20 February 2020

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

FINANCIAL REPORT FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2019

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

1. Half Year Financial Report and Appendix 4D
2. ASX release on the Company's results for the six month period ended 31 December 2019
3. Half Year Financial Results Presentation
4. Appendix 3A.1 Notification of Dividend/Distribution

In addition, Sandfire's Managing Director and CEO, Karl Simich, is hosting an investor teleconference and live webcast on the half year results at **10.00am (AWST) / 1.00pm (AEST)**, Thursday 20 February 2020.

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

Live date:	Thursday, 20 February 2020
Access this website at:	http://webcasting.boardroom.media/broadcast/5e38d9d694389b6d97e099f7
	http://www.sandfire.com.au

Yours sincerely,

Matthew Fitzgerald
Chief Financial Officer
and Company Secretary

Level 2, 10 Kings Park Road,
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ASX Announcement **20 February 2020**

APPENDIX 4D
Half-year ended 31 December 2019

Results for announcement to the market	$'000	Up/Down	Movement
Revenue from ordinary activities	313,052	Up	15%
Profit from ordinary activities after tax attributable to members	34,214	Down	31%
Net profit for the period attributable to members	34,214	Down	31%

Dividend information	Amount per share	Franked amount per share
Interim dividend per share (cents per share)	5.0	5.0
Interim dividend dates		
Record date for determining entitlements to the interim dividend	26 February 2020	
Payment date for the final dividend	11 March 2020	

Net tangible assets	2019	2018
Net tangible assets per ordinary security	$4.05	$3.48

Refer to the Director's Report and the 31 December 2019 Financial Report for additional disclosures relating to the Appendix 4D.

This information should be read in conjunction with Sandfire's auditor reviewed 31 December 2019 Financial Report, which is enclosed.

All comparisons reported are to the half-year ended 31 December 2018.

For further information contact:

Matthew Fitzgerald
CFO and Company Secretary

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Half-Year
Financial Report

For the six months ended 31 December 2019

ASX Code: SFR

CONTENTS

CORPORATE INFORMATION

ABN 55 105 154 185

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 and Company Secretary*

Registered Office and Principal Place of Business

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Fax: +61 2 8583 3040
Email: hello@automicgroup.com.au

Auditors

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

Home Exchange

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

ASX Code

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

Forward-Looking Statements

Certain statements made within this report contain or comprise forward-looking statements regarding the Group'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.

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 Limited (the Company or Sandfire), and the entities it controlled, for the six months ended 31 December 2019 and the independent auditor's review report thereon.

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.

Name	Period of Directorship
Mr Derek La Ferla *Independent Non-Executive Chairman*	Appointed 17 May 2010
Mr Karl M Simich *Managing Director and Chief Executive Officer*	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr Robert N 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

Dividends

Subsequent to 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 11 March 2020. The record date for entitlement to this dividend is 26 February 2020. The financial impact of this dividend amounting to $8,910,000 has not been recognised in the Financial Statements for the half-year ended 31 December 2019 and will be recognised in subsequent Financial Statements.

Details in relation to dividends announced or paid since 1 July 2019, 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
15 November 2019	29 November 2019	2019 FY Final	16	16	28,485

Principal Activities

The principal activities of the consolidated Group during the six months ended 31 December 2019 were:

- Production and sale of copper concentrate, containing gold and silver by-products from the Group's 100% owned DeGrussa Operations in Western Australia;
- Evaluation of the T3 Copper-Silver Project in Botswana, and Sandfire Resources America Inc.'s high-grade Black Butte Copper Project in Montana, United States; and
- Exploration, evaluation and development of mineral tenements and projects in Australia and overseas, including investment in early stage mineral exploration companies.

Operational and financial review

Review of half-year results

- Net profit after tax of $33.3 million;
- Profit before net finance income, income tax expense and depreciation and amortisation of $142.6 million;
- Operating cash flow of $109.1 million;
- Net assets of $739.0 million, with cash of $201.7 million as at 31 December 2019;
- Total Recordable Injury Frequency Rate (TRIFR) of 6.0 for Australian operations as at 31 December 2019;
- Copper production of 34,988 contained tonnes and gold production of 19,370 contained ounces.

DeGrussa Operations, Western Australia (WA)

The DeGrussa Operations are located within the Group's Greater Doolgunna Project in Western Australia's Bryah Basin mineral province, approximately 900km north-east of Perth.

The Operations are located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra, and includes both the DeGrussa and Monty Copper-Gold Mines (see Figure 1).

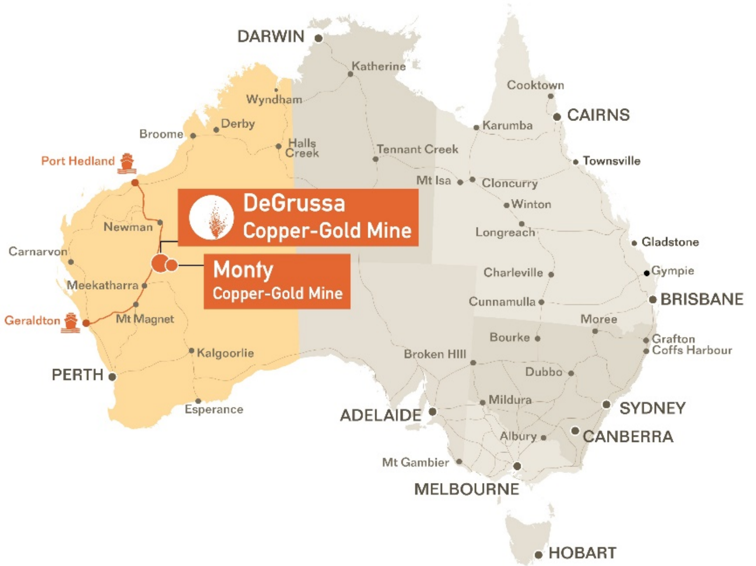

Figure 1: Map of Australia displaying the location of the DeGrussa Copper-Gold Mine.

