



**SANDFIRE RESOURCES NL**

A QUALITY COPPER-GOLD COMPANY ASX Code - SFR

21 February 2017

ASX Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

**FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2016 AND APPENDIX 4D**

I am pleased to attach the following items for immediate release to the market:

1. ASX release on the Company's financial results for the 6 months ended 31 December 2016.
2. December 2016 Half Year Report and Appendix 4D.
3. December 2016 Half Year Results Presentation.
4. Appendix 3A.1 Notification of Dividend / Distribution.

In addition, Sandfire's Chief Financial Officer, Matthew Fitzgerald, is hosting an investor teleconference and live webcast on the December 2016 half year financial results at **10.00am (AWST) / 1.00pm (AEST)**, Tuesday 21 February 2017.

The webcast and synchronised slide presentation is available through the Company's website or through BRR Media.

Live date: Tuesday, 21 February 2017  
Access this website at: <http://webcasting.brrmedia.com/broadcast/589d21fd8a8dbf84280acb26>  
<http://www.sandfire.com.au>

Yours sincerely,

**Matthew Fitzgerald**  
**Chief Financial Officer**  
**and Joint Company Secretary**

For further information contact:  
Sandfire Resources NL  
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## APPENDIX 4D

### Half year ended 31 December 2016

<b>Results for Announcement to the Market</b>	<b>\$'000</b>	<b>Up/Down</b>	<b>Movement</b>
Revenue from ordinary activities	247,989	Up	9%
Net profit for the period	35,929	Up	129%
Net profit for the period attributable to members	37,334	Up	132%

  

<b>Dividend information</b>	<b>Amount per share</b>	<b>Franked amount per share</b>
Interim dividend per share (cents per share)	5.0	5.0
Conduit foreign income (CFI) component	Nil	

  

<b>Interim dividend dates</b>	
Record date for determining entitlements to the interim dividend	7 March 2017
Payment date for the interim dividend	21 March 2017

  

<b>Net tangible assets</b>	<b>2016</b>	<b>2015</b>
Net tangible assets per ordinary security	\$2.60	\$2.25

Additional Appendix 4D disclosure requirements can be found in the Director's Report and the 31 December 2016 financial statements and accompanying notes.

This information should be read in conjunction with Sandfire's auditor reviewed Half-year Financial Report which is enclosed.

For further information contact:

Sandfire Resources NL

**Matthew Fitzgerald – CFO and Joint Company Secretary**

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**SANDFIRE** RESOURCES NL

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# Half-Year Financial Report

For the six months ended 31 December 2016

ASX Code: SFR

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**CORPORATE INFORMATION**

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**ABN 55 105 154 185**

**Directors**

Derek La Ferla	<i>Independent Non-Executive Chairman</i>
Karl Simich	<i>Managing Director and Chief Executive Officer</i>
Robert Scott	<i>Independent Non-Executive Director</i>
Paul Hallam	<i>Independent Non-Executive Director</i>
Maree Arnason	<i>Independent Non-Executive Director</i>
Roric Smith	<i>Independent Non-Executive Director</i>

**Company Secretary**

Matthew Fitzgerald	<i>Chief Financial Officer and Joint Company Secretary</i>
Robert Klug	<i>Chief Commercial Officer and Joint Company Secretary</i>

**Registered Office and Principal Place of Business**

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**Share registry**

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770 Canning Highway  
Applecross WA 6153  
Tel: +61 8 9315 2333  
Fax: +61 8 9315 2233  
Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

**Auditors**

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000

**Home Exchange**

Australian Securities Exchange Limited  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**ASX Code**

Ordinary fully paid shares: SFR

**IMPORTANT INFORMATION AND DISCLAIMER**

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

The information in this report that relates to Exploration Results is based on information compiled by Mr Shannan Bamforth who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bamforth is a permanent employee of Sandfire Resources and has sufficient experience that is relevant to the style of 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 – Mineral Resources**

The information in this report that relates to Mineral Resources is based on information compiled by Mr Ekow Taylor who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Taylor is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Taylor consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Competent Person's Statement – Ore Reserves**

The information in this report that relates to Ore Reserves is based on information compiled by Mr Neil Hastings who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hastings is a permanent employee of Sandfire Resources NL and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hastings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Exploration and Resource Targets**

Any discussion in relation to the potential quantity and grade of Exploration Targets is only conceptual in nature. While Sandfire is confident that it will report additional JORC compliant resources for the DeGrussa Project, there has been insufficient exploration to define mineral resources in addition to the current JORC compliant Mineral Resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

**Forward-Looking Statements**

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Sandfire's Mineral 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.

**DIRECTORS' REPORT**

The directors present their report together with the consolidated financial report of the consolidated entity (referred to as the Group) consisting of the parent entity, Sandfire Resources NL (the Company or Sandfire), and the entities it controlled, for the six months ended 31 December 2016 and the independent auditor's review report thereon.

