



2019
ANNUAL
REPORT

SANDFIRE
RESOURCES NL





CONTENTS

ABOUT SANDFIRE	3
COMPANY STRATEGY	4
2019 SNAPSHOT	6
CHAIRMAN'S MESSAGE	8
MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS	10
BOARD AND MANAGEMENT	16
GOVERNANCE	20
SUSTAINABILITY	22
ORE RESERVES AND MINERAL RESOURCES	23
FINANCIAL REPORT	27
SHAREHOLDER AND INVESTOR INFORMATION	102
CAUTIONARY NOTES AND DISCLAIMERS	104
GLOSSARY OF TERMS	105
CORPORATE INFORMATION	107

ABOUT THIS REPORT

This Annual Report, approved for release by Sandfire's Board of Directors, has been prepared for Sandfire's stakeholders in line with Sandfire's statutory and regulatory obligations. This report provides a summary of Sandfire's operations and financial position for the financial year ended 30 June 2019. All references to Sandfire, the Group, the Company, we, us and our refer to Sandfire Resources NL (ABN 55 105 154 185) and its subsidiaries.

All references to a year are the financial year ended 30 June 2019 unless otherwise stated. All dollar figures are in Australian currency unless otherwise stated.

The Annual Report includes the Financial Report and Directors' Report approved by the Board of Directors, released on ASX on 27 August 2019. The remainder of the Annual Report may include information that was available up until the date of this report, which includes events that have occurred subsequent to the release of the Financial Report.



DEGRUSSA

ABOUT SANDFIRE

Sandfire Resources NL (ASX: SFR) is a leading mid-tier mining and exploration company with a strong track record of safe, consistent and profitable production over the past seven years from its flagship high-grade DeGrussa Copper-Gold Operations, located 900km north-east of Perth in Western Australia.

CUMULATIVE PRODUCTION OF over 470,000 TONNES OF CONTAINED COPPER AND 275,000 OUNCES OF CONTAINED GOLD TO THE END OF FY2019	\$3.6 billion IN CUMULATIVE SALES REVENUE	\$161 million (\$1.02 PER SHARE) IN CUMULATIVE DIVIDENDS TO SHAREHOLDERS
	\$1.7 billion IN CUMULATIVE OPERATING CASH-FLOW (prior to exploration and evaluation expenditure)	\$566 million IN CUMULATIVE NET PROFIT AFTER TAX (attributable to members)

Underpinned by continued strong production and cash-flow from the DeGrussa Operations and a debt-free balance sheet, Sandfire has embarked on a new growth chapter as it strives to build a diversified portfolio of high-quality base metal assets.

The Company's growth pipeline includes a proposed new high-grade underground copper mine in Montana, USA, currently in the final stages of permitting and feasibility, and the proposed acquisition of MOD Resources Ltd (announced in June 2019), which encompasses a new open pit copper development project and extensive exploration portfolio in Botswana.

Development of these projects will position Sandfire to realise its vision to become a diversified international mining house, with growing production and exploration hubs spanning the world's major continental zones: Europe, Middle East and Africa (EMEA), Asia-Pacific (APAC), and The Americas.

Building a diversified portfolio of high-quality base metal assets



Operating Mines	Development Pipeline	Exploration Portfolio
<ul style="list-style-type: none"> DeGrussa Operations, Western Australia <ul style="list-style-type: none"> DeGrussa Copper-Gold Mine Monty Copper-Gold Mine 	<ul style="list-style-type: none"> Black Butte Copper (85%), Montana, USA MOD Resources Ltd Projects, Botswana* <ul style="list-style-type: none"> T3 Copper Project T1, A4 Expansion Projects 	<ul style="list-style-type: none"> Greater Doolgunna Project, Western Australia Queensland and New South Wales Base Metals Projects, Australia Red Mountain Project (JV with White Rock Minerals Ltd), Alaska, USA Kalahari Copper Belt, Botswana (MOD Resources Ltd 11,700km² land holding)*

* The agreement to acquire MOD Resources Ltd is subject to successful implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD Resources Ltd, as outlined in the Company's ASX announcement dated 25 June 2019.

COMPANY STRATEGY

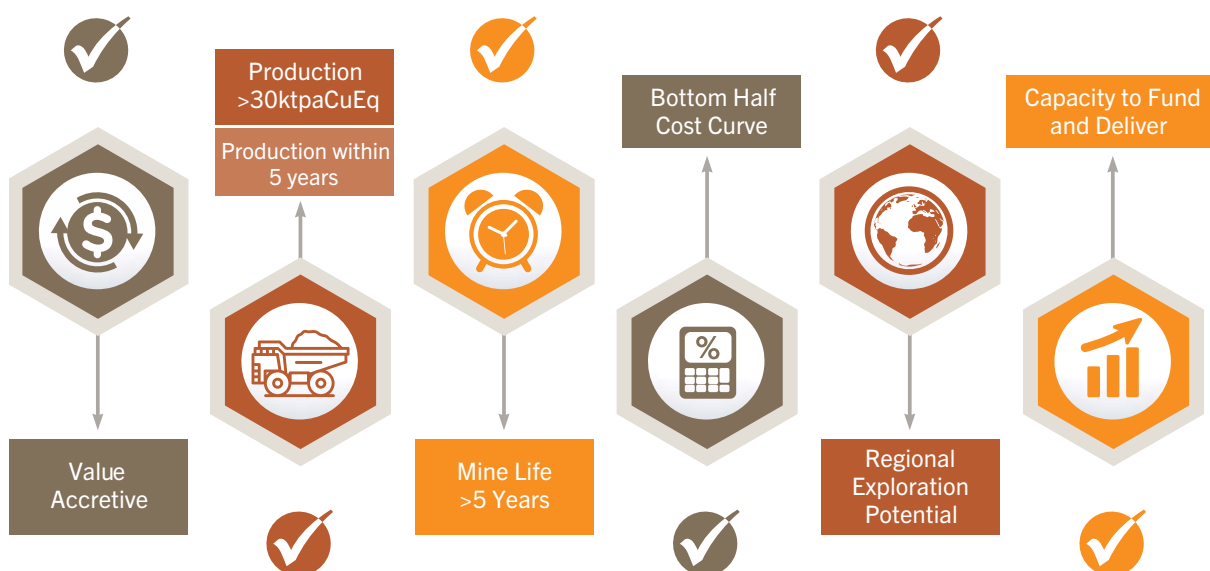
OUR VISION

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

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

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

Our growth focus to build a global development and exploration pipeline comprising projects that fit with our strategic and operational capabilities, is governed by our strategic investment criteria.



OUR FOCUS AREAS

Optimise profitability through effective operating practices and cost consciousness.

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

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



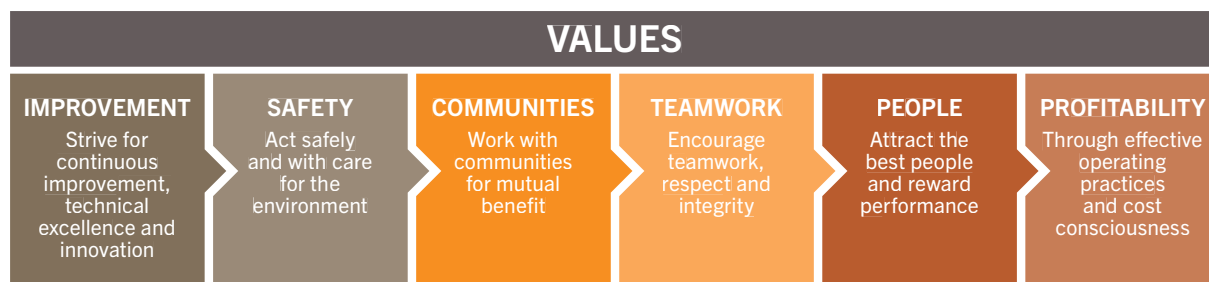
Pursue operating excellence to produce base and precious metals profitably from our operations for the benefit of our shareholders and stakeholders.

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

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

OUR VALUES

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



2019 SNAPSHOT

“...the DeGrussa Operations continued to generate robust margins and cash-flows thanks to another consistent production performance and record low cash operating costs for the year, driven by our continued focus on cost control and optimisation.”

— Karl Simich, Managing Director and CEO

FULL YEAR FINANCIAL AND PRODUCTION RESULTS SUMMARY

COPPER AND GOLD PRODUCTION

69,394

TONNES OF CONTAINED COPPER

44,455

OUNCES OF CONTAINED GOLD

C1 CASH OPERATING COST

US\$0.83

PER POUND

(2018: US\$0.93 per pound)

NET PROFIT AFTER TAX (attributable to equity holders of parent)

\$106.5M

(2018: \$123.0 million)

EARNINGS PER SHARE

65.23c

(2018: 77.85 cents)

SALES REVENUE

\$592.2M

(2018: \$570.0 million)

CASH FLOW FROM OPERATING ACTIVITIES

\$210.4M

(2018: \$245.0 million)

\$267.4 million prior to payments for exploration and evaluation expenses

CASH & DEPOSITS

\$247.4M

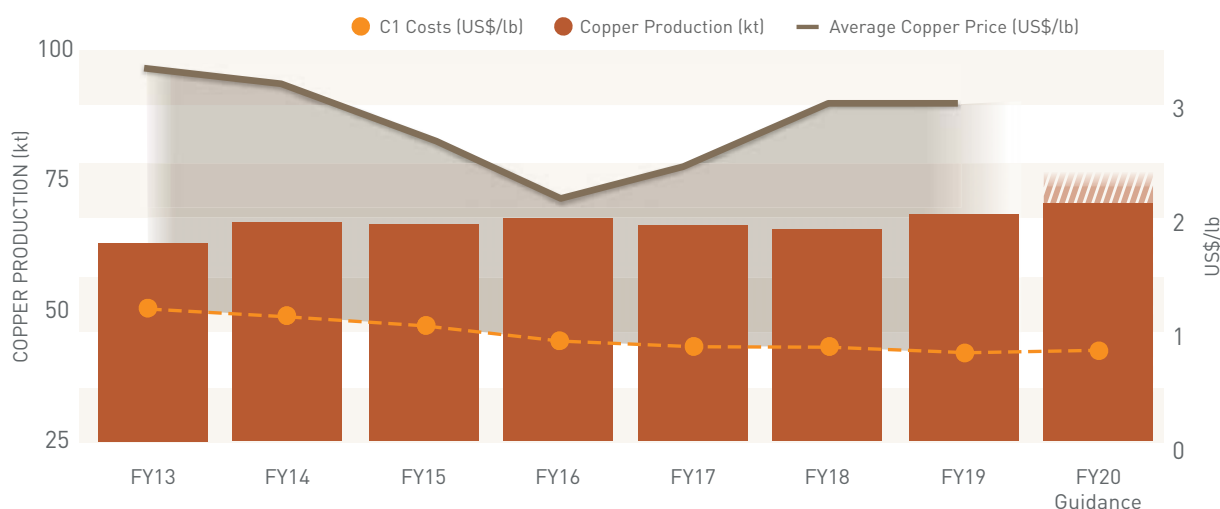
at 30 June 2019
(2018: \$243.4 million)

DIVIDENDS

23c FY19

27c FY18

Debt-free with a rising production profile and harvesting cash



OPERATIONS

- 7 years of consistent, safe and profitable operations from the Company's DeGrussa Operations, which includes the DeGrussa and Monty Copper-Gold Mines, located in Western Australia.
- Total recordable injury frequency rate (TRIFR) at the end of June was 6.2 compared to 7.1 in 2018.
- Completed development of the new Monty Mine, a satellite underground mine, located 10km east of the DeGrussa Mine.
- FY2019 production of 69,394 tonnes of contained copper and 44,455 ounces of contained gold at a C1 cost of US\$0.83/lb.

GROWTH

BLACK BUTTE COPPER (MONTANA, USA)

- Draft Environmental Impact Statement (EIS) released by the Montana Department of Environmental Quality (DEQ), with the public comment period closed in May 2019.
- The Montana DEQ will now respond to public comments and issue a final EIS. The DEQ can then issue a Record of Decision (ROD) which is expected in the December quarter of 2019.
- Black Butte Feasibility Study progressing well and on-track for delivery in the December quarter of 2019, with work underway on an updated Mineral Resource, final mine design and maiden Ore Reserve.

EXPLORATION

- Multi-pronged exploration programs continued across Sandfire's Greater Doolgunna Project located in the Bryah Basin of Western Australia, which now covers a total area of 6,712km² (including Joint Venture and Farm-in Agreements).
- Major base metals exploration program continued across the Company's extensive tenement portfolio on the Australian eastern seaboard, targeting world-class discoveries in Australia's premier exploration provinces.
- \$30-40 million annual exploration budget in Australia.

SANDFIRE VENTURES

- 12.7% stake in White Rock Minerals Ltd (ASX: WRM) – Joint Venture to explore the Red Mountain VMS Zinc Project in Alaska, USA.
- 12.8% stake in Adriatic Metals Plc (ASX: ADT) – base metals exploration expanding known mineralisation in Bosnia-Herzegovina.
- 15.0% strategic interest in Metminco Ltd (ASX: MNC) – gold and base metals explorer in Colombia.

SCHEME OF ARRANGEMENT TO ACQUIRE MOD

- Sandfire to acquire MOD Resources Ltd (ASX/LSE: MOD) by way of a Scheme of Arrangement, under which Sandfire will acquire 100 per cent of the issued and to be issued share capital of MOD, in a transaction that will further strengthen and diversify Sandfire's global copper development and exploration pipeline.
- MOD holds a dominant land-holding in the under-explored Kalahari copper belt in Botswana, including the advanced T3 Project which, subject to final approvals and feasibility study, is scheduled to commence construction in the 2020 financial year and deliver first copper production in 2021.
- The transaction fits Sandfire's strategic acquisition criteria, adding a near-term production asset with forecast production of approximately 30ktpa of contained copper, a mine life of >11 years, bottom quartile all-in sustaining costs and low capital intensity relative to peers.



CHAIRMAN'S MESSAGE

Dear Shareholders

I am privileged to reflect on what has been another outstanding year for Sandfire – a year in which we have maintained our commitment to the highest standards of safety, responsibility and sustainability, while continuing to deliver exceptional operational and financial performance.

We continue to focus on maintaining our social licence to operate through rigorously managing our social and environmental risks and striving to generate meaningful long-term social and economic benefits for all stakeholders. This year we contributed close to \$1 million through partnerships, donations and in-kind support to projects that address essential needs in the regions where we operate, including education, health and employment.

We also commenced work to respond to the requirements of the Modern Slavery Act, with our first voluntary disclosure relating to modern slavery released alongside our 2019 Sustainability Report.

We are also at the forefront of the global mining industry's transition to renewable energy – with the DeGrussa Solar Project delivering 17 per cent of our total DeGrussa site power requirement in the 2019 financial year and the project providing an important showcase site for the industry.

These achievements are consistent with our underlying philosophy – which is based on the view that success is defined not only by what we achieve, but also by how we achieve it. For Sandfire, 'sustainability' is a demonstrable operating standard that informs every aspect of our business.

You can read further details on our sustainability initiatives in our Annual Sustainability Report, which is available on the Company's website.

I am pleased to say that the past financial year has also seen the Company take important new growth steps – adding a further dimension to its already well-established position as a quality mid-tier mining company.

As a result of the recently announced and proposed acquisition of MOD Resources Ltd and the progress achieved during the year at our 85 per cent owned Black Butte Copper project in Montana, USA, Sandfire has taken major steps towards diversifying its global copper development pipeline, expanding its reserve base and strengthening its exploration and growth portfolio.

While the ability to consistently achieve production and cost targets, generate robust profits and financial returns to reward shareholders with dividends is in itself a laudable achievement, the Company has also been working to secure its longer-term future. As a result of the milestones achieved this year, we believe we have now moved closer to realising our ambition of becoming a truly diversified international mining house.

The continued strong performance of our flagship DeGrussa Copper-Gold Mine in Western Australia during the year once again allowed us to deliver on all of our financial and corporate objectives — maintaining dividend payments to shareholders,

“As a result of the recently announced and proposed acquisition of MOD Resources Ltd and the progress achieved during the year at our 85 per cent owned Black Butte Copper project in Montana, USA, Sandfire has taken major steps towards diversifying its global copper development pipeline, expanding its reserve base and strengthening its exploration and growth portfolio.”

— Derek La Ferla, Chairman

funding a disciplined capital program and significantly advancing our growth initiatives.

With copper prices coming under significant pressure during the year as a result of global geopolitical uncertainty stemming mainly from the US-China trade tension and its potential to impact economic growth, the exceptional grade and margins of the DeGrussa Mine once again highlighted the resilience and quality of the asset. Combined with the offsetting effect of a weakening Australian Dollar, this allowed us to generate another impressive set of financial numbers.

With cumulative sales revenue from production-to-date at DeGrussa now nearing \$4 billion, our debt-free balance sheet has also allowed us to move decisively during the year to capitalise on attractive and value-accretive growth and acquisition opportunities.

As a result of the “risk-off” environment currently prevailing in the resource sector, new copper development projects have struggled to secure project funding and asset values have fallen – trends which have created (and may continue to create) opportunities for us as a well-funded resource group with the balance sheet and technical capability to identify, acquire and develop new production assets.

Notwithstanding the weaker copper price environment seen recently, we remain confident about the outlook for copper in the medium-to-long term. The supply-demand fundamentals for the sector remain very positive, with demand growth expected to be further enhanced by the transformation currently occurring in the lithium-ion battery and EV sectors and the grade and reserves of major mines continuing to decline.

In June, Sandfire entered into an arrangement to acquire ASX-listed copper exploration and development company, MOD Resources Ltd under a proposed Scheme of Arrangement. The transaction will add a third, significant development and exploration hub to our global portfolio. Once completed, this transaction will provide Sandfire with a dominant 11,700km² land-holding in the under-explored Kalahari Copper Belt in Botswana, including the near-term T3 copper development project.

Botswana is an attractive investment jurisdiction for mining, with strong Government and community support for the development of the project. We will work with MOD's existing management and in-country team to further optimise and develop the T3 project whilst embarking upon a well-funded exploration program to unlock the province's potential.

In North America, our subsidiary company, Sandfire Resources America Inc. (TSX-V: SFR), continues to make progress towards final permitting of the high-grade underground copper mine, Black Butte Copper, while also advancing a detailed Feasibility Study, which is scheduled to be completed in the December quarter of 2019.

Black Butte Copper is being developed as a wholly-underground mining operation with minimal surface footprint that will utilise best-practice technology and modern mining techniques to extract the high-grade copper mineralisation while minimising environmental impact and meeting Montana's strong ‘non-degradation’ water standards.

Following the release of a Draft Environmental Impact Statement (EIS) and completion of a 60-day public comment period in May, we are now awaiting final approvals for the Black

Butte Copper mine, allowing us to move ahead with financing and construction.

Given Sandfire's imminent transition from a single-mine company to a multi-mine organisation operating across several jurisdictions, the Company recently announced the appointment of a highly experienced Australian mining executive, Jason Grace, as Chief Operating Officer.

Jason brings a vast depth of experience working at senior levels for some of Australia's leading mining and resource groups such as Mineral Resources Ltd and Newcrest Mining Ltd. We are looking forward to the experience, energy and enthusiasm he will bring to the role as we embark on what will be a period of exciting growth and positive change for the Company.

In conclusion, the Sandfire Board believe this is a truly exciting time for Sandfire. Underpinned by a great operation at DeGrussa, we now have the opportunity to carve out a long-term future for the Company across several attractive operating jurisdictions and have the capacity to identify and secure additional assets which could further expand our production profile.

The Company's achievements and exceptional growth outlook is the result of the hard work and dedication of our team, led by our Managing Director and CEO, Karl Simich, and the executive management team. I would like to extend my sincere thanks to everyone across the organisation for their outstanding efforts and contributions this year.

I would also like to thank our valued shareholders, partners and communities for your ongoing support.

Yours faithfully



Derek La Ferla

Non-Executive Chairman



MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS

Dear Shareholders

Sandfire delivered another strong and well-rounded performance across every facet of our business during the 2019 financial year, while also taking significant steps to further diversify the Company's asset base and secure our long-term future.

Notwithstanding a weaker copper price environment compared with FY2018, the DeGrussa Operation continued to generate robust margins and cash-flows thanks to another consistent production performance and record low cash operating costs for the year, driven by our continued focus on cost control and optimisation.

Over the past 12 months, we completed the development of the new high-grade Monty Copper-Gold Mine located 10km east of the DeGrussa Copper-Gold Mine, where production is currently ramping up. Ore from the Monty Mine is processed through the DeGrussa Concentrator, with blended production from the DeGrussa and Monty underground mines underpinning a rising production profile over the next three years.

The Monty Mine development has once again showcased Sandfire's ability to deliver new projects safely, efficiently, on-time and on-budget. This successful business model – established and proven for the DeGrussa Mine, and now replicated at Monty – also provides a robust platform for multi-mine growth into other jurisdictions across the globe.

A key focus during the year was to strengthen and diversify the Company's global development and exploration pipeline, expand our reserve base and build a credible longer-term growth strategy that centres on developing new mines that fit strategically with our corporate vision and our operational capabilities.

In this regard, through our 85 per cent owned North American subsidiary, Sandfire Resources America Inc., we made excellent progress with advancing permitting at the high-grade Black Butte Copper project in Montana, USA, and progressing a Feasibility Study on the development of a new underground copper mine.

We have also recently announced the proposed acquisition of MOD Resources Ltd, a transaction that will add a third emerging production hub for Sandfire in the EMEA (Europe, Middle East, Africa) based around the advanced T3 Copper Project plus a belt-scale 11,700km² land-holding in the Kalahari Copper Belt which provides an exceptional pipeline of exploration opportunities.

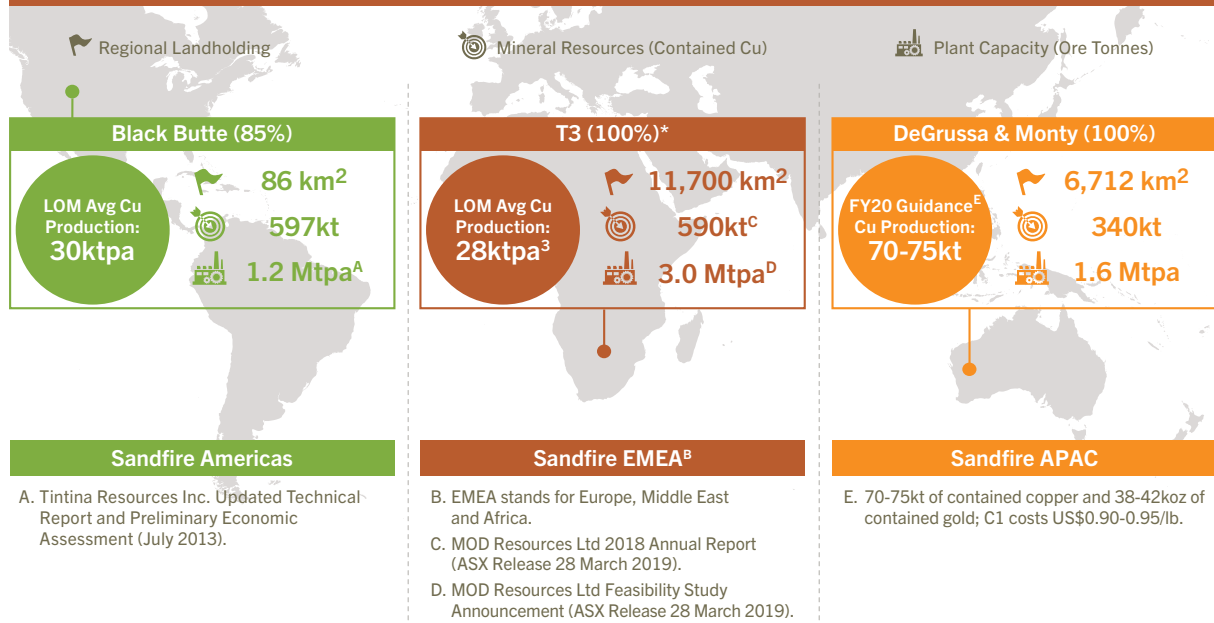
On the exploration front, we have continued a systematic, multi-pronged exploration campaign across our dominant land-holding in the Bryah Basin, which now measures 6,712km²; progressed our base metal exploration strategy on the East Coast of Australia, where we are now one of the biggest land-holders; and advanced our longer-term strategic investments and opportunities through our Sandfire Ventures Program.

All of these programs and initiatives are designed to strengthen our asset base and give our shareholders exposure to a quality pipeline of development and exploration assets.

“A key focus during the year was to strengthen and diversify the Company's global development and exploration pipeline, expand our reserve base and build a credible longer term growth strategy that centres on developing new copper mines that fit strategically with our corporate vision, our operational capabilities and, most importantly, can be funded internally using existing cash-flows and our balance sheet strength.”

– Karl Simich, Managing Director and CEO

Developing / Producing Assets



* The agreement to acquire MOD Resources Ltd is subject to successful implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD Resources Ltd, as outlined in the Company's ASX announcement dated 25 June 2019.

SAFETY AND SUSTAINABILITY

Safety is a core tenet of our business and we maintain the highest commitment to providing a safe, inclusive workplace.

As outlined in more detail in our Sustainability Report, we achieved a 12 per cent decrease in our total recordable injury frequency rate (TRIFR) of 6.2 compared to 7.1 during the same period last year, through specifically targeted safety programs such as 'Switch onto Work' and supporting our contractor's safety programs. We are continuing our efforts to reach our target of 4.5 by maintaining a strong focus on safety leadership and culture, effectively managing our principal hazards by conducting critical control verifications and working closely with our contractors to ensure our safety systems are aligned.

Turning to our broader efforts in the area of sustainability and building on the initiatives outlined last year, we continued to focus on listening to our stakeholders and driving positive outcomes on the issues that matter most to them.

In terms of our community partnerships and sponsorship programs, we have placed a strong emphasis on entering partnerships that will endure long after we leave the region we are operating in. This means that, once our operations close, our partner organisation are able to continue to survive and deliver sustainable and ongoing benefits to the community.

We also continued to create a supportive workplace culture for our people with the roll out of Mental Health Wellness training for all employees and contractors. The program was introduced to increase the awareness and understanding of mental health and reduce the stigma associated with these issues. The training sessions provided information about the most common forms of mental health issues and provided our people with strategies to promote their own mental health, including understanding and managing stress, developing a positive work/life balance and increasing the ability and willingness of our people to assist others with addressing mental health issues. The training was positively received with 73 per cent of our workforce attending the sessions in the 2019 financial year and we are committed to running additional sessions throughout FY2020.

Values workshops were also delivered to our employees during the 2019 financial year to further embed Sandfire values within our business and enhance our people's awareness, connection and alignment to our values and culture.

I encourage shareholders to read our Sustainability Report, which is available on our website and the ASX platform.



PRODUCTION AND OPERATIONS

Production for the year achieved above the upper end of our strengthened guidance range, coming in at 69,394 tonnes of contained copper and 44,455 ounces of contained gold. We were also able to maintain a low operating cost profile during the year, with C1 cash operating costs dropping to an exceptional US\$0.83 per pound for FY2019.

The performance of the DeGrussa underground mine remained strong, with total ore mined for FY2019 of 1.5 million tonnes at 4.6% Cu. Production was sourced from all four VMS lenses and the underground mine remained in balance between production and back-fill.

The ramp-up of the Monty underground mine continued during the year, with construction of all surface infrastructure

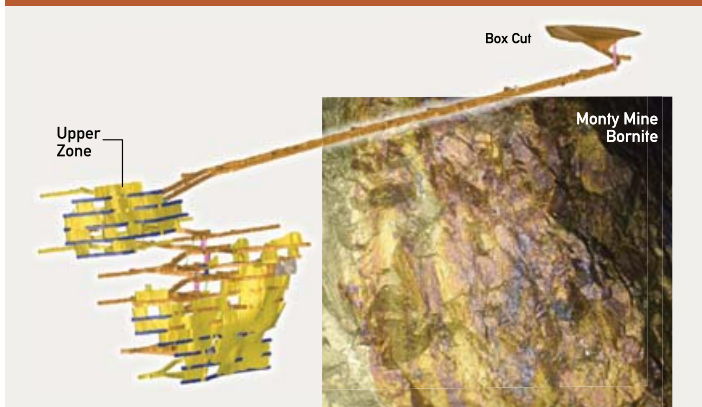
completed. First stoping ore was intersected during the March 2019 quarter, with total ore mined for FY2019 of 76,091 tonnes at 6.4% Cu. Grade from the Monty Mine is scheduled to continue to increase during FY2020.

The DeGrussa Concentrator continued to perform well, delivering stable and consistent milling rates with the installation and commissioning of the new concentrate filter and thickener completed and successfully stress-tested ahead of the introduction of higher-grade ore from the Monty Mine. A total of 1.6 million tonnes was milled for the year at an average head feed grade of 4.6% Cu and with overall recoveries of 92.4% for copper and 46.6% for gold. Blending strategies continue to be optimised as the Concentrator adjusts to the blended ore feed from the DeGrussa and Monty Mines.