DEGRUSSA OPERATIONS

Overview

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

HY 2020 Production Statistics		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined – DeGrussa	666,106	4.3	1.8	28,376	39,288
	Mined – Monty	142,412	5.1	1.1	7,303	4,998
	Mined – Total	**808,518**	**4.4**	**1.7**	**35,679**	**44,286**
	Milled	**826,365**	**4.6**	**1.7**	**37,871**	**45,991**
	Production	**147,047**	**23.8**	**4.1**	**34,988**	**19,370**
	Concentrate sales	147,808	23.8	4.2	35,129	19,673

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.

Operational and financial review (continued)

Underground Mining

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

Monty grade control drilling was completed during the half year, defining the geometry of the deposit and stope design to a high level of detail and paving the way for an updated Ore Reserve, which is expected to be announced in the June 2020 Quarter.

Processing

Mill throughput for the half year was in-line with target. The impact on recoveries associated with the blending of transitional ore from the DeGrussa crown pillar during the September Quarter are controlled, with variability reduced and a successful campaign blending strategy in place. Strong copper recovery was achieved for the ore profile presented during the December Quarter with continued improvements achieved in blending strategies.

Sales & Marketing

A total of 147,808 dmt tonnes of concentrate was sold during the half-year ended 31 December 2019 containing 35,129 tonnes of copper and 19,673 ounces of gold. 14 shipments were completed from Port Hedland and Geraldton during the period.

DEVELOPMENT PROJECTS

T3 Copper-Silver Project, Botswana

Sandfire completed the acquisition of 100% of MOD Resources Ltd (ASX/LSE: MOD) on 23 October 2019, providing the Company with a large land-holding in the highly prospective Kalahari Copper Belt in Botswana, including the advanced T3 Copper-Silver Project.

Feasibility Study Optimisation

MOD completed a Feasibility Study for the T3 Project in March 2019. Sandfire has commenced a detailed review and optimisation of the T3 Feasibility Study. The updated Feasibility Study and Ore Reserve are expected to be delivered in the June 2020 Quarter, ahead of a decision to mine.

Key areas of assessment during the period included pit scheduling and plant size, with studies underway on the merits of constructing a processing plant larger than the 3.0Mtpa plant considered in the MOD March 2019 Feasibility Study.

Project Permitting

Sandfire's subsidiary, Tshukudu Metals, has submitted an Environmental and Social Impact Assessment (ESIA) for the T3 Project. A Mining Licence Application will be lodged by Tshukudu Metals subsequent to the approval of the ESIA by the Department of Environmental Affairs in Botswana. Government approval for both of these permits is expected to be received in the June 2020 Quarter.

Kalahari Copper Belt Exploration

The Tshukudu Project comprises 11,700km^2 of highly prospective tenure surrounding the Company's T3 Copper-Silver Project. The Tshukudu licenses represent a rare belt-scale exploration opportunity globally, comprising an extensive and strategic position along the 200km centre of a major emerging sediment-hosted copper belt. There has been minimal prior drilling and no modern or systematic exploration such as airborne electromagnetics (AEM) nor extensive soil sampling programs on the Group's licenses.

After completing the acquisition of MOD in late October 2019 and successfully integrating MOD's assets and key team members, Sandfire has embarked on a significant expanded exploration program starting at the A4 Dome.

An exploration budget of $10-12 million has been set for the period to 30 June 2020 with the initial focus of activity on the T3 Expansion Project, which is focused on drilling three high-priority targets identified within a 25km radius of T3.

Recent drilling at the A4 Dome, located 8km west of T3, has defined a significant new zone of shallow vein-hosted copper mineralisation. As a result of this early success, Sandfire has expanded the area being targeted for drilling and has increased the number of diamond drill rigs on site to five.

Full details regarding the initial drilling results from A4 Dome and the progress of Sandfire's exploration campaign in the wider Kalahari Copper Belt are provided in the Company's ASX announcement dated 24 January 2020.

Operational and financial review (continued)

Black Butte Copper Project, USA (Sandfire: 85%)

Sandfire holds an 85% interest, via North American-listed company Sandfire Resources America Inc. (TSX-V: SFR), in the premier, high-grade Black Butte Copper Project, located in central Montana in the United States. This high-quality project, which is one of the world's highest-grade undeveloped copper projects, is in the final stages of permitting.

Located on privately-owned ranch land close to existing road, grid power and rail infrastructure with the ability to access a residential workforce located nearby, the project is being developed as a wholly-underground mine with minimal surface footprint. The planned mine development will utilise best-practice technology and modern mining techniques to extract the high-grade copper mineralisation while minimising environmental impact, protecting water resources and setting mining best-practice standards in addressing Montana's strict "non-degradation" water standards.