**1 Directors**

The directors of the Company in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

<b>Name</b>	<b>Period of Directorship</b>
Mr Derek La Ferla <i>Independent Non-Executive Chairman</i>	Appointed 17 May 2010
Mr Karl M Simich <i>Managing Director and Chief Executive Officer</i>	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr Robert N Scott <i>Independent Non-Executive Director</i>	Appointed 30 July 2010
Mr Paul Hallam <i>Independent Non-Executive Director</i>	Appointed 21 May 2013
Ms Maree Arnason <i>Independent Non-Executive Director</i>	Appointed 18 December 2015
Dr Roric Smith <i>Independent Non-Executive Director</i>	Appointed 31 December 2016
Mr W John Evans <i>Non-Executive Director</i>	Appointed 2 October 2007 Resigned 31 December 2016

**2 Dividends**

Since the end of the financial period, the Board of Directors have resolved to pay a fully franked dividend of 5 cents per share, to be paid on 21 March 2017. The record date for entitlement to this dividend is 7 March 2017. The financial impact of this dividend amounting to \$7,887,000 has not been recognised in the Financial Statements for the half year ended 31 December 2016 and will be recognised in subsequent Financial Statements.

Details in relation to dividends announced or paid since 1 July 2015, other than as above, are set out below.

<b>Record date</b>	<b>Date of payment</b>	<b>Period</b>	<b>Amount per share (cents)</b>	<b>Franked amount per share (cents)</b>	<b>Total dividends \$000</b>
12 September 2016	26 September 2016	2016 FY Final	9	9	14,191
10 March 2016	24 March 2016	2016 FY Interim	2	2	3,147
10 September 2015	24 September 2015	2015 FY Final	10	10	15,685

**3 Review and results of operations****3.1 Project review, strategies and future prospects**

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

**Review of results**

- Net profit after tax of \$35.9 million;
- Profit before net finance expense, income tax and depreciation and amortisation of \$106.8 million;
- Operating cash flow of \$96.7 million;
- Net assets of \$410.1 million, with cash of \$107.1 million as at 31 December 2016;
- Total Recordable Injury Frequency Rate (TRIFR) of 6.3 at half-year;
- Copper production of 33,740 contained tonnes and gold production of 19,914 contained ounces.

**3 Review and results of operations (continued)****3.1 Project review, strategies and future prospects (continued)****DEGRUSSA COPPER-GOLD PROJECT, Western Australia (100%)**

*The DeGrussa Copper Project is located within Sandfire's 100%-owned Doolgunna Project, a 400 square kilometre tenement package in WA's Bryah Basin mineral province, approximately 900km north-east of Perth. The Project is located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra and includes the DeGrussa Copper Mine. Including 100%-owned ground and tenements held in joint venture, Sandfire controls a total contiguous exploration portfolio covering a total area of 4,180 square kilometres, including a 65km strike length of prospective VMS horizon.*

**DeGrussa Copper Mine****Overview**

A summary of copper and gold production and sales for the half year is provided below:

FY 2017 Production Statistics to 31 December 2016		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined	734,231	4.8	1.7	35,012	39,696
	Milled	806,656	4.6	1.8	37,262	45,827
<b>Production</b>		<b>138,048</b>	<b>24.5</b>	<b>4.5</b>	<b>33,740</b>	<b>19,914</b>
Concentrate sales		136,893	24.0	4.5	32,893	19,790

**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 with the mine remaining in balance between production and back-fill.

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

**Processing**

Mill throughput for the period was impacted by a campaign to treat stockpiled scats through the pebble crushing circuit, which required a series of shutdowns to implement a reduction in the open area of the SAG mill grates to free up capacity in the pebble crusher.

Copper recovery for the half year was in line with the predicted recovery based on the resource copper grade and Cu:S ratio. Sandfire continues to pursue opportunities for further improvements in copper recovery, including the installation of additional rougher flotation capacity planned for mid-2017.

**Production Guidance**

Targeted copper production for FY2017 is expected to be in the range of 65-68,000 tonnes of contained copper metal with gold production within the range of 35-40,000 ounces. Headline C1 cash operating costs are expected to be within the range of US\$0.95-1.05 per lb. C1 unit costs are expected to report marginally higher in 2HFY2017 (to around ~US\$1.00 per lb) due to the planned reduction in underground development capital work and reducing gold production (impacting by-product credits).

Mine production is forecast at 1.53Mt with the processing of 1.63Mt of ore achieved via the pull-down of ROM stocks in 1HFY2017.

**Feasibility Studies and Metallurgy****Monty Copper-Gold Project**

The Springfield Unincorporated Joint Venture comprises participating interests of Sandfire (70%) and Talisman Mining Limited (ASX: TLM; "Talisman") (30%).

The Feasibility Study on the Monty Project continued during the half year with several work streams continuing as part of this Feasibility Study, with a number of components now complete including:

- Metallurgical testwork on comminution and flotation;
- Geotechnical and hydrological studies;
- A final mine design and schedule with stoping, ore access and ventilation designs;
- Proposed box-cut and decline locations;



**3 Review and results of operations (continued)****3.1 Project review, strategies and future prospects (continued)**

- Design of the surface layout of infrastructure, stockpile locations and other facilities; and
- The design of the haul road route between the DeGrussa operations and the Monty Project.

Following completion of the haul road design, a Miscellaneous Licence was submitted to the DMP.

The scenario to be used as the base case for the Feasibility Study involves the acceleration of mining at Monty given its high grades. The study will investigate mining rates at the DeGrussa underground mine being adjusted to match the overall capacity of the DeGrussa processing plant (currently 1.6Mtpa). This will allow both mines to be scheduled to complete mining around the same time, based on the current DeGrussa Mine Plan, which optimises the use of the existing DeGrussa processing plant.

