and 35-40koz of contained gold met.	Target
	FY2018 Production guidance 63-66kt of contained copper 35-38koz of contained gold	FY2018 production guidance on track.	
	FY2017 C1 Cost Threshold: < US$1.05/lb Target: < US$1.00/lb Stretch: < US$0.95/lb	FY2017 C1 cost: US$0.93/lb. Guidance of US$0.95-$1.05/lb bettered.	
	FY2018 C1 Cost guidance C1 cost US$1.00-$1.05/lb	FY2018 C1 cost guidance on track.	
Exploration and Growth 20%	Evaluates and progresses organic growth opportunities and potential new business opportunities, within the framework of the key measures of success of Sandfire and actions new initiatives where appropriate.	The Monty Copper Gold Project was approved by the Board for construction with site infrastructure works and development of the underground mine significantly advanced by 31 Dec 2017. Completed multi-pronged exploration program across greater Doolgunna tenement holding with systematic AC, RC and Diamond drilling. Group JORC Mineral Resource and Ore Reserve Statement completed, incorporating DeGrussa, Monty, Black Butte, Thaduna, Green Dragon and Temora Projects, in October 2017. Farm-in agreement signed with Great Western Exploration Ltd, strengthening the Group's land holding at the highly prospective Doolgunna Project. Increased ownership of the Black Butte Copper Project located in Montana, USA, via the acquisition of a further 16.9% interest in Sandfire Resources America Inc. in July 2017 and progressed the Project to the final stage of permitting, commencement of the Environmental Impact Statement (EIS) stage. Provided oversight to the Group's business development function in assessing local and international opportunities in base metals and gold projects.	Threshold

Remuneration report (continued)

Table 2 – Linking reward and performance – CEO performance objectives and outcomes (continued)

KPI and weighting (% of STI)	Objective and Target	Achievement	Outcome
People (Culture, Communication and General Management) 30%	Develops a culture and a participative management style that embraces company values; teamwork; reward for performance; regular communication with and feedback from all employees. Provide leadership, guidance and directs the exploration, development, operational, marketing and administrative activities of the business.	Leadership effectiveness improved throughout the year through a targeted programme to increase communication effectiveness, including quarterly updates and regular site visits; chairing General Management Team meetings; and evaluating monthly development and operational performance, improving general management performance. Provided effective leadership to enhance the Company's strategic plan and detail the Company's growth and development plan. Maintained employee engagement levels and achieved positive outcomes in 2017 employee staff survey, identifying opportunities for improvement in CY2018.	Target
Environmental, Social and Governance 20%	Serve as spokesman of the Company through contact with stakeholders both national and international, which are considered integral to the success of Sandfire. Develop and maintain effective business relationships with stakeholders through continuous contact and formal presentations. Provide leadership, guidance and directs environmental, social and governance practices intrinsic to our social license to operate.	Achieved effective engagement with national and international stakeholders, refining existing stakeholder engagement practices into a common procedure to increase efficiency, reporting and outcomes. Regular contact with national and international stakeholders. 3-5 year sustainability strategy developed by October 2017, which defined key areas that our business can focus on that will contribute to tackling the global sustainability goals. Lead the development and implementation of effective environmental and social systems for Sandfire Resources America Inc. to progress the Black Butte Copper Project to commencement of the final stage of permitting, the Environmental Impact Statement (EIS) stage. Zero critical incidents.	Stretch

Table 3 – STI award percentage and STI payments to Executive KMP in FY2018

Name	STI Payment $	Maximum potential value of payment $	Percentage of maximum grant awarded	Percentage of maximum grant forfeited
Karl Simich	255,750	330,000	77.5%	22.5%
Matthew Fitzgerald	113,368	136,691	83.0%	17.0%
Robert Klug	111,375	136,350	81.7%	18.3%

LTI Plan awards for FY2018

Table 4 – LTI awards for FY2018

Name	Grant	Grant date	Number of Rights	Performance and service period	Expected Vesting Date [B]
Karl Simich	FY2018	See note A	116,650	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
Matthew Fitzgerald	FY2018	29 Jun 2018	29,278	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
Robert Klug	FY2018	29 Jun 2018	29,205	1 Jul 2018 to 30 Jun 2021	1 Oct 2021

A Mr Simich will receive 116,650 rights on approval from shareholders at the Company's AGM scheduled for November 2018.

B The expected 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 no later than 1 October 2021.

LTI Plan vesting outcomes for FY2018

The Company engaged an independent consultant to calculate Sandfire's relative TSR performance with respect to Tranche 1 of the FY2015 award. For the period 1 July 2015 to 30 June 2017, Sandfire achieved a TSR of 10.50%, placing it 14th out of 33 companies in the comparator group, or the 59.4th percentile. Based on achievement of the service requirement and the relative TSR performance of the Company, 67.5% of the rights granted to Executive KMP met the vesting conditions, resulting in the issue of ordinary shares in the Company. Details of Rights held by the Executives, including vested awards during the FY2018, are set out in Table 10.

LTI Plan vesting outcomes subsequent to FY2018

An independent consultant calculated that Sandfire achieved a TSR of 84.79% for the performance period 1 July 2015 to 30 June 2018. This ranked Sandfire 11th out of 32 peer companies in the comparator group, placing it at the 67.7th percentile. Based on achievement of the service requirement and the relative TSR performance of the Company, 84.88% of the Rights granted to Executive KMP from Tranche 2 of the FY2015 award vested subsequent to year end.

Directors' Report

Remuneration report (continued)

Legacy LTI Plans
The Company last made an award to Executive KMP under the Legacy LTI Plans during FY2014. With the introduction of the LTI Plan during FY2015, no further awards have been made or are planned under the Legacy LTI Plans. The awards previously issued to Executive KMP expire during FY2019.

Outstanding awards, including vesting of awards during FY2018, are as follows:

- The rights previously issued to the CEO under the Long-term Indexed Bonus Plan expire on 15 December 2018 and the test price is $9.71. In accordance with the term of the plan, an amount of $906,406 vested to the CEO during FY2018 representing the outcome of testing on 15 June 2018. The amount was paid to the CEO subsequent to year end and the outcome recognises the achievement of 54% absolute share price growth from $6.30 since October 2013 with a $0.60 dividend distribution paid throughout this term. With the exception of vested awards during FY2018, no payments have been made to the CEO under the Long-Term Indexed Bonus Plan since FY2013. Details of the rights held by the CEO are set out in Table 12 of the Renumeration Report.
- The options previously issued to the Chief Financial Officer and Chief Commercial Officer under the Long-term Incentive Option Plan expire on 15 July 2018, with exercise prices ranging from $7.60 to $10.00. Details of option conversions subsequent to the end of the financial year are noted in Table 13 of the Remuneration Report.

The key terms and conditions of the plans, are outlined below.

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.

5 Executive KMP contracts

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

Table 5 – Executive KMP key contract provisions

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 with Resource Development Company Pty Ltd	12 months	6 months	**STI** payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company. **Rights (LTI Plan):** Refer to section 3. **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 earlier of the date on which the 180 day notice period expires or the final Rights testing date.
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. **Rights (LTI Plan):** Refer to section 3.
Robert Klug	Ongoing employment agreement	6 months	3 months	

A With teh exception of vested awards during FY2018, no payments have been made to the CEO under the Long-Term Indexed Bonus Plan since FY2013. Details of the rights held by the CEO are set out in Table 12 of the Remuneration Report

Termination payments
The Company did not make any termination payments to KMP during the FY2018.

Remuneration report (continued)

6 Executive KMP remuneration tables

Executive KMP remuneration tables

The actual remuneration earned by Executive KMP in FY2018 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 FY2018. The value of remuneration includes equity grants where the Executive received control of the shares in FY2018 and differs from the remuneration disclosures in Table 7, which discloses the value of LTI grants which may or may not vest in future years. This table discloses the value of LTI grants from previous years which have vested in FY2018.

Table 6 – Executive KMP actual remuneration earned in FY2018

Name	Salary and fees [A] $	Benefits and allowances $	Short-term Incentive [B] $	LTI Plan rights [C] $	Legacy LTI Plan rights [D] $	Total actual remuneration $
Karl Simich	1,100,000	84,000	255,750	476,536	906,406	2,822,692
Richard Beazley [E]	414,100	-	-	-	-	414,100
Matthew Fitzgerald	455,636	-	113,368	117,260	-	686,264
Robert Klug	454,500	-	111,375	108,116	-	673,991
Martin Reed [F]	90,350	-	-	-	-	90,350

A Salary and fees comprise 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. It reflects the same figures that are disclosed in the statutory remuneration table under "STI payments".

C This refers to LTI Plan rights granted in prior years that have vested in the current year. The value is calculated using the closing share price of company shares on the vesting date. The 2018 figures reflect the relative performance of Tranche 1 of the LTI that was granted in FY2015 and that operated over the performance period 1 July 2015 to 30 June 2017 and represents the fair value at vesting date. This differs from the amount disclosed in the statutory remuneration table.

D Represents the vesting of rights issued under the Long-Term Indexed Bonus Plan (Legacy Plan) during FY2018.

E Mr Beazley was appointed to the position of Chief Operating Officer on 4 September 2017 on a contract basis and does not participate in the Company's STI or LTI plans.