Monty Copper-Gold Mine and surface infrastructure



Monty Copper-Gold Mine – underground infrastructure



FINANCIAL PERFORMANCE

Sandfire posted a net profit after income tax attributable to members of \$106.5 million for the 12 months to 30 June 2019. The result, which equates to earnings per share of 65.23 cents (FY2018: 77.85cps) (basic and diluted), compares with a net profit of \$123.0 million for the previous corresponding period.

This strong financial performance allowed the Company to declare a final fully-franked dividend of 16cps to shareholders on 27 August 2019, with an annual payout of 23cps (27cps FY2018). The overall payout ratio for FY2019 was based on approximately 35 per cent of earnings for the full year.

Sales revenue was \$592.2 million (FY2018: \$570.0 million) from payable metal sales totalling 65,074 tonnes of payable copper and 39,265 ounces of payable gold (FY2018: 60,247 tonnes of payable copper and 35,692 ounces of payable gold).

Profit before net finance expense and income tax expense was \$153.1 million (FY2018: \$173.8 million). The DeGrussa Operations segment generated earnings before net finance and income tax expense of \$225.7 million (FY2018: \$226.3 million), which included depreciation and amortisation charges of \$139.7 million (FY2018: \$129.8 million).

Cash flow from operating activities was \$210.4 million (FY2018: \$245.0 million) and \$267.4 million prior to payments for exploration and evaluation expenses (FY2018: \$284.6 million).

Sandfire finished the year with Group cash of \$247.4 million (\$243.4 million at 30 June 2018), after making dividend payments of \$41.5 million, income tax payments of \$82.1 million and funding ongoing development costs associated with the new Monty Copper-Gold Mine. The Group has no material financing facilities in place or available to be drawn.

DEVELOPMENT PROJECTS

DOOLGUNNA REGION, WESTERN AUSTRALIA

As noted, construction and development of the Monty Mine, located 10km east of the DeGrussa Mine, was completed during the year, with first stoping ore from the Monty Mine delivered to the DeGrussa Concentrator in the March 2019 quarter.

The introduction of ore from this high-grade project will contribute towards a rising production profile for Sandfire.

Studies also continued during the year on the optimal development pathway for the DeGrussa Oxide Copper Project,

which includes 2.8 million tonnes of oxide stockpiles at DeGrussa, containing an estimated 35,000 tonnes of copper and 84,000 ounces of gold. The bulk of the column test work planned for the project has been completed with the last of the columns for determining the overall kinetics to be completed in the next few months. The ore sorting pilot testing and laboratory testing to determine the initial acid demand have been completed.

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

BLACK BUTTE COPPER, MONTANA, USA

In the United States, we made further strong progress in advancing our 85 per cent owned project, Black Butte Copper, towards development. The Draft Environmental Impact Statement (EIS) for the project was released by the Montana Department of Environmental Quality (MT DEQ) during the March quarter, with the 60-day public comment period ending in May.

Following the closure of the public comment period, the next step in the MT DEQ's process will be to respond to public comments and issue a final 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. This could potentially occur during the December quarter of 2019.

Initial work on the project feasibility study (FS) commenced in October 2018 and is progressing well with completion targeted for the December quarter of 2019. The feasibility team includes Denver-based GR Engineering Services as the lead consultant, with SRK Consulting overseeing the Mineral Resource preparation and Mining Plus conducting mine design and Ore Reserve preparation.

The 2013 PEA stated that the Black Butte Copper deposit has the potential to underpin a robust underground mining operation with forecast life-of-mine production of approximately 30,000tpa of copper-in-concentrate over a mine life of approximately 11 years.



SCHEME OF ARRANGEMENT TO ACQUIRE MOD RESOURCES LTD

The Company's near-term development portfolio has also been significantly enhanced through the recently announced, proposed \$167 million acquisition of MOD Resources Ltd (ASX/LSE: MOD).

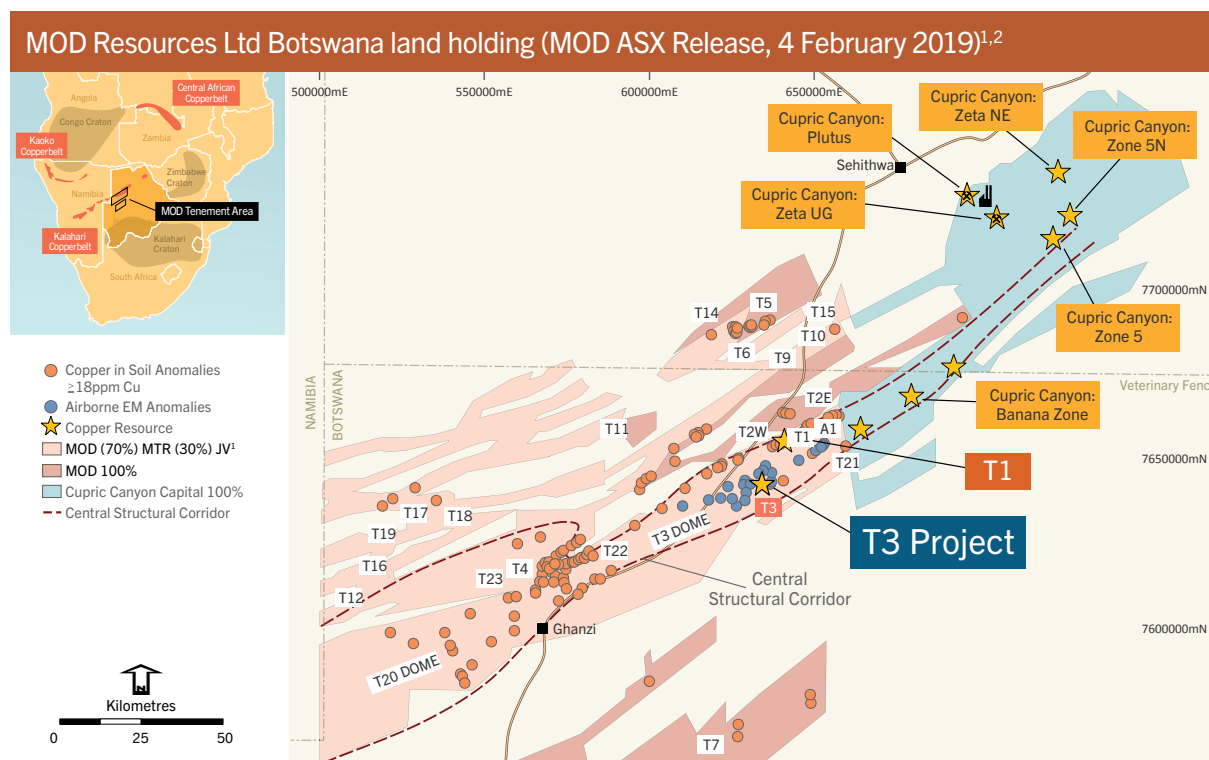
Sandfire and MOD executed a binding Scheme Implementation Deed on 25 June 2019 for the implementation of a Scheme of Arrangement under which Sandfire will acquire 100 per cent of the issued and to be issued share capital of MOD, in a transaction that will further strengthen and diversify Sandfire's global copper development and exploration pipeline.

T3 is large-scale, long-life project, with a current Ore Reserve of over 340,000 tonnes of copper and a projected mine life of more than 11 years from open pit mining operations. Sandfire's strong balance sheet provides the ability to fully fund the T3 mine development from existing cash flow or leveraging our financial strength to access attractively priced project finance.

The proposed acquisition fits Sandfire's strategic acquisition criteria, adding a near-term production asset at the T3 Project with forecast production of approximately 30ktpa of contained copper, a mine life of >11 years, bottom quartile all-in sustaining costs and low capital intensity relative to peers with a forecast development capital cost of US\$182 million. Refer to MOD's ASX release on 28 March 2019 for more details.

Importantly, the acquisition is value-accretive based on the T3 asset alone with significant upside from optimisation of MOD's recently completed Feasibility Study, as well as from near-mine and regional exploration success, consolidation and bolt-on acquisitions.

The acquisition will also strengthen Sandfire's longer-term growth trajectory as a global mining house, increasing its pro-forma company-wide Ore Reserves to 642,000 tonnes of contained copper and Mineral Resources to 2.37Mt of contained copper, with production and near-term development assets spanning Australia, Africa and North America.



1. Metal Tiger Plc (MTR) 30% interest in the JV to be acquired by MOD, subject to MOD shareholder approval, and the scheme becoming effective (refer note 2).
2. The agreement to acquire MOD Resources Ltd is subject to successful implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD Resources Ltd, as outlined in the Company's ASX announcement dated 25 June 2019.

EXPLORATION

Exploration remains at the heart of Sandfire's long-term growth strategy, with the Company maintaining a systematic, multi-pronged exploration program across its large landholding in the Doolgunna-Bryah Basin region, which now stands at 6,712km².

Our regional exploration strategy focusses on identify the key stratigraphic horizons for the discovery of Volcanogenic Massive Sulphide (or VMS) orebodies (targeting DeGrussa and Monty-style mineralisation). Exploration is active across the Bryah Basin, an area of minimal historic base metals exploration.

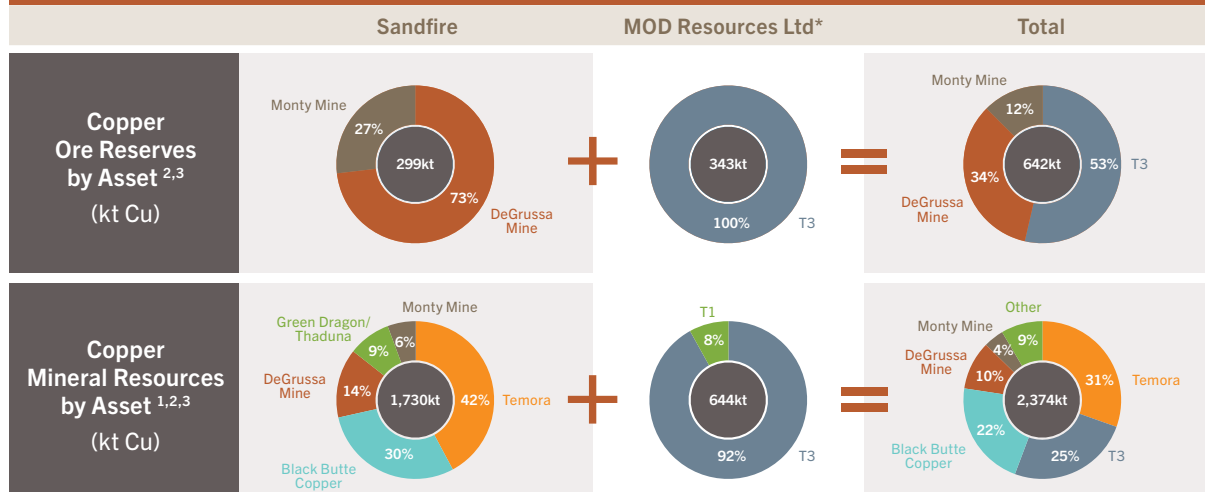
Work programs across our Doolgunna tenements during FY2019 included airborne electromagnetic surveying, ground electromagnetic surveying, detailed ground gravity surveying, aircore drilling, reverse circulation drilling and diamond drilling.

This expansive work program spanning multiple prospects, continued to develop and refine the geological understanding of the district and define discrete areas for exploration targeting.

We are also continuing to progress our east coast exploration initiative, targeting world-class discoveries in some of Australia's premier exploration provinces.

Further details of the Company's exploration activities are listed in the Operational and Financial Review section of the Director's Report and Sandfire's Quarterly Reports on the Investor page of the Company's website at www.sandfire.com.au.

Group Ore Reserves and Mineral Resources



1. MOD Resources Ltd Mineral Resources and Ore Reserves per MOD 2018 Annual Report (ASX Release 28 March 2019) and MOD announcement (ASX Release 25 March 2019).
 2. Excludes the potential impact of the Botswana Government exercising its option to acquire a 15% contributing interest in the project at cost, at the time the mining licence is granted.
 3. Mineral Resources for Black Butte Copper reflects Sandfire's 85% ownership.
 4. For further details on the Group's Ore Reserves and Mineral Resources, refer to page 23 of the Annual Report.
- * The agreement to acquire MOD Resources Ltd is subject to successful implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD Resources Ltd, as outlined in the Company's ASX announcement dated 25 June 2019.

SANDFIRE VENTURES

Sandfire maintains strategic investments in several companies through our Sandfire Ventures program, providing exposure to high-quality base metals exploration and development assets around the world.

The Company holds a 12.7 per cent stake in White Rock Minerals (ASX: WRM), which holds the Red Mountain VMS Zinc Project in Alaska, USA. During the year, Sandfire exercised its option to form a Joint Venture over the Red Mountain Project, under which Sandfire can earn up to a 90 per cent interest in the project through a series of staged earn-in milestones.

Diamond drilling commenced at Red Mountain in June, with the aim of extending existing massive sulphide mineralisation and testing a series of regional targets.

In addition, Sandfire holds a 12.8 per cent strategic interest in Adriatic Metals PLC (ASX: ADT), which is focused on the development of the 100 per cent owned, high-grade zinc polymetallic Vareš Project in Bosnia & Herzegovina.

Adriatic recently delivered a maiden Mineral Resource for the Rupice deposit and an updated Mineral Resource for the Veovaca deposit at Vareš, with the two deposits hosting contained metal totalling an estimated 586,000 tonnes of zinc, 376,000 tonnes of lead, 3.9Mt of barium sulphate, 548,000 ounces of gold, 62Moz of silver and 52,000 tonnes of copper (refer to ADT's ASX announcement dated, 23 July 2019, titled 'Maiden Mineral Resource For Rupice, Updated Mineral Resource For Veovaca' for more details).

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

We also hold a 15.0 per cent strategic interest in listed exploration company, Metminco Ltd (ASX: MNC), a leading Colombian gold explorer and developer, with a dominant position in the richly endowed Mid-Cauca gold-copper belt.

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

SUMMARY AND OUTLOOK

With strong, consistent production from the DeGrussa Mine and a growing contribution of high-grade ore from the Monty Mine, Sandfire is exceptionally well placed to maintain its status as the ASX's leading high-grade, low cost copper producer.

Production for FY2020 is forecast to increase to 70-75kt of contained copper and 38-42koz of contained gold, at a C1 cash cost of US\$0.90-0.95/lb, reflecting the ramp-up of the Monty Mine and the inclusion of high-grade ore feed into the DeGrussa production profile.

Our rising high-grade production profile in Western Australia and the Company's debt-free balance sheet provide the ideal foundation for our aspiration to continue to develop a global portfolio of high-quality resource assets.

Over the coming 12-18 months we expect to make further strong progress in this regard with the completion of the Feasibility Study and permitting of the Black Butte Copper project in Montana, USA paving the way for a decision to move into funding and construction, and, subject to required approvals, advance the T3 Copper Project in Botswana, which is scheduled to commence construction next year. We will also continue to progress an expansive exploration program at Doolgunna in Western Australia and on the east coast of Australia.

This exceptional growth platform is the result of the outstanding and ongoing hard work and commitment of our dedicated team of staff and contractors, and I would like to extend my sincerest thanks to them for their significant efforts during the year. As always, I would also like to gratefully acknowledge the wonderful support of our loyal shareholders.

This is an exciting period for Sandfire, and we can all be justifiably eager about the tremendous opportunities that lay ahead.

Karl Simich

Managing Director and CEO

BOARD OF DIRECTORS



Derek La Ferla

**Independent
Non-Executive Chairman**

Appointed 17 May 2010, Age 60

Qualifications

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

Experience

Mr La Ferla is a corporate lawyer and company director with more than 30 years' experience. He has held senior leadership positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently a Partner in the Corporate Advisory Group (on a part time basis) with Western Australian firm, Lavan and was formerly the national leader of the corporate advisory and infrastructure, mining and commodities industry group at Norton Rose Fulbright. Derek has worked on some of the WA's more notable capital market and private equity transactions including the Initial Public Offering (IPO) and ASX listing of Automotive Holdings Group, Navitas Ltd and Southern Cross Electrical Ltd among others. He brings a strong corporate governance perspective, balancing commercial and legal risk management needs.

Mr La Ferla is a fellow of the Australian Institute of Company Directors and a member of the AICD Council (WA Division).

Other current listed company directorships

- Non-Executive Chairman of Threat Protect Australia Ltd (since September 2015).
- Non-Executive Chairman of Veris Ltd (since October 2011).

Former listed company directorships in last three years

- Non-executive Director of BNK Banking Corporation Ltd (previously Goldfields Money Ltd) (November 2015 to August 2019).

Special responsibilities

- Member of the Remuneration and Nomination Committee.
- Member of the Audit and Risk Committee.
- Member of the Sustainability Committee.



Karl M Simich

**Managing Director and
Chief Executive Officer**

Appointed 1 July 2009, Age 55

Qualifications

B.Com, FCA, F.Fin

Experience

Mr Simich has more than 30 years' experience as an international resource company executive, specialising in corporate finance and company management. He has held director and senior executive positions with numerous ASX listed mining companies and has played a key role in the financing, construction, development and operation of mining projects in Australia, New Zealand and Africa.

Karl joined the Sandfire Board in 2007 and has overseen discovery and development of the Company's DeGrussa and Monty Copper-Gold Mines in Western Australia, which are now well established as two of the Asia-Pacific region's premier, high-grade copper mines. Under his stewardship as Managing Director, Sandfire has developed a strong reputation as a leading mid-tier Australian mining company focused on strong, safe and consistent production, positive shareholder returns and a commitment to diversity and sustainability.

Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.



Robert Scott

**Independent
Non-Executive Director**

Appointed 30 July 2010, Age 72

Qualifications

FCA

Experience

Mr Scott is a Chartered Accountant and former international partner with major global accounting firms with over 35 years' experience. He was a former senior partner of KPMG and Arthur Anderson focusing on corporate structuring and taxation planning.

He has served as a Chairman and as non-executive director with various publicly listed resource companies with operational experience in Australia, USA and Asia and has a strong focus on project governance, audit and risk management.

Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia and is a member of the Australian Institute of Company Directors.

Other current listed company directorships

- Non-Executive Director of RTG Mining Inc (since March 2013).
- Non-Executive Chairman of Castillo Copper Ltd (since December 2018).
- Non-Executive Chairman of Twenty Seven Co Ltd (since April 2019).

Former listed company directorships in last three years

- Non-executive Director of Resimac Group Ltd (previously Homeloans Ltd) (November 2000 to November 2018).
- Non-executive Director of Lonestar Resources Ltd (October 1996 to June 2016).

Special responsibilities

- Chairman of the Audit and Risk Committee.
- Member of the Remuneration and Nomination Committee.



Paul Hallam

Independent Non-Executive Director

Appointed 21 May 2013, Age 64

Qualifications

BE (Hons) Mining, FAICD, FAusIMM

Experience

Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining.

He has global experience stemming from his executive roles across multiple cultural, regulatory and business environments. His former executive roles include Director – Operations with Fortescue Metals Group, Executive General Manager – Development & Projects with Newcrest Mining Ltd, Director – Victorian Operations with Alcoa and Executive General Manager – Base and Precious Metals with North Ltd; and also, mine management/development roles for Battle Mountain Gold Company in Chile, Bolivia and Australia. In these and previous roles Mr Hallam has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversight and management for multiple mining operations.

Mr Hallam retired in 2011 to pursue a career as a professional non-executive director. He has held Australian and international non-executive director roles since 1997.

Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy.

Former listed company directorships in last three years

- Non-executive Director of Gindalbie Metals Ltd (December 2011 to July 2019).
- Non-executive Director of Altona Mining Ltd (March 2013 to April 2018).

Special responsibilities

- Chairman of the Remuneration and Nomination Committee.
- Member of the Audit and Risk Committee.



Maree Arnason

Independent Non-Executive Director

Appointed 18 December 2015, Age 54

Qualifications

B.Arts, GAICD

Experience

Ms Arnason is an experienced director and senior executive whose career has spanned 30 years in the resources, energy and manufacturing sectors with companies including BHP, Carter Holt Harvey, Nasdaq STO Svenska Cellulosa AB (SCA) and Wesfarmers.

Maree, who has worked in many complex corporate and project environments with a focus on risk and reputation, has expertise in strategy, sustainability, risk, stakeholder relations, indigenous affairs, corporate, government and regulatory affairs, permitting, divestments and integrations. In her executive career, Maree was a member of divisional leadership teams for a number of ASX listed Top 10 companies with businesses and services located globally and has worked across commodities including copper, iron ore, timber, coal (thermal and metallurgical), mineral sands and natural gas.

As a Co-Founder/Director of Energy Access Services, who operate an independent Western Australian-focused digital trading platform for wholesale gas buyers and sellers, Maree has experience in the start-up, commercialisation and innovation space.

Ms Arnason is a member of the Australian Securities and Investments Commission (ASIC) Director Advisory Panel, serves on CEDA's (Committee for Economic Development of Australia) WA State Advisory Council and is a life member and past National Director of the Australia China Business Council.

Former listed company directorships in last three years

- Non-Executive Director of MZI Resources Ltd (May 2015 to March 2019).

Special responsibilities

- Chair of the Sustainability Committee.
- Member of the Audit and Risk Committee.



Roric Smith

Independent Non-Executive Director

Appointed 31 December 2016, Age 57

Qualifications

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

Experience

Dr Smith is a highly experienced geologist with extensive Australian and international experience. Until June 2016, Dr Smith was Vice President, Discovery and Chief Geologist for Evolution Mining Ltd, where he played a key role in leading that company's exploration and mining efforts from implementation through to execution. Prior to joining Evolution, Dr Smith held numerous global senior executive positions with AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager - North Asia Region; and Chief Geologist Australia. Dr Smith holds a B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa.

Other current listed company directorships

- Non-Executive Director of Saracen Mineral Holdings Ltd (since July 2017).

Special responsibilities

- Member of the Sustainability Committee.



GROUP MANAGEMENT TEAM



Jason Grace
Chief Operating Officer

Qualifications

B.AppSc (Geo), B.Sc (Hons),
MMinEng, MEnt (Exec)

Experience

Mr Grace is an experienced mining professional with more than 26 years of industry experience spanning Australia and the Asia-Pacific region and ranging

across multiple disciplines including general management, operational management, technical leadership, project/studies management, business improvement, mineral resource evaluation, mine planning and mine geology.

He was most recently Executive General Manager – Iron Ore for the leading diversified mining services group Mineral Resources Ltd (ASX: MIN), where he managed the group's entire Australian iron ore business including the Yilgarn operations acquired from Cliffs Asia Pacific, the Iron Valley mine and the Kumina and Marillana projects.

Prior to that, he was Senior Director, Asia Pacific Iron Ore and Senior Director, Technical Services for Cliffs Asia Pacific Iron Ore, where he led and managed all elements of the Asia Pacific Iron ore business segment for USA-based Cleveland Cliffs Inc.

Prior to joining Cleveland Cliffs, Mr Grace enjoyed a 13-year career with Newcrest Mining Ltd holding a range of senior managerial and operational positions including the group-wide role General Manager – Technical and Planning. He has also worked previously for BHP Steel and BHP Engineering – Mining Services, Arimco Mining Pty Ltd and RGC Thalanga.

Mr Grace's qualifications include a Bachelor of Applied Science (Geology) from Queensland University of Technology, a Bachelor of Science (Honours) from James Cook University and a Master of Mining Engineering from the University of New South Wales.



Matthew Fitzgerald
Chief Financial Officer and Company Secretary

Qualifications

B.Com, CA

Experience

Mr Fitzgerald is a chartered accountant with extensive experience in the resources industry. He began his career in the Assurance & Advisory

division of KPMG, before joining ASX listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald is also the Chairman of the Company's 85% owned TSX Venture Exchange listed subsidiary, Sandfire Resources America Inc. (TSX-V: SFR). Sandfire Resources America Inc. is permitting the 100% owned and leased Black Butte Copper project in Montana, USA.



Robert Klug
Chief Commercial Officer and Legal Counsel

Qualifications

B.Com, LLB

Experience

Mr Klug is an experienced commercial manager having held accounting, senior legal, corporate finance

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



Bruce Hooper
Chief Exploration and Business Development Officer

Qualifications

B.Sc, RPGeo

Experience

Mr Hooper is a registered professional geoscientist with extensive experience in the resources industry including

the energy, base metal and precious metal fields in Australia, Asia, the Americas and Africa. Prior to joining Sandfire in 2012, Mr Hooper worked in a number of senior exploration, operational and business development roles for a variety of companies including BP, Rio Tinto, North Ltd, Straits Resources, Perilya Ltd and Ivernia. From October 2015 to July 2016 Mr Hooper was on secondment to Sandfire Resources America Inc. where he served as the Chief Executive Officer.



Shannan Bamforth
General Manager Geology

Qualifications

B.Sc (Geo)

Experience

Mr Bamforth is a geologist with over 20 years' experience in the resources industry with a focus on base metals, gold and coal. He has worked in

exploration and operational roles in Australia, Africa, China and Indonesia. Prior to joining Sandfire, Mr Bamforth held various senior positions with a variety of companies including Regent Pacific Group, St Barbara Mines, AngloGold Ashanti, and Acacia Resources. He is a member of The Australian Institute of Mining and Metallurgy. Since joining Sandfire in 2012, Shannan has led the Company's exploration efforts in the Doolgunna-Bryah Basin region of Western Australia.

GOVERNANCE

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

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

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

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

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

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

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

2019 CORPORATE GOVERNANCE STATEMENT

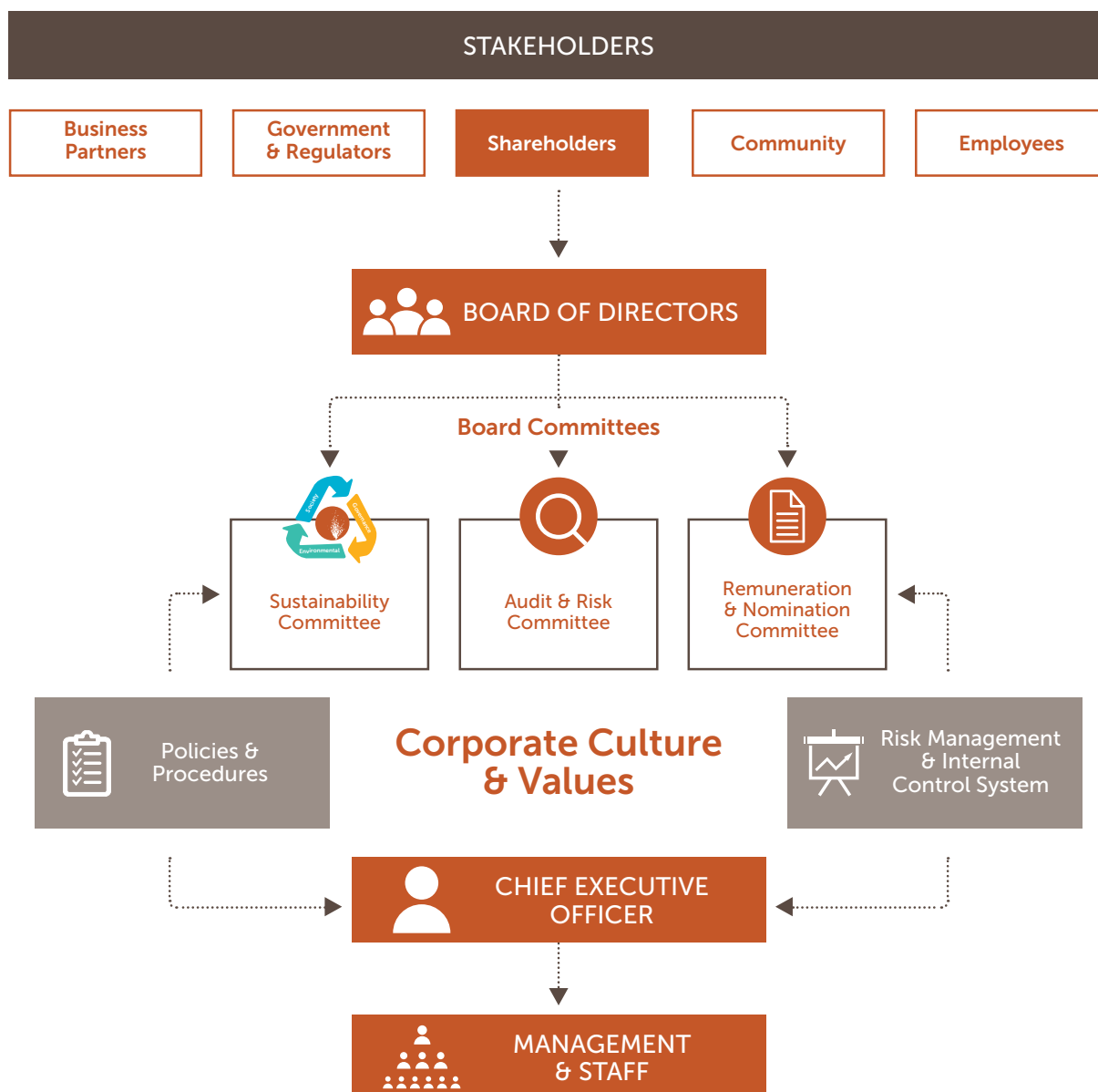
Sandfire's Corporate Governance Statement outlines the key features of Sandfire's corporate governance framework by reference to the ASX Corporate Governance Council's 3rd Edition of its Corporate Governance Principles and Recommendations (ASX Recommendations).

