

ASX Release

29 August 2014

APPENDIX 4E

Financial year ended 30 June 2014

Results for Announcement to the Market	\$'000	Up/Down	Movement
Revenue from ordinary activities	531,230	Up	5%
Profit after tax from ordinary activities attributable to members	78,158	Down	11%
Net profit for the period attributable to members	78,158	Down	11%

Dividend information	Amount per share	Franked amount per share
Interim dividend per share (cents per share)	-	-
Final dividend per share (cents per share)	10.0	-
Total dividends per share for the year	10.0	-

Final dividend dates

Record date for determining entitlements to the final dividend	12 September 2014
Payment date for the final dividend	10 October 2014

Net tangible assets	2014	2013
Net tangible assets per ordinary security	\$1.87	\$1.36

Additional Appendix 4E disclosure requirements can be found in the Director's Report and the 30 June 2014 financial statements and accompanying notes.

This information should be read in conjunction with Sandfire's audited consolidated financial report which is enclosed.

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Financial Report

For the year ended 30 June 2014

ASX Code: SFR

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ABN 55 105 154 185

Directors

Derek La Ferla	<i>Independent Non-Executive Chairman</i>
Karl Simich	<i>Managing Director and Chief Executive Officer</i>
W John Evans	<i>Non-Executive Director</i>
Robert Scott	<i>Independent Non-Executive Director</i>
Soocheol Shin	<i>Non-Executive Director</i>
Paul Hallam	<i>Independent Non-Executive Director</i>

Management and Company Secretary

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

Registered Office and Principal Place of Business

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Home Exchange

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ASX Code

Ordinary fully paid shares: SFR

Competent Person's Statement – Mineral Resources

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

Competent Person's Statement – Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by Mr Shannan Bamforth who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bamforth is a permanent employee of Sandfire Resources and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bamforth 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. There has been insufficient exploration to define mineral resources in addition to the current JORC compliant Mineral Resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

Forward-Looking Statements

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.

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 2014 (the reporting period) and the auditor's report thereon.

1 Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows:

Name	Period of Directorship
Mr Derek La Ferla <i>Independent Non-Executive Chairman</i>	Appointed 17 May 2010
Mr Karl Simich <i>Managing Director & Chief Executive Officer</i>	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr W John Evans <i>Non-Executive Director</i>	Appointed Executive Technical Director 2 October 2007 Resigned Executive Technical Director 1 January 2013 Appointed Non-Executive Director 1 January 2013
Mr Robert Scott <i>Independent Non-Executive Director</i>	Appointed 30 July 2010
Mr Soocheol Shin <i>Non-Executive Director</i>	Appointed 28 February 2012
Mr Paul Hallam <i>Independent Non-Executive Director</i>	Appointed 21 May 2013

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

Derek La Ferla	Independent Non-Executive Chairman
Qualifications	B.Arts, B.Juris, B.Law, Fellow of AICD
Experience	Mr La Ferla has been a corporate lawyer for over 25 years and is a partner with international law firm, Norton Rose Fulbright. He is the National team leader for the firm's Corporate Advisory Group (which includes mining and resources) and the National leader of the Infrastructure, Mining and Commodities Industry Headlight Group. Mr La Ferla also has considerable experience as a company director and is the chairman of Cashmere Iron Limited and OTOC Limited. He has also previously served on the Norton Rose Australia national board (while the firm was Deacons) and listed investment company, Katana Capital Limited. He is a fellow of the Australian Institute of Company Directors.
Other current listed company directorships	Non-Executive Chairman of OTOC Limited (since 28 October 2011).
Special responsibilities	Member of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee.
Karl Simich	Managing Director and Chief Executive Officer
Qualifications	B.Com, FCA, F.Fin
Experience	Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of five mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a director of and held senior positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.
W John Evans	Non-Executive Director
Qualifications	B.Sc
Experience	Mr Evans graduated from the University of Auckland New Zealand in 1970 with B.Sc Major in geology. Between 1970 and 1987, he was employed by various divisions of CRA Limited, including being in charge of all field operations for iron ore in the Pilbara, Western Australia and gold and base metals in the Murchison, Western Australia. He was the Managing Director of Marymia Exploration NL for 12 years until 2002 and has been a geological consultant to numerous companies during and since.

1 Directors (continued)

Robert Scott

Independent Non-Executive Director

Qualifications

FCA

Experience

Mr Scott is a Chartered Accountant with over 35 years of experience as an advisor on corporate services and taxation. Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia. He is also a member of the Institute of Company Directors.

Other current listed company directorships

Non-Executive Director of Lonestar Resources Ltd (formerly Amadeus Energy Ltd) (since October 1996).

Non-Executive Director of Homeloans Ltd (since November 2000).

Non-Executive Director of RTG Mining Inc (since March 2013).

Former listed company directorships in last three years

Non-Executive Chairman of Manas Resources Ltd (January 2013 to March 2014).

Non-Executive Director of CGA Mining Ltd (January 2009 to January 2013).

Non-Executive Director of Neptune Marine Services Ltd (May 2007 to March 2012).

Special responsibilities

Chairman of the Audit and Risk Committee.

Member of the Remuneration and Nomination Committee.

Soocheol Shin

Non-Executive Director

Qualifications

B.A. Public Administration

Experience

Mr Shin is the Managing Director of POSCO Australia Pty Ltd (a wholly-owned subsidiary of the Korean steelmaker POSCO), which holds 15.3 percent of the Company's issued capital. Mr Shin joined POSCO in 1989 and has held a variety of positions throughout his career, including Project Manager, POSCO Australia Pty Ltd; Team Leader, Coal Procurement Group; Team Leader, Steel Making Raw Materials Procurement Group and Group Leader, Raw Materials Transportation Group. He was appointed Managing Director of POSCO Australia in February 2012.

Other current listed company directorships

Non-Executive Director of Jupiter Mines Ltd (since March 2012).

Former listed company directorships in last three years

Non-Executive Director of Cockatoo Coal Ltd (March 2012 to August 2013).

Paul Hallam

Independent Non-Executive Director

Qualifications

BE (Hons) Mining, FAICD, FAusIMM

Experience

Mr Hallam is a highly experienced resource industry executive with more than 35 years of experience working for a number of blue chip Australian and International mining companies, including 15 years at senior executive management level. His experience spans a range of corporate and operating environments, both in Australia and overseas, covers a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. His former roles include Director – Operations with Fortescue Metals Group and Executive General Manager – Development & Projects with Newcrest Mining Limited. Mr Hallam retired from executive roles in 2011 to pursue a career as a professional Non-Executive Director. Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy.

Other current listed company directorships

Non-Executive Director of Altona Mining Ltd (since March 2013).

Non-Executive Director of Gindalbie Metals Ltd (since December 2011).

Former listed company directorships in last three years

Non-Executive Director of Enterprise Metals Ltd (November 2011 to May 2014).

Special responsibilities

Chairman of the Remuneration and Nomination Committee.

Member of the Audit and Risk Committee.

1 Directors (continued)

Interests in the shares and options of the Company

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

	Number of ordinary shares	Number of options over ordinary shares
Derek La Ferla	21,668	-
Karl Simich	6,009,735	^(a) 600,000
W John Evans	1,315,215	^(a) 330,000
Robert Scott	5,000	-
Soocheol Shin	-	-
Paul Hallam	-	-

(a) Expiring 27 November 2014.

2 Company Secretary

Matthew Fitzgerald

Joint Company Secretary and Chief Financial Officer

Qualifications

B.Com, CA

Experience

Mr Fitzgerald was appointed to the position of Company Secretary on 22 February 2010. Mr Fitzgerald is a Chartered Accountant with extensive experience in the resources industry. He began his career in the Assurance and Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008.

Robert Klug

Joint Company Secretary and Chief Commercial Officer

Qualifications

B.Com, LLB

Experience

Mr Klug was appointed to the position of joint Company Secretary on 7 November 2013. Mr Klug has held accounting, senior legal and corporate finance roles in his 20 year career. Initially trained as an auditor with KPMG Perth, Mr Klug worked in London as a corporate lawyer after having completed his law degree at Murdoch University in Perth. Upon his return to Perth, he joined Freehills Perth Office, where he worked almost exclusively with small and mid-cap resource companies. After a number of years at Freehills Mr Klug worked in corporate finance as a director of Carmichael Capital Markets, the Corporate Finance arm of DJ Carmichael Stockbrokers. In 2005, Mr Klug became General Manager Business Development with St Barbara Ltd until St Barbara relocated its head office to Melbourne in early 2007 when he joined Heron Resources Ltd in a senior management role.

3 Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board Meetings		Board Committee Meetings			
	A	B	Audit and Risk		Remuneration and Nomination	
			A	B	A	B
Derek La Ferla	8	8	3	3	2	2
Karl Simich	8	8	-	-	-	-
W John Evans	6	8	-	-	-	-
Robert Scott	7	8	3	3	2	2
Soocheol Shin	7	8	-	-	-	-
Paul Hallam	8	8	3	3	2	2

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.

3 Directors' meetings (continued)

Committee membership

As at the date of this report, the Board had an Audit and Risk Committee and a Remuneration and Nomination Committee. Members acting on the committees during the year were:

Audit and Risk	Remuneration and Nomination
Robert Scott - Chairman	Paul Hallam – Chairman ^(a)
Derek La Ferla	Derek La Ferla
Paul Hallam	Robert Scott

(a) Mr Hallam was appointed chairman of the Remuneration and Nomination Committee on 18 February 2014, replacing Mr La Ferla in that role.

4 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 10 cents per share, to be paid on 10 October 2014. The record date for entitlement to this dividend is 12 September 2014. The financial impact of this dividend amounting to \$15,564,000 has not been recognised in the Financial Statements for the year ended 30 June 2014 and will be recognised in subsequent Financial Statements.

No dividends were paid or declared by the Group during the previous financial year.

5 Principal activities, operating and financial review

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

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

5.1 Project review, strategies and future prospects

DOOLGUNNA PROJECT, WESTERN AUSTRALIA (100%)

The Doolgunna Project is located 900km north of Perth and approximately 150km north of the regional mining centre of Meekatharra in Western Australia. The tenement package, known as Doolgunna, covers a total area of 400km² in an emerging copper-gold mineralised belt in the Bryah Basin close to existing mines and infrastructure and includes the Company's DeGrussa Copper Mine.

DeGrussa Copper Mine

Overview

During the reporting period, Sandfire completed the successful ramp-up of the DeGrussa underground mine and processing facility to its nameplate capacity of 1.5 million tonnes per annum (Mtpa).

Copper production for the 12 months to 30 June 2014 was 67,690 tonnes and gold production was 33,893 ounces. A summary of copper and gold production and sales for the year is provided below:

FY 2014 Production Statistics		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
Concentrator	Mined	1,496,686	5.0	1.5	74,653	74,103
	Milled	1,490,954	5.2	1.5	77,031	72,925
Production		278,454	24.3	3.8	67,690	33,893
Copper and gold sales		271,079	23.9	3.6	64,719	31,788

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

Underground mining progressed on schedule throughout the 2014 Financial Year. The targeted annualised ore production rate of 1.5Mtpa was achieved during the reporting period, with a total of 1,496,686 tonnes of underground sulphide ore mined for the 12 months to 30 June 2014.

The performance of the paste-fill plant has generally stabilised and improved, with filling of the primary stopes in the Conductor 1 deposit completed during the reporting period and secondary stopes adjacent to these paste-filled stopes coming on-line during the December 2013 Quarter. The first stope mined beneath a filled stope was completed during the March 2014 Quarter, and to date, full extraction has been achieved without paste dilution from the stope above.

5 Principal activities, operating and financial review (continued)

5.1 Project review, strategies and future prospects (continued)

As a result of reliability issues encountered with the paste pump, strategies including improved maintenance schedules and mine design changes were implemented to reduce the need for pumping of the fill and, following a planned campaign of paste filling during the September 2014 Quarter using the pump, all filling for the next couple of years will be completed by gravity filling, eliminating any delays associated with pump reliability.

There was a continued strong focus on underground mine development in both the new Conductor 1 and Conductor 4/5 Declines. Underground development is proceeding on schedule, with both of these new declines progressing to plan.

The Conductor 1 Decline had advanced on schedule during the reporting period, enabling the commencement of additional ventilation rises as well as down-dip drilling within the Conductor 1 deposit. The development of this decline will enable the Conductor 1 deposit to be fully developed and extracted.

The Conductor 4/5 development also advanced following a redesign during the March 2014 Quarter driven by a temporary deterioration of ground conditions and increased water ingress. A detailed geotechnical review and drilling program was undertaken to keep the decline within the siltstone and dolerite rock units. To date, all decline development at DeGrussa has been undertaken within these rock units and has experienced good ground conditions.

The new decline path has been designed to minimise interference with the Conductor 4 underground diamond drilling program (see below) and will have no material impact on previously announced development timelines and budgeted capital expenditure for the underground mine development.

This Decline is expected to reach Conductor 4, located approximately 400m east of Conductor 1, towards the end of the 2014 calendar year and will enable development and mining of both the high-grade Conductor 4 and 5 deposits to occur. At the end of the reporting period, the Conductor 4 decline development advanced 520m with the Conductor 5 decline advancing 123m.