F Mr Reed resigned on 4 September 2017. Mr Reed did not participate in the Company's STI or LTI plans.

Statutory Executive KMP remuneration

Table 7 sets out Executive KMP remuneration calculated in accordance with statutory accounting requirements.

Table 7 – Statutory Executive KMP remuneration

		Short-term benefits			Long-term benefits	Post-employment	Share-based payments				
Name		Salary & fees $	Benefits and allowances[A] $	STI payment[B] $	Long service leave $	Super-annuation $	LTI Plan rights $	Legacy LTI Plan rights $	Termination payments $	Total $	Performance related %
Current Executives											
Karl Simich	**2018**	**1,100,000**	**84,000**	**255,750**	**-**	**-**	**542,961**	**1,139,572**	**-**	**3,122,283**	**62.08**
	2017	1,100,000	-	259,930	-	-	605,517	(16,814)	-	1,948,633	43.55
Richard Beazley [D]	**2018**	**414,100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**414,100**	**-**
Matthew Fitzgerald	**2018**	**435,636**	**-**	**113,368**	**34,169**	**20,000**	**130,859**	**-**	**-**	**734,032**	**33.27**
	2017	431,125	-	111,653	26,185	20,000	106,174	-	-	695,137	31.34
Robert Klug	**2018**	**415,068**	**-**	**111,375**	**25,231**	**39,432**	**124,438**	**-**	**-**	**715,544**	**32.96**
	2017	395,411	-	102,947	28,851	37,564	97,897	-	-	662,670	30.31
Former Executives											
Martin Reed [E]	**2018**	**90,350**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**90,350**	-
	2017	446,834	-	-	-	-	-	-	-	446,834	-
Michael Spreadborough	2017	117,786	-	-	-	7,038	(78,396)	-	305,555	351,983	N/A
Total	**2018**	**2,455,154**	**84,000**	**480,493**	**59,400**	**59,432**	**798,258**	**1,139,572**	**-**	**5,076,309**	**47.64**
	2017	2,491,156	-	474,530	55,036	64,602	731,192	(16,814)	305,555	4,105,257	N/A

A Benefits and allowances include the value of travel allowance paid to Mr Simich to recognise the increased travel required to support the Group's evolving nature of its business.

B 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 STI Pan.

C Includes $906,406 payable to Mr Simich, representing the vesting of rights issued under the Long-Term Indexed Bonus Plan (Legacy LTI Plan) during FY2018. The amount also includes a balance of $233,166 relating to adjustments arising from the valuation of rights issued under the legacy LTI Plan valued in accordance with AASB 2.

D Mr Beazley was appointed to the position of Chief Operating Officer on 4 September 2017 and his salary and fees are paid to Altair Mining Consultancy Pty Ltd. Mr Beazley does not participate in the Company's STI or LTI plans.

E Mr Reed resigned from his position of Interim Chief Operating Officer on 4 September 2017 and his salary and fees were paid to Pilot Hole Pty Ltd. Mr Reed did not participate in the Company's STI or LTI plans.

Directors' Report

Remuneration report (continued)

7 Non-executive Director remuneration

NED remuneration policy and fee structure

Sandfire's NED remuneration policy is designed to attract and retain suitably skilled Directors who can discharge the roles and responsibilities required in terms of good governance, oversight, independence and objectivity. The Board seeks to attract Directors with different skills, experience, expertise and diversity.

Under the Company's Constitution and the ASX Listing Rules, the total annual fee pool for NEDs is determined by shareholders. The current maximum aggregate NED fee pool of $750,000 per annum was approved by shareholders at the 2013 AGM. Within this aggregate amount, NED fees are reviewed annually by the Remuneration and Nomination Committee (Committee), and set by the Board. The Committee reviews NED fees against comparable companies within the broader general industry and taking into account recommendations from an independent remuneration consultant. Sandfire has set the baseline TFR benchmark for NEDs at the 75th percentile of the defined market.

The table below summarises the annual Board and committee fees payable to NEDs (inclusive of superannuation).

Table 8 – NED fee structure

	Role	FY2018	FY2017
Board fees	Chairman	$220,000	$190,000
	Non-Executive Director	$110,000	$95,000
Committee fees	Chair	$20,000	$20,000
	Member	Nil	Nil

The payment of Chair committee fees recognises the additional time commitment required by NEDs who serve in those positions. The Chairman of the Board does not receive additional fees for being a member of any Board committee. NEDs do not receive retirement or termination benefits and do not participate in any incentive plans.

Base fees for NEDs were increased from 1 March 2018 by 15.8% to recognise the increased complexity of the Group and Board and committee requirements. The increase aligns fees to Sandfire's targeted upper quartile market position with relevant industry comparators and recognises no change to NED fees since 1 January 2014.

Statutory NED fee disclosures

Table 9 – Statutory NED remuneration

		Short-term benefits		Post-employment	
Name	Financial year	Salary & fees $	Other $	Superannuation $	Total $
Current NEDs					
Derek La Ferla	**2018**	**182,648**	**-**	**17,352**	**200,000**
	2017	177,637	-	12,363	190,000
Robert Scott	**2018**	**115,011**	**-**	**4,989**	**120,000**
	2017	110,011	-	4,989	115,000
Paul Hallam	**2018**	**109,589**	**-**	**10,411**	**120,000**
	2017	114,617	-	10,447	125,064
Maree Arnason	**2018**	**109,589**	**-**	**10,411**	**120,000**
	2017	95,890	-	9,110	105,000
Roric Smith [A]	**2018**	**91,324**	**-**	**8,676**	**100,000**
	2017	43,612	-	4,143	47,755
Former NEDs					
W John Evans [A]	2017	57,500	32,500	-	90,000
Total	**2018**	**608,161**	**-**	**51,839**	**660,000**
	2017	599,267	32,500	41,052	672,819

A Mr Smith was appointed as Director on 31 December 2016; Mr Evans resigned as Director on 31 December 2016.

Remuneration report (continued)

8 Equity instrument reporting

Rights holdings of KMP

The following table sets out details of movements in performance rights (Rights) held by Executive KMP, issued under the LTI Plan explained in section 3.

Table 10 – Executive KMP Rights - LTI Plan

Name	Balance at 1 Jul 17	Granted	Vested [C]	Lapsed [D]	Balance at 30 Jun 18	Unvested	Value of unvested Rights [E]
Karl Simich	467,859	[A] 196,198	(84,944)	(40,898)	538,215	538,215	$2,035,652
Matthew Fitzgerald	163,404	[B] 29,278	(20,902)	(10,064)	161,716	161,716	$560,197
Robert Klug	154,306	[B] 29,205	(19,272)	(9,279)	154,960	154,960	$540,726

A This relates to the FY2017 award of Rights to Mr Simich granted on the approval from shareholders at the Company's AGM held 29 November 2017. If the vesting conditions are achieved, these Rights will vest in FY2021.

B This relates to the FY2018 award of Rights. If the vesting conditions are achieved, these Rights will vest in FY2022.

C This relates to Tranche 1 of the FY2015 award of Rights of which 67.5% vested. Executive KMP received one Sandfire share for each Right that vested and the value of Rights that vested amounted to $701,912. The value is calculated using the closing share price of company shares on the vesting date.

D This related to Tranche 1 of the FY2015 award of Rights of which 32.5% lapsed.

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

The Rights on foot, including those granted as part of the FY2018 LTI award are detailed in the table below. Should the Rights not vest, the award will expire at vesting date.

Table 11 – Rights on foot – LTI Plan

Name	Grant	Grant date	Number of Rights	Fair value of Right [A]	Performance and service period	Expected Vesting Date [B]
Karl Simich	FY2018	See comment C	116,650	N/A	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	FY2017	29 Nov 2017	196,198	$3.61	1 Jul 2017 to 30 Jun 2020	1 Oct 2020
	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
Matthew Fitzgerald	FY2018	29 Jun 2018	29,278	$5.38	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	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
Robert Klug	FY2018	29 Jun 2018	29,205	$5.38	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	FY2017	30 Jun 2017	48,158	$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

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.

B The expected 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 no later than 1 October of each year.

C In accordance with the terms of the LTI plan and the FY2018 award under the plan, Mr Simich will be granted 116,650 Rights on approval from shareholders at the Company's AGM scheduled to occur during November 2018.

Remuneration report (continued)

The following table sets out details of the performance rights held by the Chief Executive Officer, issued under the Long-term Indexed Bonus Plan (Legacy LTI Plan).

Table 12 – Chief Executive Officer rights – Legacy LTI Plan

							Details of rights tested during the year [C]						
								15 Dec 17			15 Jun 18		
	Balance at 30 Jun 18	Grant Date	[A] Fair value	[B] INV/ Test price	Initial vesting date	Expiry date	Number	Share price	INV	($)	Share price	INV	($)
Karl Simich	200,000	14 Oct 2013	$0.75	$9.71	15 Jun 2015	15 Dec 2018	200,000	$6.34	$7.08	-	$9.71	$7.00	542,135
	200,000	14 Oct 2013	$0.75	$9.71	15 Jun 2016	15 Dec 2018	200,000	$6.34	$8.28	-	$9.71	$8.20	302,135
	200,000	14 Oct 2013	$0.75	$9.71	15 Jun 2017	15 Dec 2018	200,000	$6.34	$9.48	-	$9.71	$9.40	62,136
Total	**600,000**									-			**906,406**

A The fair value of the rights is calculated at the reporting date using the Black-Scholes option pricing model.