Mineral Resource Update

During the period, Sandfire Resources America Inc. (Sandfire America) announced an updated NI 43-101 Mineral Resource estimate for the Johnny Lee Deposit, the cornerstone deposit of the Black Butte Copper Project in Montana, USA. The updated Resource comprises:

- Measured and Indicated Mineral Resource of 10.9Mt at an average copper grade of 2.9% Cu for 311,000t of contained copper (at a 1.0% Cu cut-off grade); and
- Inferred Mineral Resource of 2.7Mt at an average copper grade of 3.0% Cu for 80,000t of contained copper (at a 1.0% Cu cut-off grade).

Full details of the Mineral Resource estimate are provided in Sandfire's ASX Announcement dated 30 October 2019. Mineral Resources for the Lowry Deposit remain unchanged and current as of the effective date listed in the Preliminary Economic Assessment completed by Sandfire America in July 2013.

The updated Mineral Resource, which was based on 48 additional diamond drill holes completed by Sandfire America, has upgraded the geological confidence in the Mineral Resource estimate and provided a detailed structural model for the Upper Copper Zone of the Johnny Lee Deposit and an increased understanding of the recovery characteristics of the mineralisation based on extensive metallurgical studies undertaken as part of the ongoing Feasibility Study.

Permitting Progress

The next step in the Montana Department of Environmental Quality's (MT DEQ) process will be to respond to public comments and issue a final Environmental Impact Statement (EIS). The MT DEQ can then issue a Record of Decision (ROD) that approves the application as submitted, approves the application with modifications, or denies the application if it does not meet the laws of the State of Montana. The EIS and ROD are both expected to be issued in the near term.

Feasibility Study (FS)

Work on the Black Butte Copper Project's FS commenced in October 2018 and is progressing well with the recent finalisation of the process flow sheets, reagents regime and geology wireframes for the Johnny Lee Upper and Lower Copper Zones. The FS is nearing completion with minor adjustments expected to reflect the outcomes of the EIS and ROD. The FS will be issued following receipt of the EIS and ROD.

The FS team includes Denver-based GR Engineering Services Ltd as the lead consultant, with SRK Consulting overseeing the Mineral Resource preparation and Mining Plus conducting mine design and Mineral Reserve preparation.

For further details refer to the market releases of Sandfire Resources America Inc. available on the company's website www.sandfireamerica.com.

Operational and financial review (continued)

EXPLORATION PROJECTS

Greater Doolgunna Project, Western Australia

The Greater Doolgunna Project, which includes 100% Sandfire tenure, Joint Venture and Farm in projects, covers an aggregate contiguous exploration area of 6,940km^2. This includes over 90km of strike extent in host VMS lithologies. Much of this stratigraphy is obscured beneath transported cover and requires systematic drilling to test the bedrock geochemistry and identify prospective areas.

Details of these projects can be found on Company's website www.sandfire.com.au and in the Company's December 2019 Quarterly Report ASX announcement, dated 29 January 2020.

Australian Exploration

Sandfire has a number of exploration interests and joint ventures around Australia exploring for base and precious metals. The exploration programs are focused on prospective terranes with the potential for discovery of a significant new deposit that can be developed.

Details of these projects can be found on Company's website www.sandfire.com.au and in the Company's December 2019 Quarterly Report ASX announcement, dated 29 January 2020.

CORPORATE

Acquisition of MOD Resources Limited

As announced on the 23 October 2019 Sandfire completed the acquisition MOD Resources Limited (MOD) by way of a scheme of arrangement. Under the arrangement to acquire 100% of the issued and to be issued share capital of MOD Resources Limited each MOD shareholder elected to receive either:

- 0.0664 Sandfire shares for 1 MOD share; or
- Cash of A$0.45 per share up to a maximum of A$41.6 million.

As a result of successful implementation of the arrangement Sandfire issued 18,440,174 shares and cash consideration of $41.6 million. Total consideration including transaction costs was $165.1 million.

Sandfire now holds a 100 percent interest in the T3 Copper-Silver project and an extensive belt-scale exploration portfolio spanning 11,700km^2 in the Kalahari Copper Belt, and has commenced an optimisation project of the existing feasibility study released by MOD Resources Limited in March 2019.

Management

Mr Jason Grace was appointed as the Group's Chief Operating Officer (COO) during the period, following from Mr Richard Beazley who was previously acting COO. No other significant changes in key management personnel occurred during the six months ended 31 December 2019.

Operational and financial review (continued)

Financial review

6 months ended 31 December 2019	DeGrussa Operations $000	Exploration & evaluation $000	Other $000	Group $000
Sales revenue	313,052	-	-	313,052
Profit (loss) before net finance income and income tax expense	91,417	(31,867)	(9,568)	49,982
Profit before income tax expense				50,056
Net profit				33,286
Net profit attributable to the equity holders of the parent				34,214
Basic and diluted earnings per share				20.6 cents

The DeGrussa operations contributed profit before net finance and income tax of $91.4 million (2018: $101.7 million) from underground mining and concentrator operations.

Exploration and Evaluation segment expenditure resulted in a loss before net finance and income tax of $31.9 million (2018: loss of $24.2 million).

The Group's corporate functions that cannot be directly attributed to the Group's operating segments contributed a loss before net finance and income tax of $9.6 million (2018: loss of $7.3 million).