The development of these new declines is important as it will ensure that DeGrussa can source ore from multiple underground locations, providing stability and consistency of production in the long term. It is also facilitating the establishment of underground diamond drilling platforms from which extensions and potential repeats of the Conductor 4 and 5 deposits can be targeted.

These drill positions are being used to allow grade control drilling to define mining shapes in Conductor 4 and 5 and to conduct in-fill drilling to enable conversion of Inferred Mineral Resources to Ore Reserves in these deposits. Underground grade control drilling conducted during the reporting period has brought the majority of the Conductor 1 deposit, down to the 2150mRL, to a 'mine-ready' status with further drilling required below this level.

Total development for the underground mine at the end of the reporting period was 22km.

In May 2014, Sandfire awarded a new contract for underground mining services at DeGrussa to specialist underground mining contractor Byrncut Australia Pty Ltd. The contract, which has an estimated value of \$200 million, was awarded following a competitive tender process.

The new DeGrussa underground mining contract has a three-year term, with Sandfire having an option to extend for a further two years. It is the single largest operational contract at DeGrussa, employing approximately 150 people and utilising some 30 items of underground mining equipment and associated surface support.

The implementation of the new contract is expected to reduce gross mining costs at DeGrussa by over 10 per cent. This will see a reduction in anticipated mining, decline development and underground sustaining capital. This is consistent with ongoing efforts by Sandfire's management to reduce costs, improve efficiencies and streamline all aspects of the DeGrussa Operation, and also reflects the lower contract rates currently being experienced across the Australian resource sector.

The change-out to the new underground contractor was successfully completed by 1 July 2014 with ramp-up to target production and development rates completed.

Processing

The ramp-up of the DeGrussa Concentrator to nameplate capacity was completed during the 2014 Financial Year with mill throughput now consistently achieving or exceeding the targeted annualised rate of 1.5Mtpa. Key metrics for the DeGrussa Concentrator for the 2014 Financial Year included:

- 1,490,954 tonnes milled at an average head feed grade of 5.2% Cu;
- Average copper recovery for the reporting period of 87.9%;
- Concentrate production of 278,454 tonnes; and
- Metal production of 67,690 tonnes of contained copper and 33,893 ounces of gold.

5 Principal activities, operating and financial review (continued)

5.1 Project review, strategies and future prospects (continued)

Average copper recoveries were restricted to 82% during the September 2013 Quarter as further batches of transitional open pit material were processed on a campaign basis. This material achieved recoveries of 60-65% compared with 85-92% for primary underground sulphide ore. Approximately 30,000 tonnes of open pit sulphide ore remains stockpiled for future processing if and when required.

With the cessation of processing of transitional open pit ore in the September 2013 Quarter and increased plant stability, overall copper concentrator recoveries increased during the December 2013 and March 2014 Quarters towards the targeted level of approximately 92%.

Average copper recovery fell to 89.5% in the June 2014 Quarter as a result of the lower ore feed grade, and the impact of higher flotation tail grade due to plant instability and a lower copper-sulphur ratio. Recoveries are expected to return to the targeted level of +90%, with a number of improvement projects in the process of being implemented.

These include:

- Installation of a Pebble Crusher in the December 2014 Quarter to facilitate the removal of critical sized material allowing the SAG mill performance to be optimised in terms of throughput and grind size. The Pebble Crusher, which will be installed at a cost of \$6.4 million, will efficiently re-handle and crush the critical-sized material prior to re-feeding into the SAG mill. The operation of the SAG mill in 'scatting out' mode since March 2014 has confirmed the benefits of removing this material;
- A Column Flotation Cell will be installed in the December 2014 Quarter. Pilot test work performed over the last two quarters confirms that the tails contains entrained copper as a consequence of insufficient residence time in the flotation cells. Additional cell capacity will be installed via a column flotation cell with forecast copper recovery improvement of over 1% from current performance; and
- In association with the column flotation cell, a screen arrangement will be installed as part of the SAG mill system in lieu of the current cyclones. Testwork has confirmed that the current classification arrangement is resulting in over-grinding of a portion of the ore feed resulting in low recovery of this finer copper fraction in the flotation plant. The SAG classification screen will allow better control of the feed size returned into the SAG mill, thereby preventing the formation of fine particles. The column flotation cell and SAG screen plus additional improvements in process control will cost \$6.8 million.

Production Guidance

FY2015 targeted copper production is expected to be within the range of 65-70,000 tonnes of contained copper metal and gold production within the range of 35-40,000oz. Headline C1 cash operating costs are expected to be with the range of US\$1.15-1.25/lb.

Sales & Marketing

Copper Concentrate

A total of 271,079 tonnes of plant concentrate containing 64,719 tonnes of payable copper was sold for the 2014 Financial Year. Gold sales totaled 31,788 ounces.

Shipments were completed from both Port Hedland and Geraldton.

Feasibility Studies

Oxide Copper Feasibility Study

Work continued during the reporting period to progress the Feasibility Study on a heap leach/solvent extraction and electro-winning (SX-EW) recovery option for the stockpiled copper oxide ore at DeGrussa. The Sandfire Oxide Copper Project at DeGrussa has been extensively tested and the project is being evaluated on the following basis:

- Existing stockpiled oxide material will be scrubbed to remove fine clays;
- The -150um material will be deposited in a purpose-built additional tailings storage facility and the +150um material will be all in crushed to -24mm for heap leaching;
- The heap leach will be a combination of a traditional sulphuric acid leach coupled with bio-leaching; and
- The pregnant liquor from the heap leach will be concentrated in a solvent extraction circuit with the strong electrolyte fed to an electrowinning circuit to produce 99.99-99.999% copper cathode.

In December 2013, Sandfire signed a joint venture agreement with Ventnor Resources at the Thaduna/Green Dragon Copper Project (see below). Ventnor has significant oxide material which has the potential to be processed through the oxide facility being proposed for DeGrussa.

Geological investigation and metallurgical testing will be undertaken as part of the joint venture with Ventnor.

Following this, the Oxide Copper Project financial analysis will be updated to reflect the potential oxide material from this joint venture being processed by the Oxide Copper facility.

5 Principal activities, operating and financial review (continued)

5.1 Project review, strategies and future prospects (continued)

The Thaduna Project has the potential to increase the copper units to the Oxide Copper Project, increasing the life of the project. Project commitment will await completion of this detailed Ventnor work.

Near-mine Exploration

During the reporting period, Sandfire continued to progress a tightly focused, multi-disciplined exploration campaign to test for extensions to the known cluster of VMS deposits at DeGrussa and to unlock the broader potential of the Doolgunna region for additional VMS (volcanogenic massive sulphide) deposits or clusters of deposits.

Key components of the Company's exploration activity at DeGrussa during the reporting period included:

- Underground diamond drilling from newly established drilling platforms off the Conductor 1 and Conductor 4/5 Declines to test for extensions of the known mineralisation in the near-mine environment;
- Underground drilling focusing on C4 resource definition and updating the structural model of the DeGrussa deposits;
- Deep surface drilling to test for the presence of the VMS stratigraphic horizon below the Conductor 4/5 positions;
- Preparation of an updated Mineral Resource for the DeGrussa Project incorporating the results of successful extensional drilling down-plunge of Conductor 4 and net of mining depletion to 31 December 2013. The Ore Reserve inventory and Mine Plan will be updated in the second half of the year;
- Completion of a program of co-funded deep diamond drilling to test for extensions of the prospective DeGrussa volcanic horizon near the path of the Gascoyne River;
- Continued first-pass regional exploration over a number of exploration targets within the broader Doolgunna tenement holding;
- Follow-up Reverse Circulation (RC) drilling at a number of more advanced targets;
- Ongoing aircore drilling and regional geochemical sampling and mapping to define the interpreted volcanic host sequence across the broader Doolgunna tenement holding;
- Continued development of the Company's mine-scale exploration model; and
- Continued development of the host stratigraphy for potential accumulations of VMS mineralisation away from the known ore zones.

The aggregate metres drilled on Sandfire Tenements for the 2014 Financial Year is shown below:

AC/RAB Drilling (m)	RC Drilling (m)	UG Diamond Drilling (m)	Surface Diamond Drilling (m)	Total Drilling (m)
136,729	8,462	12,600	7,835	168,626

Near-mine Extensional Exploration

Underground diamond drilling was undertaken during the reporting period targeting strike and dip extensions to the Conductor 1 East Zone, which has allowed the Company's exploration team to refine the geological model and subsequent mine design on the periphery of the orebody. Drilling targeting the Conductor 1 Zone down-dip was also undertaken as drilling positions became available.

The establishment of new underground drilling positions from the Conductor 4/5 Decline allowed underground diamond drilling to commence, initially targeting the stratigraphically continuous zone immediately down-plunge from Conductor 4, followed by resource definition drilling to upgrade the Central and Eastern portions of the C4 orebody from Inferred to Indicated Resource status.

The drilling confirmed the grade and geological continuity of the C4 orebody, and identified what is interpreted to be local "ribs" of massive sulphide displaying local lithological thickening and some thinning within the ore zone.

Detailed geological analysis of footwall alteration recognised zones of intensely silicified, quartz-chalcopyrite stockwork veining which are interpreted to represent the original sub-seafloor feeder pipes to the massive sulphide mineralisation. These discrete feeder pipes will be further investigated to understand how they fit into the larger mineralised system and if they are of any potential economic significance.

Geophysical consultants Newexco re-ran down-hole electro-magnetic (DHEM) modelling for several holes which intersected weak mineralisation down-plunge of Conductor 1 (holes DGDD241, DGDD296 and DGDD393). The emphasis of this work was to constrain any geophysical signature from known conductors in the area.

Newexco's work has resulted in the identification of a subtle off-hole conductor in hole DGDD241, with the EM plate located on the footwall of the projected Conductor 1 horizon. This is a promising exploration target, which will be tested by a series of underground diamond drill holes to be completed as underground drilling positions become available in 2H CY2014, subject to grade control and resource definition drilling priorities.

5 Principal activities, operating and financial review (continued)

5.1 Project review, strategies and future prospects (continued)

Increase in high-grade Mineral Resource

As a result of successful underground drilling programs targeting extensions to existing mineralisation in the C1, C4 and DeGrussa lenses, the Company completed an updated Mineral Resource estimate for the DeGrussa Project, which was announced on 17 April 2014. The updated Mineral Resource inventory is summarised below:

Mineral Resource	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Underground Mine	10.2	5.4	2.1	554,000	676,000
Open pit - Stockpiles	2.8	1.2	1.0	33,000	88,000
March 2014 - Total	13.0	4.5	1.8	588,000	764,000

An additional 29,000 tonnes of contained copper and 41,000oz gold has been added to DeGrussa's Underground Mineral Resource (after mining depletion to the end of March 2014), with the additional Mineral Resource to be incorporated into the DeGrussa Ore Reserve and Mine Plan later this year. Depletion totalled 75,000 tonnes of contained copper and 72,000 ounces of gold for the 12 months to 31 March 2014.

The previously published Mineral Resource (In Situ and stockpiles) stated as at 31 March 2013 was 13.4 million tonnes grading 4.7% Cu and 1.9g/t Au for 634,000 tonnes of contained copper and 795,000oz of contained gold, of which 10.2 million tonnes grading 5.7% Cu and 2.1g/t Au for 586,000 tonnes of contained copper and 688,000oz of contained gold related to Underground Operations.

The increase in tonnage and contained metal has come from the successful underground drilling programs targeting extensions to existing mineralisation in the C1, C4 and DeGrussa lenses. Drilling of the C4 lens commenced in the first half of CY2014 as planned, undertaken from underground drilling positions that are more practical and more efficient given the depth of these ore bodies.

50% of the Underground Mineral Resource is classified as Measured and is at a mining-ready state. Of the total resource only 25% of the resource tonnes remain as Inferred, with planned in-fill drilling of the C4 and C5 lenses to be completed in the coming year to upgrade the category of these resources.

Ore Reserve and Mine Plan update

The Ore Reserve and Mine Plan is planned to be updated around the end of CY2014 once drilling is advanced in and around the C4 and C5 lenses. The Company continues to incorporate the Inferred Mineral Resource from Conductor 4 and 5 into its Mine Plan due to the geological continuity and high copper grade nature of these deposits.

DeGrussa Regional Exploration

The Greater Doolgunna Project, which now includes the Talisman Joint Venture, has an aggregate area of 725km² and incorporates over 65km strike length of prospective VMS-hosting lithologies. Much of this stratigraphy is obscured beneath transported alluvium and requires systematic aircore drilling to test bedrock geochemistry and identify prospective rock-types.

Talisman Joint Venture

In December 2013, Sandfire reached agreement with Talisman Mining Limited (ASX: TLM; "Talisman") to farm into its three key Doolgunna copper-gold projects. Under the agreement, Sandfire can earn up to a 70% interest in Talisman's Springfield, Halloween and Halloween West Projects by spending a minimum of \$15 million on exploration over 5.5 years, with a minimum expenditure commitment of \$5 million within two years.

The Springfield Project lies immediately along strike to the east from the DeGrussa Copper-Gold mine. The Halloween and Halloween West Projects abut the Doolgunna Project to the west. The projects contain extensions of the volcanic rock package which hosts the DeGrussa VMS deposits.