B The INV/Test price of the rights as at 30 June 2018 represents the highest Test price ($9.71) at a previous test date (15 June 2018).

C Once vested, rights are tested twice a year on 15 December and 15 June until expiry date. The participant realises value from the rights if the share price, represented by the 5-day volume weighted average ASX price of underlying Company shares prior to the testing date, exceeds the INV on the initial vesting date or a subsequent higher Test price on re-testing. In accordance with the plan rules, the INV has been reduced for the amount of dividends paid during the period.

Option holdings of KMP

The following table sets out details of movements in options held by Executive KMP, issued under the Long-term Incentive Option Plan (Legacy LTI Plan).

Table 13 – Executive KMP option holdings

	Balance at 1 Jul 17							Balance at 30 Jun 18		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	[B] 70,000	-	14 Oct 13	$1.08	$7.60	15 Jul 18	30 Sep 14	70,000	-	-	-	-
	[B] 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	-	-	-	-
Robert Klug	[B] 70,000	-	14 Oct 13	$1.08	$7.60	15 Jul 18	30 Sep 14	70,000	-	-	-	-
	[B] 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	-	-	-	-

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 until the expiry date. There have been no alterations to the terms and conditions of the options awarded as remuneration since their award date.

B These options were exercised to ordinary fully paid shares subsequent to the end of the financial year.

Shareholdings of KMP

The following table sets out the movements in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

Table 14 – KMP shareholdings

Name	Balance at 1 Jul 17	Purchases	Vested	Sales	Balance at 30 Jun 18
Derek La Ferla	21,668	-	-	-	21,668
Robert Scott	5,000	-	-	-	5,000
Karl Simich	5,009,735	-	84,944	(200,000)	4,894,679
Matthew Fitzgerald	-	-	20,902	(20,902)	-
Robert Klug	500	-	19,272	(19,272)	500

Remuneration report (continued)

9 Other transactions and balances with KMP and their related parties

Certain KMP as listed below, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities. The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or 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 and relate to the provision of corporate administrative, clerical and accounting services and the provision of corporate office parking.

Table 15 – Other transactions with KMP and their related entities

KMP and their Director related entity	Transaction	Transaction value 30 Jun 2018 $	Balance outstanding 30 Jun 2018 $
Karl Simich Tongaat Pty Ltd	Lease of corporate office parking premises	9,600	-
Karl Simich Resource Development Company Pty Ltd	Lease of corporate office parking premises	9,300	-
Karl Simich Resource Development Company Pty Ltd	Corporate administrative and financial services	716,877	-
		735,777	-

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 2018

Consolidated Income Statement
For the Year Ended 30 June 2018

	Note	2018 $000	2017 $000
Sales revenue	4	596,242	513,153
Realised and unrealised price adjustment gain	4	10,470	19,395
Other income		836	2,138
Changes in inventories of finished goods and work in progress		8,123	(3,883)
Mine operations costs		(125,452)	(115,533)
Employee benefit expenses	5	(40,709)	(45,245)
Freight, treatment and refining expenses		(77,467)	(84,182)
Royalties expense		(29,896)	(24,625)
Exploration and evaluation expenses		(31,977)	(23,208)
Depreciation and amortisation expenses	19	(130,311)	(117,321)
Impairment expense	20	-	(360)
Administrative expenses		(6,094)	(6,157)
Profit before net finance income (expense) and income tax expense		**173,765**	**114,172**
Finance income	6	3,297	1,392
Finance expense	6	(1,521)	(5,160)
Net finance income (expense)		1,776	(3,768)
Profit before income tax expense		**175,541**	**110,404**
Income tax expense	7	(54,788)	(35,388)
Net profit for the year		**120,753**	**75,016**
Attributable to:			
Equity holders of the parent		123,024	77,510
Non-controlling interests		(2,271)	(2,494)
		120,753	75,016
Earnings per share (EPS):			
Basic EPS attributable to ordinary equity holders (cents)	8	77.85	49.16
Diluted EPS attributable to ordinary equity holders (cents)	8	77.85	49.16

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 2018

	2018 $000	2017 $000
Net profit for the year	**120,753**	**75,016**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation differences, net of income tax	314	(381)
Changes in fair value of available-for-sale financial assets, net of income tax	2,412	52
Other comprehensive income for the year, net of tax	2,726	(329)
Total comprehensive income for the year, net of tax	**123,479**	**74,687**
Attributable to:		
Equity holders of the parent	125,733	77,175
Non-controlling interests	(2,254)	(2,488)
	123,479	**74,687**

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

Consolidated Balance Sheet
as at 30 June 2018

	Note	2018 $000	2017 $000
ASSETS			
Cash and cash equivalents	9	243,367	126,743
Trade and other receivables	16	13,773	15,970
Inventories	17	33,961	26,473
Other current assets		2,680	3,006
Total current assets		**293,781**	**172,192**
Receivables		465	-
Inventories	17	11,698	11,698
Exploration and evaluation assets	18	24,410	21,852
Property, plant and equipment	19	330,619	369,016
Financial investments		9,925	1,151
Total non-current assets		**377,117**	**403,717**
TOTAL ASSETS		**670,898**	**575,909**
LIABILITIES			
Trade and other payables	10	39,898	35,478
Interest bearing liabilities	12	1,611	1,567
Income tax payable	7	31,203	20,460
Provisions	27	4,255	3,352
Total current liabilities		**76,967**	**60,857**
Trade and other payables	10	-	97
Interest bearing liabilities	12	239	210
Provisions	27	29,467	24,534
Deferred tax liabilities	7	32,174	48,361
Total non-current liabilities		**61,880**	**73,202**
TOTAL LIABILITIES		**138,847**	**134,059**
NET ASSETS		**532,051**	**441,850**
EQUITY			
Issued capital	11	235,415	230,733
Reserves	11	543	2,938
Retained profits		292,958	203,110
Equity attributable to equity holders of the parent		**528,916**	**436,781**
Non-Controlling interest		3,135	5,069
TOTAL EQUITY		**532,051**	**441,850**

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 2018

	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 2017		**230,733**	**28**	**203,110**	**2,910**	**436,781**	**5,069**	**441,850**
Profit for the period		-	-	123,024	-	123,024	(2,271)	120,753
Other comprehensive income		-	297	-	2,412	2,709	17	2,726
Total comprehensive income for the period		**-**	**297**	**123,024**	**2,412**	**125,733**	**(2,254)**	**123,479**
Transactions with owners in their capacity as owners:								
Issue of shares, net of transaction costs and tax		1,500	-	-	-	1,500	-	1,500
Issues of shares under employee awards		3,182	-	-	(935)	2,247	-	2,247
Share based payments		-	-	-	1,174	1,174	22	1,196
Dividends	15	-	-	(33,176)	-	(33,176)	-	(33,176)
Acquisition of shares in controlled entity		-	-	-	(5,343)	(5,343)	(2,107)	(7,450)
Rights issue in controlled entity		-	-	-	-	-	2,405	2,405
At 30 June 2018		**235,415**	**325**	**292,958**	**218**	**528,916**	**3,135**	**532,051**

* 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 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, net of transaction costs and tax		2,719	-	-	-	2,719	(44)	2,675
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 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 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Cash receipts		608,907	534,773
Cash paid to suppliers and employees		(265,782)	(260,264)
Income tax paid		(61,259)	(27,607)
Payments for exploration and evaluation		(39,607)	(32,156)
Interest received		2,706	1,392
Net cash inflow from operating activities	9	**244,965**	**216,138**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(804)	(159)
Proceeds from sale of property, plant and equipment		705	209
Payments for plant and equipment, including assets under construction		(22,780)	(23,054)
Payments for mine properties		(64,695)	(59,932)
Payments for investments		(11,924)	(148)
Security deposits and bonds		10	14
Net cash outflow from investing activities		**(99,488)**	**(83,070)**
Cash flows from financing activities			
Net proceeds from share issue in controlled entity – Sandfire America		2,405	1,819
Proceeds from exercise of options		2,268	-
Share issue costs		(95)	(129)
Repayment of borrowings		-	(50,000)
Repayment of finance lease liabilities		(228)	(626)
Interest and other costs of finance paid		(77)	(1,180)
Cash dividend paid to equity holders		(33,176)	(22,308)
Net cash outflow from financing activities		**(28,903)**	**(72,424)**
Net increase in cash and cash equivalents		**116,574**	**60,644**
Net foreign exchange differences		50	(124)
Cash and cash equivalents at the beginning of the period		126,743	66,223
Cash and cash equivalents at the end of the period	9	**243,367**	**126,743**

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

Consolidated Financial Statements
Notes to the Consolidated Financial Statements

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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 consolidated financial statements of Sandfire Resources NL incorporate Sandfire Resources NL (the Parent) as well as its subsidiaries (collectively, the Group) as outlined in Note 23. The financial statements of the Group for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 29 August 2018.

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 23. Information on other related party relationships of the Group is provided in Note 25.