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

In parallel with the Feasibility Study, negotiations are continuing to progress formal agreements between Sandfire and Talisman relating to Monty construction and mining activities, as well as potential ore process routes and terms.

*Oxide copper*

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

**DOOLGUNNA EXPLORATION**

*The Greater Doolgunna Project, which includes the Talisman Joint Venture and the Ned's Creek Project, provides an aggregate contiguous exploration area of 4,180km<sup>2</sup>. This includes over 65km of strike extent in 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.*

**Overview**

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

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

- Diamond and RC drilling to test for potential extensions to the oxide copper mineralisation at the Monty deposit;
- Completion of structural and regolith modelling at Monty;
- Continuation of down-hole electromagnetic (DHEM) surveying across the Doolgunna and Springfield Project areas;
- AC drilling of prospective areas for geological interpretation and identification of geochemical anomalies for targeting purposes;
- Review and collation of data relating to Enterprise Metals Ltd's (Enterprise) Doolgunna Project, which adjoins Sandfire's Doolgunna tenements to the south, under the Farm-in Agreement signed with Enterprise in October 2016;
- RC drilling to test geochemically anomalous areas in the Doolgunna Project; and
- AC drilling at the Ned's Creek Project targeting shear-hosted epigenetic copper mineralisation.

**Springfield Joint Venture**

The Springfield JV Project comprise the Springfield, Halloween and Halloween West Projects, which abut Sandfire's DeGrussa-Doolgunna tenements. The projects are being explored under a Joint Venture agreement with Talisman Mining Limited (ASX: TLM) under which Sandfire has earned 70%. All exploration expenditure at the Talisman Projects is now being jointly funded by Sandfire and Talisman on a 70:30 basis.

Exploration programs planned or currently in progress in the Springfield Joint Venture area include:

- Diamond drilling targeting potential depth extensions to the Monty Deposit;
- Ongoing DHEM surveying of deep RC and DDH holes; and
- Continued systematic AC drilling over the Southern Volcanics.

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

**DIRECTORS' REPORT****3 Review and results of operations (continued)****3.1 Project review, strategies and future prospects (continued)****AUSTRALIAN AND INTERNATIONAL EXPLORATION**

Sandfire has a number of exploration joint ventures around Australia including the Borroloola Project; Altia Project; Breena Plains Project; Temora & Currumburrama Project; Wingrunner and Wilga Hill Project; and the Alford Project. The Group also has an investment in Tintina Resource's Black Butte Copper Project located in USA and an investment in WCB Resources (Misima Copper Project located PNG).

Details of these projects can be found on Company's website [www.sandfire.com.au](http://www.sandfire.com.au) and the Company's Sandfire December 2016 Quarterly Report ASX announcement, released on 24 January 2017.

**3.2 Review of financial results**

6 months ended 31 December 2016	DeGrussa Copper Mine \$ million	Other <sup>A</sup> \$ million	Group \$ million
Sales revenue	248.0	-	248.0
Profit (loss) before net finance and income tax	76.4	(22.7)	53.7
Profit before income tax			52.9
Net profit			35.9
Basic and diluted earnings per share			22.8 cents

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

The DeGrussa Copper Mine contributed profit before net finance and income tax of \$76.4 million (2015: \$50.2 million) from underground mining and concentrator operations. Other includes the Exploration and Evaluation segment and the Group's corporate expenses that cannot be directly attributed to the Group's operating segments, and contributed a loss before net finance and income tax of \$22.7 million (2015: loss of \$24.2 million).

Dividends of \$14.2 million were paid during the period in respect of the final 2016 financial year dividend. Since the end of the financial period, the Board of Directors has resolved to pay a fully franked dividend of 5 cents per share, to be paid on 21 March 2017. The record date for entitlement to this dividend is 7 March 2017. The financial impact of this dividend amounting to \$7,887,000 has not been recognised in the Financial Statements for the half-year ended 31 December 2016 and will be recognised in subsequent Financial Statements.

**Sales revenue**

DeGrussa Copper Mine	31 Dec 2016 \$ million	31 Dec 2016 %
Revenue from sales of copper in concentrate	213.7	86.2
Revenue from sales of gold in concentrate	30.7	12.4
Revenue from sales of silver in concentrate	3.6	1.4
	<b>248.0</b>	<b>100.0</b>

A total of 13 shipments were completed from Port Headland and Geraldton during the period.

From time to time the Group may utilise QP hedging to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. 12,450 tonnes of copper sales subject to QP were hedged under vanilla USD copper swaps during the period ended 31 December 2016. A gain of \$1.5 million has been recognised as part of other income with respect to closed hedges and a further \$2.1 million has been recognised within finance income, representing the fair value of open hedges at 31 December 2016. The hedges are considered to be economic hedges, however were not designated into a hedging relationship for accounting purposes.