During the June 2014 Quarter, Sandfire commenced the first phase of ground-based exploration activities at the Springfield Project, comprising high-powered down-hole electromagnetic (DHEM) surveys and fixed loop electromagnetic (FLEM) surveys.

Three Diamond and one Reverse Circulation drill-holes previously drilled by Talisman at the Homer Prospect were selected by Sandfire for the application of high energy DHEM to test for the presence of conductors that may indicate accumulations of massive sulphides.

In addition, Sandfire commenced a high-powered FLEM survey at the Homer Prospect, covering approximately 1.6km of the prospective DeGrussa host horizon, to better test for conductors beyond the extent of previous ground electromagnetic surveys.

5 Principal activities, operating and financial review (continued)

5.1 Project review, strategies and future prospects (continued)

Following receipt of the initial results, data from Stage 1 of the high-energy FLEM survey and the four initial DHEM surveys was integrated with existing data and analysed with input from the Company's geophysical consultants, Newexco. This analysis resulted in the detection of a late-time conductor which is interpreted to sit within the extension of the prospective DeGrussa stratigraphic horizon. This conductor is located approximately 5km east of the DeGrussa Copper Mine.

Sandfire subsequently completed a single deep diamond drill hole with the aim of intersecting the modelled conductor at a target depth of 400m below surface. This drill hole will also be used to establish a platform for further down-hole EM surveys to test for additional conductors both at depth and away from this principal EM target.

The next three stages of the FLEM survey at the Homer Prospect re-commenced in mid-July.

Thaduna Project Joint Venture

During the reporting period, Sandfire reached agreement to secure up to an 80% interest in the Thaduna/Green Dragon Copper Project, located 40km east of DeGrussa, through a farm-in and joint venture with Ventnor Resources Limited (ASX: VRX) and its wholly-owned subsidiary Delgare Pty Ltd.

The Thaduna Project represents the largest copper resource in the Doolgunna-Bryah Basin Region outside of Sandfire's DeGrussa-Doolgunna Project (7.9Mt @ 1.8% Cu for 142,000 tonnes of contained copper).

Under the agreement, Sandfire acquired an immediate 35% interest in the Project and formed a joint venture with Delgare by paying \$3 million cash directly to Ventnor to enable it to meet its short-term funding requirements.

Under the terms of the joint venture, Sandfire can earn up to a further 45% (total of 80%) interest in the Project in two stages within a four-year period, namely:

- A 16% interest for a total of 51% by sole funding up to \$3 million of expenditure within two years; and
- A further 29% interest for a total of 80% by sole funding a further \$3 million of expenditure within four years.

Ventnor has completed over 50,000m of drilling at the Project since April 2011. Ventnor's drilling has returned sulphide intersections at depth, indicating the potential to extend the mineralisation and increase the higher grade sulphide component. A Scoping Study completed by Ventnor in February 2013 outlined a potential production profile of 15,000tpa of copper over an anticipated mine life of 10 years.

Sandfire is currently assessing two development opportunities at the Thaduna Project:

- An oxide project, with ore to be treated through the proposed DeGrussa Copper Oxide Heap Leach; and
- A sulphide project, with ore to be treated through the existing DeGrussa Flotation Processing Plant.

During the June 2014 Quarter, Sandfire completed a diamond drilling programme at Thaduna which was designed to provide core for metallurgical testwork. The drilling programme, which comprised eight shallow-dipping PQ-sized diamond drill holes for 808.5m advance, was targeted directly beneath the existing Thaduna open pit.

Metallurgical testwork is underway examining the heap leach and flotation potential of the intersected mineralisation. The results of the testwork and the completion of revised resource model will be used to evaluate potential mining and processing options for extraction of the copper resource.

AUSTRALIAN & INTERNATIONAL EXPLORATION

Misima Project

The Company reached agreement to acquire a 38.38% interest in WCB Resources Ltd (TSX-V: WCB), a Toronto-listed copper-gold explorer. The Group was issued 22,222,222 shares for a total cost of AU\$5,891,000 as part of a private share placement. In addition, the Group was issued with 11,111,111 warrants with an exercise price of CA\$0.40 per share expiring 7 October 2015 and 11,111,111 warrants with an exercise price of CA\$0.60 per share expiring 7 April 2017. Each warrant entitles the holder to acquire one additional common share of the Company.

The proceeds from this private placement will be used to progress exploration including upcoming drilling programs at WCB's Misima Copper-Gold Project. WCB is earning a 70% interest in this project through a joint venture with Pan Pacific Copper ("PPC"), an integrated copper mining and smelting company that is jointly owned by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Company Ltd.

This investment provides Sandfire with exposure to a potential Tier-1 porphyry copper-gold exploration opportunity with outstanding upside. WCB has identified a substantial copper-gold porphyry target at Misima located adjacent to an historical gold mine formerly owned by Placer Dome Asia Pacific which produced 4.0Moz of gold and 20Moz of silver.

The main exploration target is the Misima Porphyry at Mt Sisa, where a very large 1km² copper soil anomaly coincides with extensive rock chips, shallow drilling and a deep strong magnetic anomaly with skarn mineralisation and halo veining at surface. WCB Resources plans to commence drilling at Mt Sisa in the September Quarter.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results

12 months ended 30 June 2014	DeGrussa Copper Mine \$ million	Other ^A Operations \$ million	Group \$ million
Sales revenue	531.2	-	531.2
Profit (loss) before net finance expense and income tax	168.6	(43.0)	125.6
Profit before income tax			111.9
Net profit			78.2
Basic earnings per share			50.22 cents
Diluted earnings per share			50.15 cents

A Includes the exploration, corporate and treasury segments.

The DeGrussa Copper Mine contributed profit before net finance and income tax of \$168.6 million (2013: \$194.5 million) from underground mining and concentrator operations. The result for the comparative period to 30 June 2013 included open pit operations and concentrator commissioning and ramp up.

The Group's other operations, including its exploration and business development, corporate and treasury functions, contributed a loss before net finance and income tax of \$43.0 million (2013: loss of \$52.4 million). The Group declared an unfranked maiden dividend of 10 cents per share on 29 August 2014. The Group did not declare or pay a dividend during the current or previous financial year.

Sales revenue

12 months ended 30 June 2014	DeGrussa Copper Mine \$ million
Revenue from sales of copper in concentrate	484.1
Revenue from sales of gold in concentrate	43.2
Revenue from sales of silver in concentrate	3.9
	531.2

Sales revenue during the period came from plant concentrate produced by the 1.5Mtpa processing plant.

Copper sales for the period totalled 64,719 tonnes (contained copper production: 67,690 tonnes) and gold sales totalled 31,788 ounces (contained gold production: 33,893 ounces). Copper represents in excess of 90% of revenue derived from the DeGrussa Mine at current metals prices. An additional sale planned for June 2014 shipped in early July 2014, resulting in \$18 million of revenue being recognised in the financial year ending 30 June 2015.

The base metals market commonly works on Quotational Periods (QP) for the final pricing of metal content shipped to smelters for treatment and refining. The Group's QP settlements are usually completed within a range of 1 to 4 months following the month of shipment, at which time the market price of metal content is derived and the value of final sales becomes fixed. From time to time the Group may utilise QP hedging to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. No QP hedging transactions were entered into by the Group during the financial year ended 30 June 2014.

Operations costs

12 months ended 30 June 2014	DeGrussa Copper Mine \$ million
Mine operations costs	126.1
Employee benefit expenses	30.9
Freight, treatment and refining expenses	82.9
Changes in inventories of finished goods and work in progress	2.8
	242.7

Operations costs have been incurred in the underground mining and plant operations on site as well as in the transport and shipping of copper concentrate to international markets from the ports of Port Hedland and Geraldton in Western Australia.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results (continued)

Posco Australia Pty Ltd (POSA)

In May 2008, the Company entered into a commercial agreement with Posco Australia Pty Ltd (POSA), whereby POSA, or POSA nominated affiliates, has the right to purchase 30% of the Company's future mineral production at fair market value excluding gold and diamond production. The rights under the commercial agreement remain for as long as POSA has at least a 10% holding of Sandfire ordinary shares and entitled POSA to a 7.5% discount on the first \$100m of purchased production. During the period sales to POSA's nominated sales customer resulted in a discount of \$5.4 million, which is included within Freight, Treatment and Refining Expenses during the period. As at 30 June 2014, POSA's remaining contractual entitlement in relation to the 7.5% discount was \$2.1 million.

Unit costs

Unit costs have generally reduced in line with increasing copper production since the commencement of plant commissioning and ramp up in October 2012. Operating costs are predominantly driven by the physical quantity of ore moved in mining and processing operations, irrespective of variations in the copper content of that ore. As a result, unit operating costs tend to vary inversely with head grade as gross operating costs spread over higher copper production.

The Group has provided cost guidance for the 2015 Financial Year in the range US\$1.15-1.25 per pound of payable copper production (after gold and silver credits).

Royalties

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

The Group expensed royalties for copper concentrate produced by open pit operations (DSO) and plant operations (concentrator) at the level of 5% as it has determined to be applicable under the royalty regulations.

The Group is currently involved in a process to fully and appropriately determine the royalty rate applicable to the DSO sold as concentrate, and has disclosed a \$5.5 million contingent liability within this Financial Report, representing an additional 2.5% royalty on DSO sales in previous reporting periods. Refer to Note 26 of the financial report for more details.

Exploration and evaluation

Significant exploration and evaluation activities continued in and around the DeGrussa Copper Mine with the objective of discovering further ore bodies and lenses to establish a copper-gold VMS camp. Further expenditure has been incurred on the Group's other project tenements and on a number of joint venture earn-in arrangements. For the period ended 30 June 2014 the Group's Exploration segment contributed a loss before net financing expense and income tax of \$27.3 million (2013: \$31.2 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure is expensed as incurred. Please refer to Note 2(l) of the financial report for further details.

Depreciation and amortisation

	WDV June 2014 \$ million	WDV June 2013 \$ million	Depreciation and amortisation during the year \$ million
Mine Development	191.0	172.7	59.6
Property, plant and equipment	205.5	231.0	32.9
Rehabilitation, restoration and dismantling	15.7	20.0	2.6
Total depreciation and amortisation			95.1

Income tax expense

Income tax expense of \$33.8 million for the period is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for differences in tax and accounting treatments. No tax is payable in respect to the current reporting period due to the utilisation of tax losses from prior periods. Cash tax payments are expected to commence during the second half of the year ending 30 June 2015.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results (continued)

FINANCIAL POSITION

Net assets of the Group have increased by \$80.2 million to \$291.8 million during the reporting period.

Cash balance

Cash on hand was \$57.6 million, including \$11.4 million held in a Debt Service Reserve Account (DSRA) to cover the September 2014 scheduled facility repayment plus interest costs. \$20.0 million previously held in a cost overrun account was released to operating bank accounts during the period on the achievement of formal project completion under the Group's finance facility.

Trade and other receivables

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

Inventories

Inventories have increased in finished goods (plant concentrate) due to a planned June 2014 sale completing shipment in early July 2014. Ore stockpiles and consumables are within with normal operating ranges.

Mine properties

Further investment has been made in underground mine development to establish decline and development access to the sulphide ore bodies ahead of stoping activities, with mine properties at cost increasing by \$77.4 million to \$360.5 million.

Property, plant and equipment

Property, plant and equipment at cost increased by \$18.5 million to \$291.6 million at the end of the period.

Other financial assets

The Group has an equity investment in Minotaur Exploration Ltd (ASX: MEP), the carrying value of which as at 30 June 2014 was \$248,000.

The Group sold its 17.4% interest in junior explorer White Star Resources Ltd (ASX: WSR) during the period. The net sale proceeds of \$452,000 have been recognised as a reversal of impairment losses in the statement of comprehensive income.

The Group acquired an interest in WCB Resources Ltd ("WCB"; TSX-V: WCB), a Toronto-listed copper-gold explorer, by subscribing for shares in a \$5.9 million private share placement. The proceeds from this private placement will be used to progress exploration including upcoming drilling programs at WCB's Misima Copper-Gold Project.

Deferred tax assets and deferred tax liabilities

Income tax on profitable operations has resulted in the utilisation of carried forward tax losses recognised as a deferred tax asset. As a result, the Group is in a net deferred tax liability position at balance date. The Group is not required to make any income tax payments relating to the reporting period due to availability of carried forward tax losses.

Interest bearing liabilities

The Group's fully secured \$390.0 million project finance facility was established in 2011 to fund the development and construction of the DeGrussa Copper Mine, including \$380.0 million in project construction and working capital funding and \$10.0 million for environmental bonding.

A total of \$220 million has now been repaid against the original \$380 million DeGrussa Project Finance Facility, with a total of \$125 million repaid for FY2014, and at the end of the reporting period the outstanding balance of the facility stood at \$160 million.

With the repayment of debt achieved over the past 12 months, the achievement of steady-state operations and the satisfaction of the DeGrussa financing completion test, Sandfire restructured its banking arrangements with ANZ Banking Corporation to become its sole financier, replacing the previous banking syndicate.

The Company also secured a new \$50 million working capital facility with ANZ which can be drawn down against the value of saleable copper concentrate inventories held by the Company at the mine and ports. The facility is designed to reduce the potential cash flow impact of timing of concentrate shipments and cash receipts. The new facility follows usual financing conditions, terms and pricing.