2 Basis of preparation and other significant accounting policies

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 2017. 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 concentrate specifications. • 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, an alternative 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.
Note 20	Impairment of non-financial assets	• The recoverable amount of Mine Properties is dependent on the Group's estimate of ore reserves that can be commercially extracted.
Note 27	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 obligations, cost inflation and discount rates.

(b) Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of Sandfire Resources NL and its subsidiaries it controls (as outlined in Note 23).

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.

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.

2 Basis of preparation (continued)

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

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 fair value of 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 any foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in OCI. On disposal of a foreign operation, the component of 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 the DeGrussa 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-Gold Mine generates revenue from the sale of copper-gold concentrate 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 Sandfire Resources America Inc.

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 2018	DeGrussa Mine $000	Exploration & evaluation $000	Other activities $000	Group $000
Sales revenue	596,242	-	-	596,242
Realised and unrealised price adjustment gain	10,470	-	-	10,470
Treatment and refining charges	(36,667)	-	-	(36,667)
Net revenue	570,045	-	-	570,045
Other gains/(losses)	(754)	1,590*	-	836
Changes in inventories of finished goods and work in progress	8,123	-	-	8,123
Mine operations costs	(125,452)	-	-	(125,452)
Employee benefit expenses	(25,140)	(8,358)	(7,211)	(40,709)
Freight expenses	(40,800)	-	-	(40,800)
Royalties expense	(29,896)	-	-	(29,896)
Exploration and evaluation expenses	-	(31,977)	-	(31,977)
Depreciation and amortisation expenses	(129,806)	(314)	(191)	(130,311)
Administrative expenses	-	-	(6,094)	(6,094)
Profit (loss) before net finance and income tax	**226,320**	**(39,059)**	**(13,496)**	**173,765**
Finance income				3,297
Finance expense				(1,521)
Profit before income tax expence				**175,541**
Income tax expense				(54,788)
Net profit for the year				**120,753**

*The Group has discontinued the use of the equity method of accounting for its previously held investment in WCB Resources Inc (WCB) as a result of the merger transaction that was completed during the year between WCB and Kingston Resources Ltd (Kingston). The de-recognition of the interest in associate and discontinuation of equity accounting resulted in a gain of $1,590,000 during the year ended 30 June 2018.

The Group accounts for its resulting investment in Kingston at fair value, as an available-for-sale financial asset. The carrying value of the investment in Kingston as at 30 June 2018 is $2,610,000.

3 Segment information (continued)

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 loss	19,395	-	-	19,395
Treatment and refining charges	(44,464)	-	-	(44,464)
Net revenue	488,084	-	-	488,084
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 expenses	(39,718)	-	-	(39,718)
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**

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

Net revenue
Net revenue has been presented in this year's segment note to represent the net revenue received, which includes the gross revenue adjusted for both the realised and unrealised price adjustments as well as treatment and refining charges. Treatment and refining charges are combined with freight expenses in the Income statement.

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-Gold Mine segment.

As at 30 June 2018 the Group has non-current assets of $13,240,739 located outside Australia (2017: $11,099,025).

Information about geographical areas and product
The Group's sales revenue (refer to Note 4 for details) arise from sales to customers in Asia. In 2018 the majority of the product was sent to China for processing (80%), a portion was sent to Japan (12%) and Philippines (8%). During 2017, a majority of the product was sent to China for processing (69%), a portion was sent to Japan (4%) and Philippines (27%). The revenue information is based on the location of the customer's operations.

Two customers (2017: four customers) individually accounted for more than ten per cent of total revenue during the year. Sales revenue from these major customers ranged from 31% to 40% of total revenue, contributing approximately 71% of total revenue (2017: 84%).

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

	2018 $000	2017 $000
Sales revenue		
Sales of copper in concentrate	528,816	449,984
Sales of gold in concentrate	61,776	56,947
Sales of silver in concentrate	5,650	6,222
	596,242	513,153
Realised and unrealised price adjustment gain (loss)		
Copper price adjustment	9,038	19,014
Gold price adjustment	(6)	(532)
Silver price adjustment	877	797
Other adjustments	561	116
	10,470	19,395

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 – Sales Revenue

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 concentrate specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sale 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 the Group 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. For the year ended 30 June 2018 a favourable $10,470,000 (2017: favourable $19,395,000) mark-to-market adjustment to profit or loss was recognised.

5 Expenses

Profit before income tax includes the following expenses:

	Note	2018 $000	2017 $000
Employee benefits expense			
Wages and salaries		36,392	40,180
Defined contribution superannuation expense		3,138	3,372
Employee share-based payments	26	2,282	1,123
Other employee benefits expense		323	1,961
		42,135	46,636
Less employee benefits expense capitalised to mine properties		(1,426)	(1,391)
Total employee benefit expense		**40,709**	**45,245**
Net profit on sale of property, plant and equipment		718	46

Recognition and measurement

Employee share-based payments
The accounting policy, key estimates and judgements relating to employee share-based payments is set out in Note 26.

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 27 for the accounting policy relating to short term and long term employee benefits.

6 Finance income and finance expense

	2018 $000	2017 $000
Finance income		
Interest on bank deposits	3,297	1,392
Total finance income	**3,297**	**1,392**
Finance expense		
Interest charges	(77)	(1,180)
Net foreign exchange loss	(630)	(2,511)
Unwinding of discount on provisions	(314)	(224)
Finance establishment costs amortisation	-	(211)
Other	(500)	(1,034)
Total finance expense	**(1,521)**	**(5,160)**

Recognition and measurement

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

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 reported in finance costs.

7 Income tax

	2018 $000	2017 $000
Components of income tax are:		
Current income tax		
Current year income tax expense	72,635	41,102
Over provision for prior year	(633)	(258)
Deferred income tax		
Origination and reversal of temporary differences	(17,679)	(5,485)
Under provision for prior year	465	29
Income tax expense in the income statement	54,788	35,388
Deferred income tax related to items credited directly to equity		
Available for sale investments	1,034	-
Share issue costs	(7)	(4)
Reconciliation of income tax expense to pre-tax profit		
Profit before income tax	175,541	110,404
Income tax expense at the Australian tax rate of 30% (2017: 30%)	52,662	33,121
Increase (decrease) in income tax due to:		
Non-deductible expenses	760	510
Foreign tax losses and temporary differences not recognised	2,739	2,415
Current year capital losses not recognised	187	-
Movement in unrecognised temporary differences with respect to investments	(1,698)	105
Over provision for prior year	(168)	(229)
Tax rate differential on foreign income	306	(534)
Income tax expense	**54,788**	**35,388**

Recognised tax assets and liabilities

	2018		2017	
in $000	Current tax payable	Deferred income tax	Current tax payable	Deferred income tax
Opening balance	(20,460)	(48,361)	(7,222)	(53,822)
Charged to income	(72,002)	17,214	(40,845)	5,457
Charged to equity	-	(1,027)	-	4
Other payments	61,259	-	27,607	-
Closing balance	**(31,203)**	**(32,174)**	**(20,460)**	**(48,361)**

7 Income tax (continued)

	2018 $000	2017 $000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Investments	987	-
Mine properties	21,677	33,628
Plant and equipment including assets under construction	21,522	24,353
Other	210	84
Gross deferred tax liabilities	44,396	58,065
Set-off of deferred tax assets	(12,222)	(9,704)
Net deferred tax liability	**32,174**	**48,361**
Deferred tax assets		
Employee benefits provision	997	918
Inventories	555	1,110
Other payables and accruals	1,239	656
Rehabilitation, restoration and dismantling provision	8,353	6,902
Share issue costs reflected in equity	11	8
Capital losses	987	-
Other	80	110
Gross deferred tax assets	12,222	9,704
Set-off of deferred tax assets	(12,222)	(9,704)
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.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates tax positions taken 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 balance sheet 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.

7 Income tax (continued)

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred income tax liability has not been recognised, aggregate to $48.4 million (2017: $46.7 million).

Key estimates and assumptions – Income tax

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.

Determining if there will be future taxable profits depend on management's estimates of future cash flows, which in turn depend on estimates of future production and sales volumes, commodity prices, operating costs, rehabilitation 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.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions or utilise losses in future periods.

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 A$65,180,000 (2017: A$58,809,000), 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 in the Group and are unlikely to be utlised in the near future. This includes US losses of USD$5,336,000 that will commence to expire from 2028 and Canadian losses of CAD$751,000 that will commence to expire from 2036.

8 Earnings per share (EPS)

	2018 $000	2017 $000
Net profit attributable to equity holders of the parent	123,024	77,510

	2018 Number	2017 Number
Weighted average ordinary shares adjusted for the effect of dilution	158,024,457	157,671,654

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.

Share options of 1,695,000 were outstanding throughout the year and excluded from the calculation of diluted earnings per share under AASB 133 because they are anti-dilutive for the current period (refer to Note 11). For details of transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements refer to Note 28.

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

	2018 $000	2017 $000
Cash at bank and on hand	142,959	66,743
Term deposits	100,408	60,000
	243,367	126,743

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.