Sales revenue

Revenue	31 Dec 2019 $000	31 Dec 2018 $000
Value of metal payable sold ^	329,683	303,514
Treatment and refining charges	(20,130)	(19,675)
Revenue from contracts with customers	**309,553**	**283,839**
Realised and unrealised QP price adjustment gain / (loss)	3,499	(11,553)
Total Revenue	**313,052**	**272,286**

^ Value of metal payable sold is a non IFRS measure. This measure is presented to enable a better understanding of the operations of the Group and is reconciled to total statutory revenue above.

Revenue breakdown by commodity	31 Dec 2019 %
Revenue from sales of copper	85.9%
Revenue from sales of gold	12.8%
Revenue from sales of silver	1.3%
	100.0%

A total of 14 shipments were completed from Port Hedland and Geraldton, Western Australia during the period.

A realised and unrealised price adjustment gain of $3.5 million was recorded for the period as a result of a net gain in commodity prices during quotational sales periods (QP). As at 31 December 2019 sales for the period of $91.02 million remain subject to QP adjustments.

From time to time the Group utilise derivatives 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 arrangements 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 period.

DeGrussa Operations costs

DeGrussa Operations costs	31 Dec 2019 $000	31 Dec 2018 $000
Mine operations costs	70,353	65,525
Employee benefit expenses	14,502	13,382
Freight expenses	21,685	22,790
Changes in inventories of finished goods and work in progress	7,499	(6,268)
	114,039	**95,429**

Operational and financial review (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

For the period ended 31 December 2019, the Group's Exploration and Evaluation segment contributed a loss before net financing expense and income tax of $31.9 million (2018: $24.2 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure for areas of interest not yet considered to be commercially viable is expensed as incurred.

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

a) Near-mine and Doolgunna regional exploration, which includes a number of joint venture earn-in arrangements;
b) Regional exploration around the Group's existing T3 Copper-Silver project in Botswana;
c) Other Australian and international exploration projects; and
d) Expenditure arising on the consolidation of the Group's controlled entities, including the Group's investment in Sandfire Resources America Inc.

Depreciation and amortisation

	Carrying Value December 2019 $000	Carrying Value June 2019 $000	Depreciation and amortisation during the period $000
Mine development	209,273	230,571	64,149
Plant and equipment, including assets under construction	138,496	135,920	28,459
Total	**347,769**	**366,491**	**92,608**

Sandfire Resources America Inc.

Sandfire Resources America Inc. contributed $6.4 million (2018: $6.5 million) in losses to the Group's result for the six month period ended 31 December 2019. $5.4 million (2018: $5.3 million) of these losses are attributable to the members of the parent entity.

Income tax expense

Income tax expense of $16.8 million for the period consists of current and deferred tax expense and is based on the taxable income of the Group entities, adjusted for temporary differences between tax and accounting treatments. Cash tax payments during the period amounted to $40.0 million. As at 31 December 2019, the Group had $24.1 million current tax receivable.

Financial Position

Net assets of the Group have increased by $134.8 million to $739.0 million during the reporting period.

Cash balance

Group cash on hand was $201.7 million as at 31 December 2019.

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.

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 31 December 2019 was $51.8 million.

Exploration and evaluation Assets

Exploration and evaluation assets represents acquired exploration assets of the Group. The acquisition of MOD resources during the period resulted in an increase to cost of exploration assets of $159.1 million, which includes the T3 Copper-Silver Project and other acquired licences.

Operational and financial review (continued)

Property, plant and equipment, including mine properties

The carrying value of plant and equipment, including assets under construction, has decreased by $18.7 million to $347.8 million at the end of the period, including depreciation for the year of $92.6 million, offset by additions during the period which include the effect of the adoption of new accounting standard *AASB 16 Leases*.

The adoption of *AASB 16 Leases* resulted in an initial increase in right-of-use assets and corresponding lease liabilities of $25.4 million on 1 July 2019. Right-of-use assets are presented within plant and equipment.

Interest bearing liabilities

Interest bearing liabilities relate to lease liabilities and the balances represents the present value of the lease obligations for the right to use assets. The adoption of AASB 16 Leases resulted in an initial increase in lease liabilities of $25.4 million on 1 July 2019, the balance of lease liabilities as at 31 December 2019 was $18.5 million

Current and deferred tax liabilities

Estimated taxable profit on operations during the period is less than the tax instalments paid resulting in the Group booking a current income tax receivable of $24.1 million at period end. In addition, the Group has booked a net deferred tax liability position of $37.3 million at balance date, which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

Cash Flows

Operating activities

Net cash inflow from operating activities was $109.1 million for the period. Net cash flow from operating activities prior to exploration and evaluation activities was $140.3 million for the period.

Investing activities

Net cash outflow from investing activities was $119.4 million for the period. This included payments for mine development of $46.5 million, the net cash paid to acquire MOD Resources Limited of $44.6 million and $23.1 million for investments in early stage mining and exploration companies.

Financing activities

Net cash outflow from financing activities of $35.4 million for the period includes dividend payments of $28.5 million.

Significant events after the balance date

Dividends

Subsequent to period end, the Directors of the Company announced an interim fully franked dividend of 5 cents per share. The total amount of the dividend of $8,901,000 has not been provided for in the 31 December 2019 Financial Statements.