5 Principal activities, operating and financial review (continued)

5.2 Review of financial results (continued)

The following table summarises the facility transactions during the reporting period, as well as the currently scheduled repayment and cash reserve account obligations, excluding interest, for future financial years:

Financial Year	Opening balance \$ million	Scheduled repayment \$ million	Closing balance \$ million	Current liability \$ million	Non-current liability \$ million	On deposit (DSRA) \$ million	Closing balance including deposit \$ million
2013/2014	285.0	(125.0)	160.0	75.0	85.0	(10.0)	150.0
2014/2015	160.0	(75.0)	85.0	85.0	-	(25.0)	60.0
2015/2016	85.0	(85.0)	-	-	-	-	-

The consolidated statement of financial position has \$75.0 million disclosed within current liabilities, prior to offset for capitalised finance establishment costs, representing the 2014/2015 financial year scheduled quarterly repayments. A further \$85.0 million is disclosed within non-current liabilities, prior to offset for capitalised finance establishment costs, representing the scheduled repayments from 1 July 2015 to the facility end date of 31 December 2015.

CASH FLOWS

Operating activities

Net cash inflow from operating activities was \$223.0 million for the period. Net cash flow from operating activities prior to exploration and evaluation activities was \$249.4 million for the period.

Investing activities

Net cash outflow from investing activities of \$103.2 million for the period includes payments for property, plant and equipment purchases (\$16.7 million) and mine properties (\$77.9 million).

Financing activities

Net cash outflow from financing activities of \$139.3 million for the period includes finance facility repayments (\$125.0 million) and interest and other costs of finance (\$13.2 million).

5.3 Risks

The Group's operational and financial performance is subject to a range of assumptions and expectations all of which contain some level of risk. The Group's risk management framework is designed to identify, monitor and mitigate the risks applicable to the Group. The Audit and Risk Committee and the full Board is ultimately responsible for the residual risk exposure of the Group.

In addition to the discussion contained above on the Group's operational and financial reviews, performance and associated risks, the following risks have been identified as at the date of the Directors Report which may affect the Group's future operational and financial performance.

Business and operational

DeGrussa is the Group's sole operating mine and profitable operating segment. DeGrussa derives approximately 90% of its revenue from the sale of copper contained within its concentrate, with the remainder derived from gold and silver.

The DeGrussa operation consists of an underground mine (operating from a single portal and primary decline), processing plant, paste plant and village accommodation 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 various business elements.

Production and capital costs affect financial performance and are subject to a variety of factors including, but not limited to, variability in input costs and consumables, changes in economic conditions and changes in operating strategy.

As is common in the mining and exploration industry, many of the Group's activities are conducted using contractors. The Company's operational and financial results are impacted by the performance of contractors, their efficiency and costs and associated risks. The Group actively manages its contractors to the extent possible working within its agreements with them.

The DeGrussa underground mine is subject to geotechnical risk which, if left unmitigated, could result in a mine collapse, cave-ins or other failures to mine infrastructure and significantly reduced operational performance and increased costs.

5 Principal activities, operating and financial review (continued)

5.3 Risks (continued)

The operation ensures that through appropriately qualified and experienced internal geotechnical, geological and mining engineering persons that the geotechnical risks are managed through its technical and operational procedures and activities. Regular audits conducted by external consultants are used to valid assumptions and ensure all risks are managed.

Health, Safety and Environment

Mining operations involve safety risk, including but not limited to areas such as explosives, underground operations including the risk of rock fall, work involving confined spaces, areas where heavy and light vehicles interact, manual handling and operating at height. The occurrence of significant safety incidents could result in regulatory investigations or restrictions which may impact operating performance and negatively impact morale. The company manage these risks through the requirements of its Health and Safety Management System and accompanying policies, procedures, and standards. Company personnel are trained in the assessment of risks and hazards and the operating procedures required to operate safely.

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 Company's products and activities or any changes to the environmental regulations could have an adverse effect on the Company's financial performance and position. The Group is required to close its operations and rehabilitate the land affected by the operation at the conclusion of mining and processing activities. Actual closure costs in the future may be higher than currently estimated.

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

Mineral Resource, Ore Reserve and Mine Plan

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

The Group's Mine Plan is based on the Mineral Resource at DeGrussa and changes to it caused by changes in underlying assumptions may impact on the future financial and operational performance of the Group.

DeGrussa's mine life has been successfully extended since original discovery through expenditure on exploration and evaluation activities. The current Mine Life extends to 2020, representing the mining of currently identified mineralisation.

Financial

The marketability of the concentrates is dependent on mine supply, smelter demand and quality of the product.

The prices received are dictated by global commodity and currency markets. Commodity prices and exchange rates have a direct and material impact on the Company's financial performance. The Group may from time to time seek to hedge risk in commodity and foreign currency risk on its US dollar dominated sales for current shipments to be priced over a 1-4 month quotational period. The Group selectively utilises letters of credit to mitigate risk of receipt of sales funds and receives provisional payments prior to shipments arriving at their destination port.

The majority of the Group's costs are incurred in Australian dollars, funded through the conversion of US dollar sales proceeds to Australian dollars on receipt from customers.

The Group funded the majority of the construction and development of the DeGrussa mine through a fully secured debt finance facility. While the current debt levels are considered appropriate for the targeted operating and financial performance of the DeGrussa operations over the Mine Plan, financial risk remains in the areas of quarterly compliance measures, repayment obligations and working capital management. The Group's inability to manage these risks could lead to facility review or default events, and ultimately demand for payment of facility balances currently disclosed as current and non-current liabilities in the Consolidated Statement of Financial Position.

The Group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by conducting regular reviews and updates of the timing of cash flows in order to ensure sufficient funds are available to meet its obligations and debt covenants.

5 Principal activities, operating and financial review (continued)

5.4 Corporate

Mr Michael Spreadborough was appointed Chief Operating Officer effective 12 August 2013, replacing Mr Martin Reed as Chief Operating Officer.

6 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 under review, other than those described in this financial report under 'Principal activities and review of operations'.

7 Significant events after the balance date

Dividends

On 29 August 2014, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$15,564,000 which represents an unfranked dividend of 10 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

Investment in Tintina Resources Inc

Subject to the approval of the TSX Venture Exchange, Sandfire has entered into agreements with Tintina Resources Inc (Tintina: TSX-V: TAU) whereby Sandfire will subscribe for 80 million shares in a private share placement at CA\$0.20 per share. The CA\$16 million placement will give Sandfire an initial 36% interest in Tintina.

In addition, Tintina will issue Sandfire with 20 million two-year Class A warrants exercisable at CA\$0.28 per share, 20 million three-year Class B warrants exercisable at CA\$0.32 per share and 40 million five-year Class C warrants exercisable at CA\$0.40 per share. If these warrants are exercised, Sandfire's interest would increase to 53% (undiluted) giving it a clear path to control of the Company and the project.

Tintina has also granted Sandfire the right to appoint two representatives to the Tintina Board, including an appointment to fulfill the role of President and Chief Executive Officer.

8 Likely developments and expected results

The Group will continue mining operations from its DeGrussa Copper Mine and further the exploration and evaluation of the Group's tenements. Further comments on likely developments and expected results of certain operations of the Group are included in this financial report under 'Principal activities and review of operations'.

9 Environmental regulation and performance

The Group holds environmental licenses and is subject to significant 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.

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 includes Sandfire's Annual Environment Report submitted to the Department of Environment Regulation, Annual Environmental Report submitted to the Department of Mines and Petroleum and the Annual Aquifer Review Reports submitted to the Department of Water.

Sandfire complies with the Australian Government National Greenhouse and Energy Reporting Act 2007 (Cth), and the Energy Efficiency Opportunities Act 2006 (Cth). Note that the Government has announced its intention to repeal the Energy Efficiency Opportunities Act 2006 (Cth) with effect from 29 June 2014. Sandfire is committed to proactively managing energy use efficiency and reducing greenhouse gas emissions wherever practical and is guided by internal policy and guidelines.

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

10 Share options

10.1 Unissued shares under option

As at the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number
27 November 2014	\$4.66	310,000
27 November 2014	\$5.44	310,000
27 November 2014	\$6.22	310,000
15 June 2015	\$3.80	33,333
15 June 2015	\$4.40	133,333
15 June 2015	\$5.00	333,335
28 February 2016	\$9.00	1,749,995
28 February 2016	\$10.30	1,666,665
28 February 2016	\$11.70	1,583,340
15 July 2018	\$7.60	565,000
15 July 2018	\$8.80	565,000
15 July 2018	\$10.00	565,000

10.2 Share options issued

The following options over ordinary shares were issued by the Company during the financial year:

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

10.3 Shares issued as a result of the exercise of options

No options were exercised to ordinary shares during or since the end of the financial year.

11 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 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

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 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). No payment has been made to indemnify Ernst & Young during or since the 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.

12 Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$'000)) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

13 Auditor independence and non-audit services

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



Ernst & Young
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Auditor's independence declaration to the Directors of Sandfire Resources NL

In relation to our audit of the financial report of Sandfire Resources NL for the year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D S Lewsen
Partner
28 August 2014

Non-audit services

The following non-audit services were provided 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:

	2014
	\$
Taxation services	29,446
Other advisory services	38,110
	67,556

14 Remuneration report (audited)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act) and its regulations. This information has been audited as required by section 308 (3C) of the Act.

The Remuneration Report is presented as follows:

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14 Remuneration report (audited) (continued)

14.1 REMUNERATION SNAPSHOT

Key Management Personnel (KMP)

The following Non-Executive Directors and Executives of the Group were classified as KMP during the 2014 financial year. Unless otherwise indicated, they were classified as KMP for the entire year.

Name	Position
Non-Executive Directors	
Derek La Ferla	Chairman (Independent)
W John Evans	Director
Paul Hallam	Director (Independent)
Robert Scott	Director (Independent)
Soocheol Shin	Director
Executives	
Executive Directors	
Karl Simich	Managing Director and Chief Executive Officer
Other Executives	
Matthew Fitzgerald	Chief Financial Officer and Joint Company Secretary
Robert Klug	Chief Commercial Officer and Joint Company Secretary
Michael Spreadborough	Chief Operating Officer (<i>from 12 August 2013</i>)

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Executive remuneration philosophy

Sandfire's remuneration strategy is designed to attract, motivate and retain employees, contractors and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company.

Key objectives of the Company's remuneration framework are to ensure that remuneration practices:

- Are aligned to the Company's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Company performance and rewards;
- Achieve the broader outcome of creating value for shareholders by aligning the interests of Executives, including employees and contractors, with shareholders; and
- Align Executive remuneration to shareholder returns.

Cash value of earnings realised - outcome for FY14

The following table shows the cash value of earnings realised by the Executives during FY14. This disclosure is in addition to and different from the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to LTI. As a general principle, the Accounting Standards require a value to be placed on long-term incentives (LTI) (options and rights) based on probabilistic calculations at the time of grant in the case of options and at the time of grant and at each reporting date in the case of rights, which are reflected in the remuneration report. The amount included as remuneration in the remuneration report is not related to or indicative of the benefit (if any) that individual KMP may in fact ultimately receive.

By contrast, the following table values the LTI, in the case of options, only if the options vest and are exercised resulting in the issue of shares to the Executive, and is calculated on the basis of the difference between the exercise price and the market price on the date of exercise of the options. In the case of rights, a value is attributed only if the rights vest and shares are issued or cash is provided to the Executive, on the basis of their value on the date of vesting.

The Company believes that the additional information provided in this table is useful to investors. The Productivity Commission, in its Report on Executive Remuneration in Australia, noted that the usefulness of remuneration reports to investors was diminished by complexity and omissions, and in particular recommended that the report should include reporting of pay 'actually realised' by the Executives named in the report.

The cash value of earnings realised include cash salary and fees, superannuation and cash bonuses received in cash during the year and the intrinsic value of LTI vesting during the financial year.

The statutory remuneration tables, which are prepared consistent with Australian Accounting Standards and the *Corporations Act 2001* (Cth), are outlined later in this report (refer page 30 in Section 14.5).

14 Remuneration report (audited) (continued)

14.1 REMUNERATION SNAPSHOT (CONTINUED)

Executive	Fixed remuneration ^A (\$)	Short-term Bonus Plan ^B (\$)	Long-term Incentive ^C (\$)	Total actual remuneration (\$)
Karl Simich	1,050,000	380,150	-	1,430,150
Matthew Fitzgerald	448,808	166,348	-	615,156
Robert Klug	407,959	151,459	-	559,418
Michael Spreadborough	449,787	78,576	-	528,363

A Fixed remuneration includes base salary and superannuation. It reflects the total of "salary and fees" and "superannuation" in the statutory remuneration table.

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

C No amounts were awarded as cash or issued as shares to Executives under the Company's Long-term Indexed Bonus Plan and no options were exercised by Executives in FY14.

14.2 REMUNERATION GOVERNANCE FRAMEWORK

Remuneration and Nomination Committee composition and responsibilities

The Remuneration and Nomination Committee (Committee) comprises three independent NEDs. Members acting on the Committee during the financial year are below. Mr Hallam became Chairman of the Committee on 18 February 2014, replacing Derek La Ferla. All NEDs were members of the Committee for the entire financial year.