Cash flow information

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

	2018 $000	2017 $000
Cash and cash equivalents in the statement of cash flows	243,367	126,743
Reconciliation of net profit after tax to net cash flows from operations:		
Profit for the period	120,753	75,016
Adjustments for:		
Net loss on sale of assets	(872)	(44)
Depreciation and amortisation included in the income statement	130,311	117,532
Interest and other costs of finance paid	77	1,180
Share based payments expense	2,282	1,123
Unrealised price adjustments and foreign currency adjustments	6,745	(2,003)
Impairment expense	-	360
Income tax expense	(6,441)	7,782
Other non-cash items	448	577
Change in assets and liabilities:		
(Increase) Decrease in trade and other receivables	(4,684)	6,928
(Increase) Decrease in inventories	(7,489)	3,248
Increase in trade and other payables	2,865	4,176
(Decrease) in interest bearing liabilities	(28)	(24)
Increase in provisions	998	287
Net cash inflow from operating activities	**244,965**	**216,138**

10 Trade and other payables

	Note	2018 $000	2017 $000
Current			
Trade and other payables		38,580	35,397
Related party payables – cash-settled share-based payments	(a)	1,318	81
		39,898	35,478
Non-current			
Related party payables – cash-settled share-based payments	(a)	-	97

(a) For terms and conditions relating to cash-settled share-based payments, refer to Note 26.

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	2018 Number	2018 $000	2017 Number	2017 $000
Movement in ordinary shares on issue					
On issue at 1 July		157,818,424	230,733	157,324,918	228,014
Issue of shares, net of transaction costs and tax	(a)	207,508	1,500	493,506	2,719
Issue of shares under employee awards	(b)	446,106	3,182	-	-
On issue at 30 June		158,472,038	235,415	157,818,424	230,733

(a) In February 2018 Sandfire entered into a Farm-in Agreement for the Morck Well East and Doolgunna project area with Auris Minerals Limited and Fe Limited. Under the terms of the agreement Sandfire issued ordinary fully paid shares to the value of $1,500,000 based on the 5-day VWAP. A total of 207,508 ordinary fully paid shares were issued.

(b) The value recorded in issued capital on conversion of shares under employee awards represents the original fair value of the award in the share based payment reserve that is transferred from the share based payment reserve to issued capital on exercise, as well as any consideration received on exercise.

Movement in shares under option

Options expiring on or before	Exercise Price	On issue 30 Jun 17	Issued	Exercised	Expired	On issue 30 Jun 18
15 July 2018	$7.60	565,000	-	200,000	-	365,000
15 July 2018	$8.80	565,000	-	85,000	-	480,000
15 July 2018	$10.00	565,000	-	-	-	565,000
		1,695,000	-	285,000	-	1,410,000

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.

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder's 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 any interest-bearing loans and borrowings that form part of its capital structure requirements. 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 2018 and 2017.

11 Issued capital and reserves (continued)

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 26 for details.

Foreign currency translation reserve

Exchange differences arising on the translation of entities with a functional currency differing from the Group's presentation currency, are taken to the foreign currency translation reserve (FCTR). For the Group, this relates to its investment in Sandfire Resources America Inc. (Sandfire America) and it's previously equity accounted investment in WCB Resources Ltd.

12 Interest bearing liabilities

	2018 $000	2017 $000
Current		
Obligations under finance leases and hire purchase contracts	240	168
Insurance premium funding	1,371	1,399
	1,611	1,567
Non-current		
Obligations under finance leases and hire purchase contracts	239	210
	239	210

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.

Finance facilities

The Group's current financing arrangements consist of asset financing arrangements for vehicles and equipment, as well as an insurance premium facility.

The Group has a registered fixed and floating charge over assets, including the DeGrussa Project and the broader Doolgunna Project with a financial institution.

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 were trade and other payables as the Groups' debt facilities were fully repaid during the year ended 30 June 2017. 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.

13 Financial risk management objectives and policies (continued)

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 financial liabilities, trade receivables, cash and short-term deposits.

The sensitivity analysis in the following sections relate to the position as at 30 June 2018 and 2017.

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 2018.

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2018 is listed below.

	Denominated in US$ presented in AU$	
	2018 $000	2017 $000
Trade and other receivables	8,555	12,712
Trade and other payables	-	-

The following tables demonstrate the sensitivity of the exposure at the balance sheet date to a reasonably possible change in USD/AUD 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	
	2018 $000	2017 $000
5% increase (2017: 5% increase)	(406)	(627)
5% decrease (2017: 5% decrease)	449	693

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). The Group 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.

No derivative hedging instruments were entered into during the year ended 30 June 2018. (2017: 12,450 tonnes of copper sales subject to QP were hedged under USD copper swaps during the previous financial year, resulting in a gain of $2,115,000) this was recognised as part of other income. These hedges are generally considered to be economic hedges, however the Group may not designate into a hedging relationship for accounting purposes.

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 2018 London Metals Exchange (LME) forward curve, with all other variables held constant.

	Effect on profit before tax	
	2018 $000	2017 $000
10% increase (2017: 10% increase)	9,542	10,122
10% decrease (2017: 10% decrease)	(9,542)	(10,122)

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 $92,415,000 (2017: $89,810,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

13 Financial risk management objectives and policies (continued)

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 2018 is substantially 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 that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by conducting regular reviews of the timing of cash flows in order to ensure sufficient funds are available to meet these obligations.

The Group fully repaid the Group's DeGrussa Project Loan Facility in the 2017 financial year, which reduced the liquidity risk to the Group. Therefore the Group's remaining liquidity risk exposure 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 2018.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
AFS financial assets		7,925	-	2,000	9,925
Trade receivables	(i)	-	8,555	-	8,555
		7,925	8,555	2,000	18,480

(i) 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 2017 are summarised in the table below.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
AFS financial assets	209	-	-	209
Trade receivables	-	12,712	-	12,712
	209	12,712	-	12,921
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.

14 Fair value measurement (continued)

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 2018 or the comparative period ended 30 June 2017.

Key estimates and assumptions - Fair value measurement
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 discounted cash flow models. 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.

15 Dividends paid and proposed

	Note	2018 $000	2017 $000
Cash dividends on ordinary shares declared and paid:			
Final franked dividend for 2017: 13 cents per share (2016: 9 cents)		20,537	14,191
Interim franked dividend for 2018: 8 cents per share (2017: 5 cents)		12,639	7,887
		33,176	22,078
Proposed dividends on ordinary shares:			
Final cash dividend for 2018: 19 cents per share (2017: 13 cents per share)	(i)	30,252	20,537

(i) Subsequent to year end, the Board resolved to pay a franked dividend of 19 cents per share to be paid on 25 September 2018. The expected financial impact of the dividend has not been recognised in the financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial statements.

Franking credit balance

	2018 $000	2017 $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% (2017: 30%)	84,585	37,504
Estimated franking debits that will arise from the payment of dividends as at the end of the financial year	(12,965)	(8,793)
Estimated franking credits that will arise from the payment of income tax payable as at the end of the financial year	31,203	20,460
	102,823	49,171

Invested capital

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

16 Trade and other receivables

	2018 $000	2017 $000
Current		
Trade receivables	8,542	12,803
Other receivables	5,231	3,167
	13,773	15,970

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

Collectability of 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.

Refer to 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

	2018 $000	2017 $000
Current		
Concentrate – at cost	14,866	8,480
Ore stockpiles – at cost	9,923	8,186
Stores and consumables – at cost	10,870	11,335
	35,659	28,001
Allowance for obsolete stock – stores and consumables	(1,698)	(1,528)
	26,473	30,070
Non-current		
Oxide copper ore stockpiles – at cost	11,698	11,698
Cost of goods sold	302,854	297,503

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	2018 $000	2017 $000
Reconciliation			
At 1 July		21,852	18,489
Resource properties and exploration tenements acquired		2,310	3,744
Exchange differences		248	(381)
At 30 June		24,410	21,852

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 resource from that area. Other than acquisition costs, exploration and evaluation expenditure incurred on licenses where the commercial viability of extracting the mineral resource has not yet been established is expensed when incurred. Once the commercial viability of extracting the mineral resource 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 area 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 – Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires significant 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.

2018	Mine Properties $000	Plant and equipment $000	Assets under construction $000	Total $000
Opening net carrying amount	190,320	154,985	23,711	369,016
Additions	66,316	1,084	21,556	88,956
Disposals	-	(1,572)	-	(1,572)
Transfers	-	30,702	(30,702)	-
Depreciation and amortisation	(92,267)	(38,044)	-	(130,311)
Movement in the rehabilitation, restoration and dismantling asset	2,212	2,312	-	4,524
Exchange differences	-	6	-	6
Closing net carrying amount	166,581	149,473	14,565	330,619
At 30 June 2018				
Gross carrying amount – at cost	621,023	358,394	14,565	993,982
Accumulated depreciation	(454,442)	(208,921)	-	(663,363)
Net carrying amount	166,581	149,473	14,565	330,619

19 Property, plant and equipment (continued)

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	(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

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 27 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.

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 its useful life. 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.