Sandfire's Corporate Governance Statement is accurate and current as at 30 September 2019 and has been approved by the Board of Directors. During the FY2019 reporting period, the Company's corporate governance practices have complied with all relevant ASX Recommendations.

The Corporate Governance Statement can be found in the Governance section of Sandfire's website at <http://www.sandfire.com.au/site/about/governance>, along with the ASX Appendix 4G, a checklist cross-referencing the ASX Recommendations to disclosures in the Corporate Governance Statement, the 2019 Annual Report and the Company website.



GOVERNANCE FRAMEWORK



SUPPORTING DOCUMENTS

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

Available on our website
www.sandfire.com.au/site/about/governance



SUSTAINABILITY

Sandfire is committed to open and transparent communication about its social and environmental performance. Sandfire's Sustainability Report, available on the Company's website, provides comprehensive disclosure on how the Company manages its social and environmental impacts and has contributed to sustainable development throughout the year.

The report is prepared in accordance with the Global Reporting Initiative Standards 'core' option and is approved by Sandfire's Board of Directors.

The focus areas of Sandfire's sustainability initiatives are informed by stakeholder engagement, organisational objectives and industry trends. Outlined in Sandfire's Sustainability Strategy, these focus areas include: Respect and Accountability, Supporting Economic Development, Building a Safe and Supportive Workplace and Operating Responsibly.

Sandfire sets public sustainability targets to drive improved business performance, meet stakeholder expectations and support the delivery of the Sustainability Strategy. Progress against targets is reported annually through the Sustainability Report.



ORE RESERVES AND MINERAL RESOURCES

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

The ASX releases, including JORC Table 1 documentation, which detail the material assumptions and technical parameters for each estimate, and the JORC code competent person statements for ore reserves and mineral resources are available on the Company's website at <https://www.sandfire.com.au/site/operations/degrussa/mineral-resources-ore-reserves-and-mine-plan>.

A comparison of the current declared mineral resource and ore reserve estimates to that of the previous year for the DeGrussa Copper-Gold Mine (DeGrussa Mine) is outlined in the table below. All other mineral resources and ore reserves remain unchanged.

	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Mineral Resource					
31 Dec 2017	7.6	4.1	1.6	311,000	384,000
31 Dec 2018	6.5	3.7	1.4	242,000	304,000
Ore Reserve					
31 Dec 2017	8.5	3.4	1.3	290,000	359,000
31 Dec 2018	7.3	3.0	1.2	219,000	282,000

The variance between the 2017 and 2018 DeGrussa Mine mineral resource estimates primarily reflects mining depletion and sterilisation. The variance between the 2017 and 2018 DeGrussa Mine ore reserve estimates reflects a mineral resource update, mining depletion and a revision to mining modifying factors.

Sandfire reports mineral resources and ore reserves as at a date other than its end of financial year balance date. A brief explanation of material changes that have occurred up to the 30 June 2019 is provided below.

The DeGrussa Mine mineral resource and ore reserve is declared as at 31 December 2018. Material changes have occurred in the period between 1 January 2019 and 30 June 2019 due to mining depletion of approximately 0.7 Mt at 4.3% Cu, 1.8 g/t Au for 32,000t of contained copper and 44,000oz of contained gold.

The Monty Copper-Gold Mine (Monty Mine) mineral resource and ore reserve is declared as at 31 March 2016 and 31 March 2017 respectively. Material changes have occurred in the period between 1 January 2019 and 30 June 2019 due to mining depletion of approximately 0.1 Mt at 6.5% Cu, 1.1 g/t Au for 7,000t of contained copper and 4,000oz of contained gold.

DeGrussa Copper-Gold Mine Underground – Ore Reserve and Mineral Resource as at 31 December 2018

Deposit	Ore Reserve						Mineral Resource					
	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
DeGrussa	Proved	0.3	6.1	2.3	17,000	21,000	Measured	0.3	7.2	2.6	19,000	22,000
	Probable	<0.1	3.9	1.2	1,000	1,000	Indicated	<0.1	1.6	1.1	<1,000	1,000
							Inferred	-	-	-	-	-
	Total	0.3	5.9	2.2	18,000	22,000	Total	0.3	6.8	2.5	19,000	22,000
Conductor 1	Proved	1.3	3.7	1.4	48,000	59,000	Measured	1.1	5.3	2.0	57,000	70,000
	Probable	0.2	2.8	1.1	4,000	6,000	Indicated	0.2	1.6	0.4	2,000	2,000
							Inferred	<0.1	3.3	1.7	<1,000	<1,000
	Total	1.5	3.6	1.4	52,000	65,000	Total	1.2	4.8	1.8	60,000	72,000
Conductor 4	Proved	1.0	4.4	1.4	45,000	47,000	Measured	0.9	6.3	2.0	59,000	62,000
	Probable	0.3	3.3	1.2	11,000	12,000	Indicated	0.2	2.1	0.8	3,000	4,000
							Inferred	<0.1	2.7	1.8	1,000	2,000
	Total	1.3	4.1	1.4	55,000	59,000	Total	1.1	5.6	1.9	63,000	68,000
Conductor 5	Proved	1.1	4.4	2.0	49,000	73,000	Measured	0.9	6.1	2.7	56,000	79,000
	Probable	0.3	2.8	1.5	8,000	14,000	Indicated	0.2	3.4	2.0	7,000	13,000
							Inferred	<0.1	2.2	0.9	<1,000	<1,000
	Total	1.4	4.0	1.9	56,000	87,000	Total	1.1	5.6	2.6	63,000	93,000
Stockpiles	Proved	<0.1	5.4	1.9	2,000	2,000	Measured	<0.1	5.4	1.9	2,000	2,000
Total	Proved	3.8	4.3	1.7	161,000	202,000	Measured	3.2	6.0	2.3	193,000	235,000
	Probable	0.8	3.0	1.3	24,000	33,000	Indicated	0.5	2.4	1.2	13,000	20,000
							Inferred	<0.1	2.3	2.7	1,000	2,000
	Total	4.6	4.1	1.6	185,000	235,000	Total	3.8	5.4	2.1	207,000	257,000

Ore Reserves and Mineral Resources (continued)

DeGrussa Copper-Gold Mine Open Pit – Ore Reserve and Mineral Resource as at 31 December 2018

Deposit	Ore Reserve						Mineral Resource					
	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Stockpiles	Proved	2.7	1.3	0.5	34,000	46,000	Measured	2.7	1.3	0.5	34,000	46,000
	Probable	-	-	-	-	-	Indicated	-	-	-	-	-
							Inferred	-	-	-	-	-
	Total	2.7	1.3	0.5	34,000	46,000	Total	2.7	1.3	0.5	34,000	46,000

DeGrussa Copper-Gold Mine Total – Ore Reserve and Mineral Resource as at 31 December 2018

Deposit	Ore Reserve						Mineral Resource					
	Reserve category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Resource category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
DeGrussa	Proved	0.3	6.1	2.3	17,000	21,000	Measured	0.3	7.2	2.6	19,000	22,000
	Probable	<0.1	3.9	1.2	1,000	1,000	Indicated	<0.1	1.6	1.1	<1,000	1,000
							Inferred	-	-	-	-	-
	Total	0.3	5.9	2.2	18,000	22,000	Total	0.3	6.8	2.5	19,000	22,000
Conductor 1	Proved	1.3	3.7	1.4	48,000	59,000	Measured	1.1	5.3	2.0	57,000	70,000
	Probable	0.2	2.8	1.1	4,000	6,000	Indicated	0.2	1.6	0.4	2,000	2,000
							Inferred	<0.1	3.3	1.7	<1,000	<1,000
	Total	1.5	3.6	1.4	52,000	65,000	Total	1.2	4.8	1.8	60,000	72,000
Conductor 4	Proved	1.0	4.4	1.4	45,000	47,000	Measured	0.9	6.3	2.0	59,000	62,000
	Probable	0.3	3.3	1.2	11,000	12,000	Indicated	0.2	2.1	0.8	3,000	4,000
							Inferred	<0.1	2.7	1.8	1,000	2,000
	Total	1.3	4.1	1.4	55,000	59,000	Total	1.1	5.6	1.9	63,000	68,000
Conductor 5	Proved	1.1	4.4	2.0	49,000	73,000	Measured	0.9	6.1	2.7	56,000	79,000
	Probable	0.3	2.8	1.5	8,000	14,000	Indicated	0.2	3.4	2.0	7,000	13,000
							Inferred	<0.1	2.2	0.9	<1,000	<1,000
	Total	1.4	4.0	1.9	56,000	87,000	Total	1.1	5.6	2.6	63,000	93,000
Stockpiles	Proved	2.7	1.3	0.6	37,000	49,000	Measured	2.7	1.3	0.6	37,000	49,000
							Indicated	-	-	-	-	-
Total	Proved	6.5	3.0	1.2	195,000	248,000	Measured	5.9	3.8	1.5	228,000	282,000
	Probable	0.8	3.0	1.3	24,000	33,000	Indicated	0.5	2.4	1.2	13,000	20,000
							Inferred	<0.1	2.7	1.7	1,000	2,000
	Total	7.3	3.0	1.2	219,000	282,000	Total	6.5	3.7	1.4	242,000	304,000

Notes:

- Mineral resource is based on a 1.0% Cu cut-off and allows for mining depletion and sterilisation as at 31 December 2018.
- Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.
- Ore reserve include mining dilution and recovery.

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

Deposit	Ore Reserve						Mineral Resource					
	Reserve Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Reserve Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Monty	Proved	-	-	-	-	-	Measured	-	-	-	-	-
	Probable	0.92	8.7	1.4	80,000	42,000	Indicated	1.04	9.3	1.6	97,000	54,000
							Inferred	0.01	20.7	2.7	2,000	1,000
	Total	0.92	8.7	1.4	80,000	42,000	Total	1.05	9.4	1.6	99,000	55,000

Notes:

- (a) Mineral Resource is based on a 1.0% Cu cut-off.
- (b) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.
- (c) Included within the ore reserve is marginal grade material that is currently sub-economic that could become economic in the future. The quantity of this material is 10,000 tonnes at 2.5% Cu for 246 tonnes of copper and 0.6 g/t Au for 200 ounces of gold. This material represents 1% of the Ore Reserve tonnes and less than 1% of the contained copper and gold.

Black Butte Copper – Mineral Resource as at 31 December 2016

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

Notes:

- (a) The Black Butte Copper project is owned by TSX Venture Exchange listed Company, Sandfire Resources America Inc. (TSX-V: SFR), of which Sandfire's ownership interest is 85%. The figures shown represent 100% of the mineral resource.
- (b) Mineral resource is based on a 1.6% Cu cut-off for the Johnny Lee Upper Zone and Lowry Zone, and a 1.5% Cu cut-off for Johnny Lee Lower Zone.
- (c) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

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

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

Notes:

- (a) Mineral resources for both Thaduna and Green Dragon are based on a 0.5% Cu cut-off.
- (b) Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

Ore Reserves and Mineral Resources (continued)

Temora Project – Mineral Resource as at 31 December 2016

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

Notes:

- Mineral resources for the Dam, Cullingerai, Estoril, Mandamah, Yiddah deposits are based on a 0.3% CuEq cut-off which is calculated as $CuEq = Cu \% + Au \text{ g/t} ((PAu * RecAu)/(PCu * RecCu))$ where Cu price = 3.53 AUD\$/lb, Au price = 1,600 AUD\$/oz, Cu recovery = 90% and Au recovery = 75%.
- Mineral resource for the Gidginbung deposit is based on a 1g/t Au cut-off.
- Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

Competent Person Statements

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

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

FINANCIAL REPORT

For the year ended 30 June 2019

CONTENTS

DIRECTORS' REPORT	28
CONSOLIDATED INCOME STATEMENT	60
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	61
CONSOLIDATED BALANCE SHEET	62
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	63
CONSOLIDATED STATEMENT OF CASH FLOWS	64
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	65
DIRECTORS' DECLARATION	96
INDEPENDENT AUDITOR'S REPORT	97

Directors' Report

The Directors present their report on the consolidated entity (referred to as the Group) consisting of the Parent entity, Sandfire Resources NL (Sandfire or the Company), and the entities it controlled at the end of, or during, the year ended 30 June 2019 (the reporting period) and the auditor's report thereon.

Directors

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

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

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

Derek La Ferla, age 60	Independent Non-Executive Chairman
Qualifications	B.Arts, B.Juris, B.Law, Fellow of AICD
Experience	Mr La Ferla is a corporate lawyer and company director with more than 30 years experience. He has held senior positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently a Partner (on a part time basis) with Western Australian firm, Lavan, is a fellow of the Australian Institute of Company Directors and a member of the AICD Council (WA Division).
Other current listed company directorships	Non-executive Director of BNK Banking Corporation Limited (since November 2015). Non-executive Chairman of Threat Protect Australia Limited (since September 2015). Non-executive Chairman of Veris Limited (since October 2011).
Special responsibilities	Member of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee. Member of the Sustainability Committee.
Karl Simich, age 55	Managing Director and Chief Executive Officer
Qualifications	B.Com, FCA, F.Fin
Experience	Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of various mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a director of and held senior positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.

Directors' Report

Directors (continued)

Robert Scott, age 72

Qualifications

Experience

Independent Non-Executive Director

FCA

Mr Scott is a Chartered Accountant and former international partner with major global accounting firms with over 35 years' experience in corporate structuring and taxation planning. He has served as a Chairman and as non-executive Director with various publicly listed resource companies with operational experience in Australia, USA and Asia and has a strong focus on project governance, audit and risk management.

Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia and is a member of the Australian Institute of Company Directors.

Other current listed company directorships

Non-Executive Director of RTG Mining Inc (since March 2013).
Non-Executive Chairman of Castillo Copper Ltd (since December 2018).
Non-Executive Chairman of Twenty Seven Co Ltd (since April 2019).

Former listed company directorships in last three years

Non-executive Director of Resimac Group Ltd (previously Homeloans Ltd) (November 2000 to November 2018).
Non-executive Director of Lonestar Resources Ltd (October 1996 to June 2016).

Special responsibilities

Chair of the Audit and Risk Committee.
Member of the Remuneration and Nomination Committee.

Paul Hallam, age 64

Qualifications

Experience

Independent Non-Executive Director

BE (Hons) Mining, FAICD, FAusIMM

Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. Mr Hallam retired in 2011 to pursue a career as a professional non-executive director. He has held Australian and international non-executive director roles since 1997.

His former executive roles include Director – Operations with Fortescue Metals Group, Executive General Manager – Development & Projects with Newcrest Mining Limited, Director - Victorian Operations with Alcoa and Executive General Manager - Base and Precious Metals with North Ltd. In these and previous roles Mr Hallam has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversight and management for multiple mining operations.

Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy.

Former listed company directorships in last three years

Non-executive Director of Gindalbie Metals Ltd (December 2011 to July 2019).
Non-executive Director of Altona Mining Ltd (March 2013 to April 2018).

Special responsibilities

Chair of the Remuneration and Nomination Committee.
Member of the Audit and Risk Committee.

Maree Arnason, age 54

Qualifications

Experience

Independent Non-Executive Director

B.Arts, GAICD

Ms Arnason is an experienced director and senior executive whose career has spanned 30 years in the resources, energy and manufacturing sectors with companies including BHP, Carter Holt Harvey and Wesfarmers and has significant leadership expertise working in complex corporate and project environments with a focus on risk and reputation.

Ms Arnason is a Co-Founder/Director of Energy Access Services, who operate an independent Western Australian-focused wholesale digital gas trading platform and a member of the Australian Securities and Investment Commission (ASIC) Director Advisory Panel. An active not-for-profit contributor for 25 years, Ms Arnason serves on CEDA's (Committee for Economic Development of Australia) WA State Advisory Council, the Juniper Board - one of WA's largest aged care community benefit organisations and is a life member and past National Director of the Australia China Business Council. Ms Arnason was recognised as one of the Top100 Global Inspirational Women in Mining in 2018.

Former listed company directorships in last three years

Non-executive Director of MZI Resources Limited (May 2015 to March 2019).

Special responsibilities

Chair of the Sustainability Committee.
Member of the Audit and Risk Committee.

Directors' Report

Directors (continued)

Roric Smith, age 57	Independent Non-Executive Director
Qualifications	B.Sc (Hons) Geology, Ph.D Geology, MAICD
Experience	<p>Dr Smith is a highly experienced geologist with extensive Australian and international experience. Dr Smith was previously Vice President, Discovery and Chief Geologist for Evolution, where he played a key role in leading that company's exploration efforts.</p> <p>Prior to joining Evolution, Dr Smith held senior executive positions with the gold producer AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager – North Asia Region; and Chief Geologist Australia. Dr Smith holds a B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa.</p>
Other current listed company directorships	Non-executive Director of Saracen Mineral Holdings Ltd (since July 2017).
Special responsibilities	Member of the Sustainability Committee.

Interests in the shares of the Company and related bodies corporate

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

	Number of ordinary shares
Derek La Ferla	21,668
Karl Simich	4,799,751
Robert Scott	5,000
Paul Hallam	-
Maree Arnason	-
Roric Smith	-

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

Company Secretary

Matthew Fitzgerald	Company Secretary and Chief Financial Officer
Qualifications	B.Com, CA
Experience	<p>Mr Fitzgerald was appointed to the position of Company Secretary on 22 February 2010. Mr Fitzgerald is a Chartered Accountant with extensive experience in the resources industry. He began his career in the Assurance and Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald also holds the position of Non-Executive Chairman of the Company's subsidiary Sandfire Resources America Inc.</p>

Directors' Report

Directors' meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director are detailed below:

	Meetings of Committees							
	Board Meetings		Audit and Risk		Remuneration and Nomination		Sustainability	
	A	B	A	B	A	B	A	B
Derek La Ferla	8	8	4	4	5	5	6	6
Karl Simich	8	8	-	-	-	-	-	-
Robert Scott	7	8	4	4	5	5	-	-
Paul Hallam	8	8	4	4	5	5	-	-
Maree Arnason	8	8	4	4	-	-	6	6
Roric Smith	8	8	-	-	-	-	6	6

A Number of meetings attended.

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

Committee membership

As at the date of this report, the Board has an Audit and Risk Committee, a Remuneration and Nomination Committee and a Sustainability Committee.

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

Audit and Risk	Remuneration and Nomination	Sustainability
Robert Scott - Chair	Paul Hallam - Chair	Maree Arnason – Chair
Derek La Ferla	Derek La Ferla	Derek La Ferla
Paul Hallam	Robert Scott	Roric Smith
Maree Arnason		

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 16 cents per share, to be paid on 29 November 2019. The record date for entitlement to this dividend is 15 November 2019. The financial impact of this dividend amounting to \$25,529,000 based on ordinary shares outstanding as at 30 June 2019 has not been recognised in the Financial Statements for the year ended 30 June 2019 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 July 2017, other than as above, are set out below:

Record date	Date of payment	Period	Amount per share (cents)	Franked amount per share (cents)	Total dividends \$000
5 March 2019	19 March 2019	2019 FY Interim	7	7	11,169
11 September 2018	25 September 2018	2018 FY Final	19	19	30,316
5 March 2018	20 March 2018	2018 FY Interim	8	8	12,638
12 September 2017	26 September 2017	2017 FY Final	13	13	20,537

Principal activities

The principal activities during the year of the consolidated Group 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 and permitting of Sandfire Resources America Inc.'s high-grade Black Butte Copper Project; and
- Exploration, evaluation and development of mineral tenements and projects in Australia and overseas, including investment in early stage mineral exploration companies.

Directors' Report

Operational and financial review

DEGRUSSA 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: Location of the DeGrussa Operations.

Overview

Production for the 12 months to 30 June 2019 was 69,394 tonnes of contained copper and 44,455 ounces of contained gold, both exceeding the Group's published guidance ranges. A summary of copper and gold production and sales for the year is provided below:

FY 2019 Production Statistics		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined	1,624,988	4.7	1.8	76,162	95,600
	Milled	1,619,714	4.6	1.8	75,069	95,327
	Production	287,336	24.1	4.8	69,394	44,455
Concentrate sales		282,928	24.1	4.6	67,967	42,269

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 the DeGrussa mine throughout the reporting period.

Underground development was completed at the Monty mine during the reporting period, with first stoping ore delivered during the March 2019 Quarter.

Processing

Mill throughput for the 2019 financial year was as planned at around 1.6mtpa.

Copper recovery during the first half was slightly lower than planned but was offset with higher than expected feed grade which drove higher than planned concentrate tonnage and copper production.

Mill throughput for the second half was marginally above target driven by higher mill availability and utilisation. Strong copper recovery was achieved for the ore profile presented during this period with improvements achieved in blending strategies.

Production Guidance

FY2020 targeted production guidance is expected to be within the range of 70,000 – 75,000 tonnes of contained copper metal with gold production within the range of 38,000 – 42,000 ounces of contained gold.

Sales & Marketing

A total of 282,928 tonnes of concentrate was sold for the 2019 financial year containing 67,967 tonnes of copper and 42,269 ounces of gold. 27 Shipments were completed from both Port Hedland and Geraldton during the year.

Directors' Report

Operational and financial review (continued)

DEVELOPMENT PROJECTS

Degrussa Oxide Copper Project

All of the acid test work planned for the Oxide Pre-Feasibility Study (PFS) base case has been completed.

Schedules have been created based on trucking concentrated acid to the site and making acid from sulphide tailings using pressure oxidation. Glycine work is still progressing and, once the information is available, a glycine schedule will be produced.

In parallel with this testing, full process design criteria for scrubbing, stacking, heap leaching, solvent extraction, electrowinning and pressure oxidation (POX) have been established. A mechanical and electrical equipment list is being developed with the goal of updating the 2014 PFS layout and re-costing this for the current PFS.

Black Butte Copper Project, Montana, USA (Sandfire: 85.45%)

Sandfire holds an 85.45% interest, via North American-listed company Sandfire Resources America Inc. (TSX-V: SFR), in the premier, high-grade Black Butte Copper Project (Project), located in central Montana in the United States.

The Project, which is being permitted by Tintina Montana Inc. (Tintina), a 100%-owned subsidiary of Sandfire Resources America Inc., is located close to existing road, power and rail infrastructure, with the ability to access a residential workforce located nearby and competitive sources of materials and power. Located on private ranch land, the Project copper resource consists of three flat-lying sedimentary hosted copper deposits.

Permitting Progress

The Draft Environmental Impact Statement (EIS) for the Black Butte Copper Project was released by the Montana Department of Environmental Quality (MT DEQ) during the March Quarter and the 60-day comment period relating to the draft EIS closed during the June Quarter.

The next step in the MT DEQ's process will be to respond to public comments and issue a final 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. This could potentially occur in the second half of CY2019.

Feasibility Study (FS)

Initial work on the Black Butte Feasibility Study (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 targeted for completion in Q2 of FY2020. The FS team includes Denver-based GR Engineering Services Limited 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.

Directors' Report

Operational and financial review (continued)

EXPLORATION PROJECTS – GREATER DOOLGUNNA PROJECT

The Greater Doolgunna Project, which includes 100% Sandfire tenure, Joint Venture and Farm in projects, covers an aggregate contiguous exploration area of 6,712km². 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.

Key components of the Company's exploration activity within the Greater Doolgunna Project during the financial year included:

- Drilling programs at the Morck Well Project, part of the Auris Minerals Ltd farm-in, to follow up visible copper mineralisation intersected in 2018 financial year and aid geological interpretation, as well as providing quality geochemical coverage of the interpreted Karalundi Formation, which hosts the DeGrussa and Monty copper-gold deposits.
- Major programs of regional AC drilling to test the prospective stratigraphy at the Morck Well Project, Peak Hill Project, Bryah Project, Enterprise Project and Ned's Creek Project.
- RC drilling to test the position of potential sediment horizons at the Southern Volcanics, Red Bore East, DeGrussa Access Road and Airstrip South prospects.
- RC and Diamond drilling at Ned's Creek Project to test geophysical conductors identified through the inversion of an Airborne Versatile Electromagnetic (VTEM) data and fault systems along-strike from Green Dragon for structurally-hosted copper mineralisation.
- RC drilling at Enigma to aid in the definition of the supergene copper mineralisation defined by Sipa Resources Ltd and provide samples for metallurgical test work.
- Diamond drilling at the Springfield Project to test a subtle DHEM anomaly identified in a review of data collected from SPD017 in the Monty North-east area.
- MLEM surveying over the Karalundi Formation and down-hole electromagnetics (DHEM) surveys on a number of RC and Diamond drill holes across numerous projects.
- Detailed Ground Gravity surveying to cover the Karalundi Formation throughout the wider Doolgunna area.

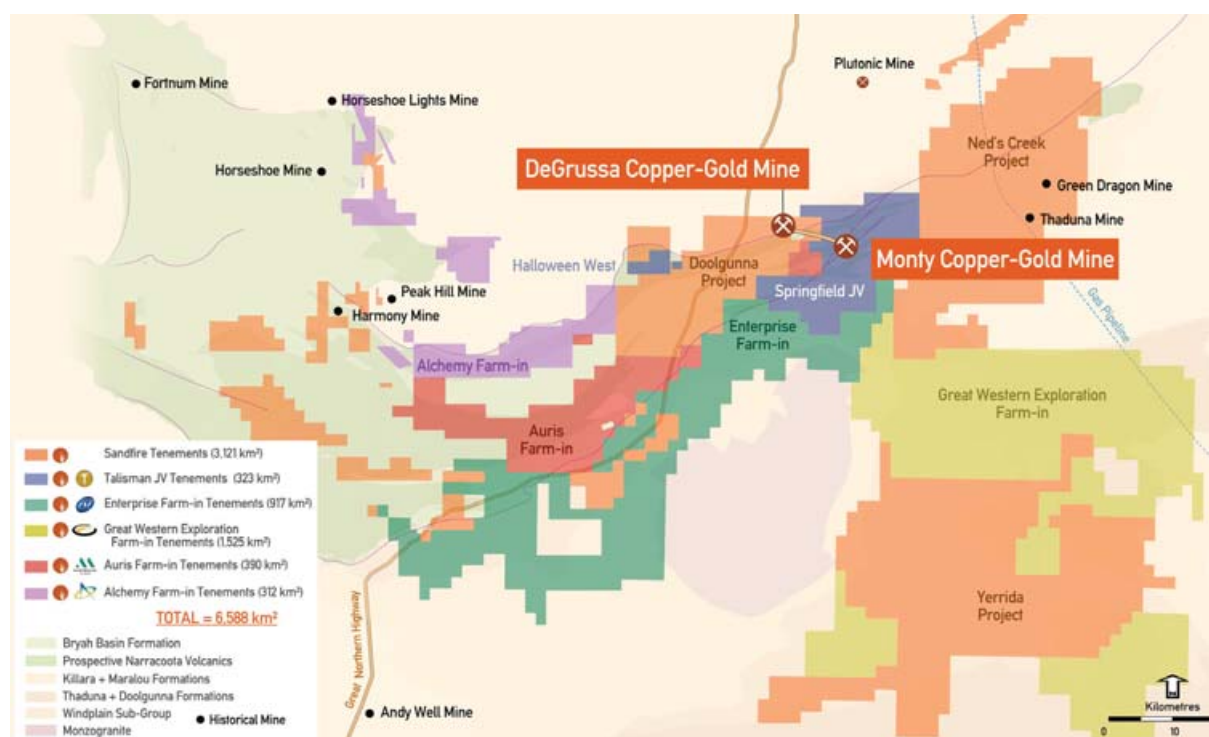


Figure 2: Sandfire tenement holding in the Greater Doolgunna area.

Directors' Report

Operational and financial review (continued)

EXPLORATION PROJECTS - GREATER DOOLGUNNA PROJECT (CONTINUED)

Following is a summary of drilling completed during the 2019 Financial Year.

Project	AC/RAB Drilling (m)	RC Drilling (m)	UG Diamond Drilling (m)	Surface Diamond Drilling (m)	Total Drilling (m)
Doolgunna (SFR 100%)	844	1,880	6,926	772	10,422
Springfield (SFR 100%)	-	3,700	64,764	223	68,687
Ned's Creek (SFR 100%)	15,268	2,402	-	1,692	19,362
West Bryah (SFR 100%)	16,720	-	-	-	16,720
Enterprise JV (Earn-in)	46,456	7,817	-	420	54,693
Auris JV (Earn-in)	102,621	15,732	-	2,176	120,529
Alchemy JV (Earn-in)	42,018	682	-	-	42,700
TOTAL FY2019	223,927	32,213	71,690	5,283	333,113

EXPLORATION PROJECTS - 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.