Role	Name
Chairman	Paul Hallam
Members	Derek La Ferla
	Robert Scott

The Committee is responsible for making recommendations to the Board on the remuneration arrangements for NEDs and Executives. The Committee meets regularly through the year, and assesses the appropriateness of the nature and amount of remuneration of NEDs and Executives by reference to relevant market conditions, with the overall objective of ensuring maximum stakeholder benefit from the attraction and retention of high performing Directors and Executives. In determining the level and composition of Executive remuneration, the Committee engages external advisors to provide independent advice where considered appropriate.

Further information on the Committee's role, responsibilities and membership can be found at www.sandfire.com.au.

Remuneration approval process

The Board approves the remuneration arrangements of the CEO and Executives and awards made under the short-term and long-term incentive plans, and sets the maximum aggregate NED fees (which is subject to shareholder approval) and the individual NED fee levels, following recommendations from the Committee.

Use of remuneration consultants

To ensure the Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. The Board's appointed remuneration advisors are Psytec Consultants Pty Limited (Psytec) and Ernst & Young (EY).

When the remuneration advisors provide remuneration recommendations to the Company, the Committee has established protocols to ensure that such recommendations would be made free from bias and undue influence by members of the KMP to whom the recommendations may relate. In these instances, the Chairman of the Committee directly engages the remuneration consultant, and receives all reports directly from the remuneration consultant. The remuneration consultant does not provide any remuneration recommendations to management.

During the 2014 financial year:

- Psytec provided market data to the Company (sourced from McDonald & Company (Australasia)) in respect of Non-Executive Director fees and Executive remuneration levels. The market data was industry-specific relating to Australian mining companies. Based on the market data, Psytec provided a remuneration recommendation to the Company in respect of NED fees and Executive remuneration levels. The Company paid Psytec \$35,636 for the remuneration recommendations during the financial year ended 30 June 2014. Based upon the protocols that were followed, and Psytec's declaration that their remuneration recommendations were not unduly influenced by any of the Company's KMP throughout the course of their engagement, the Board is satisfied that Psytec's remuneration recommendations were made free from undue influence by the KMP.

14 Remuneration report (audited) (continued)

14.2 REMUNERATION GOVERNANCE FRAMEWORK (CONTINUED)

- Psytec also provided the Company with other human resources (HR) and remuneration services in FY14 that did not contain remuneration recommendations. The fee for these services was \$40,909; and
- EY provided additional market data to the Company in respect of remuneration levels for CEO, CFO and Company Secretary, Chief Operating Officer and Chief Commercial Officer. The market data was based on a market capitalisation and industry peer group. No remuneration recommendation was made.

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK

Sandfire's Executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interest of Executives and shareholders. The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities with the Company and aligned with market practice.

Remuneration components

During FY14, the remuneration framework for Executives consisted of:

- Fixed remuneration; and
- Variable remuneration.

The table below illustrates the structure of these remuneration arrangements:

Remuneration component	Design	Purpose
Fixed remuneration	<ul style="list-style-type: none"> ▪ Base salary and superannuation contributions if applicable. 	<ul style="list-style-type: none"> ▪ To attract and retain Executives. ▪ Annual review considers market competitiveness as well as Company and individual performance.
Variable remuneration	<p><i>Short-term Bonus Plan</i></p> <ul style="list-style-type: none"> ▪ Award for achieving performance measures based on safety, production, cost and individual objectives. ▪ Depending upon measures, assessed either quarterly or annually. ▪ Paid in cash, or can be salary sacrificed into superannuation. 	<ul style="list-style-type: none"> ▪ Motivates Executives to achieve both Company and individual performance targets. ▪ Encourages collaboration across the Executive team, while also providing rewards for the achievement of measures within the Executive's line of sight.
	<p><i>Long-term Indexed Bonus Plan</i></p> <ul style="list-style-type: none"> ▪ Provided as a grant of conditional rights to Executive Directors. While the intention is that the conditional rights will be settled in cash, they can also be settled in ordinary shares at the Company's discretion. ▪ Rights vest in three equal tranches after 1.67, 2.67 and 3.67 years. ▪ The initial notional value (INV) for the three tranches is set at a 20%, 40% and 60% premium to the share price at the date of grant. ▪ Participants only realise value from the rights if the share price exceeds the INV on vesting date, or subsequent test price on re-testing. 	<ul style="list-style-type: none"> ▪ Align Executive Director rewards with shareholder value creation. ▪ Retain Executive Directors.
	<p><i>Long-term Employee Incentive Option Plan</i></p> <ul style="list-style-type: none"> ▪ Provided as a grant of options over ordinary shares to Executives (excluding Executive Directors). ▪ Options vest in three equal tranches after 1, 2 and 3 years. ▪ The exercise price for the three tranches is set at a 20%, 40% and 60% premium to the share price at the date of grant. ▪ Participants only realise value from the options if the share price exceeds the exercise price during the exercise period and the options are exercised. 	<ul style="list-style-type: none"> ▪ Align Executive rewards with shareholder value creation. ▪ Retain Executives.

The Executives are not subject to any shareholding guidelines. That is, the Executives are not required to hold a minimum number of shares in the company.

14 Remuneration report (audited) (continued)

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK (CONTINUED)

Fixed remuneration

Fixed remuneration includes base pay and superannuation contributions, if applicable. Fixed remuneration is reviewed annually by the Committee. The process considers:

- Internal equity/fairness: Remuneration levels are related directly to the job responsibilities and size.
- Market rates: Comparative external remuneration data, including market benchmarks from McDonald and Company (Australasia) Pty Ltd and EY. The Remuneration and Nomination Committee's policy is to position fixed remuneration between the median and the upper quartile for the Executives, against its defined market to ensure a competitive offering. The market used by the Company is companies in the Australian mining industry, having regard to gross revenue, employee numbers, shareholder equity, net income and market capitalisation.
- Reward for performance: the Committee may find it reasonable to shift the market positioning from the median based on an assessment of Company and individual performance.

There are no guaranteed fixed remuneration increases.

Short-term Bonus Plan

The Company operates a short-term bonus plan that is available to selected employees and contractors, including KMP. Awards under the plan are made in cash and are subject to key performance indicators (KPIs). Depending upon the nature of the KPI, the measurement period is either quarterly or annually.

For Executives (including the CEO), the maximum total incentive opportunity is limited to 57.5% of fixed remuneration. The Committee has set the maximum total incentive opportunity at this level so as to provide sufficient incentive to Executives to achieve the KPIs. Actual short-term payments awarded to each Executive depend on the extent to which the KPIs are met, and can vary from 0 to 57.5% of fixed remuneration as determined by the Committee.

The KPIs cover financial, non-financial, company and individual objectives, chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value. The KPIs for the CEO and Executives are:

Measure	Weighting	KPIs	Period of assessment	Rationale
Safety	12%	<ul style="list-style-type: none"> ▪ Primarily measured as the Total Recordable Injury Frequency Rate (TRIFR) for the Group, including contractors. ▪ The Company intends to introduce leading safety indicators for FY15. 	Quarterly	<ul style="list-style-type: none"> ▪ Safety is paramount and the inclusion of safety in the incentive plan reflects the Company's commitment to provide an incident-free work environment for its employees and contractors. ▪ TRIFR is a key safety measure in the mining industry.
Production	12%	<ul style="list-style-type: none"> ▪ Measured as copper metal tonnes produced per quarter. 	Quarterly	<ul style="list-style-type: none"> ▪ Key profitability driver.
Costs	10%	<ul style="list-style-type: none"> ▪ Measured as the cost per tonne of ore processed based on a measure of Site Operating Costs. 	Quarterly	<ul style="list-style-type: none"> ▪ Key profitability driver.
Individual	66%	<ul style="list-style-type: none"> ▪ Measured based on individual objectives which assist the Company in meeting its overall performance targets. ▪ Measures can be financial or non-financial oriented and are within the control of the Executive. Example measures include those related to safety, development, operations and people leadership. 	Annually (over calendar year)	<ul style="list-style-type: none"> ▪ Drives a focus on key performance elements that align to overall Company performance targets yet are within the Executive's control.

Safety, Production and Cost KPIs have a threshold, target and stretch level of performance and are assessed on a quarterly basis. Individual KPIs have a range of performance levels, from unsatisfactory to outstanding, and are assessed annually by the Committee. The award is determined by actual performance against the KPI. No payments are made for below threshold or unsatisfactory performance. This includes if the employee's performance is rated as 'unsatisfactory'.

14 Remuneration report (audited) (continued)

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK (CONTINUED)

The Board and Executive team have the right to withhold payments or suspend the plan at any time. The CEO has discretion to reduce awards in respect of the Safety, Production and Cost KPIs to nil in the event of a serious incident or inadequate safety performance. The Remuneration Committee has discretion to reduce awards in respect of the individual KPIs in the same circumstances.

Long-term Indexed Bonus Plan (for Executive Directors)

For Executive Directors, long-term incentives in the form of rights are provided through the Long-term Indexed Bonus Plan. This plan was approved by the Committee in FY11 and there is currently only one Executive Director.

The rights are granted in three tranches and are all premium-priced. The participant only begins to receive value from each tranche once the Company share price has increased by at least 20%, 40% and 60% respectively. They therefore provide a strong incentive for Executive Directors to increase shareholder wealth.

A diagram showing the key features of the plan in the context of FY14 is below:

Tranche (rights granted 14-Oct-13)	Timing of vesting and testing dates								Expiry (after 5 years)
	15-Jun-15	15-Dec-15	15-Jun-16	15-Dec-16	15-Jun-17	15-Dec-17	15-Jun-18	15-Dec-18	
1	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	
2			1 st	2 nd	3 rd	4 th	5 th	6 th	
3	Not eligible for testing				1 st	2 nd	3 rd	4 th	

 Vesting date

Further information on the operation of the Long-term Indexed Bonus Plan is below:

Frequency and timing of awards	<ul style="list-style-type: none"> Grants have historically been made to Executive Directors every second year. The last allocation was made on 14 October 2013.
Instrument	<ul style="list-style-type: none"> Grants are in the form of rights. In the event of vesting, the participant can receive, at the Company's sole discretion, either ordinary shares in the Company (subject to any shareholder approval required under the Corporations Act 2001 (Cth) and the ASX Listing Rules) or the cash equivalent. It is the current intention of the Board that the rights will be settled in cash and all historical grants that have vested have been cash-settled.
Quantum and allocation methodology	<ul style="list-style-type: none"> The Company uses the Portfolio Model as a method of determining Executive Director entitlements under the Long-term Indexed Bonus Plan. The Executive Director's LTI grant is calculated as a multiplier of Total Fixed Remuneration. To determine the total number of LTI rights, the value of the LTI grant is divided by the volume weighted average share price. The resulting number of LTI rights to be awarded is granted in three equal tranches at 20%, 40% and 60% premium to the volume weighted average share price. The ultimate value realised from the LTI rights is uncapped as it is dependent on the share price at the relevant testing dates. In this way, rewards under the plan are directly aligned to increases in and proportional to shareholder value.

14 Remuneration report (audited) (continued)

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK (CONTINUED)

Performance and vesting conditions and rationale	<ul style="list-style-type: none"> ▪ The rights vest in three equal tranches. ▪ The INV is set at a premium to the share price at the date of grant and therefore provides a strong incentive for Executive Directors to increase shareholder wealth. Specifically: <ul style="list-style-type: none"> • the INV for the first tranche (which vests after 1.67 years) is set at a 20% premium to the 5-day volume weighted average price (VWAP) prior to the date of grant; • the INV for the second tranche (which vests after 2.67 years) is set at a 40% premium to the 5-day VWAP prior to the date of grant; and • the INV for the third tranche (which vests after 3.67 years) is set at a 60% premium to the 5-day VWAP prior to the date of grant. ▪ For rights issued during FY14, the Board imposed service based conditions to encourage retention. There was also the challenging market performance hurdle related to share price growth inherent in the INV. The structure of the plan ensures that Executive Directors are strongly aligned with shareholder interests as Executive Directors only begin to realise value from each tranche once the Company share price has increased by at least 20%, 40% and 60% respectively.
Testing dates and realised value	<ul style="list-style-type: none"> ▪ Where the rights vest, the participant receives the difference between the 5-day VWAP of the Company share price prior to the date of vesting (test price) and the INV. ▪ The structure of the plan ensures that Executive Director rewards are strongly aligned with shareholder interests as value is only realised from tranche 1 once the share price has increased by at least 20% (with tranche 2 and tranche 3 only realising value for the participant once the share price has increased by 40% and 60% respectively). ▪ Following the relevant vesting date, the rights continue to be tested every 6 months on 15 December and 15 June up until the rights expire (typically after 5 years). ▪ In order for participants to receive any value from the rights at the subsequent test dates, the 5-day VWAP needs to exceed the higher of the initial INV or the highest test price that occurred prior to that test date. ▪ The Board believes it is appropriate to have this testing schedule as it focuses Executive Directors on continuing to increase the Company's share price beyond the initial test date. Ultimate awards are aligned to increases in and proportional to shareholder value over the longer term.
Treatment of dividends	<ul style="list-style-type: none"> ▪ Holders of rights are not entitled to dividends over the term of the relevant vesting period.
Expiry	<ul style="list-style-type: none"> ▪ The rights typically expire after 5 years.
Treatment of unvested rights on termination of employment	<ul style="list-style-type: none"> ▪ Where a participant ceases to be an employee or contractor of the Company through resignation prior to vesting of their award, all outstanding rights will expire and cease to carry any rights or benefits. ▪ Where the engagement or employment is terminated by the Company for reasons other than serious misconduct, the rights will continue to vest for 180 days following the end of the required notice period, with the final test date to be the date on which the 180 day notice period expires.
Treatment of unvested rights on change of control	<ul style="list-style-type: none"> ▪ In the event of a change of control of the Company, the vesting period will be brought forward to the date of the change of control and rights will automatically vest. ▪ The participant will only realise value from the rights if the offer price is above the initial INV or the subsequent test price.