**Operations costs**

DeGrussa Copper Mine 6 months ended 31 December 2016	31 Dec 2016 \$ million	31 Dec 2015 \$ million
Mine operations costs	57.2	57.6
Employee benefit expenses	16.5	19.5
Freight, treatment and refining expenses	41.9	43.7
Changes in inventories of finished goods and work in progress	5.1	(13.4)
	<b>120.7</b>	<b>107.4</b>

### 3 Review and results of operations (continued)

#### 3.2 Review of financial results (continued)

##### **Royalties**

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

##### **Exploration and evaluation**

Significant exploration and evaluation activities continued in and around the DeGrussa Copper Mine with the objective of discovering further ore bodies and lenses to establish a copper-gold VMS camp. For the period ended 31 December 2016, the Group's Exploration and Evaluation segment contributed a loss before net financing expense and income tax of \$16.9 million (2015: \$18.9 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure is expensed as incurred.

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

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

##### **Depreciation and amortisation**

	WDV December 2016 \$ million	WDV June 2016 \$ million	Depreciation and amortisation during the period \$ million
Mine development	209.3	209.2	34.2
Property, plant and equipment	185.1	198.0	18.9
<b>Total depreciation and amortisation</b>			<b>53.1</b>

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

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

Tintina contributed \$3.5 million (2015: \$1.0 million) in losses to the Group's result for the period ended 31 December 2016. \$2.1 million (2015: \$0.6 million) of these losses are attributable to the members of the parent entity.

##### **Income tax expense**

Income tax expense of \$17.0 million for the period is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for differences in tax and accounting treatments. Cash tax payments during the period amounted to \$14.0 million. As at 31 December 2016, the Group had \$8.5 million current tax payable with respect to the 2017 financial year.

##### **Financial Position**

Net assets of the Group have increased by \$26.5 million to \$410.1 million during the reporting period.

##### **Cash balance**

Group cash on hand was \$107.1 million as at 31 December 2016 (the Company \$100.7 million).

##### **Trade and other receivables**

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

##### **Exploration and evaluation assets**

Exploration and evaluation assets have increased by \$2.7 million since 30 June 2016 predominantly due to the acquisition of the Thaduna/Green Dragon Copper Project from Ventnor Resources Limited (\$2.2 million).

### **3 Review and results of operations (continued)**

#### **3.2 Review of financial results (continued)**

##### *Mine properties*

Further investment of \$33.1 million has been made in underground mine development to establish decline and development access to the sulphide ore bodies ahead of stoping activities.

##### *Property, plant and equipment*

Property, plant and equipment at cost has increased by \$5.7 million to \$338.7 million at the end of the period.

##### *Current and deferred tax liabilities*

Taxable profit on operations during the period exceeded the tax credits resulting in the Group booking a current income tax liability of \$8.5 million at period end. In addition the Group has booked a net deferred tax liability position of \$55.5 million at balance date which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

##### *Interest bearing liabilities – finance facilities*

The Company's total outstanding debt as at 31 December 2016 was \$50 million under its Revolver Facility.

In light of its strong cash position (Group cash on hand as at 31 December 2016: \$107 million) and the improvement in the Australian Dollar copper price over the past six months, the Company elected to repay the \$50 million outstanding balance in its Revolver Facility subsequent to period end, on 31 January 2017. The Company retains access to the \$85 million Revolver Facility, which can be redrawn if necessary.

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

The Company also retains a \$25 million working capital facility with ANZ, currently undrawn, which can be drawn down against the value of saleable copper concentrate inventories held by the Company at the mine and ports.

#### **Cash Flows**

##### *Operating activities*

Net cash inflow from operating activities was \$96.7 million for the year. Net cash flow from operating activities prior to exploration and evaluation activities was \$112.8 million for the year.

##### *Investing activities*

Net cash outflow from investing activities was \$41.6 million for the period. This included payments for property, plant and equipment purchases (\$6.5 million) and payments for mine development (\$34.9 million).

##### *Financing activities*

Net cash outflow from financing activities of \$14.3 million for the period includes the payment of interest and other costs of finance (\$1 million) and dividend payments (\$14.4 million).

#### **3.3 Corporate**

##### *Investment in Tintina Resources Inc*

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

##### *Acquisition of Thaduna/Green Dragon Copper Project*

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

##### *Farm-in agreement with Enterprise Metals*

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

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

**DIRECTORS' REPORT**

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**3 Review and results of operations (continued)**

**3.3 Corporate (continued)**

*Board and management*

The Company announced the resignation of Mr Michael Spreadborough as Chief Operating Officer with effect from 30 September 2016. Mr Martin Reed was appointed interim Chief Operating Officer.

On 30 December 2016, the Company announced:

- the appointment of Dr Roric Smith as independent non-executive director; and
- the resignation of Mr W John Evans as non-executive director.

**4 Significant events after the balance date**

*Dividends*

Since the end of the financial period, the Board of Directors has resolved to pay a fully franked dividend of 5 cents per share, to be paid on 21 March 2017. The record date for entitlement to this dividend is 7 March 2017. The financial impact of this dividend amounting to \$7,887,000 has not been recognised in the Financial Statements for the half year ended 31 December 2016 and will be recognised in subsequent Financial Statements.

**5 Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise noted) under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The entity is a Company to which the instrument applies.

**6 Auditor independence declaration**

We have obtained the following independence declaration from our auditors, Ernst & Young.



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 review of Sandfire Resources NL for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

F Drummond  
Partner  
20 February 2017

Signed in accordance with a resolution of the directors:



**Derek La Ferla**  
*Non-Executive Chairman*



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

Dated at West Perth this 20<sup>th</sup> day of February 2017.

**INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Note	31 Dec 2016 \$000	31 Dec 2015 \$000
Sales revenue	5	247,989	228,322
Realised and unrealised price adjustment gains (losses)		11,920	(16,392)
Other income		1,547	501
Changes in inventories of finished goods and work in progress		(5,119)	13,440
Mine operations costs		(57,233)	(57,593)
Employee benefit expenses		(24,239)	(26,369)
Freight, treatment and refining expenses		(41,893)	(43,746)
Royalties expense		(11,396)	(9,631)
Exploration and evaluation expenses		(11,516)	(14,613)
Depreciation and amortisation expenses		(53,140)	(44,923)
Share of net loss of equity accounted investments		(72)	(1,438)
Impairment expense		(135)	(1,171)
Reversal of impairment		-	2,045
Administrative expenses		(3,006)	(2,465)
<b>Profit before net finance expense and income tax</b>		<b>53,707</b>	<b>25,967</b>
Finance income		2,688	1,047
Finance expense		(3,481)	(4,051)
Net finance expense		(793)	(3,004)
<b>Profit before income tax</b>		<b>52,914</b>	<b>22,963</b>
Income tax expense	6	(16,985)	(7,289)
<b>Net profit for the period</b>		<b>35,929</b>	<b>15,674</b>
<b>Attributable to:</b>			
Equity holders of the parent		37,334	16,106
Non-controlling interests		(1,405)	(432)
		<b>35,929</b>	<b>15,674</b>
<b>Earnings per share (EPS):</b>			
Basic and diluted EPS attributable to ordinary equity holders of the parent (cents)		22.8	10.0

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

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	<b>31 Dec 2016 \$000</b>	<b>31 Dec 2015 \$000</b>
<b>Net profit for the financial period</b>	<b>35,929</b>	<b>15,674</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation differences – net of income taxes	121	(1,482)
Gain on revaluation of available-for-sale financial assets net of income tax	26	-
Other comprehensive income for the period, net of tax	147	(1,482)
<b>Total comprehensive income for the period, net of tax</b>	<b>36,076</b>	<b>14,192</b>
<b>Attributable to:</b>		
Equity holders of the parent	37,378	14,430
Non-controlling interests	(1,302)	(238)
	<b>36,076</b>	<b>14,192</b>

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



**INTERIM CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 \$000	30 Jun 2016 \$000
<b>ASSETS</b>			
Cash and cash equivalents	7	107,087	66,223
Trade and other receivables		23,002	20,467
Inventories		26,129	30,070
Other current assets		1,190	3,405
<b>Total current assets</b>		<b>157,408</b>	<b>120,165</b>
Receivables		187	200
Inventories		11,698	11,698
Exploration and evaluation assets		21,121	18,489
Mine properties		209,337	209,167
Property, plant and equipment		185,127	198,019
Investments accounted for using the equity method		618	856
Other financial assets		2,245	157
<b>Total non-current assets</b>		<b>430,333</b>	<b>438,586</b>
<b>TOTAL ASSETS</b>		<b>587,741</b>	<b>558,751</b>
<b>LIABILITIES</b>			
Trade and other payables		32,929	30,885
Interest bearing liabilities	8	50,306	1,767
Income tax payable		8,533	7,222
Provisions		3,175	3,563
<b>Total current liabilities</b>		<b>94,943</b>	<b>43,437</b>
Trade and other payables		114	117
Interest bearing liabilities	8	228	50,094
Provisions		26,888	27,675
Deferred tax liabilities		55,498	53,822
<b>Total non-current liabilities</b>		<b>82,728</b>	<b>131,708</b>
<b>TOTAL LIABILITIES</b>		<b>177,671</b>	<b>175,145</b>
<b>NET ASSETS</b>		<b>410,070</b>	<b>383,608</b>
<b>EQUITY</b>			
Issued capital		230,236	228,014
Reserves		2,778	2,369
Retained profits		170,821	147,602
<b>Equity attributable to equity holders of the parent</b>		<b>403,835</b>	<b>377,985</b>
Non-controlling interest		6,235	5,623
<b>TOTAL EQUITY</b>		<b>410,070</b>	<b>383,608</b>

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Issued capital \$000	Share based payments reserve \$000	Foreign currency translation reserve \$000	Fair value reserve \$000	Capital reserve \$000	Retained profits \$000	Total \$000	Non-controlling interests \$000	Total equity \$000
<b>For the six months ended 31 Dec 2016</b>										
<b>At 1 Jul 2016</b>		<b>228,014</b>	<b>2,760</b>	<b>415</b>	<b>-</b>	<b>(806)</b>	<b>147,602</b>	<b>377,985</b>	<b>5,623</b>	<b>383,608</b>
Profit for the period		-	-	-	-	-	37,334	37,334	(1,405)	35,929
Other comprehensive income		-	-	18	26	-	-	44	103	147
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>18</b>	<b>26</b>	<b>-</b>	<b>37,334</b>	<b>37,378</b>	<b>(1,302)</b>	<b>36,076</b>
Issue of shares		2,300	-	-	-	-	-	2,300	-	2,300
Capital raising costs		(78)	-	-	-	-	-	(78)	(44)	(122)
Share based payments recognised		-	542	-	-	-	-	542	28	570
Share based payments lapsed		-	(76)	-	-	-	76	-	-	-
Dividends	9	-	-	-	-	-	(14,191)	(14,191)	-	(14,191)
Rights issue in controlled entity		-	-	-	-	(101)	-	(101)	1,930	1,829
<b>At 31 Dec 2016</b>		<b>230,236</b>	<b>3,226</b>	<b>433</b>	<b>26</b>	<b>(907)</b>	<b>170,821</b>	<b>403,835</b>	<b>6,235</b>	<b>410,070</b>