Further details of these projects can be found on Company's website www.sandfire.com.au and the Company's June 2019 Quarterly Report ASX announcement, dated 24 July 2019.

NSW – Temora Exploration

Drilling conducted during the year tested a number of porphyry copper-gold prospects in the Temora belt. Targets included complex magnetic highs and lows in a large alteration systems within the Rain Hill intrusive complex. No significant intercepts were encountered and geochemical results are pending.

Planning is underway for the Temora district to focus on key areas adjacent to the Rain Hill intrusive complex, this includes areas where access has been very limited over the last decade.

NSW – Cobar

Drilling commenced on the Coomeratta farm-in project in the western Cobar district during the June 2019 Quarter. The project is a high priority target in Sandfire's new Cobar region focus on intrusive related mineralisation in the basin. A number of new applications have been made and a variety of projects are being reviewed to explore for precious and base metals in this mineralised province utilising new ideas on deposit formations in the district.

Queensland

A drilling program has been completed at a number of the 100% owned prospects in the district including Breena North, Landsborough, Blackrock and the Cannington West projects. No significant results were reported from this program and planning continues on further work in the area for the next field season.

Northern Territory

MMG Exploration Pty Ltd fully withdrew from the Batten Trough Joint Venture covering the eastern portion of the Borroloola Project tenements during the year. The project has returned to Sandfire's 100% ownership.



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

Directors' Report

Operational and financial review (continued)

CORPORATE ACTIVITIES REVIEW

Increased ownership in Sandfire Resources America Inc.

During the year the Group increased its ownership stake in its subsidiary Sandfire Resources America Inc. ("Sandfire America"; TSX-V: SFR) by way of participation in the Sandfire America rights issue. The total consideration was C\$18,460,883 (A\$20,082,036). As at 30 June 2019 the Group's ownership is 85.45%.

Completion of acquisition of Talisman Mining's 30% interest in the Springfield JV's

During the year Sandfire completed the acquisition of the 30% interest in the Springfield Exploration and Mining Joint Ventures (Springfield Project) held by Talisman Mining Ltd (ASX: TLM), giving it 100% ownership of the Springfield Project including the high-grade Monty Copper-Gold Mine.

Completion of the transaction followed the satisfaction of all conditions precedent outlined in Sandfire's ASX release on the 8 August 2018, including approval by Talisman's shareholders at an Extraordinary General Meeting held on 4 October 2018. Following the approval, Sandfire completed the acquisition of Talisman's subsidiary, Talisman A Pty Ltd, for the purchase price of \$72.3 million in cash on a debt-free and cash-free basis. Sandfire also incurred stamp duty in relation to the Transaction as well as other transaction costs.

Talisman retains an ongoing 1% Net Smelter Return (NSR) royalty payable on any future discoveries at the Springfield Project. Through its acquisition, Sandfire assumed the existing 2.25% gross revenue royalty held by Taurus Mining Finance Fund payable on 30% of the copper and gold produced from the Monty deposit area, capped at 29,700t of copper and 16,500oz of gold (based on a 30% revenue share). The acquisition was funded from Sandfire's existing cash reserves.

Scheme of Arrangement to acquire MOD Resources Limited

As announced on the 25 June 2019, Sandfire and MOD Resources Limited (ASX/LSE: MOD) executed a binding Scheme Implementation Deed for the implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD. Under the Scheme, each MOD shareholder will elect 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 – representing 25% of the overall consideration.

Each of these alternatives implies Scheme Consideration of A\$0.45 per share, with an implied equity value of A\$167 million for MOD. The Implied Scheme Consideration represents a premium of:

- 45% to the closing price of A\$0.310 per share on 24 June 2019;
- 45% to the 20-day VWAP of A\$0.310 per share up to and including 24 June 2019; and
- 108% to the undisturbed closing price on 18 January 2019 (i.e. confirmation of Sandfire's preliminary, indicative and non-binding approach to MOD as reported in the media).

The Board of MOD has unanimously recommended that, in the absence of a superior proposal and subject to the independent expert to be appointed by the company opining that the Scheme is in the best interests of MOD shareholders (Standard Qualifications), MOD shareholders vote in favour of the Scheme.

MOD, through its Botswana operating companies (Tshukudu Metals, Tshukudu Exploration and MOD Botswana), owns a dominant landholding on the underexplored Kalahari copper belt in Botswana which includes the advanced T3 Project.

As at 30 June 2019 the transaction was not approved or complete. For further updates in relation to the Scheme of Arrangement to acquire MOD Resources Limited subsequent to 30 June 2019 please refer to Note 28 Subsequent events after balance sheet date within this financial report.

	DeGrussa Operations \$000	Exploration & evaluation \$000	Other \$000	Group \$000
Year ended 30 June 2019				
Sales revenue	592,211	-	-	592,211
Profit (loss) before net finance and income tax expense	225,729	(57,660)	(15,013)	153,056
Profit before income tax expense				158,639
Net profit				104,013
Net profit attributable to the equity holders of the parent				106,456
Basic and diluted earnings per share				65.23 cents

The DeGrussa operations contributed profit before net finance and income tax of \$225.7 million (2018: \$226.3 million) from underground mining and concentrator operations.

Exploration and Evaluation segment expenditure resulted in a loss before net finance and income tax of \$57.7 million (2018: loss of \$39.1 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 \$15.0 million (2018: loss of \$13.5 million).

Directors' Report

Operational and financial review (continued)

Dividends of \$41.5 million were declared during the year, comprising \$30.3 million in respect of the 2018 financial year. Subsequent to year end the Directors of the Company announced a final dividend on ordinary shares in respect of the 2019 financial year of 16 cents per share fully franked. Combined with the interim dividend of 7 cents per share represents 35% of the earnings per share for the full year. The final dividend has not been provided for in the consolidated Financial Statements for the year ended 30 June 2019.

Revenue

	30 Jun 2019 \$000	30 Jun 2018 \$000
Revenue		
Value of metal payable sold	642,194	596,242
Treatment and refining charges	(41,563)	(36,667)
Revenue from contracts with customers	600,631	559,575
Realised and unrealised QP price adjustment gain / (loss)	(8,420)	10,470
Total Revenue	592,211	570,045

	30 Jun 2019 %
Revenue breakdown by commodity	
Revenue from sales of copper	87.1
Revenue from sales of gold	11.8
Revenue from sales of silver	1.1
	100.0

A total of 27 shipments were completed from Port Hedland and Geraldton, Western Australia during the year.

Realised and unrealised priced adjustment losses for the year of \$8.4 million were recorded as a result of a net reduction in commodity prices during quotational sales periods (QP).

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 year.

DeGrussa Operations costs

	30 Jun 2019 \$000	30 Jun 2018 \$000
DeGrussa Operations costs		
Mine operations costs	134,694	125,452
Employee benefit expenses	26,303	25,140
Freight expenses	46,693	40,800
Changes in inventories of finished goods and work in progress	(11,052)	(8,123)
	196,638	183,269

Operations costs have increased due to mining costs from the commencement of mining activity at Monty during the year, and increased freight expenses from an increase in shipping rates.

Royalties

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

Exploration and evaluation

For the year ended 30 June 2019 the Group's Exploration and Evaluation expenses were \$57.7 million (2018: \$39.1 million).

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

- Near-mine and the Greater Doolgunna regional exploration, which include a number of joint venture earn-in arrangements;
- Other Australian and international exploration projects; and
- Expenditure arising on the consolidation of the Group's controlled entities, including results from the Group's investment in Sandfire Resources America Inc.

Directors' Report

Operational and financial review (continued)

Depreciation and amortisation

	Carrying value June 2019 \$000	Carrying value June 2018 \$000	Depreciation and amortisation during the year \$000
Mine properties	230,571	166,581	100,488
Plant and equipment, including assets under construction	135,920	164,038	40,310
	366,491	330,619	140,798

Sandfire Resources America Inc.

Sandfire Resources America Inc. contributed \$14.2 million (2018: \$10.3 million) in losses to the Group's result for the year ended 30 June 2019. \$11.9 million (2018: \$8.0 million) of these losses are attributable to the members of the parent entity, Sandfire Resources NL.

Income tax expense

Income tax expense of \$54.6 million for the year 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 year amounted to \$82.1 million. As at 30 June 2019, the Group has a \$0.8 million current tax payable with respect to the 2019 financial year.

Financial Position

Net assets of the Group have increased by \$72.1 million to \$604.2 million during the reporting period.

Cash balance

Group cash on hand was \$247.4 million as at 30 June 2019 (the Company \$243.0 million).

Trade and other receivables

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

Inventories

Inventories have increased \$11.2 million to \$56.8 million due to an increase in ore and concentrate stockpiles.

Financial investments

Financial investments represents the Group's investments in various early stage mining and exploration companies. The fair value of the investments as at 30 June 2019 was \$19.6 million.

Mine properties

The Company invested a total of \$162.9 million in underground mine development activities during the year. \$127.9 million related to the development of the Monty Copper-Gold Mine, including the acquisition of the 30% interest in the Springfield Mining Joint Venture previously held by Talisman Mining Ltd. A further \$35.0 million mine development related to underground development at the DeGrussa Copper-Gold Mine, to establish development access to the sulphide ore bodies ahead of future stoping activities.

Plant and equipment, including assets under construction

The carrying value of plant and equipment, including assets under construction, has decreased by \$28.1 million to \$135.9 million at the end of the year, including depreciation for the year of \$40.3 million, offset by additions predominately from processing plant upgrades to accommodate Monty ore.

Current and deferred tax liabilities

Taxable profit on operations during the year exceeded tax instalments resulting in the Group booking a current income tax liability of \$0.8 million at year end. In addition, the Group has booked a net deferred tax liability position of \$35.6 million at balance date which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

Provisions

Total current and non-current provisions for the Group have increased by \$1.9 million to \$35.6 million as at 30 June 2019. The Group's provisions predominately relate to mine rehabilitation activities as well as some employee entitlements for long service and annual leave.

Cash Flows

Operating activities

Net cash inflow from operating activities was \$210.4 million for the year. Net cash inflow from operating activities prior to payments for exploration and evaluation activities was \$267.4 million for the year.

Directors' Report

Operational and financial review (continued)

Investing activities

Net cash outflow from investing activities was \$169.7 million for the period. This included payments for property, plant and equipment of \$9.9 million, payments for mine development of \$154.0 million, (including the \$72.3 million for the acquisition of Talisman's 30% JV interests) and payments for financial investments of \$5.0 million.

Financing activities

Net cash outflow from financing activities of \$36.1 million for the year included dividend payments of \$41.5 million.

Business risks and management

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

Business risks are assessed on a regular basis by management and material risks are regularly reported to the Board and its Committees. These reports include the status and effectiveness of control measures relating to each material risk.

The material business risks that could affect the Group's future operating and financial performance are listed below. Information that would likely result in unreasonable prejudice to the Group has not been included. This includes information that is confidential or commercially sensitive, except where disclosure is required pursuant to our continuous disclosure obligations.

Operating and business risks

The Group's DeGrussa operations located in Western Australia is the Group's sole operating project and profitable operating segment and exposes the Group to concentration risk.

The DeGrussa operation consists of two underground mines (DeGrussa and Monty), a processing plant, a paste plant, village accommodation and infrastructure facilities. Concentrate is transported to Geraldton and Port Hedland via road and shipped to international trader and smelter customers. The Group's operational and financial performance is heavily reliant on the successful integrated operation of its DeGrussa operation.

The Group's mining operations are subject to uncertainty with respect to (among other things): ore tonnes, mine grade, ground conditions, metallurgical recovery or unanticipated metallurgical issues (which may affect extraction costs), infill resource drilling, mill performance, the level of experience of the workforce, operational environment, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, storms, floods, bushfires or other natural disasters.

As at the date of this report, the Group continues to operate within the bounds of its operating licences, however the occurrence of any of these circumstances could result in the Group not realising its operational or development plans and could have an adverse effect on Sandfire's financial and operational performance.

As is common in the mining industry, many of the Group's activities are conducted using contractors. The Group's operational and financial results are impacted by the performance of contractors, their efficiency, costs and associated risks. The Group engages with reputable contractors who have technical ability and financial capability to execute required contract work and actively manages its contractors to the extent possible, working within relevant agreements. Embedded performance structures in contracts ensure that the Group mitigates risks of non-performance by contractors, while maintaining shareholder value.

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

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

Mineral Resources, Ore Reserve and Mine life

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

The mine life of the Group's mining operations is based on the Mineral Resource and Ore Reserves and changes to it caused by changes in underlying assumptions may impact on the future financial and operational performance of the Group.

The Group's Ore Reserve and Mineral Resource estimates are reported in accordance with the 2012 Joint Ore Reserve Committee (JORC) Code and estimated by Competent Persons as defined by the JORC Code. The Group employs Competent Persons to complete Group estimates however, in certain circumstances independent Competent Persons are also used to compile or verify estimates for the Group.

DeGrussa's mine life has been successfully extended since original discovery through expenditure on exploration and evaluation activities. The current Mine Life extends to mid calendar year 2022, representing the mining of currently identified economic mineralisation, including the Monty Copper-Gold deposit.

Directors' Report

Business risks and management (continued)

Commodity price and foreign currency

The Group's revenues and cash flows are largely derived from the sale of copper, silver and gold. For the 2019 financial year, DeGrussa derived approximately 87% of its revenue from the sale of copper contained within its concentrate, with the remainder derived from gold and silver. The financial performance of Sandfire will be exposed to fluctuations in the prices of these commodities.

Commodity prices may be influenced by numerous factors and events which are beyond the control of the Group, including supply and demand fundamentals, currency exchange rates, interest rates, general economic, political and regulatory conditions, speculative activities and other factors. These factors may have a positive or negative effect on the Group's product development and production plans and activities, together with the ability to fund those plans and activities. Material and/or prolonged declines in the market price of copper products could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is an Australian business that reports in Australian dollars. However, Sandfire's revenue is derived from the sale of commodities that are typically priced in US dollars, and whilst the majority of its costs as they relate to the DeGrussa and Monty operations are usually denominated in Australian dollars, Sandfire has exposure on the cost side to US dollars through its global portfolio which includes the Black Butte project in Montana USA. Therefore, the Group is exposed to movements in foreign exchange rates (in particular, the US dollar-to-Australian dollar exchange rate), the impact of which cannot be predicted reliably.

The Group does not have a policy in place to actively take steps to hedge its currency or commodity risks, but may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, in order to reduce the exposure to fluctuations in copper price. Historically, the hedges have been in the form of quotational period (QP) hedging via copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. There were no hedging activities undertaken during the year.

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

Health, Safety and Environment

The Group undertakes operations in areas which may pose a safety risk including, but not limited to, handling explosives, underground operations subject to rock fall, work involving confined spaces, areas where heavy and light vehicles or people interact, manual dropped loads, operating at height, entanglement, personnel working alone and interactions with electricity.

Operating in a fly in fly out operation also introduces the risk that is inherent in air travel, as contractors and employees are required to regularly commute by aircraft as well as industry specific health considerations.

The occurrence of significant safety incidents could result in regulatory investigations or restrictions which may impact operating performance and negatively impact morale. The Group manages these risks through the requirements of its Health and Safety Management System and accompanying policies, procedures, and standards. Company personnel, including contractors, are trained in the assessment of risks and hazards and the operating procedures required to operate safely.

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

The Group is required to close its operations and rehabilitate the land affected by the operation at the conclusion of mining and processing activities. Actual closure costs in the future may be higher than currently estimated. Estimates of these costs are reflected in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets as provisions in the Financial Statements. Management seeks external assistance and review, where appropriate, to estimate these costs.

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

As regulatory agencies respond to climate change over the medium term, costs of inputs may rise and restrictions may be placed on how certain resources are provided, transported and used, which may impact our operations. Sandfire is committed to reducing the energy intensity of our operations by adopting environmentally sustainable operations including our commitment to the DeGrussa Solar Power Farm, which has been actively producing into the DeGrussa electrical network throughout the reporting period, providing 19.0% of the overall power usage for FY2019.

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

Sandfire supports the Task Force on Climate Related Financial Disclosures (TCFD) reporting recommendations and integrates aspects of the TCFD guidelines into climate change risk assessments. Risks and potential impacts associated with climate change are reported in the Sustainability Report in line with the Global Reporting Initiative disclosure on climate risk.

Further details on Sandfire's exposure to climate related risks and how the Company manages these risks are outlined on the Sustainability page of the Company's website www.sandfire.com.au.

Directors' Report

Business risks and management (continued)

Environmental regulation and performance

The Group is committed to minimising the impact of its operations on the environment, with an appropriate focus placed on ongoing monitoring of environmental matters and compliance with environmental regulations. The Group holds environmental licenses and is subject to environmental regulation in respect of its activities in both Australia and overseas. The Board is responsible for monitoring environmental exposures and compliance with these regulations and is committed to achieving a high standard of environmental performance.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements. Compliance with the environmental regulations is managed through the Environmental Management System (EMS), supported by policies, management plans, standard work practices and guidelines.

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

Sandfire complies with the National Greenhouse and Energy Reporting Act 2007 (Cth), under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the year ended 30 June 2019 and future periods. Sandfire is committed to proactively managing energy use efficiency and reducing greenhouse gas emissions wherever practical and is guided by internal policy and guidelines.

Sandfire responsibly and safely manages tailings and has an established management system, to assess, monitor and mitigate risks accordingly. Sandfire manages one active, downstream designed Tailings Storage Facility (TSF) at the DeGrussa Operations. Annual independent geotechnical audits are undertaken in accordance with DMIRS and ANCOLD standards. The most recent review was completed in December 2018 and found that the TSF is managed in accordance with the approved design and complies with environmental regulatory approvals.

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

Significant changes in the state of affairs

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

Significant events after the balance date

Agreement to acquire MOD Resources Limited

As announced on the 25 June 2019, Sandfire and MOD Resources Limited (ASX/LSE: MOD) executed a binding Scheme Implementation Deed for the implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD.

Subsequent to year end on the 21 August 2019 the Board of MOD has unanimously recommended that, in the absence of a superior proposal and subject to the independent expert appointed by the company continuing to conclude that the Scheme is in the best interests of MOD shareholders, MOD shareholders vote in favour of the Scheme. A meeting of MOD shareholders to vote on the Scheme is to be held at 11am on 1 October 2019. In the meantime the parties continue to work co-operatively to plan for the integration of their businesses following completion of the Scheme.

MOD has lodged a copy of the Scheme Booklet with ASX and will be dispatching it to its shareholders on 27 August 2019. MOD has also released a Notice of General Meeting to be held immediately before the Scheme Meeting for shareholders to consider resolutions relating to MOD's acquisition of Metal Tiger Plc's 30% interest in certain exploration licenses on the Kalahari copper belt.

Assuming MOD shareholders vote in favour of the Scheme and the Supreme Court of Western Australia subsequently approves the Scheme at the second court hearing to be held on 8 October 2019, the transaction is scheduled to be implemented on 23 October 2019.

As part of this arrangement Sandfire has agreed to extend its dividend record date to 15 November 2019 in order to allow MOD shareholders to participate in the dividend if the Scheme of Arrangement is completed by this date.

Dividends

Subsequent to year end the Directors of the Company announced a fully franked final dividend on ordinary shares in respect of the 2019 financial year of 16 cents per share. The total amount of the dividend is \$25.5 million based on the shares outstanding as at 30 June 2019. The dividend has not been provided for in the 30 June 2019 Financial Statements.

Likely developments and expected results

The Group will continue mining operations from both the DeGrussa and Monty Copper-Gold Mines as well as continued exploration and evaluation over the Group's areas of interest.

Further comments on likely developments and expected results of certain operations of the Group are included in this financial report under 'Operational and financial review'.

Directors' Report

Share options

Unissued shares under option

As at the date of this report there are no unissued ordinary shares of the Company under option. The movement of shares under option during the year is as follows:

	Number of Options
Balance as at 1 July 2018	1,410,000
Options exercised during the year	(750,000)
Options lapsed during the year	(660,000)
Balance as at 30 June 2019	Nil

Shares issued as a result of the exercise of options

The following options were exercised during the financial year.

Expiry Date	Exercise Price	Shares issued
15 July 2018	\$7.60	340,000
15 July 2018	\$8.80	410,000
15 July 2018	\$10.00	Nil

Share options issued

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

Modification to Long-term Incentive Option Plan (IOP Plan)

During the year the Board of Directors imposed restrictions on trading in the Company's securities in accordance with the Company's dealing in securities policy due to various business development initiatives. Due to this restriction on trading, employees who held options issues under the IOP Plan were offered a limited recourse loan in accordance with the Company's IOP Plan to fund the exercise of their options into ordinary shares in the Company (Option Shares).

The limited recourse loans had a term of six-months, were non-interest bearing and were secured against the Option Shares. Any dividends received were used in part to repay the loans and the loans were to be repaid in full, or the proceeds from the sale of the Option Shares would be used as settlement of the outstanding balance of the loans before the end of the six-month period.

580,000 options with an expiry date of 15 July 2018 were exercised pursuant to these loans during the period. As at the date of this report, all Option Shares have been sold and proceeds from the sales were used to settle the loans. The 580,000 options has been included in the table above as part of the 750,000 options exercised.

Under AASB 2 Share based payments arrangements where shares are linked with a limited recourse loan are treated in substance as a share based payment arrangement.

Share options expired

The following options expired during the financial year.

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

Directors' Report

Indemnification and insurance of Directors, Officers and Auditors

Indemnification

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

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

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

Insurance premiums

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

Rounding

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

Directors' Report

Auditor independence and non-audit services

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



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

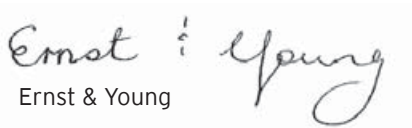
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of the financial report of Sandfire Resources NL for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



F Drummond
Partner
26 August 2019

Non-audit services

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

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

in \$	2019
Taxation services	43,088
Other advisory services	31,713
	74,801

Directors' Report

Letter from the Chairman of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors of Sandfire Resources NL, I am pleased to provide you with the Remuneration Report for the year ended 30 June 2019, for which we will seek your approval at the next annual general meeting.

The 2019 financial year has been one of sound performance with the Company delivering on several key growth initiatives to support future shareholder value and was a direct result of the considerable efforts of our entire Sandfire team of staff and contractors, led by our Executive team.

We exceeded our production guidance and bettered our cost guidance, extended the mine life at DeGrussa and continued to make progress towards permitting of the Black Butte copper project located in Montana, USA, whilst ensuring the Company's balance sheet remained strong.

The safety of our people is always our primary concern and is a key measure of performance for everyone at Sandfire. We had no work-related serious injuries during the 2018 calendar year and our total recordable injury frequency rate per million hours worked (TRIFR) was 7.3 at 31 December 2018, compared to 4.6 at 31 December 2017. While the injuries were minor, the increase to our TRIFR strengthened our focus on the prevention of incidents and principal hazard management, which has helped to improve the safety culture and management of risk for both employees and contractors. Pleasingly, these efforts reduced the TRIFR to 6.2 at 30 June 2019.

Our Executive team was also successful in the pursuit of continued future growth for the business, with the announcement of the Company's planned acquisition of MOD Resources Ltd. For more detail on these initiatives, and the Company's performance, please refer to our Operational and Financial Review in the Directors' Report.

The key remuneration outcomes for the 2019 financial year included:

- **Executive fixed remuneration**
 - The CEO fixed remuneration continues unchanged for the past five years. Two Executives received a 2.5% increase to their fixed remuneration in line with continued strong performance in their respective roles and general market movements.
- **Executive incentives**
 - Short-term incentives (STI): Sandfire measures STI performance over the calendar year. The 2018 calendar year resulted in the successful achievement of key short-term performance measures with Executives awarded an average of 76% of their STI opportunity.
 - Long-term incentives (LTI): Independent assessment of the three year performance period 1 July 2016 to 30 June 2019 established that Sandfire achieved a total shareholder return (TSR) of 31.74% and ranking 21st out of 27 peer companies. This performance has resulted in 0% of the 2016 LTI award vesting. The LTI vesting outcome is commensurate with the share price performance and returns for shareholders over the three year period in reference to the comparator group constituting companies in the ASX200 Resources Index (ASX: XJR).
- **Board and Committee fees**
 - There was no change to base or committee fees for the Chairman and NEDs during the financial year.

Remuneration in FY2020

In light of the evolving nature and global diversification of the business, the Remuneration and Nomination Committee will undertake a review of the remuneration framework in FY2020 with a focus on continued alignment with competitive market practices.

The remuneration report for FY2018 received positive shareholder support at the 2018 AGM with a vote of 98% in favour. We value our shareholders' support and the Board will continue to regularly engage with and provide ongoing updates and dialogue to our shareholders throughout the review to ensure that Sandfire's remuneration framework effectively aligns performance and reward outcomes with regard to industry and market trends.

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

Yours sincerely,



Paul Hallam

Chairman of the Remuneration and Nomination Committee



Directors' Report

Remuneration report (audited)

1. Remuneration report overview

The Directors of Sandfire Resources NL present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2019. This Report for the Group forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

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

- Non-executive Directors (NEDs); and
- Executive Directors and Senior Executives (collectively the Executives).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

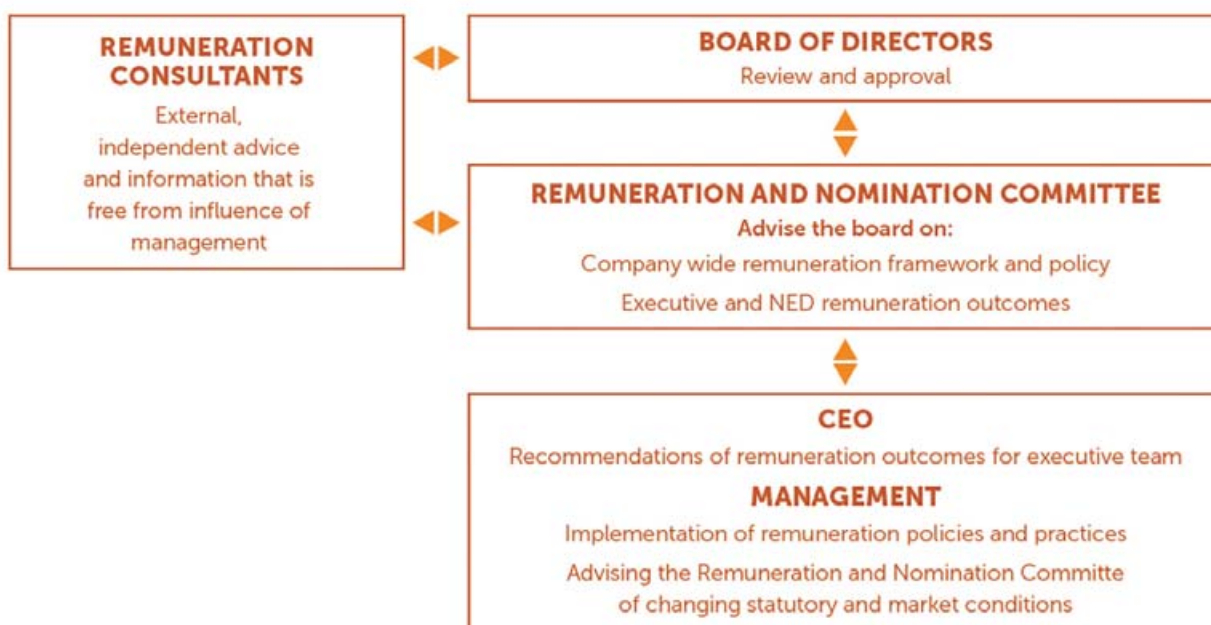
The table below outlines the KMP of the Group during FY2019.

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

2. How remuneration is governed

2.1 Remuneration decision making

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



Directors' Report

Remuneration report (continued)

The Remuneration and Nomination Committee (Committee) operates under a Board-approved Charter. The purpose of the Committee is to provide assistance and recommendations to the Board to ensure that it is able to fulfill its responsibilities. This includes ensuring remuneration decisions are appropriate from the perspectives of business performance, Executive performance, governance, disclosure, reward levels and market conditions. Specifically, the Committee determines the performance targets, extent of the Executives' achievements and the remuneration outcomes.

In fulfilling its role, the Committee is specifically concerned with ensuring that Sandfire's remuneration framework will:

- Motivate the Executive team to pursue the long-term growth and success of Sandfire;
- Represent a strong alignment between pay and performance;
- Support equity and fairness across all levels of the organisation; and
- Support Sandfire's purpose and values and incentivise for behaviours within the Company's risk profile.

A copy of the Charter is available on the Governance page of the Company's website at www.sandfire.com.au.

The composition of the Committee is set out on page 31 of the Annual Report. The Committee consist solely of NEDs. Non-committee members, including the CEO, may be invited to attend all or part of a meeting of the Committee at the invitation of the Committee Chairman as appropriate, but have no vote on matters before the Committee.