Long-term Incentive Option Plan (Executives other than Executive Directors)

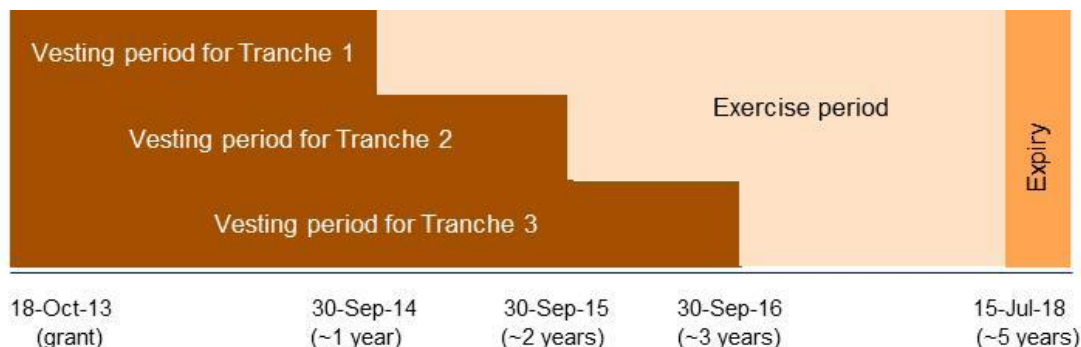
Executives are eligible to receive long-term incentives in the form of options under the Long-term Incentive Option Plan, which was most recently approved by shareholders at the 2013 AGM.

The options are granted in three tranches and are all premium-priced. Participants only begin to realise value from each tranche once the Company share price has increased by at least 20%, 40% and 60% respectively and the participant exercises the option. They therefore provide a strong incentive for Executives to increase shareholder wealth.

14 Remuneration report (audited) (continued)

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK (CONTINUED)

A diagram showing the key features of the plan in the context of FY14 is below:



Further information on the key terms and conditions of the plan are outlined below.

Frequency and timing of awards	<ul style="list-style-type: none"> Every year, the Remuneration Committee will consider whether it is appropriate to make an option award in light of Company's circumstances at that time. However, in practice, option awards are generally made on a less frequent basis (e.g. every second or third year). The last allocation was made in October 2013. No grants have been made to Executive Directors since 2009. It is the Committee's intention to only grant long-term incentive awards to the Executive Directors under the Long-term Indexed Bonus Plan going forward.
Instrument	<ul style="list-style-type: none"> Grants are in the form of options. That is, a contract that gives the holder a right, but not the obligation, to acquire an ordinary share at a fixed price (exercise price) over a specified period of time. Each option carries the right to subscribe for one fully paid ordinary share.
Quantum and allocation methodology	<ul style="list-style-type: none"> Options under the plan are provided to Executives based on their level of seniority and position within the Company. The Board may issue options with consideration of: <ul style="list-style-type: none"> the Eligible Participant's length of service to the Company; the contribution made by the Eligible Participant to the Company; and the potential contribution of the Eligible Participant to the Company. The Company uses the Portfolio Model as a method of determining Executive entitlements under the Long-term Incentive Option Plan. The Executive's grant is calculated as a multiplier of Total Fixed Remuneration. To determine the total number of options, the value of the grant is divided by the volume weighted average share price. The resulting number of options to be awarded is granted in three equal tranches at 20%, 40% and 60% premium to the volume weighted average share price.
Exercise price	<ul style="list-style-type: none"> The options are premium-priced. Specifically: <ul style="list-style-type: none"> the exercise price for the first tranche of options is set at a 20% premium to the 5-day VWAP at the date of grant; the exercise price for the second tranche of options is set at a 40% premium to the 5-day VWAP at the date of grant; and the exercise price for the third tranche of options is set at a 60% premium to the VWAP at the 5-day date of grant.
Performance and vesting conditions and rationale	<ul style="list-style-type: none"> The Board may impose certain conditions, including performance-related and service based conditions, on the right of the participant to exercise any option granted. For options issued during FY14, the Board imposed service based conditions to encourage retention. 1/3 of the options vest equally after approximately 1, 2 and 3 years. There was also the challenging market performance hurdle related to share price growth inherent in the exercise price. The structure of the plan ensures that Executive rewards are strongly aligned with shareholder interests as Executives only begin to realise value from each tranche once the Company share price has increased by at least 20%, 40% and 60% respectively and the participant exercises the options.
Treatment of dividends	<ul style="list-style-type: none"> Holders of options are not entitled to dividends over the term of the relevant vesting period, and until exercised into shares.
Hedging	<ul style="list-style-type: none"> Executives are not permitted to limit or offset their exposure to market risk in relation to securities issued.

14 Remuneration report (audited) (continued)

14.3 EXECUTIVE REMUNERATION PRINCIPLES AND FRAMEWORK (CONTINUED)

Expiry	<ul style="list-style-type: none"> Options typically expire 4-5 years after grant.
Treatment of unvested options on termination of employment	<ul style="list-style-type: none"> Where a participant ceases to be an employee or contractor of the Company for any reason (including voluntary or involuntary resignation) prior to vesting of their award, the participant will be entitled to exercise the options granted as a result of the offer, for a period up to 180 days following the end of the required notice period, with the final vesting date to be the date on which the 180 day notice period expires. For the participant to realise any value from the options, the Company share price needs to be above the exercise price.
Treatment of unvested options on change of control	<ul style="list-style-type: none"> In the event of a change of control of the Company, the vesting period for the options will be brought forward to the date of the change of control and awards will automatically vest. However, the participant will only realise value from the options if the Company's share price is above the exercise price.

14.4 LINKAGE BETWEEN INCENTIVE PAY AND COMPANY PERFORMANCE

The following table outlines the Company's respective earnings and financial year end share price from the period 1 July 2009 to 30 June 2014. On 29 August 2014, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$15,564,000 which represents an unfranked dividend of 10 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

	30 Jun 10	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14
Net profit (loss) (\$)	(29,546,000)	(27,051,000)	(23,883,000)	87,998,000	78,158,000
Closing ASX share price	\$3.24	\$7.05	\$7.16	\$5.12	\$6.22
Dividend per share	-	-	-	-	10 cents

The Company uses variable remuneration components to motivate Executives to achieve certain performance outcomes and ultimately to create value for shareholders.

The table below provides a summary of how the Company's incentive plans are aligned to Company performance.

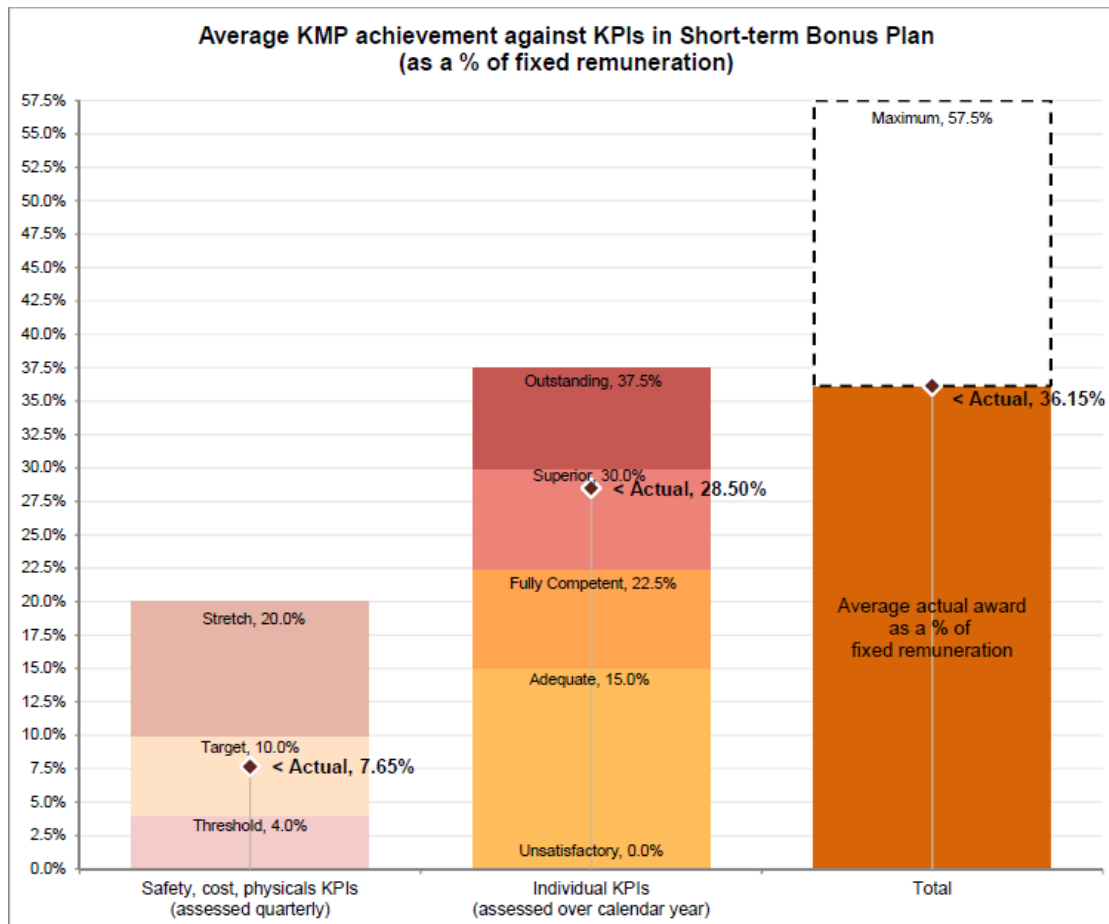
Remuneration component	Alignment to Company performance
<i>Short-term Bonus Plan</i>	<p>The plans is aligned to Company performance because it includes safety, production and cost KPIs, which are all key performance drivers.</p> <p>These plans also include individual KPIs within the Executive's control that contribute to shareholder value creation.</p>
<i>Long-term Indexed Bonus Plan</i>	<p>These plans are aligned to Company performance because participants will only begin to receive value from the tranche 1 allocations under the plans once the Company's share price has increased by at least 20%. Value will only be received from tranche 2 and tranche 3 allocations once the Company's share price has increased by at least 40% and 60% respectively.</p>
<i>Long-term Employee Incentive Option Plan</i>	

14 Remuneration report (audited) (continued)

14.4 LINKAGE BETWEEN INCENTIVE PAY AND COMPANY PERFORMANCE (CONTINUED)

Short-term Bonus Plan outcomes

The graph below illustrates the average achievement against the individual and company KPIs over the year. Achievement of 100% of the KPIs results in a Short-term Bonus Plan award of 57.5% of the Executive's fixed remuneration.



The CEO exercised his discretion and scaled down bonus outcomes in the September and March quarter based on safety performance.

Based on performance against the pre-agreed individual and Company KPIs, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the Executive did not meet the performance criteria, is set out below.

Name	Awarded (%)	Forfeited (%)
Karl Simich	65%	35%
Matthew Fitzgerald	65%	35%
Robert Klug	65%	35%
Michael Spreadborough ^A	52%	48%

^A Mr Spreadborough was appointed Chief Operating Officer with effect from 12 August 2013. The percentage awarded and forfeited is based on performance assessment only. Actual dollar awards have been pro-rated for time served over the financial year.

14 Remuneration report (audited) (continued)

14.5 EXECUTIVE STATUTORY REMUNERATION DISCLOSURES

Name	Financial year	Short-term benefits		Post employment	Share-based payments (SBP)		Total	Remuneration that consists of options	Remuneration that is performance based
		Salary & fees	Cash bonus ^A	Super-annuation	Options	Share appreciation rights		%	%
		\$	\$	\$	\$	\$	\$	%	%
Executive Directors									
Karl Simich ^B	2014	1,050,000	380,150	-	-	688,958	2,119,108	-	17.94
	2013	1,000,000	450,000	-	-	(597,181)	852,819	-	N/A ^C
Other Executives									
Matthew Fitzgerald	2014	425,505	166,348	23,303	247,028	-	862,184	28.65	19.29
	2013	408,000	183,697	22,000	-	-	613,697	-	29.93
Robert Klug ^D	2014	373,418	151,459	34,541	247,028	-	806,446	30.63	18.78
	2013	183,486	-	16,514	-	-	200,000	-	-
Michael Spreadborough ^E	2014	432,012	78,576	17,775	705,795	-	1,234,158	57.19	6.37
Former Executive Directors									
W John Evans ^F	2013	162,546	128,500	22,454	-	(421,428)	(107,928)	-	N/A ^C
Former Executives									
Martin Reed ^G	2013	400,579	220,500	21,621	-	-	642,700	-	34.31
Total									
	2014	2,280,935	776,533	75,619	1,199,851	688,958	5,021,896	23.89	15.46
	2013	2,154,611	982,697	82,589	-	(1,018,609)	2,201,288	-	N/A ^C

A Amounts included in cash bonus represent the amount that were earned in the financial year based on achievement of KPIs in accordance with the Short-term Bonus Plan. It includes the entire bonus irrespective of whether it was delivered as cash or superannuation. No amounts vest in future financial years in respect of the Short-term Bonus Plan for the 2014 financial year. For FY13, this figure also includes amounts paid under the Producer Status Bonus.