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 Group's operating lease commitments disclosed in the table below represent lease payments for the facilitation of power to the Group's operations, mining equipment, property leases for offices as well as administrative and storage facilities. The Group's leases have varying terms, with options to renew the lease on respective expiry dates. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Note	2018 $000	2017 $000
Within one year		11,886	4,867
After one year but not more than five years		6,190	13,906
Total minimum lease payments	(i)	18,076	18,773

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

21 Commitments (continued)

Finance leases and hire purchase commitments – Group as lessee

The Group has finance leases and hire purchase contracts for some 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	2018 $000	2017 $000
Within one year		256	183
After one year but not more than five years		249	217
Total minimum lease payments		505	400
Less amounts representing finance charges		(26)	(22)
Present value of minimum lease payments		479	378
Included in the financial statements as:			
Current interest bearing liabilities	12	240	168
Non-current interest bearing liabilities	12	239	210
Total included in interest-bearing liabilities		479	378

Group resource property commitments

Sandfire Resources America Inc. (formerly Tintina Resources Inc.) - Black Butte Copper Leases and Water Use Agreement

The Company's subsidiary Sandfire Resources America Inc., 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:

	2018 $000	2017 $000
Within one year	638	633
After one year but not more than five years	2,049	2,552
More than five years	13,795	12,023
Total payments	16,482	15,208

Contractual commitments

The Group has entered into a number of key contracts as part of its operation of the DeGrussa Copper-Gold 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 2018 amount to approximately $27,158,000 (undiscounted) (2017: $16,349,000).

Group structure and related party information

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

22 Information relating to Sandfire Resources NL (the Parent)

The consolidated financial statements of the Group include:

	2018 $000	2017 $000
Current assets	288,677	169,543
Total assets	705,422	603,160
Current liabilities	74,128	60,001
Total liabilities	131,658	132,391
Issued capital	235,415	230,803
Retained earnings	332,086	236,275
Share based payment reserve	3,535	3,638
Profit or loss of the Parent entity	134,345	85,956
Total comprehensive income of the Parent entity	136,758	86,008

23 Information relating to subsidiaries

The consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest 2018	% equity interest 2017
Sandfire Resources America Inc.	(i)	Canada	78.06	61.18
Sandfire BC Holdings (Australia) Pty Ltd	(ii)	Australia	100.00	100.00
Sandfire BC Holdings Inc.	(iii)	Canada	100.00	100.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00

(i) In July 2017, the Group increased its stake in Sandfire Resources America Inc. ("Sandfire America") TSX-V: SFR (formerly Tintina Resources Inc.) to 78% from 61%, by acquiring a further 17% interest. The additional shareholding, comprising 54,632,580 shares, was acquired by the Group in an off-market transaction. Total consideration for the purchase amounted to C$7,130,000 (A$7,123,000).

In October 2017, the Group also executed its rights to purchase their pro rata of common shares offered under Sandfire America's rights offer, which closed on 23 October 2017. The additional shareholding, comprising 140,315,465 shares at an average price of C$0.06 per share, did not result in a change to the Group's holding percentage of Sandfire America. Total consideration for the purchase amounted to C$8,419,000 (A$8,666,000).

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

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

24 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.

As announced on the ASX on the 8th June 2018 the Group has reached an in-principle agreement with Talisman Mining Limited to acquire Talisman A Pty Ltd which holds the remaining 30% interest in both the Springfield Joint Ventures above, the transaction was not complete as at 30 June 2018. Refer to Note 28 Subsequent events for further information.

25 Related party disclosures

As at, and throughout the financial year ended 30 June 2018, the ultimate parent entity of the Group was Sandfire Resources NL.

Information in relation to interest in other entities is set out in Note 23 to the consolidated financial statements.

Compensation of key management personnel of the Group

	2018 $	2017 $
Short-term employee benefits	3,627,808	3,597,453
Long-term employee benefits	59,400	55,036
Termination benefits	-	305,555
Post-employment benefits	111,271	105,654
Share-based payments	1,937,830	714,378
Total compensation	5,736,309	4,778,076

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

Transactions with KMP

Certain KMP, as listed below, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities. The transactions with related parties are made on terms eqivalent to those that prevail in arm's length transaction. There have been no guarantees provided or received for any related party receiveables or 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 and relate to the provision of corporate administrative, clerical and accounting services and the provision of corporate office parking.

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
KMP and their Director related entity	Transaction	2018 $	2017 $	2018 $	2017 $
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	716,877	636,047	-	-
		735,777	654,947	-	-

Other notes

26 Share-based payments

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

	Note	2018 $000	2017 $000
Expense arising from equity-settled share-based payments – SFR [A]	26(i), (ii)	1,174	992
Expense arising from equity-settled share-based payments – TAU [B]		119	148
Expense arising from cash-settled share-based payments – SFR [C]	26(iii)	989	(17)
Total expense arising from share-based payment transactions		2,282	1,123

A Long-term Incentive Plan.

B Relates to Sandfire America 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.

(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
FY2018				
30 June 2018	108,892	$5.38	1 Oct 2021	3 years
29 November 2017	196,198	$3.61	1 Oct 2020	3 years
FY2017				
30 June 2017	179,557	$3.38	1 Oct 2020	3 years
18 November 2016	216,174	$3.87	1 Oct 2019	3 years

A Represents the fair value per right at grant date.

Under the LTI Plan, awards are made to executives and other management personnel (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 do they have voting rights. Refer to the Group's Remuneration Report for further details on the plan.

26 Share-based payments (continued)

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	
	29 Jun 18	29 Nov 17	30 Jun 17	18 Nov 16
Fair value at measurement date	$5.38	$3.61	$3.38	$3.87
Underlying share price	$9.16	$6.42	$5.65	$6.12
Dividend yield	4.40%	3.50%	3.40%	1.94%
Expected volatility	40.00%	40.00%	40.00%	40.00%
Risk-free rate	2.1%	1.9%	2.58%	1.89%
Expected life (years)	3.0	2.6	3.0	2.6

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.

	2018 Number	2017 Number
Opening balance	1,066,901	799,059
Rights granted during the year	305,090	395,732
Rights vested and exercised during the year	(161,106)	-
Rights lapsed or forfeited during the year	(77,566)	(127,890)
Closing balance	1,133,319	1,066,901

(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. As at 30 June 2018 the number of outstanding options under the plan was 1,410,000 with exercise price ranging from $7.60 to $10.00, all of which expire on the 15th July 2018.

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.

The movement in the number of share options during the year is set out below.

	2018 Number	2017 Number
Outstanding at 1 July	1,695,000	1,695,000
Exercised during the year	(285,000)	-
Outstanding and exercisable at 30 June	1,410,000	1,695,000

The outstanding balance at 30 June 2018 is represented by:

Options expiring on or before	Exercise Price	On issue 30 Jun 18
15 July 2018	$7.60	365,000
15 July 2018	$8.80	480,000
15 July 2018	$10.00	565,000
		1,410,000^

^ Subsequent to year end 750,000 options were exercised, the remaining 660,000 options lapsed.

(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 on 15 December 2018. An amount of $906,406 became payable under the plan for the year ended 30 June 2018 (2017: nil).

27 Provisions

	2018 $000	2017 $000
Current		
Employee benefits	4,255	3,352
Non-current		
Employee benefits	1,624	1,529
Rehabilitation, restoration and dismantling	27,843	23,005
	29,467	24,534

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

	2018 $000
At 1 July	23,005
Arising during the year	4,335
Unwinding of discount	314
Inflation and discount rate adjustments	189
At 30 June	27,843

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.

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 of the provision 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 unwinding of the discounting on the provision is recognised as a finance cost.

Rehabilitation, restoration and dismantling

The Group recognises a provision for the estimate of the future costs of restoration activities on a discounted basis at the time of exploration or mining disturbance. 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.

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.

If a change to the estimated provision 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. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase to the provision is charged directly to the income statement.

Key estimates and assumptions – Rehabilitation provisions

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 amount 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.

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 future expected 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.

28 Significant events after the reporting date

Agreement to acquire Talisman Mining Ltd's 30% interest in the Springfield Joint Ventures

On 8 June 2018, Sandfire announced it reached in-principle agreement with Talisman Mining Ltd ("Talisman"; ASX:TLM) to acquire Talisman's 30% interest in the Springfield Exploration and Mining Joint Ventures in the Doolgunna region of WA. The Company further announced it signed a binding conditional Sale and Purchase Agreement relating to the acquisition on 6 August 2018 (Transaction).

The purchase price comprises $72.3 million for Talisman's subsidiary, Talisman A Pty Ltd, on a debt-free and cash-free basis and an ongoing 1% Net Smelter Return (NSR) royalty payable to Talisman on any future discoveries at Springfield Joint Ventures (NSR Royalty). Sandfire will also be required to pay stamp duty in relation to the Transaction and has also incurred other transaction costs.

Through its acquisition of Talisman A, Sandfire will also assume the existing 2.25% gross revenue royalty held by Taurus Mining Finance Fund payable on 30% of the copper and gold produced from the Monty deposit area, capped at 29,700t of copper and 16,500oz of gold from the Monty deposit area (based on a 30% revenue share).

Completion of the Transaction is subject to approval by a simple majority of Talisman's shareholders at an Extraordinary General Meeting scheduled to be held in October 2018.

Investment in White Rock Minerals Ltd

Subsequent to year end, Sandfire acquired a 14.22% interest in White Rock Minerals Ltd ("White Rock"; ASX: WRM), with the parties also agreeing to formalise a strategic relationship in relation to White Rock's high-grade Red Mountain Zinc VMS Project in Alaska.