		Issued capital \$000	Share based payments reserve \$000	Foreign currency translation reserve \$000	Fair value reserve \$000	Capital reserve \$000	Retained profits \$000	Total \$000	Non-controlling interests \$000	Total equity \$000
<b>For the six months ended 31 Dec 2015</b>										
<b>At 1 Jul 2015</b>		<b>225,520</b>	<b>5,801</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>114,678</b>	<b>347,778</b>	<b>-</b>	<b>347,778</b>
Profit for the period		-	-	-	-	-	16,106	16,106	(432)	15,674
Other comprehensive income		-	-	(1,676)	-	-	-	(1,676)	194	(1,482)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(1,676)</b>	<b>-</b>	<b>-</b>	<b>16,106</b>	<b>14,430</b>	<b>(238)</b>	<b>14,192</b>
Share based payments recognised		-	385	-	-	-	-	385	-	385
Warrants reserve		-	-	-	-	(784)	-	(784)	-	(784)
Dividends		-	-	-	-	-	(15,685)	(15,685)	-	(15,685)
Acquisition of subsidiary		-	-	-	-	-	-	-	7,293	7,293
<b>At 31 Dec 2015</b>		<b>225,520</b>	<b>6,186</b>	<b>103</b>	<b>-</b>	<b>(784)</b>	<b>115,099</b>	<b>346,124</b>	<b>7,055</b>	<b>353,179</b>

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR SIX MONTHS ENDED 31 DECEMBER 2016**

	Note	31 Dec 2016 \$000	31 Dec 2015 \$000
<b>Cash flows from operating activities</b>			
Cash receipts		258,687	217,473
Cash paid to suppliers and employees		(132,468)	(146,585)
Income tax paid		(13,995)	(5,509)
Payments for exploration and evaluation		(16,166)	(18,552)
Interest received		625	800
<b>Net cash inflow from operating activities</b>		<b>96,683</b>	<b>47,627</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation assets		(159)	(68)
Proceeds from sale of property, plant and equipment		5	403
Payments for property, plant and equipment		(6,505)	(8,780)
Payments for mine properties		(34,944)	(35,137)
Acquisition of subsidiary, net of cash acquired		-	3,696
Refund of security deposits and bonds		13	22
<b>Net cash outflow from investing activities</b>		<b>(41,590)</b>	<b>(39,864)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue – Tintina		1,829	-
Share issue costs		(122)	-
Repayment of borrowings		-	(45,000)
Repayment of finance lease liabilities		(544)	(971)
Interest and other costs of finance paid		(997)	(1,810)
Cash dividend paid to equity holders		(14,421)	(15,851)
<b>Net cash outflow from financing activities</b>		<b>(14,255)</b>	<b>(63,632)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>40,838</b>	<b>(55,869)</b>
Net foreign exchange differences		26	(91)
Cash and cash equivalents at the beginning of the period		66,223	107,154
<b>Cash and cash equivalents at the end of the period</b>	7	<b>107,087</b>	<b>51,194</b>

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

## 1 Corporate information

The interim consolidated financial statements of Sandfire Resources NL and its subsidiaries (the Group) for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 20 February 2017.

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

## 2 Basis of preparation and changes to the Group's accounting policies

### Basis of preparation

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016. The annual report of the Group as at and for the year ended 30 June 2016 is available on request from the Company's registered office or at [www.sandfire.com.au](http://www.sandfire.com.au).

### Accounting policies, accounting standards and interpretations

The accounting policies applied by the Group in the preparation of the interim consolidated financial statements are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new and amended standards and interpretations as of 1 July 2016.

#### *New standards, interpretations and amendments thereof, adopted by the Group*

From 1 July 2016 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2016. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

#### *Early adoption of standards*

The Group did not early adopt any accounting standards, interpretations or amendments, issued and available for early adoption, during the half-year.

## 3 Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2016.

## 4 Information about subsidiaries

The interim consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest	
			31 Dec 2016	31 Dec 2015
Tintina Resources Inc	(i)	Canada	61.18	57.19
Sandfire BC Holdings (Australia) Pty Ltd		Australia	100.00	100.00
Sandfire BC Holdings Inc		Canada	100.00	100.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00

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

### Associates

The Group has a 38.28% interest in WCB Resources Ltd (31 Dec 2015: 38.38%).