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

C Percentage not disclosed given the negative value in the share appreciation rights.

D Mr Klug met the definition of a KMP on his appointment as Chief Commercial Officer on 1 January 2013. Accordingly, FY13 remuneration only reflects the period from 1 January 2013 to 30 June 2013.

E Mr Spreadborough was appointed Chief Operating Officer with effect from 12 August 2013. Accordingly, FY14 remuneration only reflects the period from 12 August 2013 to 30 June 2014. There is no comparative information.

F On 1 January 2013, Mr Evans resigned from his position as Executive Technical Director and was appointed as Non-Executive Director.

G Mr Reed resigned with effect from 30 June 2013.

14 Remuneration report (audited) (continued)

14.5 EXECUTIVE STATUTORY REMUNERATION DISCLOSURES (CONTINUED)

Relative proportions of fixed and variable remuneration for FY14

Executive	Fixed remuneration	Variable remuneration		
		Short-term Performance Bonus	Long-term Indexed Bonus Plan	Long-term Incentive Option Plan
Karl Simich	50%	18%	32% ^A	N/A ^B
Robert Klug	50%	19%	N/A ^D	31% ^E
Michael Spreadborough ^C	37%	6%	N/A ^D	57% ^E
Matthew Fitzgerald	52%	19%	N/A ^D	29% ^E

A While 32% of remuneration consisted of awards made under the Long-term Indexed Bonus Plan, Mr Simich received no cash value from this plan in FY14.

B Only Executives (excluding Executive Directors) are eligible to participate in the Long-Term Incentive Option Plan (since 2010).

C Mr Spreadborough was appointed Chief Operating Officer with effect from 12 August 2013.

D Only Executive Directors are eligible to participate in the Long-term Indexed Bonus Plan.

E While a percentage of the Executive's remuneration consisted of options, no options were exercised during FY14. Accordingly, none of the Executives received any cash value from the Long-term Incentive Option Plan in FY14.

14.6 EXECUTIVE CONTRACTS

Remuneration arrangements for KMP are formalised in employment agreements or service contracts. The key terms of the Executive's agreements / contracts are:

Name	Contract duration	Notice period from the Company (other than for serious misconduct) ^A	Notice period from the employee / contractor	Treatment of STI and LTI upon termination
Karl Simich	Rolling service contract	12 months	6 months	Short-term Performance Bonus payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company. Rights: Where Mr Simich terminates his engagement with the Group prior to vesting of his awards, all outstanding rights will expire and cease to carry any rights or benefits. Where the Group initiates the termination for reasons other than serious misconduct, the rights will continue to vest for 180 days following the end of the required notice period, with the final vesting date to be the date on which the 180 day notice period expires.
Matthew Fitzgerald	Ongoing	6 months	6 months	Short-term Performance Bonus payments may be paid on a pro-rata basis or may be forfeited at the discretion of the Company.
Robert Klug	Ongoing	6 months	3 months	Options: Where the Executive ceases to be an employee or contractor of the Group for any reason (including voluntary or involuntary resignation), the executive will be entitled to exercise the options granted as a result of the offer in accordance with the terms of the offer for a period up to 180 days after the ceasing date, after which the option holder's options will lapse immediately and all rights in respect of those options will thereupon be lost.
Michael Spreadborough	Ongoing	6 months	3 months	

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

14.7 NON-EXECUTIVE DIRECTOR FEES

Policy

Aggregate NED fees are set at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate fees sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies (typically S&P ASX 200 companies). The Board considers advice from external advisors when reviewing NED fees.

14 Remuneration report (audited) (continued)

14.7 NON-EXECUTIVE DIRECTOR FEES (CONTINUED)

Structure

NED fees consist of Director fees and committee fees. NEDs do not receive retirement or termination benefits and do not participate in any incentive plans. The aggregate amount of fees that may be paid to NEDs in any year is capped at a level approved by shareholders. The current maximum aggregate fee pool of \$750,000 per annum was approved by shareholders at the 2013 annual general meeting.

The Board and Committee fees over FY14 are set out below for all NEDs other than Mr Evans. These are inclusive of superannuation.

Board / Committee	Role	Annual fee (from 1 July 2013 to 31 December 2013)	Annual fee (from 1 January 2014 to 30 June 2014)
Board	Chairman ¹	\$170,000	\$190,000
	Non-Executive Director	\$85,000	\$95,000
Remuneration and Nomination Committee	Chair	\$20,000	\$20,000
	Member	Nil	Nil
Audit and Risk Committee	Chair	\$20,000	\$20,000
	Member	Nil	Nil

1 The Chairman is not entitled to any additional fees for service on board committees.

The fee structure for Mr Evans is below. These fees are inclusive of superannuation. Mr Evans is on the same base NED fee as the other NEDs from 1 July 2014.

Nature of fees	Annual fee (from 1 July 2013 to 31 December 2013)	Annual fee (from 1 January 2014 to 30 June 2014)
Director fees	\$55,000	\$60,000
Management contract fees ¹	\$120,000	\$120,000

1 The management contract fees are for the additional time that Mr Evans spends on work related matters above and beyond what is normally required from a NED. For FY14, these fees are related to his transition out of being an Executive (Technical Executive Director – Exploration) to becoming a NED, specifically in relation to exploration and business development matters.

Statutory NED fee disclosures

NED fees for the year ended 30 June 2014 and 30 June 2013 are set out below.

Name	Year	Short-term benefits		Post-employment	Total \$
		Salary & fees \$	Other ^c \$	Superannuation \$	
Derek La Ferla	2014	162,324	-	17,676	180,000
	2013	155,963	-	14,037	170,000
W John Evans ^A	2014	57,500	120,000	-	177,500
	2013	27,500	60,000	-	87,500
Paul Hallam ^B	2014	100,300	-	8,241	108,541
	2013	8,059	-	725	8,784
Robert Scott	2014	105,132	-	4,868	110,000
	2013	100,665	-	4,335	105,000
Soocheol Shin	2014	90,000	-	-	90,000
	2013	85,000	-	-	85,000
Total remuneration	2014	515,256	120,000	30,785	666,041
	2013	377,187	60,000	19,097	456,284

A Mr Evans became a NED on 1 January 2013. Accordingly, his FY13 fees reflect 6 months only.

B Mr Hallam was appointed a Non-Executive Director on 21 May 2013, and was appointed Chairman of the Remuneration and Nomination Committee on 18 February 2014.

C Other refers to fees paid under the management contract (as described above).

14 Remuneration report (audited) (continued)

14.8 SHARE BASED PAYMENT DISCLOSURES

Option disclosures

Number and value of options granted, vested and forfeited during the year ^A

Executives ^B	Options granted						Options vested during the year		Value of options granted during the year
	Number	Grant date	Fair value per option at grant date ^C	Exercise price	Expiry date	Vesting date	Number	%	Value granted (\$) ^D
Matthew Fitzgerald	70,000	18-Oct-13	\$1.08	\$7.60	15-Jul-18	30-Sep-14	-	-	75,616
	70,000	18-Oct-13	\$1.17	\$8.80	15-Jul-18	30-Sep-15	-	-	82,144
	70,000	18-Oct-13	\$1.28	\$10.00	15-Jul-18	30-Sep-16	-	-	89,268
	266,667	11-Mar-11	\$1.28	\$11.70	28-Feb-16	28-Feb-14	266,667	100	N/A
Robert Klug ^E	70,000	18-Oct-13	\$1.08	\$7.60	15-Jul-18	30-Sep-14	-	-	75,610
	70,000	18-Oct-13	\$1.17	\$8.80	15-Jul-18	30-Sep-15	-	-	82,144
	70,000	18-Oct-13	\$1.28	\$10.00	15-Jul-18	30-Sep-16	-	-	89,268
	83,333	2-Aug-12	\$0.81	\$11.70	28-Feb-16	28-Feb-14	83,333	100	N/A
	83,333	11-Mar-11	\$1.28	\$11.70	28-Feb-16	28-Feb-14	83,333	100	N/A
Michael Spreadborough	200,000	18-Oct-13	\$1.08	\$7.60	15-Jul-18	30-Sep-14	-	-	216,046
	200,000	18-Oct-13	\$1.17	\$8.80	15-Jul-18	30-Sep-15	-	-	234,699
	200,000	18-Oct-13	\$1.28	\$10.00	15-Jul-18	30-Sep-16	-	-	255,050

A Each option carries the right to subscribe for one fully paid ordinary share in Sandfire Resources NL. For details on the valuation of the options, including models and assumptions used, refer to note 24 of the financial report.

B Options were not issued to any other Executive or Executive Director.

C The fair value of options is calculated at the date of grant using the Black-Scholes option pricing model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual KMP may in fact receive.

D This is based on the grant date fair value of the grant multiplied by the number of options.

E Mr Klug met the definition of a KMP on his appointment as Chief Commercial Officer on 1 January 2013. The issue of 2012 options to Mr Klug was prior to his appointment as Chief Commercial Officer. The options were all expensed prior to his appointment as a KMP.

No options were forfeited during FY14. There were no alterations to the terms and conditions of options awarded as remuneration since their award date. The minimum value of the options is nil.

14 Remuneration report (audited) (continued)

14.8 SHARE BASED PAYMENT DISCLOSURES (CONTINUED)

Option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties is shown below:

Executive	Balance at 1-Jul-13	Number granted as remuneration	Options exercised^A	Balance at 30-Jun-14	Vested and exercisable	Unvested
Karl Simich	600,000	-	-	600,000	600,000	-
W John Evans	330,000	-	-	330,000	330,000	-
Matthew Fitzgerald	933,334	210,000	-	1,143,334	933,334	210,000
Robert Klug	750,000	210,000	-	960,000	750,000	210,000
Michael Spreadborough	-	600,000	-	600,000	-	600,000

A No options were exercised during the year. Accordingly, disclosures in respect of the value of options exercised, and the number of shares issued on exercise of options, are not applicable.

14 Remuneration report (audited) (continued)

14.8 SHARE BASED PAYMENT DISCLOSURES (CONTINUED)

Rights disclosures

Rights granted, modified and vested during the year

Executive	Terms and conditions for each grant						Rights vested during the year		Rights tested during the year ^D			Maximum value of unvested rights ^E
	Number	Grant / Modification Date	Fair value ^B	INV ^C / Test price	Expiry date	Initial vesting date	Number	%	Number	15-Dec-13 Test price	15-Jun-14 Test price	
Karl Simich	200,000	14-Oct-2013	\$0.56 - \$1.89	\$7.60	15-Dec-2018	15-Jun-2015	-	-	-	-	-	\$271,611
	200,000	14-Oct-2013	\$0.75 - \$1.60	\$8.80	15-Dec-2018	15-Jun-2016	-	-	-	-	-	\$249,915
	200,000	14-Oct-2013	\$0.89 - \$1.36	\$10.00	15-Dec-2018	15-Jun-2017	-	-	-	-	-	\$223,562
	266,666 ^A	8-Aug-2011	\$0.19 - \$0.70	\$8.04	15-Dec-2015	15-Jun-2011	-	-	266,666	\$5.94	\$6.12	\$46,561
	266,667 ^A	8-Aug-2011	\$0.19 - \$0.70	\$8.04	15-Dec-2015	15-Jun-2012	-	-	266,667	\$5.94	\$6.12	\$46,561
	266,667 ^A	8-Aug-2011	\$0.71 - \$1.29	\$6.21	15-Dec-2015	15-Jun-2013	-	-	266,667	\$5.94	\$6.12	\$70,222
	500,000	8-Aug-2011	\$0.09 - \$0.89	\$9.00	15-Dec-2016	15-Jun-2013	-	-	500,000	\$5.94	\$6.12	\$150,447
	500,000	8-Aug-2011	\$0.03 - \$0.67	\$10.30	15-Dec-2016	15-Jun-2014	500,000	100	500,000	-	\$6.12	\$120,517
	500,000	8-Aug-2011	\$0.09 - \$0.50	\$11.70	15-Dec-2016	15-Jun-2015	-	-	-	-	-	\$94,193
Total	2,900,000											\$1,272,589

A The terms and conditions of the rights, initially granted 2 July 2010, were modified 8 August 2011 to align with the terms of the second grant made on 8 August 2011.

B The fair value of the rights is calculated at the reporting date using the Black-Scholes option pricing model. In accordance with the terms and conditions of the Long-Term Indexed Bonus Plan, the ultimate value of the long-term rights will be calculated on the initial vesting date and subsequent testing dates. Vested rights are tested on 15 June and 15 December of each calendar year subsequent to the initial vesting date and up to expiry. The fair value of the rights at each of the test dates is the difference between the 5-day VWAP and the higher of the initial INV or the highest test price that occurred prior to that test date. For details on the valuation of the rights, including models and assumptions used, refer to note 24 of the financial report.