2.2 Use of remuneration advisors

The Committee has access to adequate resources to perform its duties and responsibilities, including the authority to seek and consider advice from independent remuneration professionals to ensure that they have all of the relevant information at their disposal to determine KMP remuneration.

The Committee has established protocols to ensure that if remuneration recommendations, as defined by the *Corporations Act 2001*, are made by independent remuneration consultants they are free from bias and undue influence by members of the KMP to whom the recommendations relate. The Committee directly engages the remuneration consultants (without management involvement), and receives all reports directly from the remuneration consultants.

During 2019, the Committee engaged the services of independent remuneration consultant Psytec Management Services (Psytec) in completing the remuneration review for the NEDs and Executives. The work completed by Psytec included making remuneration recommendations and the Committee is satisfied that the advice received from Psytec was free from bias and undue influence. The remuneration recommendations were provided to the Committee as input into decision making only. The Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The fee paid to Psytec for the remuneration services was \$36,000. Psytec also provided other advisory services to the Company during the 2019 financial year and was paid a total of \$120,000 for these services.

The Committee also engaged The Reward Practice Pty Ltd for services to determine the level of relative total shareholder return (TSR) performance against the selected comparator group with respect to the Company's Long-Term Incentive (LTI) Plan. This work did not incorporate providing the Committee with any remuneration recommendations as defined by the *Corporations Act 2001*.

2.3 Securities Trading Policy

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

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company securities including the consequences of breaching the policy. The policy also sets out a specific governance approach for how Directors and Executives can deal in Company securities.

The policy can be found on the Governance page of the Company's website at www.sandfire.com.au.

2.4 Remuneration report approval at FY18 Annual General Meeting (AGM)

The remuneration report for FY18 received positive shareholder support at the FY18 AGM with a vote of 98% in favour.

Directors' Report

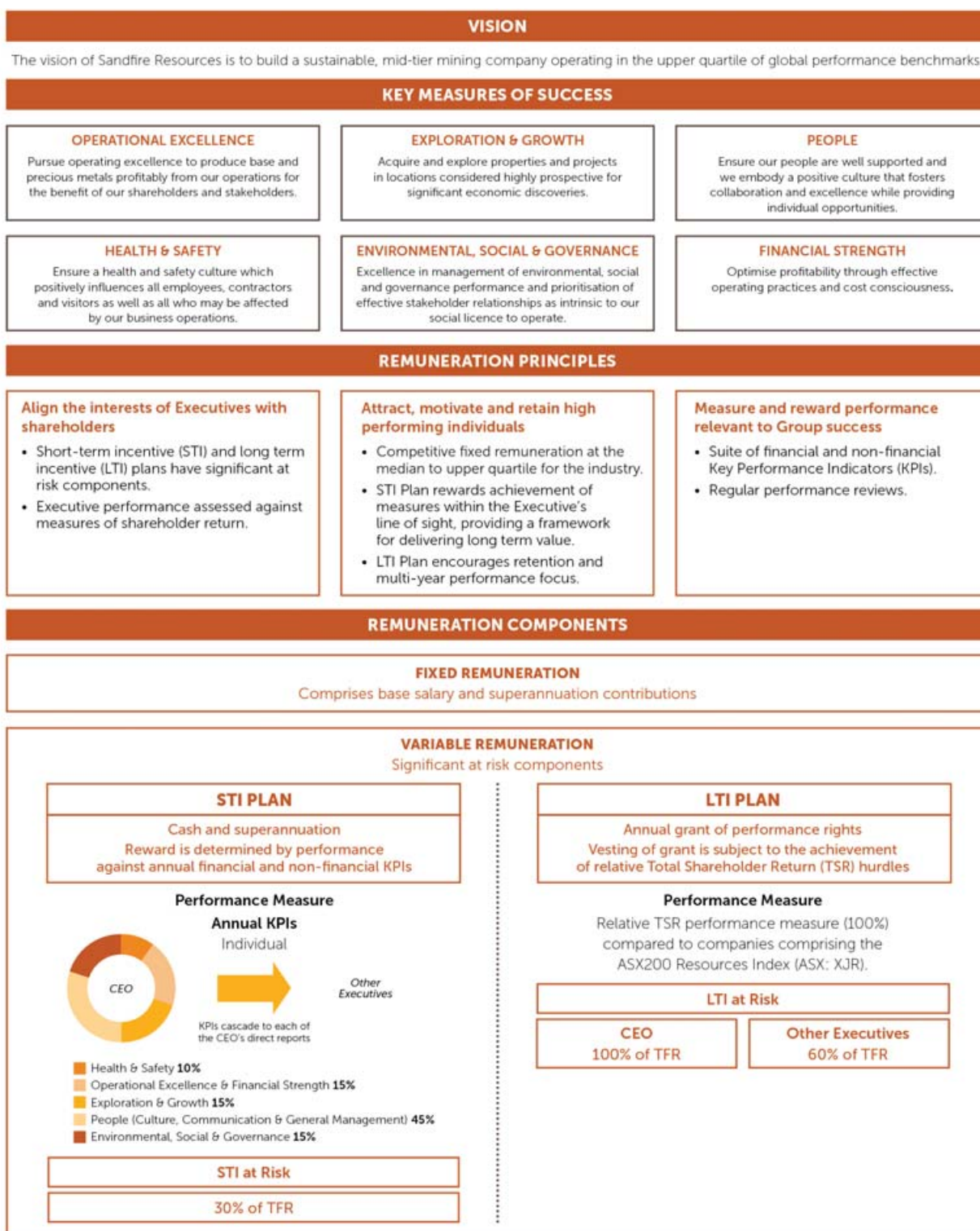
Remuneration report (continued)

3. Executive remuneration policy and practices

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

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

The remuneration strategy identifies and rewards high performers and recognises the contribution of each employee to the continued growth and success of the Group. The elements of the executive remuneration framework and its connection to Sandfire's strategy are summarised below.



Directors' Report

Remuneration report (continued)

3.1 2019 Executive remuneration mix

The mix of fixed and at-risk remuneration varies depending on the role and grading of the Executive. More senior positions have a greater proportion of at risk remuneration. The chart below shows the remuneration mix for exceptional performance when maximum at risk remuneration is earned for both the CEO and his direct reports in FY2019.



3.2 Total Fixed Remuneration (TFR) and market positioning of TFR

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

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

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

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

3.3 Short Term Incentive (STI) Plan: Key questions and answers on how it works

Why does the Board consider an STI Plan is appropriate?	The purpose of the STI Plan is to make a proportion of the total remuneration package subject to meeting various short-term targets linked to Sandfire's key measures of success, thereby strengthening the link between pay and performance. The STI Plan is designed to focus and motivate Executives to achieve outcomes beyond the standard expected in the normal course of employment.
How is it paid?	STI awards are paid in cash.
How much can an Executive earn?	Executives have a maximum STI opportunity of 30% of TFR. The actual outcome depends on the Executive's performance level of achievement against each key performance indicator (KPI).
What is the performance period?	The performance period is for 12 months, 1 January to 31 December. The Board and management have determined this timing (as opposed to the financial year ending 30 June) provides a greater opportunity for more focussed and quality performance reviews to occur.
How is performance measured?	The Board sets and assesses the KPIs applicable to the CEO. The CEO sets and assesses the KPIs for other Senior Executives. KPIs cover Group and individual objectives that are financial and non-financial and reflect the Group's key measures of success and the Group's core values. For calendar year 2018, the performance conditions that determined STI outcomes focused on leadership, keeping people safe, improving the Group's business performance, and progressing the Group's strategy and growth objectives. The STI performance measures were chosen as they reflect the key drivers of short-term performance and also provide a framework for delivering sustainable, long-term value to Sandfire and its shareholders. Refer to Table 2 in section 4.3 Annual Incentive outcome (STI) - FY2019 for a list of the CEO's KPIs, including relative weightings and commentary on the performance assessment and achievements.

Directors' Report

Remuneration report (continued)

What are the performance levels for KPIs?	<p>The KPIs have a range of pre-determined performance levels, which are detailed below.</p> <table> <tr> <td>Unsatisfactory</td><td>Represents inadequate performance.</td></tr> <tr> <td>Threshold</td><td>Represents the minimum level of performance achieved for an STI to be awarded, set at a challenging level.</td></tr> <tr> <td>Target</td><td>Represents the achievement of planned performance.</td></tr> <tr> <td>Stretch</td><td>Represents exceptional performance, set at a stretch level.</td></tr> </table> <p>Each KPI has a weighting (% of STI) and is individually assessed against the pre-determined performance levels, to achieve an STI award outcome. Consistent ratings at each performance level for the set KPIs would result in the following STI award.</p> <table> <tr> <th>Performance Level</th><th>STI award (% of TFR)</th></tr> <tr> <td>Unsatisfactory</td><td>-</td></tr> <tr> <td>Threshold</td><td>15.00%</td></tr> <tr> <td>Target</td><td>22.50%</td></tr> <tr> <td>Stretch</td><td>30.00%</td></tr> </table>	Unsatisfactory	Represents inadequate performance.	Threshold	Represents the minimum level of performance achieved for an STI to be awarded, set at a challenging level.	Target	Represents the achievement of planned performance.	Stretch	Represents exceptional performance, set at a stretch level.	Performance Level	STI award (% of TFR)	Unsatisfactory	-	Threshold	15.00%	Target	22.50%	Stretch	30.00%
Unsatisfactory	Represents inadequate performance.																		
Threshold	Represents the minimum level of performance achieved for an STI to be awarded, set at a challenging level.																		
Target	Represents the achievement of planned performance.																		
Stretch	Represents exceptional performance, set at a stretch level.																		
Performance Level	STI award (% of TFR)																		
Unsatisfactory	-																		
Threshold	15.00%																		
Target	22.50%																		
Stretch	30.00%																		
How is STI assessed?	<p>The Chairman of the Board reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of the Senior Executive team as he has oversight of his direct reports and the day to day functions of the Company.</p> <p>The performance assessment of the CEO and other Senior Executives are reviewed and approved by the Remuneration and Nomination Committee, reporting to the Board.</p>																		
What happens to STI awards when an Executive ceases employment?	<p>If the Executive's employment is terminated for cause, no STI will be paid.</p> <p>If the Executive resigns before the end of the performance period, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the Executive.</p>																		
Is there an overriding performance condition or clawback provision?	<p>Yes. The Board has the discretion to not to pay or reduce the amount of the STI otherwise payable, taking into consideration the interests of the Company and its shareholders.</p> <p>In the event of a fatality no reward is made for the safety KPI.</p> <p>In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel the STI payment and may also clawback STI payments paid in previous financial years, to the extent this can be done in accordance with the law.</p>																		
Are any STI payments deferred?	<p>The Board is aware of a trend in some larger ASX companies to partially defer payment of STI to subsequent years as share rights, notionally to more closely align the STI with a company's share price performance and provide a period for performance assurance. The Board has determined no deferral of STI is appropriate for the following reasons.</p> <ul style="list-style-type: none"> • Deferral of STI is rare amongst the resources companies with which Sandfire competes for talent, and is considered to be a disincentive to current and prospective employees; and • The LTI is closely aligned with the Company's share price performance, and also provides a significant retention incentive. 																		

3.4 Long Term Incentive (LTI) Plan: Key questions and answers on how it works

Why does the Board consider a LTI Plan to be appropriate?	<p>The Board believes that an LTI Plan can:</p> <ul style="list-style-type: none"> • Focus and motivate Executives to achieve outcomes that are aligned to optimising shareholder value; • Ensure that decisions and strategic planning have regard to the Group's long term performance; • Be consistent with remuneration governance guidelines; • Be consistent and competitive with current practices of comparable companies; and • Create an immediate ownership mindset among the Executive participants, linking a substantial portion of the potential reward to Sandfire's ongoing share price and returns to shareholders.
How is the award delivered?	<p>Awards are in the form of performance rights (Rights) over ordinary shares in the Company for no consideration. The Rights carry neither rights to dividends or voting.</p>

Directors' Report

Remuneration report (continued)

How often are grants made and was a grant made in 2019?	Grants may be made annually at the discretion of the Board. Rights were granted to Executives other than the CEO on 28 June 2019. Rights will be granted to the CEO following shareholder approval at the Company's AGM in November 2019.										
What is the quantum of the award and what allocation methodology is used?	The quantum of Rights granted to an Executive is determined by the Executive's TFR; the applicable multiplier; and the face value of Sandfire shares, calculated as the 5 day volume weighted average price (VWAP) immediately prior to grant date. The CEO's multiplier is 1.0 x TFR. Other Senior Executives' multiplier is 0.6 x TFR.										
What are the performance conditions?	The two performance conditions, referred to as the vesting conditions are: <ul style="list-style-type: none"> • Service condition - The service condition is met if employment with Sandfire is continuous for the period commencing on or around the grant date until the date the Rights vest; and • Performance condition – Relative total shareholder return (TSR) of Sandfire measured against a comparator group constituting companies in the ASX200 Resources Index (ASX: XJR). 										
What is TSR?	TSR is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time. TSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new shares.										
Why were the performance conditions selected?	The Board reviews the performance conditions annually to determine the appropriate hurdles based on Sandfire's strategy and prevailing market practice. Service based conditions are used to encourage retention. Relative TSR is used because it is an objective measure of security holder value creation, is widely understood and accepted by key stakeholders and it rewards participants for superior performance on matters which they have the ability to influence. Setting long term incentive targets appropriate for different stages of the mining cycle is complex and challenging. Whilst the Board holds that long term incentives should not change during different phases of the mining cycle and remain more stable over time (unlike short term incentives that should reflect the current operational environment and macroeconomic setting) it is also acknowledged a more nuanced approach beyond relative TSR may be required in the future.										
Why is the ASX200 Resources Index an appropriate comparator group?	The Board considers the ASX200 Resources Index to be an appropriate comparator group against which Sandfire's performance can be appropriately benchmarked. Benchmarking against comparable companies within the index minimises the impact of fluctuations in commodity price to illustrate how effective management have been in creating value from the Group's assets. Constituents of the ASX200 Resources Index may be subject to corporate transactions (e.g. mergers and acquisitions) during the performance period and as such may result in a change to the number of companies evaluated at the vesting date.										
What is the performance period?	The TSR for Sandfire and comparator group is measured over three financial years commencing 1 July.										
What level of relative TSR performance is required for the Rights to vest?	<p>Rights will only vest where the TSR performance of the Company relative to the selected comparator group measured over the performance period is at the 51st percentile or above.</p> <table> <tr> <th>TSR of Sandfire relative to comparator group</th><th>Percentage of Rights that vest</th></tr> <tr> <td>Less than 51st percentile</td><td>Nil</td></tr> <tr> <td>51st percentile</td><td>50% of rights vest</td></tr> <tr> <td>Greater than 51st percentile but less than 75th percentile</td><td>Between 50% and 100% rights vest</td></tr> <tr> <td>Greater than 75th percentile</td><td>100% of rights vest</td></tr> </table> <p>The Company employs an independent organisation to calculate the TSR ranking to ensure an objective assessment of the relative TSR comparison.</p>	TSR of Sandfire relative to comparator group	Percentage of Rights that vest	Less than 51 st percentile	Nil	51 st percentile	50% of rights vest	Greater than 51 st percentile but less than 75 th percentile	Between 50% and 100% rights vest	Greater than 75 th percentile	100% of rights vest
TSR of Sandfire relative to comparator group	Percentage of Rights that vest										
Less than 51 st percentile	Nil										
51 st percentile	50% of rights vest										
Greater than 51 st percentile but less than 75 th percentile	Between 50% and 100% rights vest										
Greater than 75 th percentile	100% of rights vest										
When is the LTI Plan scheduled to be reviewed by the Board?	Refer to the Letter from the Chairman of the Remuneration and Nomination Committee for developments to remuneration in FY2020 and beyond.										
What happens to Rights granted under the LTI Plan when an Executive ceases employment?	If the Executive's employment is terminated for cause, or due to resignation, all unvested Rights will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board decides otherwise, a pro-rata portion of the Executive's Rights, calculated in accordance with the proportion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when the Rights vest, shares will be allocated in accordance with the plan rules and any other condition of the grant.										

Directors' Report

Remuneration report (continued)

Can Sandfire clawback LTI awards?	<p>In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may:</p> <ul style="list-style-type: none"> Reset the vesting conditions and/or alter the performance period applying to the award; Deem all awards which have not vested to have lapsed or been forfeited, Deem all or any shares following vesting of an award to have lapsed or been forfeited; and/or Where shares have been allocated to an Executive and have been subsequently sold, require the Executive to repay the net proceeds of such as sale to the extent this can be done in accordance with the relevant laws.
What happens in the event of a change in control?	In the event of a change in control, the Board will exercise its discretion, and determine the treatment of the unvested awards which may include a pro-rata vesting.

4. Executive remuneration outcomes in FY2019

4.1 Company performance

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

Table 1 – Company performance ^A

Measure	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19
Net profit (\$'000)	68,955	46,370	75,016	120,753	104,013
Net profit attributable to equity holders of the parent (\$'000)	68,955	47,978	77,510	123,024	106,456
Cash and cash equivalents at year end (\$'000)	107,154	66,223	126,743	243,367	247,449
Secured bank loan balance at year end (\$000)	(120,000)	(50,000)	-	-	-
Net cash inflow from operating activities (\$'000)	224,045	133,896	216,138	244,965	210,420
Basic earnings per share (cents)	44.18	30.54	49.16	77.85	65.23
ASX share price at the end of the year (\$)	5.75	5.23	5.65	9.16	6.69
Dividends per share (cents)	13	11	18	27	23

A Refer to the Operational and Financial Review for commentary on the Group's results, including underlying performance. The comparative information has not been restated following the adoption of AASB 15 and AASB 9 and continues to be reported under the previous accounting policy.

4.2 Fixed remuneration outcome – FY2019

Based on the methodology outlined in Section 3.2 of the Remuneration Report, an annual review of TFR was undertaken for each Executive. As a result of the annual review, there has been no increase to TFR for the Managing Director and CEO, Mr Simich (since 2014) during FY2019.

Mr Fitzgerald and Mr Klug received a 2.5% increase to their TFR effective 1 January 2019 to realign their TFR closer to the targeted 75th percentile for comparable roles in peer group companies.

4.3 Annual incentive outcome (STI) – FY2019

In accordance with the procedure set out in Section 3 of the Remuneration Report an assessment was undertaken of the performance of each eligible Executive KMP against their 2018 calendar year (CY) KPIs.

The key financial and non-financial objectives and targets for the CEO in CY2018, with commentary on achievements are provided in Table 2 below. The STI award percentages and payments to Executives are presented in Table 3.

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

KPI and weighting (% of STI)	Objective and Target	Achievement (assessment period CY2018)	Outcome
Health and Safety	Zero critical incidents	Zero critical incidents.	Target
10%	Demonstrates clear safety leadership and oversees implementation of effective safety systems for Group operations.	<p>TRIFR of 7.3 achieved at 31 December 2018, above long-term target of 4.5. Significant incidents were investigated and reviewed for corrective action.</p> <p>Refocused effort on DeGrussa Mine contractor relationships and principal hazard risk management as the key themes to improve safety leadership and culture at DeGrussa and across the Group.</p>	

Directors' Report

Remuneration report (continued)

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

KPI and weighting (% of STI)	Objective and Target	Achievement (assessment period CY2018)	Outcome
Operational Excellence and Financial Strength 15%	<u>FY2018 Production</u>	<u>FY2018 Production</u>	Target
	Threshold: > 63kt Cu; 35koz Au Target: > 64.5kt Cu; 36.5koz Au Stretch: > 66kt Cu; 38koz Au	Actual production was 64,918t of contained copper and 39,273oz of contained gold.	
	<u>FY2019 Production guidance</u>	<u>FY2019 Production guidance</u>	
	63-67kt of contained copper 37-40koz of contained gold	FY2019 production guidance on track as at 31 December 2018.	
	<u>FY2018 C1 Cost</u>	<u>FY2018 C1 Cost</u>	
	Threshold: < US\$1.05/lb Target: < US\$1.025/lb Stretch: < US\$1.00/lb	C1 cost achieved was US\$0.93/lb.	
Exploration and Growth 15%	<u>FY2019 C1 Cost guidance</u>	<u>FY2019 C1 Cost guidance</u>	Target
	C1 cost US\$1.00-\$1.05/lb.	FY2019 C1 cost guidance on track as at 31 December 2018.	
	Evaluates and progresses organic growth opportunities and potential new business opportunities, within the framework of the key measures of success of Sandfire and actions new initiatives where appropriate.	Acquisition of Talisman Mining Ltd's 30% interest in the Springfield Mining and Exploration Joint Venture completed.	
		Construction of Monty Copper Gold Project site infrastructure and development of the underground mine completed on time and in line with budget, delivering first ore from the mine on schedule.	
		Increased ownership of the Black Butte Copper Project located in Montana, USA, to 85.66% (as at 31 December 2018) via the acquisition of a further interest in SFR America Inc. making significant progress to permit the Project.	
		Introduced the Sandfire Ventures strategy to further expand the Group's asset portfolio through the acquisition of cornerstone shareholdings in prospective ASX listed companies, including Adriatic Metals Plc (ASX: ADT) and White Rock Minerals Ltd (ASX: WRM).	
People (Culture, Communication and General Management) 45%		Multi-pronged exploration program continued across the greater Doolgunna tenement holding with the completion of drilling campaigns.	Target
	Develops a culture and a participative management style that embraces company values; teamwork; reward for performance; regular communication with and feedback from all employees.	Provided effective leadership of the Group Management Team (GMT), setting a refined focus for the GMT to review business development opportunities in a systematic way to ensure they meet and achieve Sandfire's strict investment criteria and longer term growth strategy.	
	Provide leadership, guidance and directs the exploration, development, operational, marketing and administrative activities of the business.	Continued stability and low turnover rate for the GMT and senior management group. Chaired the Company's Diversity Committee to lead the diversity and inclusion strategy and monitor initiatives against objectives.	
Environmental, Social and Governance 15%	Zero critical incidents.	Zero critical incidents.	Target
	Serve as spokesman for the Company and continue to maintain effective relationships with stakeholders both national and international, which are considered integral to the success of Sandfire.	Effective stakeholder engagement and continued community investment and partnerships to benefit the host communities where Sandfire operates.	
	Provide leadership, guidance and directs environmental, social and governance practices intrinsic to our social license to operate.	Achieved effective engagement with national and international stakeholders, refining existing stakeholder engagement practices into a common procedure to increase efficiency, reporting and outcomes.	
		Development and implementation of effective environmental and social systems for SFR America Inc. to progress permitting of the Black Butte Copper Project.	
		Transparent and leading sustainability reporting.	

Directors' Report

Remuneration report (continued)

Table 3 – STI award percentage and STI payments to Executive KMP in FY2019

Name	STI Payment \$	Maximum potential value of payment \$	Percentage of maximum grant awarded	Percentage of maximum grant forfeited
Karl Simich	247,500	330,000	75.0%	25.0%
Matthew Fitzgerald	103,533	138,044	75.0%	25.0%
Robert Klug	108,462	137,700	78.8%	21.2%

4.4 LTI performance and outcomes

LTI Plan Rights – performance period 1 July 2016 to 30 June 2019 vesting outcome

Executives continue to work on a new phase of growth. The planned acquisition of MOD Resources Ltd, advanced permitting stage of Black Butte and Sandfire Ventures support the Company's growth strategy and sustainable returns to shareholders.

These achievements are yet to be fully recognised in share price appreciation. For the LTI plan award made to Executives with a performance period from FY2017 to FY2019, Sandfire's share price increased from \$5.23 at 30 June 2016 to \$6.69 at 30 June 2019, and together with dividends paid to shareholders delivered a TSR performance of +31.74%.

LTI Rights vesting is based on TSR performance relative to the companies within the peer group and Sandfire's TSR performance over the past 3 years ranked 21st out of 27 peer companies within the ASX200 Resources Index. Based on this performance, 0% of awarded Rights vested.

LTI Plan Rights – awards for FY2019

Name	Grant	Grant date	Number of Rights	Performance and service period	Expected Vesting Date ^B
Karl Simich	FY2019	See note A	164,866	1 Jul 2019 to 30 Jun 2022	31 Aug 2022
Matthew Fitzgerald	FY2019	28 Jun 2019	42,414	1 Jul 2019 to 30 Jun 2022	31 Aug 2022
Robert Klug	FY2019	28 Jun 2019	42,309	1 Jul 2019 to 30 Jun 2022	31 Aug 2022

A In accordance with the terms of the LTI Plan and the FY2019 award under the plan, the issue of Rights to Mr Simich is subject to shareholder approval at the Company's AGM, scheduled for November 2019.

B The expected vesting date is the date on which the Board determines the rights vest, based on the extent to which the performance conditions are satisfied.

Further details of the Rights held by Executives are set out in Table 9 and 10 of the Remuneration Report.

4.5 Legacy LTI Plans

The Company's Legacy LTI Plans relate to awards made to Executives during and prior to the 2014 financial year. The plans aligned Executive rewards with shareholder value creation and were provided as a grant of conditional rights or options over ordinary shares.

With the introduction of the LTI Plan during FY2015, no further awards were made to Executives under the Legacy LTI Plans subsequent to FY2014 and awards previously issued expired during FY2019.

Long-term Indexed Bonus Plan - Legacy LTI Plan

The conditional rights previously issued to the CEO under the plan expired on 15 December 2018. In accordance with the terms of the plan and related testing of the rights on the expiry date, 15 December 2018, no value was realised or vested to the CEO during FY2019.

Long-term Incentive Option Plan - Legacy LTI Plan

All options previously issued to Senior Executives under the plan were converted or expired during FY2019. Refer to section 8.2 and 8.3 of the Remuneration Report for further details.

Directors' Report

Remuneration report (continued)

5. Executive contracts

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

Table 4 – Executive key contract provisions

Name	Term of contract	Notice period from the Company ^A	Notice period from the Executive	Treatment of STI and LTI upon termination
Karl Simich	Rolling service contract with Resource Development Company Pty Ltd	12 months	6 months	STI payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Board. Rights (LTI Plan): Refer to section 3.
Richard Beazley	Rolling service contract with Altair Mining Consultancy Pty Ltd	1 month	1 month	Mr Beazley's fees are paid to Altair Mining Consultancy Pty Ltd. Mr Beazley does not participate in the Company's STI or LTI plans.
Matthew Fitzgerald	Ongoing employment agreement	6 months	6 months	STI payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company. Rights (LTI Plan): Refer to section 3.
Robert Klug	Ongoing employment agreement	6 months	3 months	

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

Termination payments

The Company did not make any termination payments to Executives during FY2019.

6. Executive remuneration tables

6.1 Executive KMP cash value of remuneration realised in FY2019

The remuneration prepared in accordance with the statutory obligations and accounting standards is outlined in section 6.2 of the Remuneration Report. The cash value of remuneration realised by Executive KMP in FY2019 is set out below. This information is considered to be relevant as it provides shareholders with a view of the 'take home pay' received by Executive KMP in FY2019. The value of remuneration includes equity grants where the Executive received control of the shares in FY2019 and differs from the remuneration disclosures in Table 6, which discloses the value of LTI grants which may or may not vest in future years. This table discloses the value of LTI grants from previous years which have vested in FY2019.

Table 5 – Executive KMP cash value of remuneration realised in FY2019

Name	Salary and fees ^A \$	Benefits and allowances ^B \$	Short-term Incentive ^C \$	LTI Plan rights ^D \$	Total actual remuneration \$
Karl Simich	1,100,000	28,000	247,500	773,341	2,148,841
Richard Beazley ^E	494,050	-	-	-	494,050
Matthew Fitzgerald	465,898	-	103,533	190,296	759,727
Robert Klug	464,737	-	108,462	175,461	748,660

A Salary and fees comprise base salary and superannuation entitlements. It reflects the total of "salary and fees" and "superannuation" in the statutory remuneration table.

B Benefits and allowances include the value of a travel allowance paid to Mr Simich.

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

D This refers to LTI Plan Rights granted in prior years that have vested in the current year. The value is calculated using the closing share price of company shares on the vesting date. The 2019 figures reflect the relative performance of Tranche 2 of the LTI that was granted in FY2015 and that operated over the performance period 1 July 2015 to 30 June 2018, and represents the fair value at vesting date. This differs from the amount disclosed in the statutory remuneration table.

E Mr Beazley's fees are paid to Altair Mining Consultancy Pty Ltd. Mr Beazley does not participate in the Company's STI or LTI plans.

Directors' Report

Remuneration report (continued)

6.2 Statutory Executive KMP remuneration in FY2019

Table 6 sets out Executive remuneration calculated in accordance with statutory accounting requirements.