## 5 Segment information

The Group has two operating segments as follows:

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

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

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

	DeGrussa Mine \$000	Exploration & evaluation \$000	Other activities \$000	Group \$000
<b>Income statement for the six months ended 31 Dec 2016</b>				
Sales revenue	247,989	-	-	247,989
Realised and unrealised price adjustment loss	11,920	-	-	11,920
Other income	1,547	-	-	1,547
Changes in inventories of finished goods and work in progress	(5,119)	-	-	(5,119)
Mine operations costs	(57,233)	-	-	(57,233)
Employee benefit expenses	(16,456)	(5,024)	(2,759)	(24,239)
Freight, treatment and refining expenses	(41,893)	-	-	(41,893)
Royalties expense	(11,396)	-	-	(11,396)
Exploration and evaluation expenses	-	(11,516)	-	(11,516)
Depreciation and amortisation expenses	(52,926)	(109)	(105)	(53,140)
Share of net loss of equity accounted investments	-	(72)	-	(72)
Impairment expense	-	(135)	-	(135)
Administrative expenses	-	-	(3,006)	(3,006)
<b>Profit (loss) before net finance and income tax</b>	<b>76,433</b>	<b>(16,856)</b>	<b>(5,870)</b>	<b>53,707</b>
Finance income				2,688
Finance expense				(3,481)
<b>Profit before income tax</b>				<b>52,914</b>
Income tax expense				(16,985)
<b>Net profit for the period</b>				<b>35,929</b>

**5 Segment information (continued)**

	DeGrussa Mine \$000	Exploration & evaluation \$000	Other activities \$000	Group \$000
<b>Income statement for the six months ended 31 Dec 2015</b>				
Sales revenue	228,322	-	-	228,322
Realised and unrealised price adjustment loss	(16,392)	-	-	(16,392)
Other income	-	501	-	501
Changes in inventories of finished goods and work in progress	13,440	-	-	13,440
Mine operations costs	(57,593)	-	-	(57,593)
Employee benefit expenses	(19,485)	(4,072)	(2,812)	(26,369)
Freight, treatment and refining expenses	(43,746)	-	-	(43,746)
Royalties expense	(9,631)	-	-	(9,631)
Exploration and evaluation expenses	-	(14,613)	-	(14,613)
Depreciation and amortisation expenses	(44,712)	(102)	(109)	(44,923)
Share of net loss of equity accounted investments	-	(1,438)	-	(1,438)
Impairment expense	-	(1,171)	-	(1,171)
Reversal of impairment	-	2,045	-	2,045
Administrative expenses	-	-	(2,465)	(2,465)
<b>Profit (loss) before net finance and income tax</b>	<b>50,203</b>	<b>(18,850)</b>	<b>(5,386)</b>	<b>25,967</b>
Finance income				1,047
Finance expense				(4,051)
<b>Profit before income tax</b>				<b>22,963</b>
Income tax expense				(7,289)
<b>Net profit for the period</b>				<b>15,674</b>

**Adjustments and eliminations**

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

**Segment assets**

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

**Information about geographical areas and products**

The Group's sales revenue arises from sales to customers in Asia. For the 6 month period ended 31 December 2016, a majority of the product was sent to China for processing (69%), and a portion was sent to Philippines (31%). During the six month period ended 31 December 2015, a majority of the product was sent to China for processing (92%) and a portion was sent to Philippines (8%). The revenue information is based on the location of the customer's operations.

Four customers (2015: three customers) individually accounted for more than ten percent of total revenue during the period. Sales revenue from these major customers ranged from 14% to 31% (2015 17% to 26%) of total revenue, contributing approximately 84% of total revenue (2015: 67%).

As at 31 December 2016 and 30 June 2016, no material assets or liabilities were located outside Australia.

**6 Income tax**

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The major components of income tax expense in the consolidated interim income statement are:

	31 Dec 2016 \$000	31 Dec 2015 \$000
<b>Income taxes</b>		
Current income tax expense	15,564	5,876
Deferred income tax expense related to origination and reversal of temporary differences	1,650	1,551
Over provision in prior periods	(229)	(138)
<b>Income tax expense</b>	<b>16,985</b>	<b>7,289</b>
Income tax expense (benefit) recognised in other comprehensive income	-	-
<b>Total income tax</b>	<b>16,985</b>	<b>7,289</b>

	31 Dec 2016 \$000	30 Jun 2016 \$000
<b>7 Cash and cash equivalents</b>		
Cash at bank and on hand	106,587	59,923
Debt service reserve account	500	6,300
	107,087	66,223

	31 Dec 2016 \$000	30 Jun 2016 \$000
<b>8 Interest bearing liabilities</b>		
<b>Current interest bearing loans and borrowings</b>		
Obligations under finance leases and hire purchase contracts	243	344
Insurance premium funding	203	1,423
<i>Secured bank loan</i>		
DeGrussa Project Loan Facility	50,000	-
Capitalised finance establishment costs (net of amortisation) offset	(140)	-
<b>Total current interest bearing loans and borrowings</b>	<b>50,306</b>	<b>1,767</b>
<b>Non-current interest bearing loans and borrowings</b>		
Obligations under finance leases and hire purchase contracts	228	306
<i>Secured bank loan</i>		
DeGrussa Project Loan Facility	-	50,000
Capitalised finance establishment costs (net of amortisation) offset	-	(212)
<b>Total non-current interest bearing loans and borrowings</b>	<b>228</b>	<b>50,094</b>

**8 Interest bearing liabilities (continued)**

	31 Dec 2016 \$000	30 Jun 2016 \$000
<b>The Group has access to the following facilities:</b>		
DeGrussa Project Loan Facility	85,000	85,000
Working Capital Facility	25,000	25,000
Bond Facility	100	100
	110,100	110,100
<b>Facilities utilised at reporting date:</b>		
DeGrussa Project Loan Facility	50,000	50,000
Working Capital Facility	-	-
Bond Facility	28	28
	50,028	50,028
<b>Facilities not utilised at reporting date:</b>		
DeGrussa Project Loan Facility	35,000	35,000
Working Capital Facility	25,000	25,000
Bond Facility	72	72
	60,072	60,072

**Finance facilities**

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

*DeGrussa Project Loan Facility*

The Company elected to repay the \$50 million outstanding balance in its Revolver Facility subsequent to period end, on 31 January 2017, and retains access to the \$85 million available facility.