Rounding

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

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, 19 February 2020

Building a better
working world

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Auditor's Independence Declaration to the Directors of Sandfire Resources Limited

As lead auditor for the review of the half-year financial report of Sandfire Resources Limited (formerly Sandfire Resources NL) for the half-year ended 31 December 2019, 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 Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

F Drummond
Partner
19 February 2020

FD:LC:SFR:076

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 $000	31 Dec 2018 $000
Revenue	5	313,052	272,286
Other gains / (losses)		(695)	77
Changes in inventories of finished goods and work in progress		(7,499)	6,268
Mine operations costs		(70,353)	(65,525)
Employee benefit expenses		(22,973)	(19,724)
Freight expenses		(21,685)	(22,790)
Royalties expense		(16,090)	(13,659)
Exploration and evaluation expenses		(27,356)	(21,157)
Depreciation and amortisation expenses		(92,608)	(61,916)
Administrative expenses		(3,811)	(3,716)
Profit before net finance income and income tax expense		**49,982**	**70,144**
Finance income		1,842	4,311
Finance expense		(1,768)	(1,314)
Net finance income		74	2,997
Profit before income tax expense		**50,056**	**73,141**
Income tax expense	6	(16,770)	(24,812)
Net profit for the period		**33,286**	**48,329**
Attributable to:			
Equity holders of the parent		34,214	49,547
Non-controlling interests		(928)	(1,218)
		33,286	**48,329**
Earnings per share (EPS):			
Basic and diluted EPS attributable to ordinary equity holders of the parent (cents)		20.6	31.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	31 Dec 2019 $000	**31 Dec 2018 $000**
Net profit for the financial period	**33,286**	**48,329**
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net of tax	645	(591)
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments carried at fair value through other comprehensive income, net of tax	9,382	(838)
Other comprehensive income for the period, net of tax	10,027	(1,429)
Total comprehensive income for the period, net of tax	**43,313**	**46,900**
Attributable to:		
Equity holders of the parent	44,216	48,112
Non-controlling interests	(903)	(1,212)
	43,313	**46,900**

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	31 Dec 2019 $000	30 Jun 2019 $000
ASSETS		
Cash and cash equivalents	201,736	247,449
Trade and other receivables	19,177	15,325
Inventories	37,589	45,143
Income tax receivable	24,105	-
Other current assets	5,929	3,626
Total current assets	**288,536**	**311,543**
Financial investments	51,815	19,617
Receivables	277	526
Inventories	11,698	11,698
Exploration and evaluation assets	186,742	25,975
Property, plant and equipment	347,769	366,491
Total non-current assets	**598,301**	**424,307**
TOTAL ASSETS	**886,837**	**735,850**
LIABILITIES		
Trade and other payables	54,119	56,550
Interest bearing liabilities	13,655	193
Income tax payable	-	833
Provisions	6,247	4,822
Total current liabilities	**74,021**	**62,398**
Trade and other payables	2,556	2,520
Interest bearing liabilities	4,848	355
Provisions	29,108	30,796
Deferred tax liabilities	37,260	35,604
Total non-current liabilities	**73,772**	**69,275**
TOTAL LIABILITIES	**147,793**	**131,673**
NET ASSETS	**739,044**	**604,177**
EQUITY		
Issued capital	362,028	242,535
Reserves	11,370	831
Retained profits	363,657	357,928
Equity attributable to equity holders of the parent	**737,055**	**601,294**
Non-controlling interest	1,989	2,883
TOTAL EQUITY	**739,044**	**604,177**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	Issued capital $000	Foreign currency translation reserve $000	Other reserves* $000	Retained profits $000	Total $000	Non-controlling interests $000	Total equity $000
At 1 July 2019		**242,535**	**587**	**244**	**357,928**	**601,294**	**2,883**	**604,177**
Profit for the period		-	-	-	34,214	34,214	(928)	33,286
Other comprehensive income		-	620	9,382	-	10,002	25	10,027
Total comprehensive income for the period		**-**	**620**	**9,382**	**34,214**	**44,216**	**(903)**	**43,313**
Transactions with owners in their capacity as owners:								
Issue of shares, net of transaction costs and tax **		119,493	-	-	-	119,493	-	119,493
Issue of shares under employee LTIP		-	-	-	-	-	-	-
Share based payments		-	-	(5,695)	-	(5,695)	(21)	(5,716)
Dividends	7	-	-	-	(28,485)	(28,485)	-	(28,485)
Equity and rights issue in controlled entity		-	-	6,232	-	6,232	30	6,262
At 31 December 2019		**362,028**	**1,207**	**10,163**	**363,657**	**737,055**	**1,989**	**739,044**

***** Other reserves consist of share based payments reserve, fair value reserve and equity reserve.

** Issue of shares during the period relates to 18,440,174 shares issued as part of the Acquisition of MOD Resources Limited as detailed in note 9, as well as 30,000 shares that were issued as part of the Cashman Farm-In arrangement.