Table 6 – Statutory Executive KMP remuneration

Name		Short-term benefits			Long-term benefits	Post-employment	Share-based payments			Total \$	Performance related %
		Salary & fees \$	Benefits and allowances ^A \$	STI payment ^B \$	Long service leave \$	Super-annuation \$	LTI Plan rights \$	Legacy LTI Plan rights/ options ^C \$	Termination payments \$		
Current Executives											
Karl Simich	2019	1,100,000	32,948	247,500	-	-	654,489	(411,861)	-	1,623,076	N/A
	2018	1,100,000	84,000	255,750	-	-	542,961	1,139,572	-	3,122,283	62.08
Richard Beazley ^D	2019	494,050	-	-	-	-	-	-	-	494,050	-
	2018	414,100	-	-	-	-	-	-	-	414,100	-
Matthew Fitzgerald	2019	447,078	-	103,533	6,114	18,820	153,398	34,300	-	763,243	38.16
	2018	435,636	-	113,368	34,169	20,000	130,859	-	-	734,032	33.27
Robert Klug	2019	425,151	-	108,462	14,756	39,586	148,973	34,300	-	771,228	37.83
	2018	415,068	-	111,375	25,231	39,432	124,438	-	-	715,544	32.96
Former Executives											
Martin Reed	2018	90,350	-	-	-	-	-	-	-	90,350	-
Total	2019	2,466,279	32,948	459,495	20,870	58,406	956,860	(343,261)	-	3,651,597	N/A
	2018	2,455,154	84,000	480,493	59,400	59,432	798,258	1,139,572	-	5,076,309	47.64

A Other benefits include the value of a paid travel allowance and the value of motor vehicle insurance provided to Mr Simich under the Group's motor vehicle insurance policy approved as part of Mr Simich's remuneration. The motor vehicle insurance cover provides insurance for privately owned vehicles and Mr Simich has agreed to indemnify the Company for any loss, including premium adjustments and deductibles that may be incurred in connection with providing the insurance. The cover remains in place to 31 December 2019.

B Includes amounts that were earned and paid in the financial year based on achievement of KPIs in accordance with the STI Plan. It includes the entire amount, irrespective of whether it was delivered as cash or superannuation. No amounts vest in future financial years in respect of the STI Plan.

C Relates to adjustments arising from the valuation of rights and options issued under the Legacy LTI Plans, valued in accordance with AASB 2.

D Mr Beazley's fees are paid to Altair Mining Consultancy Pty Ltd. Mr Beazley does not participate in the Company's STI or LTI plans.

7. Non-executive Director remuneration

7.1 NED remuneration policy and fee structure

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

Under the Company's Constitution and the ASX Listing Rules, the total annual fee pool for NEDs is determined by shareholders. The current maximum aggregate NED fee pool of \$750,000 per annum was approved by shareholders at the 2013 AGM. Within this aggregate amount, NED fees are reviewed annually by the Remuneration and Nomination Committee (Committee), and set by the Board.

The Committee reviews NED fees against comparable companies within the broader general industry and taking into account recommendations from an independent remuneration consultant. Sandfire has set the baseline TFR benchmark for NEDs at the 75th percentile of the defined market. There was no changes to NED fees during FY2019.

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

Table 7 – NED fee structure

2019			2019		
Role			Role		
Board	Chair	\$220,000	Committee	Chair	\$20,000
fees	NED	\$110,000	fees	Member	Nil

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

Directors' Report

Remuneration report (continued)

7.2 Statutory NED remuneration

Table 8 – Statutory NED remuneration ^A

Name	Financial year	Short-term benefits		Post-employment		Total \$
		Salary & fees \$	Other \$	Superannuation \$		
Derek La Ferla	2019	200,913	-	19,087		220,000
	2018	182,648	-	17,352		200,000
Robert Scott	2019	124,361	-	5,639		130,000
	2018	115,011	-	4,989		120,000
Paul Hallam	2019	118,721	-	11,279		130,000
	2018	109,589	-	10,411		120,000
Maree Arnason	2019	118,721	-	11,279		130,000
	2018	109,589	-	10,411		120,000
Roric Smith	2019	100,457	-	9,543		110,000
	2018	91,324	-	8,676		100,000
Total	2019	663,173	-	56,827		720,000
	2018	608,161	-	51,839		660,000

A Fees for NEDs were increased during FY2018.

8. Equity instrument reporting

8.1 Rights holdings of Executives

The table below discloses the movements in Rights held by Executives issued under the LTI Plan (refer section 3).

Table 9 – Executive KMP Rights - LTI Plan

Name	Balance at 1 Jul 18	Granted	Vested ^C	Lapsed ^D	Balance at 30 Jun 19	Unvested	Value of unvested Rights ^E
Karl Simich	538,215	^A 116,650	(106,815)	(19,028)	529,022	529,022	\$1,862,156
Matthew Fitzgerald	161,716	^B 42,414	(26,284)	(4,682)	173,164	173,164	\$630,506
Robert Klug	154,960	^B 42,309	(24,235)	(4,316)	168,718	168,718	\$617,337

A This relates to the FY2018 award of Rights to Mr Simich. The Rights were granted on the approval of shareholders at the Company's AGM held on 29 November 2018. If the vesting conditions are achieved, these Rights will vest in FY2022. FY2019 award of Rights to Mr Simich is subject to shareholder approval. Refer to Table 10 for details.

B This relates to the FY2019 award of Rights to Executives. If the vesting conditions are achieved, these Rights will vest in FY2023.

C This relates to Tranche 2 of the FY2015 award of Rights to Executives. Sandfire achieved a TSR of 84.79% for the performance period 1 July 2015 to 30 June 2018, placing it 11th out of 32 companies in the comparator group, or the 67.7th percentile. Based on the achievement of the service requirement and the relative TSR performance of the Company, the Board resolved that 84.88% of the Rights granted to Executives met the vesting conditions, resulting in the issue of ordinary shares in the Company. Executives received one Sandfire share for each Right that vested and the value of Rights that vested amounted to \$1,139,098. The value is calculated using the closing share price of company shares on the vesting date.

D This related to Tranche 2 of the FY2015 award of Rights to Executives, of which 15.12% lapsed.

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

Directors' Report

Remuneration report (continued)

The Rights on foot, including those granted as part of the FY2019 LTI award are disclosed in the table below. Should the Rights not vest, the award will expire.

Table 10 – Rights on foot – LTI Plan

Name	Grant	Grant date	Number of Rights	Fair value of Right ^A	Performance and service period	Expected Vesting Date ^B
Karl Simich	FY2019	See comment C	164,866	N/A	1 Jul 2019 to 30 Jun 2022	31 Aug 2022
	FY2018	29 Nov 2018	116,650	\$2.72	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	FY2017	29 Nov 2017	196,198	\$3.61	1 Jul 2017 to 30 Jun 2020	1 Oct 2020
	FY2016	18 Nov 2016	216,174	\$3.87	1 Jul 2016 to 30 Jun 2019	1 Oct 2019
Matthew Fitzgerald	FY2019	28 Jun 2019	42,414	\$3.68	1 Jul 2019 to 30 Jun 2022	31 Aug 2022
	FY2018	29 Jun 2018	29,278	\$5.38	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	FY2017	30 Jun 2017	48,278	\$3.38	1 Jul 2017 to 30 Jun 2020	1 Oct 2020
	FY2016	30 Jun 2016	53,194	\$2.89	1 Jul 2016 to 30 Jun 2019	1 Oct 2019
Robert Klug	FY2019	28 Jun 2019	42,309	\$3.68	1 Jul 2019 to 30 Jun 2022	31 Aug 2022
	FY2018	29 Jun 2018	29,205	\$5.38	1 Jul 2018 to 30 Jun 2021	1 Oct 2021
	FY2017	30 Jun 2017	48,158	\$3.38	1 Jul 2017 to 30 Jun 2020	1 Oct 2020
	FY2016	30 Jun 2016	49,046	\$2.89	1 Jul 2016 to 30 Jun 2019	1 Oct 2019

A The fair value of Rights is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive.

B The expected vesting date is the date on which the Board determines the Rights vest, based on the extent to which the performance conditions are satisfied.

C In accordance with the terms of the LTI Plan and the FY2019 award under the plan, the issue of Rights to Mr Simich is subject to shareholder approval at the Company's AGM, scheduled for November 2019.

8.2 Option holdings of KMP

The table below discloses the movements in options held by Executives, issued under the Long-term Incentive Option Plan (Legacy LTI Plan).

Table 11 – Option holdings of KMP

Name	Vested and exercisable at 1 Jul 18	Grant date	Fair value per option at grant date	Exercise price	Expiry date	Vested and exercisable at 30 Jun 19	Converted to Option Shares during the year ^A	Lapsed during the year
Matthew Fitzgerald	70,000	14-Oct-13	\$1.08	\$7.60	15-Jul-18	-	70,000	-
	70,000	14-Oct-13	\$1.17	\$8.80	15-Jul-18	-	70,000	-
	70,000	14-Oct-13	\$1.28	\$10.00	15-Jul-18	-	-	70,000
Robert Klug	70,000	14-Oct-13	\$1.08	\$7.60	15-Jul-18	-	70,000	-
	70,000	14-Oct-13	\$1.17	\$8.80	15-Jul-18	-	70,000	-
	70,000	14-Oct-13	\$1.28	\$10.00	15-Jul-18	-	-	70,000

A The Board of Directors imposed restrictions on trading in the Company's securities in accordance with the Company's dealing in securities policy due to various business development initiatives leading up to 30 June 2018. Due to this restriction on trading, employees who held options under the Incentive Option Plan, including key management personnel, were offered a limited recourse loan to fund the exercise of their options (Option Shares) into ordinary shares issued under the Legacy LTI Plan.

The loans had a term of six months, were non-interest bearing and were secured against the Option Shares. Any dividends received were used in part to repay the loans and the loans were to be repaid in full, or the proceeds from the sale of the Option Shares would be used as settlement of the outstanding balance of the loans before the end of the six-month period.

280,000 options with an expiry date of 15 July 2018 and exercise prices of \$7.60 and \$8.80 were converted into Option Shares prior to their expiry date. The Option Shares have been accounted for as a modification to the original award in accordance with AASB 2. At modification date the incremental fair value between the Options and Option Shares with exercise prices of \$7.60 and \$8.80 was \$0.14 and \$0.35 respectively. During the year, all Option Shares lapsed with shares being sold and proceeds from the sales used to settle the loans. The Option Shares had nil value when they lapsed.

Refer to Note 26 to the Financial Report for further details.

Directors' Report

Remuneration report (continued)

8.3 Shareholdings of KMP

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

Table 12 – Shareholdings of KMP

Name	Balance at 1 Jul 18	Purchases	On vesting of Rights	On exercise of options	Sales	Balance at 30 Jun 19
Derek La Ferla	21,668	-	-	-	-	21,668
Robert Scott	5,000	-	-	-	-	5,000
Karl Simich	4,894,679	-	106,815	-	(201,743)	4,799,751
Matthew Fitzgerald	-	-	26,284	140,000 ^A	(166,284) ^A	-
Robert Klug	500	-	24,235	140,000 ^A	(164,235) ^A	500

A Includes the facilitation of exercise of options through the provision of a limited recourse loan by the Company. Shares issued on the exercise of options by Mr Fitzgerald and Mr Klug via this arrangement were sold during FY19 as required by the loan repayment terms, the repayment date not to be later than 15 January 2019. Refer to section 8.2 for more details.

9. Other transactions and balances with KMP and their related parties

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

Table 13 – Other transactions with KMP and their related entities

KMP and their Director related entity	Transaction	Transaction value 30 Jun 2019 \$	Balance outstanding 30 Jun 2019 \$
Karl Simich <i>Tonga Pty Ltd</i>	Lease of corporate office parking premises	9,600	-
Karl Simich <i>Resource Development Company Pty Ltd</i>	Lease of corporate office parking premises	9,300	-
Karl Simich <i>Resource Development Company Pty Ltd</i>	Corporate administrative and accounting services	687,954	-
		706,854	-

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, 26 August 2019

Consolidated Income Statement

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	592,211	570,045
Other gains / (losses)		(151)	836
Changes in inventories of finished goods and work in progress		11,052	8,123
Mine operations costs		(134,694)	(125,452)
Employee benefit expenses	5	(41,699)	(40,709)
Freight expenses		(46,693)	(40,800)
Royalties expenses		(30,214)	(29,896)
Exploration and evaluation expenses		(48,653)	(31,977)
Depreciation and amortisation expenses	19	(140,798)	(130,311)
Administrative expenses		(7,305)	(6,094)
Profit before net finance expense and income tax expense		153,056	173,765
Finance income	6	7,603	3,297
Finance expense	6	(2,020)	(1,521)
Net finance income		5,583	1,776
Profit before income tax expense		158,639	175,541
Income tax expense	7	(54,626)	(54,788)
Net profit for the year		104,013	120,753
Attributable to:			
Equity holders of the parent		106,456	123,024
Non-controlling interests		(2,443)	(2,271)
		104,013	120,753
Earnings per share (EPS):			
Basic EPS attributable to ordinary equity holders (cents)	8	65.23	77.85
Diluted EPS attributable to ordinary equity holders (cents)	8	65.23	77.85

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

Consolidated Statement of Other Comprehensive Income

For the Year Ended 30 June 2019

	2019 \$000	2018 \$000
Net profit for the year	104,013	120,753
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations, net of tax	234	314
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of equity investments carried at fair value through other comprehensive income, net of tax	1,180	2,412
Other comprehensive income for the year, net of tax	1,414	2,726
Total comprehensive income for the year, net of tax	105,427	123,479
Attributable to:		
Equity holders of the parent	107,898	125,733
Non-controlling interests	(2,471)	(2,254)
	105,427	123,479

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

Consolidated Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Cash and cash equivalents	9	247,449	243,367
Trade and other receivables	16	15,325	13,773
Inventories	17	45,143	33,961
Other current assets		3,626	2,680
Total current assets		311,543	293,781
Financial investments		19,617	9,925
Receivables		526	465
Inventories	17	11,698	11,698
Exploration and evaluation assets	18	25,975	24,410
Property, plant and equipment	19	366,491	330,619
Total non-current assets		424,307	377,117
TOTAL ASSETS		735,850	670,898
LIABILITIES			
Trade and other payables	10	56,550	39,898
Interest bearing liabilities	12	193	1,611
Income tax payable	7	833	31,203
Provisions	27	4,822	4,255
Total current liabilities		62,398	76,967
Trade and other payables	10	2,520	-
Interest bearing liabilities	12	355	239
Provisions	27	30,796	29,467
Deferred tax liabilities	7	35,604	32,174
Total non-current liabilities		69,275	61,880
TOTAL LIABILITIES		131,673	138,847
NET ASSETS		604,177	532,051
EQUITY			
Issued capital	11	242,535	235,415
Reserves	11	831	543
Retained profits		357,928	292,958
Equity attributable to equity holders of the parent		601,294	528,916
Non-Controlling interest		2,883	3,135
TOTAL EQUITY		604,177	532,051

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

Note	Issued capital \$000	Foreign currency translation reserve \$000	Retained profits \$000	Other reserves* \$000	Total \$000	Non-controlling Interest \$000	Total equity \$000
At 1 July 2018	235,415	325	292,958	218	528,916	3,135	532,051
Profit for the year	-	-	106,456	-	106,456	(2,443)	104,013
Other comprehensive income	-	262	-	1,180	1,442	(28)	1,414
Total comprehensive income for the period	-	262	106,456	1,180	107,898	(2,471)	105,427
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 awards	6,120	-	-	(877)	5,243	-	5,243
Share based payments	-	-	-	1,320	1,320	4	1,324
Dividends 15	-	-	(41,486)	-	(41,486)	-	(41,486)
Rights issue in controlled entity	-	-	-	(1,597)	(1,597)	2,215	618
At 30 June 2019	242,535	587	357,928	244	601,294	2,883	604,177

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

Note	Issued capital \$000	Foreign currency translation reserve \$000	Retained profits \$000	Other reserves* \$000	Total \$000	Non-controlling Interest \$000	Total equity \$000
At 1 July 2017	230,733	28	203,110	2,910	436,781	5,069	441,850
Profit for the year	-	-	123,024	-	123,024	(2,271)	120,753
Other comprehensive income	-	297	-	2,412	2,709	17	2,726
Total comprehensive income for the period	-	297	123,024	2,412	125,733	(2,254)	123,479
Transactions with owners in their capacity as owners:							
Issue of shares, net of transaction costs and tax	1,500	-	-	-	1,500	-	1,500
Issue of shares under employee awards	3,182	-	-	(935)	2,247	-	2,247
Share based payments	-	-	-	1,174	1,174	22	1,196
Dividends 15	-	-	(33,176)	-	(33,176)	-	(33,176)
Acquisition of shares in controlled entity 15	-	-	-	(5,343)	(5,343)	(2,107)	(7,450)
Rights issue in controlled entity	-	-	-	-	-	2,405	2,405
At 30 June 2018	235,415	325	292,958	218	528,916	3,135	532,051

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

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash receipts from customers		590,707	572,240
Cash paid to suppliers and employees		(246,061)	(229,115)
Income tax paid		(82,064)	(61,259)
Payments for exploration and evaluation		(56,985)	(39,607)
Interest received		4,823	2,706
Net cash inflow from operating activities	9	210,420	244,965
Cash flows from investing activities			
Payments for exploration and evaluation assets		(825)	(804)
Proceeds from sale of property, plant and equipment		115	705
Payments for plant and equipment, including assets under construction		(9,895)	(22,780)
Payments for mine properties		(154,033)	(64,695)
Payments for investments		(5,002)	(11,924)
Security deposits and bonds		(40)	10
Net cash outflow from investing activities		(169,680)	(99,488)
Cash flows from financing activities			
Net proceeds from share issue in controlled entity		789	2,405
Proceeds from exercise of options		5,263	2,268
Share issue costs		(110)	(95)
Repayment of finance lease liabilities		(346)	(228)
Interest and other costs of finance paid		(162)	(77)
Cash dividends paid to equity holders		(41,486)	(33,176)
Net cash outflow from financing activities		(36,052)	(28,903)
Net increase in cash and cash equivalents		4,688	116,574
Net foreign exchange differences		(606)	50
Cash and cash equivalents at the beginning of the period		243,367	126,743
Cash and cash equivalents at the end of the period	9	247,449	243,367

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Index – notes to the Consolidated Financial Statements

Corporate information and basis of preparation

1.	Corporate information	Page 66
2.	Basis of preparation	Page 66

Segment information

3.	Segment information	Page 70
----	---------------------	---------

Results for the year

4.	Revenue	Page 72
5.	Expenses	Page 73
6.	Finance income and finance expenses	Page 74
7.	Income tax	Page 74
8.	Earnings per share (EPS)	Page 76

Capital and debt structure

9.	Cash and cash equivalents	Page 77
10.	Trade and other payables	Page 78
11.	Issued capital and reserves	Page 78
12.	Interest bearing liabilities	Page 79
13.	Financial risk management objectives and policies	Page 79
14.	Fair value measurement	Page 81
15.	Dividends paid and proposed	Page 82

Invested capital

16.	Trade and other receivables	Page 83
17.	Inventories	Page 83
18.	Exploration and evaluation assets	Page 84
19.	Property, plant and equipment	Page 84
20.	Impairment of non-financial assets	Page 86
21.	Commitments	Page 87

Group structure and related party information

22.	Information relating to Sandfire Resources NL (the Parent)	Page 88
23.	Information relating to subsidiaries	Page 88
24.	Other interests	Page 88
25.	Related party disclosures	Page 89

Other notes

26.	Share-based payments	Page 90
27.	Provisions	Page 92
28.	Significant events after the reporting date	Page 93
29.	Accounting standards and interpretations issued but not yet effective	Page 94
30.	Auditor remuneration	Page 95

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Corporate information and basis of preparation

1 Corporate information

Sandfire Resources NL is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The consolidated financial statements of Sandfire Resources NL incorporate Sandfire Resources NL (the Parent) as well as its subsidiaries (collectively, the Group) as outlined in Note 23. The financial statements of the Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 26 August 2019.

The nature of the Group's operations and principal activities are described in the Directors' report. Information on the Group's structure is provided in Note 23. Information on other related party relationships of the Group is provided in Note 25.

2 Basis of preparation and other significant accounting policies

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with IFRS as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for trade receivables, cash-settled share-based payments and equity investments which have been measured at fair value.

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

Except for the impact of adopting *AASB 9 Financial Instruments* (AASB 9) and *AASB 15 Revenue from Contracts with Customers* (AASB 15) from 1 July 2018, 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 2018. The nature and effect of adopting these standards are disclosed below. Several other new and amended Accounting Standards and Interpretations applied for the first time from 1 July 2018 but did not have an impact on the consolidated financial statements of the Group.

The Group has not early adopted any other new or amended accounting standard or interpretation that has been issued but is not yet effective.

Adoption of AASB 9

AASB 9 replaces *AASB 139 Financial Instruments: Recognition and Measurement* (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. The Group has elected to restate comparative information. There was no impact on hedging as the Group does not currently apply hedge accounting. The effects of adopting AASB 9 are set out below:

(a) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both these tests are satisfied.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets

The Group continued measuring at fair value all financial assets previously held at fair value under AASB 139. The following summarises the impact of AASB 9 on the classification of the Group's financial assets:

- Cash and cash equivalents and receivables (not subject to QP pricing) were previously classified as Loans and Receivables. These financial assets were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. Accordingly, these instruments are now classified and measured as financial assets at amortised cost.
- Trade receivables subject to QP pricing will continue to be recognised at fair value through profit and loss (FVTPL) as the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test.
- Equity investments were previously classified as available for sale assets. Under AASB 9, these were assessed as being equity instruments at FVOCI, as the group intends to hold these for the foreseeable future and which the Group has irrevocably elected to classify upon initial recognition or transition. The Group has also classified its unquoted equity instruments as equity instruments at FVOCI.

The changes in classification noted above did not impact the measurement of financial assets on adoption of AASB 9 in the current or the comparative reporting period.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)

Financial liabilities

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities on adoption of AASB 9 in the current or the comparative reporting period.

(a) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets in the scope of AASB 15.

The Group has reviewed and assessed the existing financial assets for impairment and the change to a forward-looking ECL approach did not have any material impact on the amounts recognised in the financial statements. The Group's term deposits which are included within cash and cash equivalents were assessed as having a low probability of default as they are held with financial institutions with high credit ratings and the Group's receivables (not subject to provisional pricing) which are measured at amortised cost, are short term and the Group has strong risk management policies in place to reduce any exposure.

Adoption of AASB 15

AASB 15 and its related amendments supersede *AASB 111 Construction Contracts*, *AASB 118 Revenue* (AASB 118) and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when control of a good or service transfers to a customer at an amount that reflects the consideration to which any entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specified the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard required enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted AASB 15 using the full retrospective method of adoption and, therefore, has restated its comparative information. The Group applied the practical expedient to not disclose the effect of the transition to AASB 15 on the current period. It did not apply any of the other available optional transition practical expedients. The effect of adopting AASB 15 is set out below.

(a) Sale of concentrate

There were no changes identified with respect to the timing of revenue recognition in relation to the sale of concentrate, as control transfers to customers at the date of shipment, which is consistent with the point in time when risks and rewards passed under AASB 118.

There has been a change in the measurement of the transaction price under the customer contract. In accordance with AASB 15 the transaction price is net of the customer's treatment and refining charges. Revenue was previously accounted for on a gross basis and the treatment and refining charges included in operational costs. The change in the transaction price determined under AASB 15 has resulted in a reclassification adjustment in the comparative Consolidated Income Statement and the Consolidated Statement of Cash Flows for the year ended 30 June 2018. It did not have an impact on the reported net profit for the year ended 30 June 2018 or retained earnings at 1 July 2017.

Under the sales contracts, adjustments are made to the transaction price for variations in assay and weight between the time of dispatch of the concentrate and time of final settlement. In accordance with AASB 15, the Group estimates the amount of variable consideration receivable using the expected value approach based on initial assays. Management consider that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur due to a variation in assay and weight. Accordingly, AASB 15 did not have a material impact on the initial measurement of the transaction price under the contract.

The Group's sales of concentrate to customers contain terms which allow for price adjustments based on the market price at the end of a QP stipulated in the contract. Under AASB 118, revenue was initially recognised for these arrangements at the date of shipment (which was when the risks and rewards passed) and was based on the estimated forward price that the entity expected to receive at the end of the QP, determined at the date of shipment. Subsequent changes in the fair value of the trade receivable were recognised in the Consolidated Income Statement each period until the end of the QP and were presented as part of revenue.

Under AASB 15, the accounting for this other revenue remains unchanged.

There has been a change in the amount of revenue recognised for concentrate sales sold under CIF/CFR Incoterms where the Group provides shipping services. This is because these services are now considered to represent separate performance obligations which are satisfied at a different point in time from the sale of concentrate. Therefore, some of the transaction price that was previously allocated to the concentrate under AASB 118 is now required to be allocated to shipping services under AASB 15. The change in the allocation of the transaction price to concentrate sales under AASB 15 has not had a material impact on the reported profit for the year ended 30 June 2018 or retained earnings at 1 July 2017.

(a) Shipping services

As noted above the Group's concentrate sales are generally sold under CIF Incoterms, whereby the Group is responsible for providing shipping services after the date that it transfers control of the concentrate to the customer. Under AASB 118, freight/shipping services were not accounted for as separate services. Instead, all of the revenue relating to the sale was recognised at the date of loading and presented as concentrate revenue. Under AASB 15, it has been concluded that the provision of these services represents separate performance obligations as the Group acts as principal with revenue recognised overtime as services are transferred to the customer. As noted above, the change in the allocation of the transaction price between concentrate sales and shipping under AASB 15 has not had a material impact on the reported profit for the year ended 30 June 2018 or retained earnings at 1 July 2017. Disaggregated revenue disclosures for the year ended 30 June 2018 and 2019 are provided at Note 4 Revenue.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)

The impact on the comparative Consolidated Income Statement and Consolidated Statement of Cash flows from the reclassification adjustment in relation to treatment and refining charges on adoption of AASB 15 is disclosed below.

	Original \$000	Reclassification \$000	Restated \$000
Income Statement for the year ended 30 June 2018 (extract)			
Revenue	596,242	(36,667)	559,575
Freight, treatment and refining expenses	(77,467)	36,667	(40,800)
Profit (loss) before net finance and income tax expense	173,765	-	173,765
Net profit for the period after tax	120,753	-	120,753

	Original \$000	Reclassification \$000	Restated \$000
Statement of cash flows for the year ended 30 June 2018 (extract)			
Cash flows from operating activities			
Cash receipts	608,907	(36,667)	572,240
Cash paid to suppliers and employees	(265,782)	36,667	(229,115)
Net cash inflow from operating activities	244,965	-	244,965

The adoption of AASB 15 has no impact on the consolidated balance sheet as at 30 June 2018 or 30 June 2019.

(a) Key estimates and judgements

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

Note		Key estimate or judgement
Note 4	Revenue	<ul style="list-style-type: none"> Price adjustment for estimate of concentrate specifications. Fair value of receivables is based on the closing forward LME metal price.
Note 7	Income tax	<ul style="list-style-type: none"> The recognition of deferred tax asset depends on the probability of future taxable profits.
Note 14	Fair value measurement	<ul style="list-style-type: none"> Where the fair value of an instrument is not determinable with reference to active market prices, an alternative valuation technique is used to estimate the fair value of the instrument.
Note 18	Exploration and evaluation assets	<ul style="list-style-type: none"> The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely from either future exploitation or sale.
Note 20	Impairment of non-financial assets	<ul style="list-style-type: none"> The recoverable amount of Mine Properties is dependent on the Group's estimate of ore reserves that can be commercially extracted.
Note 27	Provisions	<ul style="list-style-type: none"> Rehabilitation, restoration and dismantling provisions are reassessed at the end of each reporting period. The estimated costs include judgement regarding the Group's expectation of the level of rehabilitation activities that will be undertaken, technological changes, regulatory obligations, cost inflation and discount rates.

(b) Basis of consolidation and business combinations

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The income statement and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)

Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *AASB 9 Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement.

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

(c) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

On consolidation, the assets and liabilities of any foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions or the average exchange rates over the reporting period. The exchange differences arising on translation for consolidation purposes are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the income statement.

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

(d) Goods and services taxes (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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

(e) Other accounting policies

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Segment Information

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

3 Segment information

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

Operating segments have been identified based on the information provided to the CODM, 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 and shipment 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.