*Working Capital Facility*

The Company also retains a \$25 million working capital facility with ANZ, which can be drawn down against the value of saleable copper concentrate inventories held by the Company at the mine and ports. The facility is designed to reduce the potential cash flow impact of timing of concentrate shipments and cash receipts. The facility remained undrawn at the date of this report.

	Note	31 Dec 2016 \$000	31 Dec 2015 \$000
<b>9 Dividends paid and proposed</b>			
<b>Dividends on ordinary shares declared and paid:</b>			
Final dividend for 2016: 9 cents per share (2015: 10 cents per share)		14,191	15,685
<b>Proposed dividends on ordinary shares:</b>			
First dividend for 2017: 5 cents per share (2016: 2 cents per share)	(i)	7,887	3,147

- (i) Since the end of the financial period, the Board of Directors has resolved to pay a fully franked dividend of 5 cents per share, to be paid on 21 March 2017. The record date for entitlement to this dividend is 7 March 2017. The financial impact of this dividend amounting to \$7,887,000 has not been recognised in the Financial Statements for the half year ended 31 December 2016 and will be recognised in subsequent Financial Statements.



## **10 Financial assets and liabilities**

### **Risk management activities**

The Group's activities expose it to a variety of financial risks such as:

- Market risk including interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk;
- Credit risk; and
- Liquidity risk.

The risk management activities of the Group are consistent with those of the previous financial year unless otherwise stated.

### **Market risk**

#### *Commodity price risk*

The Group is exposed to commodity price volatility on concentrate sales made by its DeGrussa Copper Mine that arises from 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).

For sales based on prevailing LME metal prices, the customer makes a provisional payment to Sandfire against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME metal price over a subsequent pricing period as specified by the terms of the sales contract. The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

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

12,450 tonnes of copper sales subject to QP were hedged under USD copper swaps during the period. A gain of \$1,547,000 has been recognised as part of other income with respect to closed hedges and a further \$2,062,000 has been recognised within finance income, representing the fair value of open hedges as at 31 December 2016. These hedges were considered to be economic hedges, however were not designated into a hedging relationship for accounting purposes.

The Group did not use any form of derivatives to hedge its exposure to commodity price risk during the previous interim period ended 31 December 2015 or the previous financial year ended 30 June 2016.

### **Carrying amounts and fair value**

The carrying amount of all financial assets and all financial liabilities, except for the Group's secured bank loan, recognised in the balance sheet approximates their fair value. The fair value of the Group's secured bank loan is represented by the face value of the liability, prior to capitalised finance establishment costs (see note 8 for details).

#### *Fair value hierarchy*

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements during the period ended 31 December 2016 or the comparative period.

**10 Financial assets and liabilities (continued)**

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 31 December 2016.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets measured at fair value</b>					
Available for sale investments – listed investments		183	-	-	183
Trade receivables	(i)	-	18,095	-	18,095
Other financial assets – commodity QP copper swaps	(ii)	-	2,062	-	2,062
		183	20,157	-	20,340

(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 final settlement price using the LME forward metals prices at balance date. The receivables represent the present value of expected proceeds to be received.

(ii) The fair value of the Company's commodity QP copper swaps are determined based on the LME copper forward price curve.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets measured at fair value</b>				
AFS quoted equity shares	157	-	-	157
Trade receivables	-	12,848	-	12,848
	157	12,848	-	13,005
<b>Financial liabilities measured at fair value</b>				
Trade payables	-	232	-	232

**11 Events subsequent to reporting date**

*Dividends*

Since the end of the financial period, the Board of Directors has resolved to pay a fully franked dividend of 5 cents per share, to be paid on 21 March 2017. The record date for entitlement to this dividend is 7 March 2017. The financial impact of this dividend amounting to \$7,887,000 has not been recognised in the Financial Statements for the half year ended 31 December 2016 and will be recognised in subsequent Financial Statements.

**DIRECTORS' DECLARATION**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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In accordance with a resolution of the directors of Sandfire Resources NL, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Sandfire Resources NL for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (ii) Complying with AASB 134 (Interim Financial Reporting) and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



**Derek La Ferla**  
*Non-Executive Chairman*



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

Dated at West Perth this 20<sup>th</sup> day of February 2017.



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## **Independent review report to the members of Sandfire Resources NL**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Sandfire Resources NL, which comprises the consolidated interim balance sheet as at 31 December 2016, the consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at half-year and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sandfire Resources NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sandfire Resources NL is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'F Drummond'.

F Drummond  
Partner  
Perth  
20 February 2017