	Issued capital $000	Foreign currency translation reserve $000	Other reserves* $000	Retained profits $000	Total $000	Non-controlling interests $000	Total equity $000
At 1 July 2018	**235,415**	**325**	**218**	**292,958**	**528,916**	**3,135**	**532,051**
Profit for the period	-	-	-	49,547	49,547	(1,218)	48,329
Other comprehensive income	-	(597)	(838)	-	(1,435)	6	(1,429)
Total comprehensive income for the period	**-**	**(597)**	**(838)**	**49,547**	**48,112**	**(1,212)**	**46,900**
Transactions with owners in their capacity as owners:							
Issue of shares, net of transaction costs and tax	1,000	-	-	-	1,000	-	1,000
Issue of shares under employee LTIP	6,120	-	(877)	-	5,243	-	5,243
Share based payments	-	-	779	-	779	(12)	767
Dividends	-	-	-	(30,317)	(30,317)	-	(30,317)
Rights issue in controlled entity	-	-	(1,766)	-	(1,766)	2,136	370
At 31 December 2018	**242,535**	**(272)**	**(2,484)**	**312,188**	**551,967**	**4,047**	**556,014**

***** Other reserves consist of share based payments reserve, fair value 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 SIX MONTHS ENDED 31 DECEMBER 2019

		31 Dec 2019 $000	31 Dec 2018 $000
Cash flows from operating activities			
Cash receipts		309,630	274,973
Cash paid to suppliers and employees		(131,230)	(104,681)
Income tax paid		(40,018)	(50,890)
Payments for exploration and evaluation		(31,168)	(24,392)
Interest received		1,887	2,504
Net cash inflow from operating activities		**109,101**	**97,514**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(1,370)	(393)
Payments for property, plant and equipment, including assets under construction		(6,083)	(5,242)
Proceeds from sale of property, plant and equipment		-	108
Payments for mine properties		(46,496)	(123,527)
Payments for investments		(23,055)	(3,328)
Proceeds from sale of investments		2,176	-
Net cash paid to acquire MOD Resources Limited	9	(44,603)	-
Refund of security deposits and bonds		(13)	10
Net cash outflow from investing activities		**(119,444)**	**(132,372)**
Cash flows from financing activities			
Proceeds from issue of shares		-	1,436
Net proceeds from rights issue in subsidiary		317	433
Share issue costs		-	(109)
Repayment of lease obligations		(7,169)	(49)
Interest and other costs of finance paid		(54)	(94)
Cash dividend paid to equity holders		(28,485)	(30,317)
Net cash outflow from financing activities		**(35,391)**	**(28,700)**
Net (decrease) increase in cash and cash equivalents		**(45,734)**	**(63,558)**
Net foreign exchange differences		21	(787)
Cash and cash equivalents at the beginning of the period		247,449	243,367
Cash and cash equivalents at the end of the period		**201,736**	**179,022**

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

1 Corporate information

Sandfire Resources Limited (previously Sandfire Resources NL) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Company are described in the Directors' report. Information on the Group's structure is provided in Note 3.

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

The interim consolidated financial statements of the Group for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 19 February 2020.

The interim consolidated financial statements for the six months ended 31 December 2019 are general purpose condensed financial statements 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 2019 and considered together with any public announcements made by Sandfire Resources Limited during the half-year ended 31 December 2019. The annual report of the Group as at and for the year ended 30 June 2019 is available at www.sandfire.com.au.

Other than the changes described below, the accounting policies adopted are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 30 June 2019.

From 1 July 2019 the Group applied *AASB 16 (AASB 16) Leases* and early adopted *AASB 2018-6 Amendments to AASB 3 Business Combinations – Definition of a business (AASB 2018-6)* for the first time. The nature and effect of these changes as a result of the adoption of these new and revised standards are described below. Several other new and amended standards and interpretations applied for the first time, but did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective other than as disclosed.

Adoption of AASB 16 Leases

Overview

AASB 16 Leases supersedes AASB 117 Leases, UIG 4 Determining whether an Arrangement contains a Lease, UIG 115 Operating Leases - Incentives and UIG 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application and comparatives have not been restated. The Group has applied the new definition of a lease to all arrangements still effective at the date of initial application.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for lease contracts that have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and for lease contracts for which the underlying asset is of low value (low-value assets).

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the consolidated income statement on a straight-line basis.

Upon adoption of AASB 16 for leases that were previously classified as operating leases, the Group has:

- applied the practical expedient exemption for lease contracts that on the date of initial application have a lease term of 12 months or less;
- recognised right-of-use assets based on the amount equal to the lease liabilities with the lease liabilities determined based on the remaining lease payments, discounted using the incremental borrowing rates at the date of the initial application.

2 Basis of preparation and changes to the Group's accounting policies (continued)

Impact

The Group has lease contracts for various items of mining equipment, motor vehicles and buildings. It does not have any subleases.

The impact of adopting AASB 16 as at 1 July 2019 is set out below:

	$000
Assets	
Property, plant and equipment - Right to use asset	25,421
Liabilities	
Current Interest bearing liabilities	(13,658)
Non-Current Interest bearing liabilities	(11,763)
Net impact on equity	**Nil**

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments disclosure as of 30 June 2019, as follows:

	$000
Operating lease commitments as at 30 June 2019 (undiscounted)	**28,236**
Exclude/deduct	
Commitments relating to unrecognised short-term or low value lease contracts	(2,063)
Include/add	
Existing finance leases	548
Effect of discounting	(1,300)
Discounted recognised lease liabilities as at 1 July 2019	**25,421**

Summary of new accounting policy

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

Group as Lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2 Basis of preparation and changes to the Group's accounting policies (continued)

Early adoption of AASB 2018-6 Amendments to AASB 3 Business Combinations – Definition of a business

Overview

AASB 2018-6 clarifies the definition of a business under AASB 3 Business Combinations (AASB 3), with the objective of assisting entities determine whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments were applied prospectively from 1 July 2019, thus no prior period transactions will be impacted.