The investment was completed via an equity placement of 208,333,334 shares at $0.012 (1.2 cents) per share, for total consideration of $2.5 million. Sandfire was also issued 104,166,667 unlisted options with an expiry date of 10 July 2021 and an exercise price of A$0.02 (2 cents) per option.

As at the date of this report, the Company's interest in White Rock is 12.73%.

Further details of the investment are outlined in White Rock's ASX Announcement titled, 'White Rock enters into a strategic relationship with Sandfire', dated 10 July 2018.

Farm-in agreement with Alchemy Resources Ltd

Subsequent to year end, Sandfire agreed to acquire Independence Group NL's ("IGO"; ASX: IGO) Bryah Basin Project Farm-in Rights with Alchemy Resources Ltd ("Alchemy"; ASX: ALY). The agreement transfers all of IGO's rights and remaining obligations associated with the original Letter Agreement between Alchemy and IGO dated 29 January 2014 to Sandfire, including the $3.1 million remaining spend to earn up to an 80% interest, with an earn-in expiry date of 28 October 2019.

Further details of the agreement are outlined in Alchemy's ASX Announcement titled, 'Sandfire Acquires IGO's Farm-in Interests in Alchemy's Bryah Basin Project, WA', dated 6 August 2018.

Dividends

Subsequent to year end, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is $30.3 million, which represents a fully franked dividend of 19 cents per share. The dividend has not been provided for in the 30 June 2018 Financial Statements.

Exercise of options

Subsequent to year end, the Company announced the following issue of ordinary shares from the exercise of unlisted options.

Number	Exercise Price	Expiry date
340,000	$7.60	15 July 2018
410,000	$8.80	15 July 2018

The exercise of 140,000 options with an exercise price of $7.60 and 140,000 options with an exercise price of $8.80, related to options previously issued as remuneration to Key Management Personnel of the Group.

Expiry of options

Subsequent to year end, the Company announced the expiry of the following unlisted options over ordinary shares.

Number	Exercise Price	Expiry date
25,000	$7.60	15 July 2018
70,000	$8.80	15 July 2018
565,000	$10.00	15 July 2018

29 Accounting standards and interpretations issued but not yet effective

The standards and interpretations that have been issued or amended but not yet effective that the Group reasonably expects will have an impact on its disclosures, financial position or performance of the Group when applied are disclosed below. The Group intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, are not expected to impact the Group and therefore have not been detailed 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, there is 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 AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment
The impairment requirements for receivables not carried at FVTPL are based on an expected credit loss (ECL) model that replaces the AASB 139 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts and contract assets under AASB 15 Revenue from Contracts with Customers. 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 significant 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 AASB 139, 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
The Group has adopted the new standard effective from the date 1 July 2018 and will not restate comparative information.

Impact
The Group has assessed the impact of adoption of AASB 9 and it is not expected significant impact to the Group's financial position or equity. Trade receivables subject to provisional pricing adjustment are currently carried at FVTPL and will continue to be treated similarly under AASB 9. The impairment requirements will generally result in earlier recognition of credit losses for receivables not recorded at fair value and the new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting, although both these items are not expected to have a significant impact to the Group.

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

AASB 15 Revenue from Contracts with Customers

Classification and measurement
AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. 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 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, when control passes.

Under AASB 15 the Group recognises revenue by applying the following five-step model.

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.

Transition
The Group has adopted the new standard effective from the date 1 July 2018 using the full retrospective method.

Impact
The group has assessed the impact of AASB 15 and has detailed below the likely impacts to the Group.

(a) Presentation of provisionally priced sales
The Group's sales of concentrate contain provisional pricing features which are considered to be embedded derivatives.

Under AASB 15, concentrate revenue is recognised at the estimated amount of the consideration receivable when the control of the concentrate is transferred, which is usually when it passes the ship's rail. The consideration that the Group expects to be entitled to is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price that the entity expects to receive at the end of the provisionally priced period. The movements from the forward price is considered to be an embedded derivative from the pricing mechanism.

AASB 15 requires that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore the embedded derivative included in the provisional pricing features will be outside the scope of AASB 15 and the Group will continue to account for these in accordance with the financial instruments standard (AASB 9 from 1 July 2018).

Consistent with current treatment, the initial estimate of the fair value of the embedded derivative and subsequent changes in fair value are also estimated by reference to forward market prices. The subsequent changes in fair value due to the embedded derivative are recognised in the income statement each period until final settlement.

With respect to the presentation of amounts arising from such provisionally priced contracts, AASB 15 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. Consistent with current practice this means that revenue recognised from the initial sale must be separately disclosed in the financial statements from any revenue/income recognised from subsequent movements in the fair value of the related concentrate receivable where material. Changes in the fair value of concentrate receivable is currently separately disclosed in the line item "Realised and unrealised price adjustment gain (loss)" within the income statement.

(a) Presentation of treatment and refining costs
The Group's sales contracts with customers include costs for the treatment and refining of the concentrate to extract the contained metal from the concentrate. Treatment and refining costs are currently disclosed as a production cost in the income statement. AASB 15 requires that for each contract performance obligation identified, the transaction price is allocated to each performance obligation and revenue is recognised when the performance obligation is satisfied. Under AASB 15 the delivery of concentrate has been identified as a performance obligation which, based on existing contracts, will be satisfied when the concentrate is loaded for shipment, which is also the point in time when tittle passes to the buyer. The transaction price allocated to this performance obligation will be net of any further treatment and refining costs required to extract the contained metal from the concentrate. Under AASB 15 treatment and refining costs will longer be disclosed as part of production costs as it will form part of the allocated transaction price in determining revenue from concentrate sales. This change will have no impact on the reported profit or loss or net assets. Treatment and refining costs for the current year are disclosed in Note 3 Segment Information.

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

AASB 15 Revenue from Contracts with Customers (continued)

(b) Impact of shipping terms

The Group sells some of its concentrate on CIF and CFR Incoterms. This means that the Group is responsible for arranging shipping services after the date at which control of the concentrate passes to the customer at the port of loading, i.e., when it crosses the ship's rail. Under AASB 118, these shipping services are currently not considered to represent a separate service, hence, no revenue is allocated to them. Instead, concentrate revenue is recognised in full at the date the concentrate passes the ship's rail, and the costs associated with shipping the goods are considered to be part of cost of sales. Under AASB 15, the provision of shipping services in these types of arrangements will be a distinct service (and therefore a separate performance obligation) to which a portion of the transaction price should be allocated and recognised over time as the shipping services are provided. The impact of these changes include:

- Deferral of revenue: When sales are made under CIF and CFR shipping terms some of the revenue currently recognised when the concentrate passes the ship's rail will be deferred and recognised as the shipping services are subsequently provided; and
- Disaggregated disclosures: The revenue allocated to shipping services may need to be disclosed separately from concentrate revenue (where material), either on the face of the income statement or in the notes.

The Group has determined that while these changes will impact some of its arrangements, the overall year on year impact on the timing of revenue recognition will likely not be material and consequently such revenue will not be disclosed separately unless it becomes material in future reporting periods.

AASB 16 Leases

Classification and measurement

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. This new standard replaces the following standards and interpretations:

- AASB 117 Leases;
- Interpretation 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases—Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 includes two recognition exemptions for lessees: leases of 'low-value' assets; and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Transition

AASB 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies AASB 15. The Group plans to apply the standard effective from 1 July 2019.

Impact

The Group has commenced a process to gather relevant information and contracts that will be assessed in light of the new requirements and will assess the potential effect of AASB 16 on its consolidated financial statements during the year ended 30 June 2019. It is likely the adoption of the standard will increase the reported leased assets and lease liabilities recognised by the Group.

30 Auditor remuneration

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

	2018 $	2017 $
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	332,885	294,840
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services (R&D)	21,850	34,948
Other advisory services	10,300	23,500
	365,035	353,288
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	68,279	50,742
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services	41,903	74,568
Other advisory services	51,494	54,730
	161,676	180,040

Consolidated Financial Statements
Directors' Declaration

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 2018 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 2018 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 2018.

On behalf of the Board

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

West Perth, 29 August 2018

Building a better working world

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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 statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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.

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 report. 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.

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1. Valuation of trade receivables

Why significant	How our audit addressed the key audit matter
As disclosed in Note 16 of the financial report, copper concentrate sales are subject to 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. As revenue is recognised prior to the completion of the quotational pricing period, the quotational pricing adjustment feature is considered to be a derivative financial instrument. To account for the quotational pricing feature, trade receivables are measured at fair value. 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 in the consolidated statement of comprehensive income.	We assessed the methodologies, inputs and assumptions used by the Group in determining the fair values. We compared observable inputs into the Group's valuation model, such as quoted prices, to externally available market data. We assessed the fair value measurement of trade receivables still subject to quotational pricing adjustments as at 30 June 2018, using 30 June 2018 market copper forward prices.