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

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

Segment results

	DeGrussa Operations \$000	Exploration & evaluation \$000	Other activities \$000	Group \$000
Income statement for the year ended 30 June 2019				
Revenue	592,211	-	-	592,211
Other gains / (losses)	89	-	(240)	(151)
Changes in inventories of finished goods and work in progress	11,052	-	-	11,052
Mine operations costs	(134,694)	-	-	(134,694)
Employee benefit expenses	(26,303)	(8,544)	(6,852)	(41,699)
Freight expenses	(46,693)	-	-	(46,693)
Royalties expense	(30,214)	-	-	(30,214)
Exploration and evaluation expenses	-	(48,653)	-	(48,653)
Depreciation and amortisation expenses	(139,719)	(463)	(616)	(140,798)
Administrative expenses	-	-	(7,305)	(7,305)
Profit (loss) before net finance and income tax	225,729	(57,660)	(15,013)	153,056
Finance income				7,603
Finance expense				(2,020)
Profit before income tax				158,639
Income tax expense				(54,626)
Net profit for the year				104,013

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

3 Segment information (continued)

	DeGrussa Operations \$000	Exploration & evaluation \$000	Other activities \$000	Group \$000
Income statement for the year ended 30 June 2018				
Revenue	570,045	-	-	570,045
Other gains / (losses)	(754)	1,590 [^]	-	836
Changes in inventories of finished goods and work in progress	8,123	-	-	8,123
Mine operations costs	(125,452)	-	-	(125,452)
Employee benefit expenses	(25,140)	(8,358)	(7,211)	(40,709)
Freight expenses	(40,800)	-	-	(40,800)
Royalties expense	(29,896)	-	-	(29,896)
Exploration and evaluation expenses	-	(31,977)	-	(31,977)
Depreciation and amortisation expenses	(129,806)	(314)	(191)	(130,311)
Administrative expenses	-	-	(6,094)	(6,094)
Profit (loss) before net finance and income tax	226,320	(39,059)	(13,496)	173,765
Finance income				3,297
Finance expense				(1,521)
Profit before income tax				175,541
Income tax expense				(54,788)
Net profit for the year				120,753

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

Adjustments and eliminations

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

Revenue

Revenue represents the net revenue, which includes the gross revenue adjusted for both the realised and unrealised price adjustments during the quotational period as well as treatment and refining charges charged by the customer.

Segment assets and liabilities

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

As at 30 June 2019 the Group has non-current assets of \$16,195,000 (2018: \$13,241,000) located in the United States of America. The remaining non-current assets are located within Australia.

Information about geographical areas and product

The Group's revenue (refer to Note 4 for details) arise from sales to customers in Asia. In 2019, the majority of the product was sent to China for processing (81%) and the remainder to the Philippines (19%). During 2018, a majority of the product was sent to China for processing (80%), with the remainder sent to Japan (12%) and Philippines (8%). The geographical information is based on the location of the customer's operations.

Four customers (2018: two customers) individually accounted for more than ten percent of total revenue during the year. Sales revenue from these major customers ranged from 19% to 30% of total revenue, in combination contributing approximately 90% of total revenue (2018: 71%).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Results for the year

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

4 Revenue

	2019 \$000	2018 \$000
Revenue from contracts with customers		
Revenue from sale of concentrate	588,818	549,972
Revenue from shipping services	11,813	9,603
Total revenue from contracts with customers	600,631	559,575
Realised and unrealised fair value movements on receivables subject to QP adjustment	(8,420)	10,470
Total Revenue	592,211	570,045

Recognition and measurement

The Groups principal revenue is from the sale of metal concentrate. The Group also earns revenue from the provision of shipping services in relation to the concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer and at the amount that reflects the consideration to which the Group expects to receive in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Concentrate sales

Each shipment of metal concentrate under a master services agreement is determined to be a contract with a customer. Revenue from metal concentrate sales is recognised when control of the concentrate passes to the customer, which is generally determined when title passes together with significant risks and rewards of ownership, which for CIF shipments of concentrate represents the bill of lading date. Revenue is measured at the fair value of the consideration receivable, net of treatment and refining costs and taking into account contractually defined terms of payment and excludes taxes or duty.

The Group's sales of metal concentrate allow for price adjustments based on the market price of contained metal at the end of the relevant quotational period (QP) stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price therefore occur based on movements in market prices of the contained metal up until the end of the QP. The period between provisional invoicing and the end of the QP is generally between one to four months.

Revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of QP, being the forward price at the date the revenue is recognised net of treatment and refining charges. For provisional pricing arrangements, any future changes that occur over the QP are embedded within the trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables are measured at fair value through profit or loss. Subsequent changes in the fair value of provisionally priced trade receivable in the line item Realised and unrealised fair value movements on receivables subject to QP adjustment, presented separately from revenue from contracts with customers. Changes in fair value over the term of the provisionally priced trade receivable are estimated by reference to updated forward market prices for the contained metal as well as taking into account relevant other fair value considerations including interest rate and credit risk adjustments.

Shipping services

Most of the Group's concentrate sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight/shipping services after the date that the Group transfers control of the metal concentrate to its customers. The Group, therefore, has a separate performance obligation for freight/shipping services which are provided solely to facilitate the sale of the concentrate it produces.

For CIF arrangements, the transaction price (as determined above) is allocated to the metal concentrate and freight/shipping services using the relative stand-alone selling price method. Shipping services revenue is generally recognised over the period of time in which the shipping services are being provided.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

4 Revenue (continued)

Key estimates and judgements – Revenue

Under the sales contracts, adjustments are made to the transaction price for variations in assay and weight between the time of dispatch of the metal concentrate and time of final settlement. The Group estimates the amount of consideration receivable using the expected value approach based on internal assays. Management considers that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur due to a variation in assay and weight.

The transaction price for metal concentrate is based on the prevailing forward metal price on the London Metals Exchange (LME) at the time of shipment to the customer. The customer makes a provisional payment to the Group against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the sales transaction is based on the average LME metal price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally two to four months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is standard within the industry and represents an embedded derivative under AASB 9 Financial Instruments. Accordingly subsequent changes in fair value of the receivable is recognised within Realised and unrealised price adjustments in the income statement in each period in until final settlement. A key input into the fair value determination of the receivable at the balance date is the closing forward LME metal price on the final day of the month. The revaluation of the receivable is performed up until the final invoice is received. For the year ended 30 June 2019 an unfavourable \$8,420,000 (2018: favourable \$10,470,000) mark-to-market adjustment to profit or loss was recognised.

5 Expenses

Profit before income tax includes the following expenses:

	Note	2019 \$'000	2018 \$'000
Employee benefits expense			
Wages and salaries		37,989	36,392
Defined contribution superannuation expense		3,607	3,138
Employee share-based payments	26	1,050	2,282
Other employee benefits expense		251	323
		42,897	42,135
Less employee benefits expense capitalised to mine properties		(1,198)	(1,426)
Total employee benefit expense		41,699	40,709
Net profit on sale of property, plant and equipment		2	718

Recognition and measurement

Employee benefits

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

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

Employee share-based payments

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

6 Finance income and finance expense

	2019 \$000	2018 \$000
Finance income		
Interest on bank deposits calculated using the effective interest rate method	7,603	3,297
Total finance income	7,603	3,297
Finance expense		
Interest charges	(183)	(77)
Net foreign exchange loss	(287)	(630)
Unwinding of discount on provisions	(646)	(314)
Facility fees and charges	(904)	(500)
Total finance expense	(2,020)	(1,521)

Recognition and measurement

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

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

7 Income tax

	2019 \$000	2018 \$000
Components of income tax are:		
Current income tax		
Current year income tax expense	52,168	72,635
Over provision for prior year	(475)	(633)
Deferred income tax		
Origination and reversal of temporary differences	2,622	(17,679)
Under provision for prior year	311	465
Income tax expense in the income statement	54,626	54,788
Deferred income tax related to items credited directly to equity		
Financial assets carried at fair value through other comprehensive income	506	1,034
Share issue costs	(8)	(7)
Reconciliation of income tax expense to pre-tax profit		
Profit before income tax	158,639	175,541
Income tax expense at the Australian tax rate of 30% (2018: 30%)	47,592	52,662
Increase (decrease) in income tax due to:		
Non-deductible expenses	1,836	760
Foreign tax losses and temporary differences not recognised	5,313	2,739
Current year capital losses not recognised	-	187
Movement in unrecognised temporary differences with respect to investments	-	(1,698)
Over provision for prior year	(163)	(168)
Tax rate differential on foreign income	545	306
Recognition of previously unrecognised prior year capital losses	(497)	-
Income tax expense	54,626	54,788

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

7 Income tax (continued)

Recognised tax assets and liabilities

in \$000	2019		2018	
	Current tax payable	Deferred income tax	Current tax payable	Deferred income tax
Opening balance	(31,203)	(32,174)	(20,460)	(48,361)
Charged to income	(51,694)	(2,933)	(72,002)	17,214
Charged to equity	-	(497)	-	(1,027)
Other payments	82,064	-	61,259	-
Closing balance	(833)	(35,604)	(31,203)	(32,174)

	2019 \$000	2018 \$000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Investments	1,484	987
Mine properties	34,062	21,677
Plant and equipment including assets under construction	17,704	21,522
Other	42	210
Gross deferred tax liabilities	53,292	44,396
Set-off of deferred tax assets	(17,688)	(12,222)
Net deferred tax liability	35,604	32,174
Deferred tax assets		
Employee benefits provision	926	997
Inventories	5,219	555
Other payables and accruals	1,080	1,239
Rehabilitation, restoration and dismantling provision	8,829	8,353
Share issue costs reflected in equity	14	11
Capital losses	1,484	987
Other	136	80
Gross deferred tax assets	17,688	12,222
Set-off of deferred tax assets	(17,688)	(12,222)
Net deferred tax assets	-	-

Recognition and measurement

Current income tax

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

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

Deferred tax

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

Except as noted below, deferred income tax is recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

7 Income tax (continued)

Deferred tax is not recognised in the following situations:

- (a) Where temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised in equity is recognised in equity.

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

The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred income tax liability has not been recognised, aggregate to \$51.5 million (2018: \$48.4 million).

Key estimates and assumptions – Income tax

Judgment is required to determine whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the timing and generation of sufficient future taxable profits in the same taxing jurisdiction to offset future expenditure such as rehabilitation costs. Judgements are also required about the application of income tax legislation.

Determining if there will be future taxable profits depend on management's estimates of the timing and quantum of future cash flows, which in turn depend on estimates of future production, sales volumes, exploration discoveries, economics commodity prices, operating costs, rehabilitation costs, capital expenditure, dividends and other capital management transactions.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to income tax expense within the income statement.

A deferred tax asset has been recognised in the statement of financial position of \$8,829,000 (2018: \$8,353,000), in relation to future rehabilitation obligations within Australia, the recoverability and recognition of this deferred tax asset is reliant on the Group having future taxable profits within Australia during the same period as the Group incurs the rehabilitation expenditure.

The Group has unrecognised temporary differences and carry forward losses for which no deferred tax asset is recognised in the statement of financial position of \$77,451,000 (2018: \$65,180,000), as the requirements for recognising those deferred tax assets have not been met.

Deferred tax assets have not been recognised in respect of the losses generated in subsidiaries domiciled in Canada and the United States, as they cannot be used to offset current taxable profits in the Group and are unlikely to be utilised in the near future. This includes US losses of USD\$10,457,000 that will commence to expire from 2028 and Canadian losses of CAD\$1,465,000 that will commence to expire from 2036.

8 Earnings per share (EPS)

	2019 \$000	2018 \$000
Net profit attributable to equity holders of the parent	106,456	123,024
	2019 Number	2018 Number
Weighted average ordinary shares adjusted for the effect of dilution	159,457,066	158,024,457

Basic EPS amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June 2019 there were 1,169,046 performance rights on issue.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Capital and debt structure

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

9 Cash and cash equivalents

	2019 \$000	2018 \$000
Cash at bank and on hand	67,041	142,959
Short-term deposits	180,408	100,408
	247,449	243,367

Recognition and measurement

Cash and cash equivalents in the consolidated balance sheet and consolidated statement of cash flows comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash with insignificant risk of change in value. Short-term deposits are usually between one to three months depending on the short term cash flow requirements of the Group. These deposits can generally be cancelled at any time giving one months' notice to financial institutions.

Cash flow information

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

	2019 \$000	2018 \$000
Cash and cash equivalents in the statement of cash flows	247,449	243,367
Reconciliation of net profit after tax to net cash flows from operations:		
Profit for the period	104,013	120,753
Adjustments for:		
Net loss on sale of assets	(2)	(872)
Depreciation and amortisation included in the income statement	140,799	130,311
Share based payments expense	1,051	2,282
Unrealised price adjustments and foreign currency adjustments	(3,020)	6,745
Other non-cash items	1,329	525
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	2,181	(4,684)
Increase in inventories	(11,705)	(7,489)
Increase in trade and other payables	4,273	2,865
Decrease in interest bearing liabilities	(1,370)	(28)
Decrease / (increase) in income tax payable	(30,370)	10,743
Increase / (decrease) in deferred tax liabilities	2,932	(17,184)
Increase in provisions	309	998
Net cash inflow from operating activities	210,420	244,965

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

10 Trade and other payables

	Note	2019 \$000	2018 \$000
Current			
Trade and other payables		56,550	38,580
Related party payables – cash-settled share-based payments	(a)	-	1,318
		56,550	39,898
Non-current			
Other payables		2,520	-

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

Recognition and measurement

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are generally unsecured and are usually paid within 60 days of recognition. They are initially measured at fair value and subsequently carried at amortised cost. The carrying value of these payables approximates their fair value.

11 Issued capital and reserves

Issued ordinary shares

	Note	2019 Number	2019 \$000	2018 Number	2018 \$000
Movement in ordinary shares on issue					
On issue at 1 July		158,472,038	235,415	157,818,424	230,733
Issue of shares, net of transaction costs and tax	(a)	134,168	1,000	207,508	1,500
Issue of shares under employee awards	(b)	952,587	6,120	446,106	3,182
On issue at 30 June		159,558,793	242,535	158,472,038	235,415

(a) As announced on the 11th September 2018 Sandfire entered into a Farm-in Agreement with Black Raven Mining Pty Ltd. Under the terms of the agreement Sandfire issued ordinary fully paid shares to the value of \$1,000,000 based on the 30-day VWAP. A total of 134,168 ordinary fully paid shares were issued.

(b) The value recorded in issued capital on conversion of shares under employee awards represents the original fair value of the award in the share based payment reserve that is transferred from the share based payment reserve to issued capital on exercise, as well as any consideration received on exercise. Refer to Note 26 for further details.

Recognition and measurement

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

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

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder's value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to any interest-bearing loans and borrowings that form part of its capital structure requirements. There have been no breaches in the financial covenants of any interest bearing liabilities during the current financial year or prior financial years. The Group is not subject to externally imposed capital requirements.

The Group manages and makes adjustments to its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may for example return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes for managing capital, during the years ended 30 June 2019 and 2018.

Nature and purpose of reserves

Share-based payments reserve

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

Foreign currency translation reserve

Exchange differences arising on the translation of entities with a functional currency differing from the Group's presentation currency, are taken to the foreign currency translation reserve (FCTR).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

11 Issued capital and reserves (continued)

Capital reserve

The capital reserve represents gains or losses that are not recycled into the income statement, including the residual difference between the consideration paid to acquire a non-controlling interests share in a subsidiary and the non-controlling share of the subsidiaries assets and liabilities.

12 Interest bearing liabilities

	2019 \$000	2018 \$000
Current		
Obligations under finance leases and hire purchase contracts	193	240
Insurance premium funding	-	1,371
	193	1,611
Non-current		
Obligations under finance leases and hire purchase contracts	355	239
	355	239

Recognition and measurement

Interest bearing liabilities are initially measured at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

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

Finance facilities

The Group's current financing arrangements consist of asset financing arrangements for vehicles and equipment.

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

Bond Facility

The bond facility is drawn in the form of bank guarantees to the relevant government agencies for environmental restoration and property managers for security deposits and does not involve the provision of funds. As at 30 June 2019, the Company has drawn \$10,000 of the \$100,000 facility limit.

13 Financial risk management objectives and policies

This note presents information about the Group's financial assets and financial liabilities, its exposure to financial risks, as well as objectives, policies and processes for measuring and managing these risks.

During the current reporting period, the Group's principal financial liabilities were trade and other payables. The Group did not have any debt facilities at year end or throughout the year. The Group's principal financial assets comprise equity investments, trade and other receivables and cash and short-term deposits.

The Group's activities expose it primarily to the following financial risks:

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

Primary responsibility for the identification and control of these financial risks rests with the Group's senior management. The Group's senior management is supported by the Audit and Risk Committee under the authority of the Board. The Audit and Risk Committee provides assurance to the Board that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates via assessments of market forecasts for interest rates and monitoring liquidity risk through the development of future rolling cash flow forecasts.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprise three types of risk: interest rate risk, currency risk and other price risk, such as commodity price risk. The Group's principal financial instruments affected by market risk include financial liabilities, trade receivables, cash and short-term deposits.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

13 Financial risk management objectives and policies (continued)

The sensitivity analysis in the following sections relate to the position as at 30 June 2019 and 2018.

Interest rate risk management and sensitivity analysis

Interest rate risk is the risk that the fair value of future cash flows of an interest bearing financial instrument will fluctuate because of changes in market interest rates.

Cash and cash equivalents are exposed to changes in interest rates, the effect of a reasonably possible change in interest rates at balance date would not have a significant impact on the Group's after tax profit or equity.

Foreign currency risk and sensitivity analysis

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's sale of metal concentrate products denominated in US dollars.

The Group did not use any form of derivatives to hedge its exposure to foreign currency risk during the financial year ended 30 June 2019.

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2019 is listed below.

	Denominated in US\$ presented in AU\$000	
	2019 \$000	2018 \$000
Trade and other receivables	10,031	8,555
Trade and other payables	-	-

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

	Effect on profit before tax	
	2019 \$000	2018 \$000
5% increase (2018: 5% increase)	(476)	(406)
5% decrease (2018: 5% decrease)	527	449

Commodity price risk and sensitivity analysis

The Group is exposed to commodity price volatility on the sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges, specifically the London Metal Exchange (LME). The Group aims to realise average copper prices, which are materially consistent with the prevailing average market prices for the same period.

In order to reduce the exposure to fluctuations in copper price during the Quotational Period (QP) period, the Group may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, in the form of copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. These hedges are generally considered to be economic hedges however for accounting purposes, the Group may not designate into a hedging relationship for hedge accounting.

No derivative hedging instruments were entered into during the year ended 30 June 2019 (2018: Nil).

The following table demonstrates the sensitivity to the exposure at the balance sheet date of a reasonably possible change in commodity prices from the 30 June 2019 London Metals Exchange (LME) forward curve, with all other variables held constant.

	Effect on profit before tax	
	2019 \$000	2018 \$000
10% increase (2018: 10% increase)	14,275	9,542
10% decrease (2018: 10% decrease)	(14,275)	(9,542)

The impact on the Group's profit before tax and equity is due to changes in the fair value of the gross value of provisionally priced sales contracts outstanding at year end totaling \$66,739,000 (2018: \$92,415,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions. At the reporting date, the carrying amount of the Group's financial assets represents the maximum credit exposure.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

13 Financial risk management objectives and policies (continued)

The credit risk on cash and cash equivalents is managed by restricting dealing and holding of funds to banks which are assigned high credit ratings by international credit rating agencies. The Group's cash and cash equivalents as at 30 June 2019 are predominately held with two financial institutions with a credit rating of AA- or higher with Standard & Poor's. As short term deposits have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using life time expected credit losses. In this regard, the Group has concluded that the probability of default on the term deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the short-term deposits.

Credit risk in trade receivables is managed by the Group undertaking a regular risk assessment process including assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. As there are a relatively small number of transactions, they are closely monitored to ensure payments are made on time. Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable promptly after vessel loading. The balance outstanding is received within 60-120 days of the vessel arriving at the port of discharge. Additionally sales are covered by letter of credit arrangements with approved financial institutions. The Group does not have any significant receivables which are past due or impaired at the reporting date and it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Liquidity risk

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

The Group does not have any bank debt and the Group's liquidity risk exposure only relates to the trade and other payables as detailed in Note 10 and short term interest bearing liabilities in Note 12. All current trade payables will be repaid within one year from the reporting date.

14 Fair value measurement

The following table shows the fair values of financial assets and financial liabilities, other than cash and cash equivalents, including their levels in the fair value measurement hierarchy as at 30 June 2019.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Trade receivables at fair value through profit and loss	(i)	-	10,031	-	10,031
Financial assets at fair value through other comprehensive income	(ii)	17,965	-	1,652	19,617
		17,965	10,031	1,652	29,648

(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. Receivables 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 any relevant credit risk.

(ii) Equity instruments designated at fair value through OCI include investments in equity shares of non-listed companies. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

The fair value of the financial instruments as at 30 June 2018 are summarised in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Trade receivables at fair value through profit and loss	-	8,555	-	8,555
Financial assets at fair value through other comprehensive income	7,925	-	2,000	9,925
	7,925	8,555	2,000	18,480

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

14 Fair value measurement (continued)

Fair value measurement

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

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

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

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

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

Fair value hierarchy

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

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

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

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 30 June 2019 or the comparative period ended 30 June 2018.

Key estimates and assumptions – Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

15 Dividends paid and proposed

	Note	2019 \$000	2018 \$000
Cash dividends on ordinary shares declared and paid:			
Final franked dividend for 2018: 19 cents per share (2017: 13 cents)		30,317	20,537
Interim franked dividend for 2019: 7 cents per share (2018: 8 cents)		11,169	12,639
		41,486	33,176
Proposed dividends on ordinary shares:			
Final cash dividend for 2019: 16 cents per share (2018: 19 cents per share)	(i)	25,529	30,317

(i) Subsequent to year end, the Board resolved to pay a franked dividend of 16 cents per share to be paid on 29 November 2019. The expected financial impact of the dividend is based on the ordinary shares outstanding at 30 June 2019 and has not been recognised in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial statements.

Franking credit balance

	2019 \$000	2018 \$000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance at the end of the financial year at 30% (2018: 30%)	148,869	84,585
Estimated franking debits that will arise from the payment of dividends as at the end of the financial year	(10,941)	(12,965)
Estimated franking credits that will arise from the payment of income tax payable as at the end of the financial year	833	31,203
	138,761	102,823

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Invested capital

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

16 Trade and other receivables

	2019 \$000	2018 \$000
Current		
Trade receivables	10,098	8,542
Other receivables	5,227	5,231
	15,325	13,773

Recognition and measurement

Trade receivables are subject to provisional pricing and are exposed to the commodity price risk which causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements in fair value being recognised in profit or loss. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition.

There are no contract assets, for which consideration is conditional that have been recognised from contracts with customers.

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

The Group recognises an allowance for estimated credit losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment. As at 30 June 2019 no allowance for ECLs has been recognised as it is expected that all receivable amounts will be received in full when due. No impairment expense was recognised in relation to receivables for the 2019 and 2018 financial years.

Refer to Note 13 on credit risk of trade receivables to understand how the Group manages the credit risk and measures credit quality of trade receivables that are neither past due nor impaired.

17 Inventories

	2019 \$000	2018 \$000
Current		
Concentrate – at cost	23,211	14,866
Ore stockpiles – at cost	12,631	9,923
Stores and consumables – at cost	11,306	10,870
	47,148	35,659
Allowance for obsolete stock – stores and consumables	(2,005)	(1,698)
	45,143	33,961
Non-current		
Oxide copper ore stockpiles – at cost	11,698	11,698
Cost of goods sold	324,307	302,854

Recognition and measurement

Stores and consumables, ore and concentrate are stated at the lower of cost and net realisable value. Cost are capitalised to ore inventory once commercial production commences which is generally once stoping activities start.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs include direct materials, direct labour and a proportion of variable and fixed overhead expenditure which is directly related to the production of inventories to the point of sale.

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

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

18 Exploration and evaluation assets

	2019 \$000	2018 \$000
Reconciliation		
At 1 July	24,410	21,852
Resource properties and exploration tenements acquired	769	2,310
Exchange differences	796	248
At 30 June	25,975	24,410

Recognition and measurement

Exploration and evaluation expenditure includes pre-licence costs, costs associated with exploring, investigating, examining and evaluating an area of mineralisation, and assessing the technical feasibility and commercial viability of extracting the mineral resource from that area. Other than acquisition costs, exploration and evaluation expenditure incurred on licenses where the commercial viability of extracting the mineral resource has not yet been established is expensed when incurred. Once the commercial viability of extracting the mineral resource are demonstrable (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation costs incurred. The recoverability of the exploration and evaluation assets is dependent on the successful development and commercial exploration, or alternatively, sale of the respective area of interest.

Exploration and evaluation assets are assessed for impairment if:

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

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

Key estimates and assumptions – Exploration and evaluation assets

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

19 Property, plant and equipment

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

	Mine Properties \$000	Plant and equipment \$000	Assets under construction \$000	Total \$'000
2019				
Opening net carrying amount	166,581	149,473	14,565	330,619
Additions	162,938	1,613	11,361	175,912
Disposals	-	(58)	-	(58)
Transfers	1,565	19,768	(21,333)	-
Depreciation and amortisation	(100,488)	(40,310)	-	(140,798)
Movement in the rehabilitation and restoration asset	(25)	966	-	941
Exchange differences	-	(125)	-	(125)
Closing net carrying amount	230,571	131,327	4,593	366,491
At 30 June 2019				
Gross carrying amount – at cost	785,501	377,907	4,593	1,168,001
Accumulated depreciation	(554,930)	(246,580)	-	(801,510)
Net carrying amount	230,571	131,327	4,593	366,491

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

19 Property, plant and equipment (continued)

	Mine Properties \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
2018				
Opening net carrying amount	190,320	154,985	23,711	369,016
Additions	66,316	1,084	21,556	88,956
Disposals	-	(1,572)	-	(1,572)
Transfers	-	30,702	(30,702)	-
Depreciation and amortisation	(92,267)	(38,044)	-	(130,311)
Movement in the rehabilitation and restoration asset	2,212	2,312	-	4,524
Exchange differences	-	6	-	6
Closing net carrying amount	166,581	149,473	14,565	330,619

At 30 June 2018

Gross carrying amount – at cost	621,023	358,394	14,565	993,982
Accumulated depreciation	(454,442)	(208,921)	-	(663,363)
Net carrying amount	166,581	149,473	14,565	330,619

Recognition and measurement

Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning, restoration and dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 27 Provisions for further information about the recognised decommissioning provision.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Mine properties

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

Mine property and development assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses recognised. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

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

Leased assets

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

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

19 Property, plant and equipment (continued)

Recognition and measurement (continued)

Depreciation

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

Category	Depreciation method
Plant and equipment	Straight line over the life of the mine/asset (3 to 4 years)
Leased equipment	Straight line over the shorter of the lease term and life of the asset (3 to 4 years)
Mine properties	Units of ore extracted basis over the life of mine

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

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

Impairment

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

20 Impairment of non-financial assets

Testing for impairment

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

Key estimates and assumptions – Ore Reserve and Mineral Resource

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment calculations

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

21 Commitments

Operating lease commitments – Group as lessee

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. The Group's operating lease commitments disclosed in the table below represent lease payments for the facilitation of power to the Group's operations, mining equipment, property leases for offices as well as administrative and storage facilities. The Group's leases have varying terms, with options to renew the lease on respective expiry dates. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Note	2019 \$000	2018 \$000
Within one year		16,465	11,886
After one year but not more than five years		11,771	6,190
Total minimum lease payments	(i)	28,236	18,076

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

Finance leases and hire purchase commitments – Group as lessee

The Group has finance leases and hire purchase contracts for some items of mobile plant and motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows.

	Note	2019 \$000	2018 \$000
Within one year		193	256
After one year but not more than five years		375	249
Total minimum lease payments		568	505
Less amounts representing finance charges		(20)	(26)
Present value of minimum lease payments		548	479
Included in the financial statements as:			
Current interest bearing liabilities	12	193	240
Non-current interest bearing liabilities	12	355	239
Total included in interest-bearing liabilities		548	479

Group resource property commitments

Sandfire Resources America Inc. - Black Butte Copper Leases and Water Use Agreement

The Company's subsidiary Sandfire Resources America Inc., through its wholly-owned subsidiary Tintina Montana Inc., has entered into a number mining leases; and surface use and water lease agreements (collectively, the "Black Butte Agreements") with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States.

The Black Butte Agreements provide Tintina, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities.

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

	2019 \$000	2018 \$000
Within one year	629	638
After one year but not more than five years	2,515	2,049
More than five years	9,954	13,795
Total payments	13,098	16,482

Contractual commitments

The Group has entered into a number of key contracts as part of its operation of the DeGrussa Copper-Gold Mine located in Western Australia. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2019 amount to approximately \$24,562,000 (undiscounted) (2018: \$27,158,000).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Group structure and related party information

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

22 Information relating to Sandfire Resources NL (the Parent)

The consolidated financial statements of the Group include:

	2019 \$000	2018 \$000
Current assets	306,969	288,677
Total assets	780,748	705,422
Current liabilities	61,321	74,128
Total liabilities	130,448	131,658
Issued capital	242,535	235,415
Retained earnings	275,350	332,086
Share based payment reserve	2,153	3,535
Profit or loss of the Parent entity	124,486	134,345
Total comprehensive income of the Parent entity	125,666	136,758

23 Information relating to subsidiaries

The consolidated financial statements of the Group include:

	Note	Country of incorporation	% equity interest	
			2019	2018
Sandfire Resources America Inc.	(i)	Canada	85.45	78.06
Sandfire BC Holdings (Australia) Pty Ltd		Australia	100.00	100.00
Sandfire BC Holdings Inc.		Canada	100.00	100.00
Sandfire (RMP) Pty Ltd	(ii)	Australia	100.00	0.00
Sandfire (RMP) Inc.	(ii)	U.S.A.	100.00	0.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00
Sandfire A Pty Ltd	(iii)	Australia	0.00	0.00

(i) In October 2018, the Group increased its ownership stake in its subsidiary Sandfire Resources America Inc. ("Sandfire America"; TSX-V: SFR) by way of participation in the Sandfire America rights issue. The total consideration was C\$18,460,883 (A\$20,082,036).