Impact

The Group has early adopted and applied AASB 2018-6 from 1 July 2019, which included the assessment of the acquisition of MOD Resources Limited during the period. Adopting AASB 2018-6 resulted in the following clarifications in the definition of a business under AASB 3:

- Clarifying that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Removing the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- Narrowing the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The updated definition of a business including the concentration test within AASB 2018-6 was applied to the acquisition of MOD Resources Limited during the period, which resulted in the transaction being classified as an asset acquisition.

3 Information relating to subsidiaries

The interim consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest		
			31 Dec 2019	30 June 2019	31 Dec 2018
Sandfire Resources America Inc.	(i)	Canada	85.32	85.45	85.66
Sandfire BC Holdings (Australia) Pty Ltd		Australia	100.00	100.00	100.00
Sandfire BC Holdings Inc.		Canada	100.00	100.00	100.00
Sandfire (RMP) Pty Ltd		Australia	100.00	100.00	0.00
Sandfire (RMP) Inc.		U.S.A.	100.00	100.00	0.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00	100.00
Sandfire A Pty Ltd	(ii)	Australia	0.00	0.00	100.00
MOD Resources Limited	(iii) (iv)	Australia	100.00	0.00	0.00
MOD Resources (Botswana) Pty Ltd	(iii)	Australia	100.00	0.00	0.00
MOD Resources Botswana (Pty) Ltd	(iii)	Botswana	100.00	0.00	0.00
Metal Capital Ltd	(iii)	United Kingdom	100.00	0.00	0.00
Tshukudu Metals Botswana (Pty) Ltd	(iii)	Botswana	100.00	0.00	0.00
Metal Capital Exploration Ltd	(iii)	United Kingdom	100.00	0.00	0.00
Tshukudu Exploration Botswana (Pty) Ltd	(iii)	Botswana	100.00	0.00	0.00
MOD Resources (NZ) Pty Ltd	(iii)	Australia	100.00	0.00	0.00
Sams Creek Gold Ltd	(iii)	New Zealand	100.00	0.00	0.00
EMEA (BIH) Pty Ltd		Australia	100.00	0.00	0.00

(i) Changes in ownership in Sandfire Resources America Inc. due to the exercise of certain employee share based awards within Sandfire Resources America Inc.

(ii) Sandfire A Pty Ltd (previously Talisman A Pty Ltd) was acquired as part of the acquisition of the remaining 30% interest in the Springfield Joint Ventures in October 2018. The entity was renamed to Sandfire A Pty Ltd after acquisition. Sandfire A Pty Ltd was deregistered on the 5th June 2019.

(iii) Entities were acquired as part of the acquisition of MOD Resources Limited during the period. See Note 9 for further information.

(iv) MOD Resources Limited was renamed to Sandfire Resources Botswana Pty Ltd subsequent to 31 December 2019.

4 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 Operations	This segment consists of the DeGrussa and Monty Copper-Gold Mines located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometres north-east of Perth and 150 kilometres north of Meekatharra. The mines generate 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, various Farm-in arrangements and the Group's evaluation activities in Montana USA as part of Sandfire Resources America Inc., as well as exploration and evaluation activities in Botswana expansion areas.

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.

4 Segment information (continued)

Segment results

Segment results for the six months ended 31 Dec 2019	DeGrussa Operations $000	Exploration & evaluation $000	Other activities $000	Group $000
Revenue	313,052	-	-	313,052
Other gains / (losses)	(708)	-	13	(695)
Changes in inventories of finished goods and work in progress	(7,499)	-	-	(7,499)
Mine operations costs	(70,353)	-	-	(70,353)
Employee benefit expenses	(14,502)	(4,353)	(4,118)	(22,973)
Freight expenses	(21,685)	-	-	(21,685)
Royalties expense	(16,090)	-	-	(16,090)
Exploration and evaluation expenses	-	(27,356)	-	(27,356)
Depreciation and amortisation expenses	(90,798)	(158)	(1,652)	(92,608)
Administrative expenses	-	-	(3,811)	(3,811)
Profit (loss) before net finance and income tax expense	**91,417**	**(31,867)**	**(9,568)**	**49,982**
Finance income				1,842
Finance expense				(1,768)
Profit before income tax expense				**50,056**
Income tax expense				(16,770)
Net profit for the period				**33,286**

Segment results for the six months ended 31 Dec 2018	DeGrussa Operations $000	Exploration & evaluation $000	Other activities $000	Group $000
Revenue	272,286	-	-	272,286
Other gains / (losses)	77	-	-	77
Changes in inventories of finished goods and work in progress	6,268	-	-	6,268
Mine operations costs	(65,525)	-	-	(65,525)
Employee benefit expenses	(13,382)	(2,836)	(3,506)	(19,724)
Freight expenses	(22,790)	-	-	(22,790)
Royalties expense	(13,659)	-	-	(13,659)
Exploration and evaluation expenses	-	(21,157)	-	(21,157)
Depreciation and amortisation expenses	(61,597)	(206)	(113)	(61,916)
Administrative expenses	-	-	(3,716)	(3,716)
Profit (loss) before net finance and income tax expense	**101,678**	**(24,199)**	**(7,335)**	**70,144**
Finance income				4,311
Finance expense				(1,314)
Profit before income tax expense				**73,141**
Income tax expense				(24,812)
Net profit for the period				**48,329**