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

Why significant	How our audit addressed the key audit matter
As disclosed in Note 27 of the financial report, the Group has rehabilitation, restoration and dismantling provisions of $27.8 million at 30 June 2018. 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. The Group reviews the underlying 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 evaluated the legal and/or constructive obligations with respect to the rehabilitation, restoration and dismantling provisions for the Degrussa and Monty operations and the intended method of restoration and rehabilitation and the associated cost estimates. We considered the qualifications, competence 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 of the financial report, the Group held inventories as at 30 June 2018 of $45.7 million, which related to concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles. These inventories are valued 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 through the consolidated statement of comprehensive income when the inventories are sold.	We considered whether the Group's accounting policies in respect of concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles are consistent with Australian Accounting Standards. We assessed the effectiveness of the relevant controls in respect of the allocation of the mining costs at the different stages of production to inventories. We selected a sample of mining related costs to evaluate whether, based on their nature, they were allocated appropriately (i.e. capitalised to inventories or mine properties). We tested that inventories are being appropriately costed based on allocated costs and production volumes.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is 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, with the exception of the Remuneration Report and our related assurance opinion.

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.

Responsibilities of the directors for the financial report

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

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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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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

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

From the matters communicated 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 audit of 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 2018.

In our opinion, the Remuneration Report of Sandfire Resources NL for the year ended 30 June 2018, 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 2018

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ADDITIONAL ASX INFORMATION

Additional shareholder information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report are set out below. This information is current as at 18 September 2018.

Capital

Share capital comprised 159,558,793 fully paid ordinary shares and the Company had 4,241 holders of ordinary fully paid shares.

Distribution of shareholders

Range	Total holders	Number of shares	Percentage of issued capital
1 – 1,000	2,199	897,790	0.56
1,001 – 5,000	1,500	3,654,293	2.29
5,001 – 10,000	269	1,989,851	1.25
10,001 – 100,000	231	5,759,886	3.61
100,001 – and over	42	147,256,973	92.29

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 446.

Twenty largest holders of ordinary fully paid shares

	Holder Name	Number of shares	Percentage held
1	HSBC Custody Nominees Australia Ltd	75,118,903	47.08
2	J P Morgan Nominees Australia Ltd	27,712,109	17.37
3	Citicorp Nominees Pty Ltd	18,555,954	11.63
4	National Nominees Ltd	5,461,712	3.42
5	Brispot Nominees Pty Ltd	4,371,662	2.74
6	BNP Paribas Nominees Pty Ltd	1,716,481	1.08
7	Equitas Nominees Pty Ltd	1,600,000	1.00
8	BNP Paribas Nominees Pty Ltd	1,523,615	0.95
9	Resource Development Company Pty Ltd	1,486,786	0.93
10	Kape Securities Pty Ltd	954,750	0.60
11	Tongaat Pty Ltd	801,743	0.50
12	CS Fourth Nominees Pty Ltd	783,498	0.49
13	CS Third Nominees Pty Ltd	735,853	0.46
14	UBS Nominees Pty Ltd	624,608	0.39
15	Mr William John Evans and Mrs Carolina Maria Theresia Evans	552,515	0.35
16	AMP Life Ltd	498,946	0.31
17	Citicorp Nominees Pty Ltd	435,047	0.27
18	Ecapital Nominees Pty Ltd	380,009	0.24
19	Merrill Lynch Australia Nominees Pty Ltd	313,233	0.20
20	National Nominees Ltd	308,635	0.19
Total		**143,936,059**	**90.20**

Substantial shareholders of Sandfire Resources NL

The Company has received the following notices of substantial shareholding (Notice):

Substantial shareholder	Date received	Relevant interest per the Notice - number of shares
Vinva Investment Management	31 May 2016	9,510,139
LSV Asset Management	22 March 2018	8,061,413
Mitsubishi UFJ Financial Group Inc.	25 June 2018	9,823,016
Morgan Stanley	18 September 2018	8,271,999

Additional ASX Information (continued)

Voting rights

The voting rights to security holders of the Company are set out in the Company's Constitution and, in summary, each member has one vote for each fully paid share held by the member in the Company. Holders of performance rights do not have voting rights.

Unquoted securities - performance rights

Class	Number	Holders
Performance rights vesting not earlier than 1 July 2019	410,000	5
Performance rights vesting not earlier than 1 July 2020	375,755	5
Performance rights vesting not earlier than 1 July 2021	108,892	4

On-market buy back

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

CAUTIONARY NOTES AND DISCLAIMER

This Annual Report has been prepared by Sandfire Resources NL ("Sandfire") (ABN 55 105 154 185). This Annual Report contains general summary information about Sandfire. The information, opinions or conclusions expressed in the course of this report should be read in conjunction with Sandfire's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available on the Sandfire website.

Forward-Looking Statements

Certain statements made within this report contain or comprise forward-looking statements regarding Sandfire Resources NL's Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward-looking statement.

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 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 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 NL and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hooper 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 Resources NL 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.

CORPORATE DIRECTORY

DIRECTORS

Derek La Ferla	Independent Non-Executive Chairman
Karl Simich	Managing Director and 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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

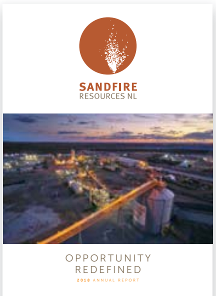
ABN

55 105 154 185

ASX CODE

Sandfire Resources NL shares are listed on the Australian Stock Exchange (ASX).
Ordinary fully paid shares: SFR

Sandfire produces a range of publications, which can be downloaded or viewed at our website.



Annual Report

Sustainability Report

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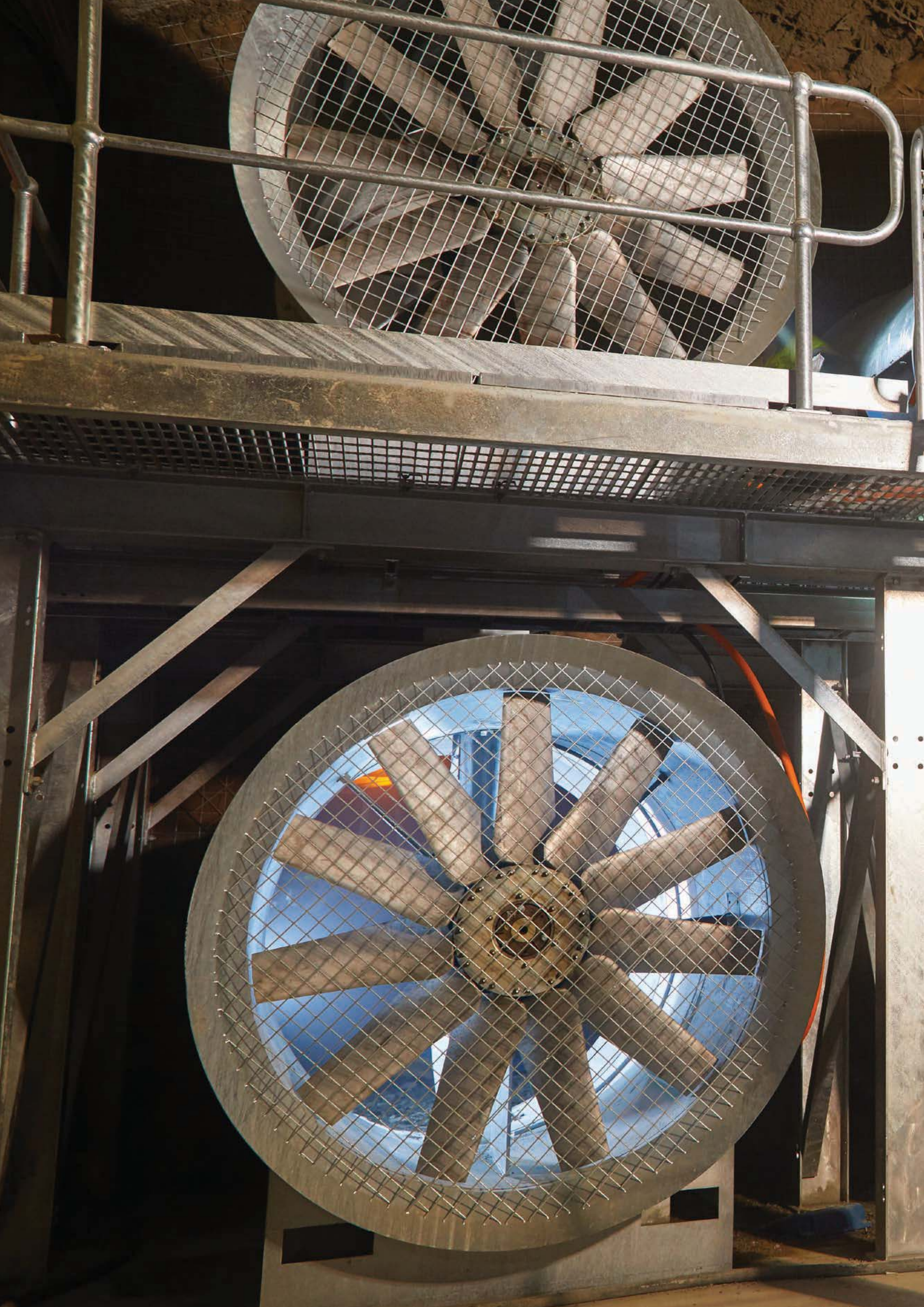

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