(ii) The wholly owned subsidiaries was formed and incorporated in the current financial year.

(iii) 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. The entity was renamed to Sandfire A Pty Ltd after acquisition. See Note 24(iii) for further information. Sandfire A Pty Ltd was deregistered on the 5th June 2019.

24 Other interests

Undivided interests

(i) Springfield Exploration Joint Venture

On 20 December 2013, Sandfire entered into the Springfield Exploration Joint Venture Agreement with Talisman Mining Limited ("Talisman"). In accordance with the agreement, Sandfire could obtain a 70% interest in the Joint Venture by sole funding \$15 million exploration expenditure. In December 2015, the Group reached the end of the farm-in period and obtained a 70% interest. On 12 October 2018, Sandfire acquired 100% of the Springfield Exploration Joint Venture. See Note 24(iii) below.

The Springfield Exploration Joint Venture was classified as an undivided interest and the Group recognised its 70% interest in the underlying assets and liabilities. Expenditure on the Springfield exploration projects was being jointly funded by Sandfire and Talisman on a 70:30 basis until the announced acquisition of 100% by Sandfire.

(ii) Springfield Mining Joint Venture

As parties to the Springfield Exploration Joint Venture, on 5 April 2017, Sandfire and Talisman entered into the Springfield Mining Joint Venture to undertake development of and mining activities at the Monty Deposit. On the 12 October 2018 Sandfire acquired 100% of the Springfield Mining Joint Venture. See Note 24(iii).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

24 Other interests (continued)

(iii) Acquisition of 30% interest in Springfield Joint Ventures

As announced on the 12 October 2018 Sandfire completed the acquisition of the remaining 30% interest in the Springfield Exploration and Mining Joint Ventures (Springfield Project) held by Talisman Mining Limited (ASX: TLM), through the acquisition of Talisman's subsidiary, Talisman A Pty Ltd.

The purchase price comprises \$72.3 million for Talisman A Pty Ltd, on a debt-free and cash-free basis and an ongoing 1% Net Smelter Return (NSR) royalty payable to Talisman on any future discoveries within the Springfield Joint Venture areas (NSR Royalty). Sandfire was also required to pay stamp duty and other transaction costs of \$5.1 million in relation to the Transaction.

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

The acquisition of the remaining undivided interests in the Springfield Joint Ventures has been accounted for as an asset acquisition resulting in the recognition of the additional 30% interest in the relevant assets and liabilities along with recognition of a liability for the Taurus royalty obligation. See summary table below.

	Allocation of costs of acquisition \$000
Property, plant and equipment (Including mine development)	83,358
Royalty obligation	(3,600)
Rehabilitation provision	(908)
Other assets and (liabilities) net	(1,416)
Total cost including transaction costs	77,434

25 Related party disclosures

As at, and throughout the financial year ended 30 June 2019, the ultimate parent entity of the Group was Sandfire Resources NL.

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

Compensation of key management personnel of the Group

	2019 \$	2018 \$
Short-term employee benefits	2,958,722	3,627,808
Long-term employee benefits	20,870	59,400
Post-employment benefits	58,406	111,271
Share-based payments	613,599	1,937,830
Total compensation	3,651,597	5,736,309

The amounts disclosed in the table represent the amount expended during the reporting period related to KMP and Directors.

Transactions with KMP

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

KMP and their Director related entity	Transaction	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2019 \$	2018 \$	2019 \$	2018 \$
Karl Simich – Tongaat Pty Ltd	Lease of corporate office parking premises	9,600	9,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Lease of corporate office parking premises	9,300	9,300	-	-
Karl Simich – Resource Development Company Pty Ltd	Corporate administrative and accounting services	687,954	716,877		
		706,854	735,777		

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Other notes

26 Share-based payments

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

	Note	2019 \$000	2018 \$000
Expense arising from equity-settled share-based payments – SFR ^A	26(i), (ii)	1,363	1,174
Expense arising from equity-settled share-based payments – SFRA ^B		99	119
Expense arising from cash-settled share-based payments – SFR ^C	26(iii)	(412)	989
Total expense arising from share-based payment transactions		1,050	2,282

A Long-term Incentive Plan.

B Relates to Sandfire America employee share-based payment plans. Detailed disclosure of the plan has not been made as the amount is not considered material for the Group.

C Cash settled Long-term Indexed Bonus Plan.

Recognition and measurement

Equity-settled transactions

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised, together with a corresponding increase in the share based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date

until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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

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

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

Cash-settled transactions

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

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the Director, which will be the fair value at settlement date. The cumulative cost recognised until settlement is recognised as a liability and the periodic determination of this liability is as follows:

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

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

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

Grant Date	Number	Fair Value [^]	Expected Vesting date	Performance period
FY2019				
28 June 2019	157,749	\$3.68	1 Oct 2022	3 years
29 November 2018	116,650	\$2.72	1 Oct 2020	3 years
FY2018				
30 June 2018	108,892	\$5.38	1 Oct 2021	3 years
29 November 2017	196,198	\$3.61	1 Oct 2020	3 years

[^] Represents the fair value per right at grant date.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

26 Share-based payments (continued)

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

Pricing model

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

	Grant Date		Grant Date	
	28 Jun 19	29 Nov 18	29 Jun 18	29 Nov 17
Fair value at measurement date	\$3.68	\$2.72	\$5.38	\$3.61
Underlying share price	\$6.69	\$6.30	\$9.16	\$6.42
Dividend yield	5.20%	3.90%	4.40%	3.50%
Expected volatility	35.00%	35.00%	40.00%	40.00%
Risk-free rate	1.0%	2.0%	2.1%	1.9%
Expected life (years)	3.0	2.6	3.0	2.6

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

Movements in LTI Plan during the year

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

	2019 Number	2018 Number
Opening balance	1,133,319	1,066,901
Rights granted during the year	274,399	305,090
Rights vested and exercised during the year	(202,587)	(161,106)
Rights lapsed or forfeited during the year	(36,085)	(77,566)
Closing balance	1,169,046	1,133,319

(ii) Long-term Incentive Option Plan (IOP Plan)

The IOP Plan was created to align senior management awards with shareholder value. Awards under the plan were provided as a grant of options over ordinary shares for no consideration. With the introduction of the LTI Plan, no further awards have been made under the IOP Plan. As at 30 June 2019 there are no outstanding options under the plan.

There are no voting or dividend rights attached to the options. Voting rights will be attached to the ordinary issued shares when the options have been exercised.

Movements in IOP Plan during the year

	2019 Number	2018 Number
Outstanding at 1 July	1,410,000	1,695,000
Exercised during the year	(750,000)	(285,000)
Lapsed during the year	(660,000)	-
Outstanding at 30 June	Nil	1,410,000
Exercisable at 30 June	Nil	1,410,000

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

26 Share-based payments (continued)

Options expiring on or before	Exercise Price	On issue 30 Jun 18	Modified Note (a)	Exercised	Expired	On issue 30 Jun 19
15 July 2018	\$7.60	365,000	(290,000)	(50,000)	(25,000)	-
15 July 2018	\$8.80	480,000	(290,000)	(120,000)	(70,000)	-
15 July 2018	\$10.00	565,000	-	-	(565,000)	-
		1,410,000	(580,000)	(170,000)	(660,000)	-

(a) Modification to Long-term Incentive Option Plan (IOP Plan)

The Board of Directors imposed restrictions on trading in the Company's securities in accordance with the Company's dealing in securities policy due to various business development initiatives. Due to this restriction on trading, employees, including key management personnel, were offered a limited recourse loan in accordance with the Company's IOP Plan to fund the exercise of their options into ordinary shares in the Company (Option Shares).

The limited recourse loans had a term of six-months, were non-interest bearing and were secured against the Option Shares. Any dividends received were used in part to repay the loans and the loans were to be repaid in full, or the proceeds from the sale of the Option Shares would be used as settlement of the outstanding balance of the loans before the end of the six-month period.

580,000 options with an expiry date of 15 July 2018 were exercised pursuant to these loans during the year. All Option Shares were sold during the year and proceeds from the sales were used to settle the loans. Under AASB 2 Share based payments arrangements where shares are linked with a limited recourse loan are treated in substance as options.

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

The LTIB Plan was created to align Executive Director rewards with shareholder value and was provided as a grant of conditional rights. It is the current intention of the Board that awards issued under the LTIB Plan will be settled in cash where the participant realises value from the rights. Historically, grants that have realised value have been cash-settled.

With the introduction of the LTI Plan, no further awards have been made under the LTIB Plan. Outstanding awards under the LTIB Plan include the conditional rights previously issued to the CEO, which expired on 15 December 2018. No amounts were payable under the plan for the year ended 30 June 2019.

27 Provisions

	2019 \$000	2018 \$000
Current		
Employee benefits	4,822	4,255
Non-Current		
Employee benefits	1,367	1,624
Rehabilitation, restoration and dismantling	29,429	27,843
	30,796	29,467

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

	2019 \$000
At 1 July	27,843
Arising during the year	804
Unwinding of discount	646
Inflation and discount rate adjustments	136
At 30 June	29,429

Recognition and measurement

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value of the provision reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the unwinding of the discounting on the provision is recognised as a finance cost.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

27 Provisions (continued)

Rehabilitation, restoration and dismantling

The Group recognises a provision for the estimate of the future costs of restoration activities on a discounted basis at the time of exploration or mining disturbance. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement.

If a change to the estimated provision results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the related asset, the Group considers whether this is an indication of impairment of the asset. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase to the provision is charged directly to the income statement.

Key estimates and assumptions – Rehabilitation provisions

The Group assesses its rehabilitation, restoration and dismantling (rehabilitation) provision at each reporting date. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs.

Employee Benefits

(i) Short term benefits

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

(ii) Long service leave

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

28 Significant events after the reporting date

Agreement to acquire MOD Resources Limited

As announced on the 25 June 2019, Sandfire and MOD Resources Limited (ASX/LSE: MOD) executed a binding Scheme Implementation Deed for the implementation of a Scheme of Arrangement under which Sandfire will acquire 100% of the issued and to be issued share capital of MOD.

Subsequent to year end on the 21 August 2019 the Board of MOD has unanimously recommended that, in the absence of a superior proposal and subject to the independent expert appointed by the company continuing to conclude that the Scheme is in the best interests of MOD shareholders, MOD shareholders vote in favour of the Scheme. A meeting of MOD shareholders to vote on the Scheme is to be held at 11am on 1 October 2019. In the meantime the parties continue to work co-operatively to plan for the integration of their businesses following completion of the Scheme.

MOD has lodged a copy of the Scheme Booklet with ASX and will be dispatching it to its shareholders on 27 August 2019. MOD has also released a Notice of General Meeting to be held immediately before the Scheme Meeting for shareholders to consider resolutions relating to MOD's acquisition of Metal Tiger Plc's 30% interest in certain exploration licenses on the Kalahari copper belt.

Assuming MOD shareholders vote in favour of the Scheme and the Supreme Court of Western Australia subsequently approves the Scheme at the second court hearing to be held on 8 October 2019, the transaction is scheduled to be implemented on 23 October 2019.

As part of this arrangement Sandfire has agreed to extend its dividend record date to 15 November 2019 in order to allow MOD shareholders to participate in the dividend if the Scheme of Arrangement is completed by this date.

Dividends

Subsequent to year end the Directors of the Company announced a fully franked final dividend on ordinary shares in respect of the 2019 financial year of 16 cents per share. The total amount of the dividend is \$25.5 million based on the shares outstanding as at 30 June 2019. The dividend has not been provided for in the 30 June 2019 Financial Statements.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

29 Accounting standards and interpretations issued but not yet effective

The standards and interpretations that have been issued or amended but not yet effective that the Group reasonably expects will have an impact on its disclosures, financial position or performance of the Group when applied are disclosed below. The Group intends to adopt these standards when they become effective. Other standards and interpretations that are issued, but not yet effective, are not expected to impact the Group and therefore have not been detailed below.

AASB 16 Leases

Classification and measurement

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

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

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

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

Transition

The Group plans to adopt AASB 16 using the modified retrospective approach effective from 1 July 2019. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Impact

The Group has continued to finalise the process to review and assess relevant contracts in light of the new requirements. The expected impact on the consolidated balance sheet as at 1 July 2019 is as follows:

	\$'000
Assets	
Property, plant and equipment - Right to use asset	25,255
Liabilities	
Lease liability	25,255
Net impact on equity	-

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

30 Auditor remuneration

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

	2019 \$	2018 \$
Amounts received or due and receivable by EY (Australia) for:		
An audit and review of the financial report of the entity and any other entity in the consolidated group	332,780	332,885
<i>Other services in relation to the entity and any other entity in the consolidated group:</i>		
Taxation services (R&D)	15,630	21,850
Other advisory services	12,360	10,300
	360,770	365,035
Amounts received or due and receivable by related practices of EY for:		
An audit and review of the financial report of the entity and any other entity in the consolidated group	105,344	68,279
<i>Other services in relation to the entity and any other entity in the consolidated group:</i>		
Taxation services	27,458	41,903
Other advisory services	19,353	51,494
	152,155	161,676

Consolidated Financial Statements

Directors' Declaration

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

1. In the opinion of the Directors:
 - a) the financial statements and notes of Sandfire Resources NL for the financial year ended 30 June 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 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
 - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2019.

On behalf of the Board



Derek La Ferla
Non-Executive Chairman



Karl Simich
Managing Director and Chief Executive Officer

West Perth, 26 August 2019



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

Independent Auditor's Report to the Members of Sandfire Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sandfire Resources NL (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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



1. Valuation of trade receivables

Why significant

As disclosed in Note 16 of the financial report, copper concentrate sales are subject to a quotational pricing period at 30 June 2019. During the quotational pricing period the consideration from the sale of copper concentrate is adjusted for changes in the copper prices, with final consideration determined based on the prevailing copper price at the end of the quotational pricing period.

As revenue is recognised prior to the completion of the quotational pricing period, trade receivables are subject to quotational pricing adjustments and do not meet the 'solely payments of principal and interest' test of AASB 9 *Financial Instruments* so are required to be measured at fair value through profit or loss.

In determining the fair value of trade receivables, a key input is the expected copper price at the completion of the quotational pricing period, based on market forward copper prices. Given changes in market forward copper prices can significantly impact the fair value of trade receivables and the unrealised price adjustment, being a gain or loss, is recognised in the consolidated statement of comprehensive income, this was considered a key audit matter.

How our audit addressed the key audit matter

We assessed the methodologies, inputs and assumptions used by the Group in determining the fair values.

We compared observable inputs into the Group's valuation model, such as quoted prices, to externally available market data.

We recalculated the fair value measurement of trade receivables still subject to quotational pricing adjustments as at 30 June 2019, using 30 June 2019 market copper forward prices.

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

Why significant

As disclosed in Note 27 of the financial report, the Group has rehabilitation, restoration and dismantling provisions of \$29.4 million at 30 June 2019. The calculation of these provisions was considered a key audit matter because it requires judgment in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to net present value.

The Group reviews the underlying costs used to calculate the rehabilitation, restoration and dismantling provisions on a semi-annual basis, using external experts to provide support in its assessment as appropriate. This review incorporates the identification of any new rehabilitation, restoration and dismantling obligations that have arisen, an assessment of the underlining assumptions used, effects of any changes in local regulations, and the expected approach to restoration and rehabilitation.

How our audit addressed the key audit matter

We evaluated the legal and/or constructive obligations with respect to the rehabilitation, restoration and dismantling provision for the Degussa and Monty operations and the intended method of restoration and rehabilitation and the associated cost estimates.

We considered the qualifications, competence and objectivity of the external experts the Group engaged who produced the cost estimates.

We considered the timing of the Group's proposed rehabilitation, restoration and dismantling activities for consistency with the Group's legal and/or constructive obligations and useful lives of the associated mining operations.

We assessed the mathematical accuracy of the calculations and the appropriateness of the inflation and discount rates.



3. Carrying value of inventories

Why significant

As disclosed in Note 17 of the financial report, the Group held inventories as at 30 June 2019 of \$56.8 million, which related to concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles. These inventories are valued at the lower of cost and net realisable value. Valuation at cost includes different components such as allocated mining costs relating to the extraction of ore from the Degussa and Monty mine.

The determination of whether mining costs are considered development costs or operating costs capitalised to inventory involves judgment, which can significantly impact the valuation of inventories and the amount recognised through the consolidated statement of comprehensive income when the inventories are sold. As a consequence, this was considered a key audit matter.

How our audit addressed the key audit matter

We considered whether the Group's accounting policies in respect of concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles are consistent with Australian Accounting Standards.

We assessed the effectiveness of the relevant controls in respect of the allocation of the mining costs at the different stages of production to inventories.

We selected a sample of mining related costs to evaluate whether, based on their nature, they were allocated appropriately (i.e. capitalised to inventories or mine properties).

We tested inventories are being appropriately costed based on allocated costs and production volumes.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Sandfire Resources NL for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

F Drummond
Partner
Perth
26 August 2019

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

SHAREHOLDER AND INVESTOR INFORMATION

The shareholder information set out below is current as at 5 September 2019.

Australian Securities Exchange listing

Sandfire's shares are listed on the Australian Securities Exchange (ASX). The Company is listed as Sandfire Resources NL with an ASX code of SFR.

Issued Capital

Share capital comprised 159,558,793 fully paid ordinary shares and the Company had 4,852 holders of ordinary fully paid shares.

Distribution of shareholders

Range	Total holders	Number of shares	Percentage of issued capital
1 – 1,000	2,407	1,022,021	0.64
1,001 – 5,000	1,796	4,560,479	2.86
5,001 – 10,000	348	2,615,097	1.64
10,001 – 100,000	271	7,288,174	4.57
100,001 – and over	30	144,073,022	90.29

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 491.

Top 20 shareholders (nominee company holdings)

Holder name	Number of shares	Percentage held
1 HSBC Custody Nominees Australia Ltd	71,066,516	44.54
2 J P Morgan Nominees Australia Pty Ltd	25,550,504	16.01
3 Citicorp Nominees Pty Ltd	25,318,280	15.87
4 National Nominees Ltd	4,741,085	2.97
5 BNP Paribas Nominees Pty Ltd	2,941,892	1.84
6 Citicorp Nominees Pty Ltd	1,797,951	1.13
7 Tongaat Pty Ltd	1,758,215	1.10
8 Resource Development Company Pty Ltd	1,486,786	0.93
9 BNP Paribas Nominees Pty Ltd	1,302,103	0.82
10 Brispot Nominees Pty Ltd	1,182,119	0.74
11 Zero Nominees Pty Ltd	1,150,000	0.72
12 AMP Life Ltd	1,114,080	0.70
13 Kape Securities Pty Ltd	954,750	0.60
14 CS Thirf Nominees Pty Ltd	709,456	0.44
15 Tongaat Pty Ltd	600,000	0.38
16 Mr William John Evans and Mrs Carolina Maria Theresia Evans	405,215	0.25
17 Mr Griffin Paul Neville	200,000	0.13
18 Warbont Nominees Pty Ltd	190,180	0.12
19 S A Coupe Pty Ltd	170,000	0.11
20 Brampton Holdings Pty Ltd	166,872	0.10
Total	142,806,004	89.50

Substantial shareholders

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

Substantial shareholder	Date received	Relevant interest per the Notice - number of shares
The Vanguard Group Inc.	4 September 2019	7,990,703
Blackrock Inc.	9 August 2019	8,007,386
Mitsubishi UFJ Financial Group Inc.	9 August 2019	12,193,870
Dimensional Entities	23 July 2019	7,979,525
State Street Corporation	26 June 2019	8,068,082
LSV Asset Management	22 March 2018	8,061,413
Vinva Investment Management	31 May 2016	9,510,139

Unquoted securities - performance rights

Class	Number	Holders
Performance rights vesting not earlier than 1 July 2020	375,755	5
Performance rights vesting not earlier than 1 July 2021	225,542	5
Performance rights vesting not earlier than 1 July 2022	157,749	4

Voting rights

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

On-market buy back

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

Shareholder and New Investor Information

Key shareholder information – Sandfire website

To assist those considering an investment in the Company, the Sandfire website contains key shareholder information. The site contains information on Sandfire's operations, ASX releases and financial and quarterly reports. It also contains a facility for shareholders and investors to direct inquiries to the Company, and to elect to receive communications from Sandfire via email.

Dividends

Sandfire's Board of Directors typically makes a determination on dividend payments twice each year. Sandfire does not operate a dividend reinvestment plan (DRP).

Share Registry Services

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry:

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

T: 1300 992 916 (within Australia)
+61 3 9628 2200 (outside Australia)
F: +61 8 9315 2233
E: registrar@securitytransfer.com.au

Postal address:
PO Box 52
Collins Street West, VIC 8007

www.securitytransfer.com.au

Shareholders can elect to receive a printed copy of the Annual Report and/or receive an email notification related to major company events. Please contact Security Transfer Australia.

CAUTIONARY NOTES AND DISCLAIMERS

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

Forward-Looking Statements

Certain statements made within this report contain or comprise forward-looking statements regarding Sandfire's Mineral Resources and Ore 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. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or to be achieved and any other similar expressions. In providing the forward-looking information in this report, Sandfire has made numerous assumptions which management believes are reasonable as at the date they are made. Although Sandfire believes that the expectations reflected in such forward-looking statements are also 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, business and operational risk management and climate change risk, as detailed further in the Director's Report under 'Business risks and management' and Sandfire's Sustainability Report released on or about the date of this report. 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 report and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward-looking statement.

Competent Person's Statement – Exploration Results Doolgunna

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

Competent Person's Statement – Exploration Results Temora

The information in this report that relates to Exploration Results at Temora is based on information compiled by Mr Bruce Hooper who is a Registered Professional Geoscientist (RPGeo) of The Australian Institute of Geoscientists. Mr Hooper is a permanent employee of Sandfire and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hooper consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

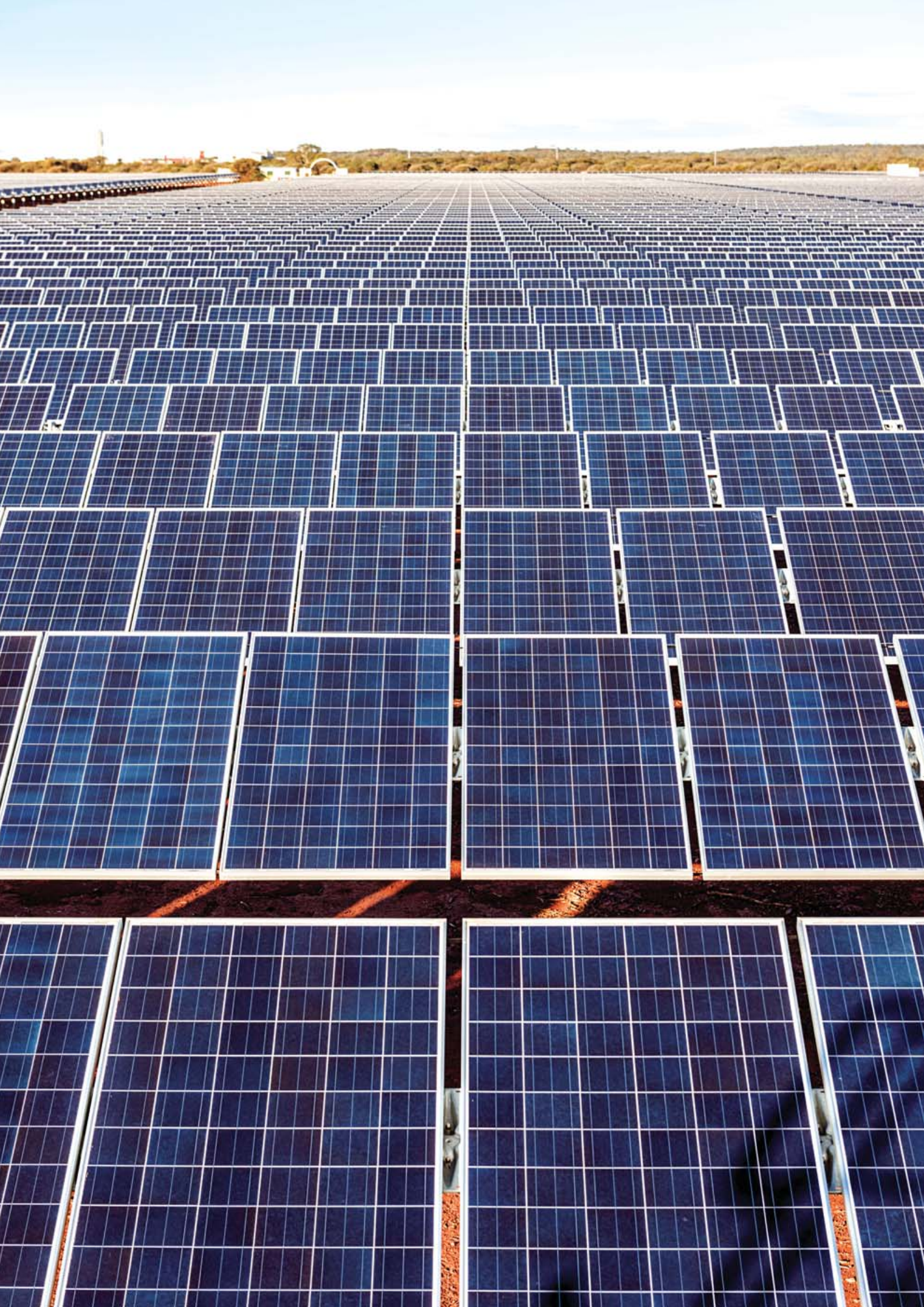
Exploration and Resource Targets

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, 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.

GLOSSARY OF TERMS

AC	air core usually in the context of drilling or drill holes
Ag	silver
Au	gold
BCM	bulk cubic metres
Co	cobalt
Cu	copper
CuEq	copper equivalent
DHEM	down hole electromagnetic surveys
EM	electromagnetic
EM conductors	electromagnetic conductors returned from EM surveys
FLEM	fixed-Loop electromagnetic
g	metric gram
g/t	metric gram per metric tonne
km	kilometres
koz	thousand ounces
kt	thousand metric tonnes
ktpa	thousand metric tonnes per annum
MLEM	moving-loop electromagnetic surveys
Moz	million ounces
Mt	million metric tonnes
Mtpa	million metric tonnes per annum
Ni	nickel
oz	ounce
RC	reverse circulation drilling
t	metric tonnes
TRIFR	total recordable injury frequency rate
VTEM	airborne versatile electromagnetic surveys
Zn	zinc





CORPORATE INFORMATION

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

Level 2, 10 Kings Park Road
West Perth WA 6005

T: +61 8 6430 3800
F: +61 8 6430 3849
E: admin@sandfire.com.au
W: www.sandfire.com.au

SHARE REGISTRY

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

T: 1300 992 916 (within Australia)
+61 3 9628 2200 (outside Australia)
F: +61 8 9315 2233
E: registrar@securitytransfer.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

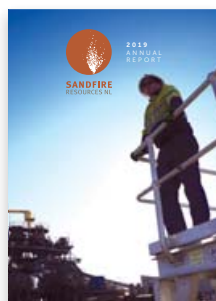
ABN

55 105 154 185

ASX CODE

Sandfire Resources NL shares are listed on the Australian Securities Exchange (ASX).
ASX code: SFR

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



Annual Report



Sustainability Report

Stay up-to-date with the latest news at
www.sandfire.com.au

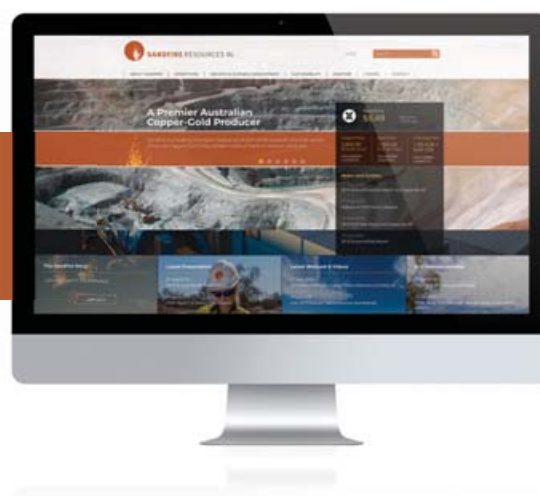






Photo Credit – Mieke Boynton



Printed on 100% Recycled Paper

SANDFIRE RESOURCES NL

Level 2, 10 Kings Park Road, West Perth WA 6005

T: +61 8 6430 3800 F: +61 8 6430 3849 E: admin@sandfire.com.au

www.sandfire.com.au