Adjustments and eliminations

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

5 Sales revenue

	31 Dec 2019 $000	31 Dec 2018 $000
Revenue from contracts with customers		
Revenue from sale of concentrate	303,272	278,323
Revenue from shipping services	6,281	5,516
Total revenue from contracts with customers	**309,553**	**283,839**
Realised and unrealised fair value movements on receivables subject to QP adjustment	3,499	(11,553)
Total Revenue	**313,052**	**272,286**

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 2019 $000	31 Dec 2018 $000
Income taxes		
Current income tax expense	18,850	30,907
Deferred income tax expense related to origination and reversal of temporary differences	(756)	(5,931)
Over provision in prior periods	(1,324)	(164)
Income tax expense recognised in the income statement	**16,770**	**24,812**
Income tax expense (benefit) recognised in other comprehensive income	4,021	(359)
Total income tax expense recognised in the income statement and other comprehensive income	**20,791**	**24,453**

7 Dividends paid and proposed

	Note	31 Dec 2019 $000	31 Dec 2018 $000
Cash dividends on ordinary shares declared and paid:			
Final franked dividend for 2019: 16 cents per share (2018: 19 cents per share)		28,845	30,317
Proposed dividends on ordinary shares:			
First cash dividend for 2020: 5 cents per share (2019: 7 cents per share)	(i)	8,901	11,169

(i) Subsequent to 31 December 2019, the Board resolved to pay a fully franked dividend of 5 cents per share, to be paid on 11 March 2020. The record date for entitlement to this dividend is 26 February 2020. The expected financial impact of this dividend amounting to $8,901,000 has not been recognised in the Financial Statements for the half-year ended 31 December 2019 and will be recognised in subsequent Financial Statements.

8 Financial assets and liabilities

During the period, the Group's principal financial liabilities comprised trade and other payables and interest bearing liabilities. The Group's principal financial assets comprise trade and other receivables, cash and short-term deposits that arise directly from its operations as well as equity investments.

The following table shows the fair values of financial assets and financial liabilities measured at fair value, including their levels in the fair value measurement hierarchy as at 31 December 2019.

8 Financial assets and liabilities (continued)

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Equity investments	(i)	51,186	-	629	51,815
Trade receivables	(ii)	-	13,453	-	13,453
		51,186	13,453	629	65,268

(i) Fair value is determined using the quoted market price at the balance sheet date. Equity investments includes the Group's holding in Adriatic Metals Plc which increased during the period reported from approximately 10% to 16%.

(ii) Trade receivables relate to concentrate sale contracts that are subject to QP 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 takes into account relevant other fair value considerations including credit risk.

The fair value of the financial instruments as at 30 June 2019 are summarised in the table below.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity investments	17,965	-	1,652	19,617
Trade receivables	-	10,031	-	10,031
	17,965	10,031	1,652	29,648

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

9 Acquisition of MOD Resources Limited

As announced on the 23 October 2019 Sandfire completed the acquisition MOD Resources Limited (MOD) by way of a scheme of arrangement. Under the arrangement to acquire 100% of the issued and to be issued share capital of MOD each shareholder elected to receive either:

- 0.0664 Sandfire shares for each MOD share; or
- Cash of A$0.45 per share up to a maximum of A$41.6 million.

MOD and Sandfire also entered into Options Cancellation Deeds with each of the MOD option holders, under which MOD option holders agreed to the cancellation of their MOD options for a total cash consideration of $1.0 million to be paid by Sandfire on the effective date of the Scheme. Sandfire also incurred transaction costs of $3.2 million in relation to the acquisition of MOD.

As a result of successful implementation of the arrangement Sandfire issued 18,440,174 shares and cash consideration of $41.6 million. Total consideration including equity issued, option cancellation and transaction costs was $165.1 million, net cash paid including transaction costs was $44.6 million

The acquisition of MOD was accounted for as an asset acquisition resulting in the recognition at fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired exploration and evaluation assets was determined based upon the range of fair values of the MOD exploration and evaluation projects determined by an independent expert valuation. See summary table below.

	Acquisition Allocation $000
Cash and cash equivalents	1,175
Other current assets	3,224
Exploration and evaluation assets (Including the T3 Copper-Silver Project)	159,148
Property plant and equipment	2,661
Deferred tax asset (recognised tax losses)	4,053
Other non-current assets	36
Trade and other payables	(4,956)
Employee provisions	(256)
Total cost including transaction costs	**165,085**

10 Significant events after the reporting date

Dividends

Subsequent to period end, the Directors of the Company announced an interim fully franked dividend of 5 cents per share. The total amount of the dividend $8,901,000 has not been provided for in the 31 December 2019 Financial Statements.

In accordance with a resolution of the Directors of Sandfire Resources Limited, I state that:

1. In the opinion of the Directors:

    (a) the financial statements and notes of Sandfire Resources Limited for the half-year ended 31 December 2019 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 2019 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) 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 period ending 31 December 2019.

On behalf of the Board

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

West Perth, 19 February 2020

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Independent Auditor's Review Report to the Members of Sandfire Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sandfire Resources Limited (formerly Sandfire Resources NL) (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated balance sheet of the Group as at 31 December 2019 and of its consolidated financial 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*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial 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 the Group, 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.

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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.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
19 February 2020