C Initial Notional Value.

D Rights tested relate to the same grant as that shown on the left hand side of the table. Nil values mean that the grant is not yet eligible for vesting.

E This is based on the value of rights that have yet to vest.

No rights were forfeited during the year.

14 Remuneration report (audited) (continued)

14.8 SHARE BASED PAYMENT DISCLOSURES (CONTINUED)

Rights holdings

The movement during the reporting period in the number of rights held, directly, indirectly or beneficially, by each KMP, including their related parties is shown below. It is the intention that these rights will be settled in cash, but they may also be settled in ordinary shares at the Company's discretion.

Executive ^A	Balance at 1-Jul-13	Granted as remuneration	Settled in cash or equity	Balance at 30-Jun-14
Karl Simich	2,300,000	600,000	-	2,900,000

A Mr Simich is the only Executive Director (or Executive) who receives rights.

Share disclosures

Share holdings

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is shown below:

Name	Balance at 1-Jul-13	Purchases	Exercise of options	Sales	Balance at 30-Jun-14
Non-Executive Directors					
Derek La Ferla	21,668	-	-	-	21,668
Robert Scott	5,000	-	-	-	5,000
Executives					
Karl Simich	6,009,735	-	-	-	6,009,735
W John Evans	1,315,215	-	-	-	1,315,215
Matthew Fitzgerald	-	-	-	-	-
Robert Klug	2,000	-	-	-	2,000

14.9 OTHER TRANSACTIONS AND BALANCES WITH KMP AND THEIR RELATED PARTIES

Certain KMP, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities and transacted with the Group during the reporting period.

The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees received for any related party payables. It is the Company's policy to avoid related party transactions when possible. The Company's related party transactions with Resource Development Company Pty Ltd and Tongaat Pty Ltd have existed since the Sandfire Resources NL was a junior explorer.

Transactions during the 2014 financial year relating to KMP and their related entities over which they have control or significant influence are outlined below:

KMP and their director related entity	Transaction	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2014 \$	2013 \$	2014 \$	2013 \$
Karl Simich – Tongaat Pty Ltd	Lease of corporate office parking premises	12,600	12,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Lease of corporate office parking premises	12,600	12,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Corporate and financial services	622,630	567,476	40,012	-
Soocheol Shin – Posco Australia Pty Ltd (POSA)	Commercial agreement	5,383,683	-	1,442,804	-
		6,031,513	592,676	1,482,816	-

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, 28 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$000	2013 \$000
Sales revenue	6	531,230	507,331
Realised and unrealised metal and price adjustment losses	6	(2,407)	(14,573)
Changes in inventories of finished goods and work in progress		(2,854)	26,888
Mine operations costs		(126,112)	(83,203)
Employee benefit expenses	7	(44,509)	(38,716)
Freight, treatment and refining expenses		(82,886)	(78,563)
Royalties expense		(25,031)	(20,986)
Exploration and evaluation expenses		(19,696)	(22,079)
Depreciation and amortisation expenses	7	(95,097)	(125,849)
Share of net loss of associate		-	(1,106)
Reversal of impairment expense (impairment expense)	16	452	(500)
Administrative expenses		(7,062)	(6,299)
Other expenses		(412)	(209)
Profit before net finance and income tax		125,616	142,136
Finance income	8	3,114	3,051
Finance expense	8	(16,782)	(19,519)
Net finance expense		(13,668)	(16,468)
Profit before income tax		111,948	125,668
Income tax expense	9	(33,790)	(37,670)
Net profit for the year		78,158	87,998
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		78,158	87,998
Earnings per share			
Basic earnings per share attributable to ordinary equity holders (cents)	10	50.22	57.48
Diluted earnings per share attributable to ordinary equity holders (cents)	10	50.15	57.38

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$000	2013 \$000
ASSETS			
Cash and cash equivalents	11	57,590	77,070
Trade and other receivables	12	14,531	8,491
Inventories	13	36,501	38,298
Other current assets		2,005	1,954
Total current assets		110,627	125,813
Receivables	12	174	84
Inventories	13	11,698	11,698
Mine properties	14	194,894	177,752
Property, plant and equipment	15	227,022	245,924
Investments accounted for using the equity method	16	5,891	-
Other financial assets		248	183
Exploration and evaluation assets	17	3,148	-
Deferred tax assets	9	-	2,939
Total non-current assets		443,075	438,580
TOTAL ASSETS		553,702	564,393
LIABILITIES			
Trade and other payables	18	45,359	43,932
Interest bearing liabilities	19	75,979	163,906
Provisions	20	2,672	2,151
Total current liabilities		124,010	209,989
Trade and other payables	18	763	553
Interest-bearing liabilities	19	84,616	119,542
Provisions	20	21,654	22,654
Deferred tax liability	9	30,851	-
Total non-current liabilities		137,884	142,749
TOTAL LIABILITIES		261,894	352,738
NET ASSETS		291,808	211,655
EQUITY			
Issued capital	21	219,391	219,391
Reserves	21,24	8,109	6,114
Retained profits (accumulated losses)		64,308	(13,850)
TOTAL EQUITY		291,808	211,655

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Issued capital \$000	Share based payments reserve \$000	Retained profits (Accumulated losses) \$000	Total equity \$000
At 1 July 2013		219,391	6,114	(13,850)	211,655
Profit for the period		-	-	78,158	78,158
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	78,158	78,158
Transactions with owners in their capacity as owners:					
Share based payments recognised at fair value	24	-	1,995	-	1,995
At 30 June 2014		219,391	8,109	64,308	291,808

	Note	Issued capital \$000	Share based payments reserve \$000	Accumulated losses \$000	Total equity \$000
At 1 July 2012		213,007	6,077	(101,848)	117,236
Profit for the period		-	-	87,998	87,998
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	87,998	87,998
Transactions with owners in their capacity as owners:					
Exercise of options	21	5,531	-	-	5,531
Share issue costs net of income tax benefit		(69)	-	-	(69)
Transfer from share-based payments reserve on exercise of options		922	(922)	-	-
Share based payments recognised at fair value	24	-	959	-	959
At 30 June 2013		219,391	6,114	(13,850)	211,655

The above 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 2014

	Note	2014 \$000	2013 \$000
Cash flows from operating activities			
Cash receipts		523,911	469,634
Cash paid to suppliers and employees		(276,718)	(201,057)
Payments for exploration and evaluation		(26,425)	(22,213)
Interest received		2,267	3,866
Net cash inflow from operating activities	22	223,035	250,230
Cash flows from investing activities			
Payments for exploration and evaluation assets		(3,148)	-
Payments for property, plant and equipment		(16,681)	(68,367)
Payments for mine properties		(77,881)	(119,573)
Payments for investments	16	(5,891)	(600)
Proceeds from sale of investments		452	-
Payments for security deposits and bonds		(90)	(81)
Net cash outflow from investing activities		(103,239)	(188,621)
Cash flows from financing activities			
Proceeds from the conversion of options to shares		-	5,531
Share issue costs		-	(98)
Proceeds from borrowings		-	30,000
Repayment of borrowings		(125,000)	(95,000)
Payment of finance lease liabilities		(1,092)	(931)
Interest and other costs of finance paid		(13,184)	(24,430)
Net cash outflow from financing activities		(139,276)	(84,928)
Net decrease in cash and cash equivalents			
		(19,480)	(23,319)
Cash and cash equivalents at the beginning of the period		77,070	100,389
Cash and cash equivalents at the end of the period	11, 22	57,590	77,070

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

1 Corporate Information

The consolidated financial statements of Sandfire Resources NL for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

Sandfire Resources NL (the Parent) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Company are described in the Directors' report.

2 Summary of significant accounting policies

Basis of preparation

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 has been prepared on a historical cost basis, except for trade receivables and available-for-sale (AFS) investments which have been measured at fair value.

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

The consolidated financial statements provide comparative information in respect of the previous period and have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(a) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as described below. Certain comparative information has been reclassified to conform with the current year's presentation.

(i) *New and amended standards and interpretations*

The following mandatory accounting standards were required to be adopted by the Group as of 1 July 2013:

- AASB 10 *Consolidated Financial Statements* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 10 provides a revised approach to determining which investees should be consolidated. The standard changes the requirements for determining whether an entity is consolidated by revising the definition of control and adding further guiding principles. The application of AASB 10 did not have any impact on the amounts recognised in the consolidated financial statements.
- AASB 11 *Joint Arrangements* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 11 removes the option to account for jointly controlled entities ('JCEs') using proportionate consolidation. Instead JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method. The application of AASB 11 did not have any impact on the Group's financial statements.
- AASB 12 *Disclosure of Interests in Other Entities* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 12 includes all of the disclosures that were previously in AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interest in Joint Ventures*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The revised standard requires a number of additional disclosures in certain circumstances however has no impact on the Group's financial position or performance.
- AASB 13 *Fair value measurement*, which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 13 establishes a single source of guidance under accounting standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASBs when fair value is required or permitted. The application of AASB 13 did not have a material impact on the amounts recognised in the consolidated financial statements, other than in the Group's carrying value assessment. For details refer to Note 27 of the financial statements.

In addition AASB 119, *Employee Benefits (Revised 2011)*, AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7*, AASB 2012-5 *Improvements to AASBs 2009-2011 Cycle*, AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2011-4 *Amendments to Australian accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements to AASB 124*, were issued and required to be adopted by the Group. The adoption of these standards did not have a material impact on the consolidated financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 30 June 2014, are outlined in the table below.

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.
AASB 9	<i>Financial Instruments</i>	<p>On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. The new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. 	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2019 financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 9 (continued)		<p>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and ▪ The remaining change is presented in profit or loss. <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p>	
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.
AASB 2014-1 Part A - Annual Improvements 2010-2012 7Cycle	Amendments to Australian Accounting Standards Part A Annual Improvements to IFRSs 2010–2012 Cycle	<p>This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011-2013 Cycle</i>.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> ▪ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ▪ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ▪ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ▪ AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ▪ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. 	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
AASB 2014-1 Part A - Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: <ul style="list-style-type: none"> AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3. 	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	The amendments which become mandatory for the Group's 30 June 2015 financial statements are not expected to have any impact on the financial statements.
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1 (effective 30 June 2014). Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i> .	Part B of the amendments which become mandatory for the Group's 30 June 2015 financial statements and Part C of the amendments which become mandatory for the Group's 30 June 2016 financial statements, are not expected to have any impact on the financial statements.
Amendments to IAS 16 and IAS 38 *	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	The amendments which become mandatory for the Group's 30 June 2017 financial statements are not expected to have any impact on the financial statements.
IFRS 15 *	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.	The Group has not assessed the impact of the amendments, which become mandatory for the Group's 30 June 2018 financial statements are not expected to have any impact on the financial statements.

2 Summary of significant accounting policies (continued)

(b) Changes in accounting policy, disclosures, standards and interpretations (continued)

Reference	Title	Summary	Application date and impact on the Group's financial report
IFRS 15 (continued) *		<p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>a) Step 1: Identify the contract(s) with a customer;</p> <p>b) Step 2: Identify the performance obligations in the contract;</p> <p>c) Step 3: Determine the transaction price;</p> <p>d) Step 4: Allocate the transaction price to the performance obligations in the contract; and</p> <p>e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</p>	

* These IFRS amendments have not yet been adopted by the AASB.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sandfire Resources NL and its subsidiaries (as outlined in Note 4). Interests in associates are equity accounted (see accounting policy Note 2(e)). 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2 Summary of significant accounting policies (continued)

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred 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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, will be measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it will be measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(e) Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as an impairment expense in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(f) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2 Summary of significant accounting policies (continued)

(f) Current versus non-current classification (continued)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(g) Operating segments

An operating segment is a component of the Group about which separate financial information is available that is evaluated regularly by the Group's chief operating decision makers in deciding how to allocate resources and in assessing performance.

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.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Executive management team and the Board of Directors.

(h) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each of the Group's entities 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 in the functional currency at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling 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 Consolidated Statement of Comprehensive Income.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences that may arising on translation for consolidation are recognised in other comprehensive income. There was no material exchange differences arising on translation for consolidation for the financial year ended 30 June 2014.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation will be recognised in profit or loss.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sale of goods – copper concentrate

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. This is generally when title passes, which for the sale of concentrate represents the bill of lading date when the concentrate is delivered for shipment.

2 Summary of significant accounting policies (continued)

(i) Revenue recognition (continued)

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Royalties paid and payable are separately reported as expenses.

Contract terms for many of the Group's sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements. The selling price for metal in concentrate is based on prevailing spot prices at the time of shipment to the customer and adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement.

These provisionally priced sales contracts contain an embedded derivative. Accordingly, the Company has designated the receivable at fair value through profit and loss (see Note 2q). Subsequent changes in fair value of the receivable is recognised in the Income Statement in each period until final settlement. Changes in fair value over the Quotational Period (QP) and up until final settlement are estimated by reference to forward market prices. The QP often reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry.

For amounts at balance date still subject to price adjustments due to the quotational period remaining open, a final settlement price is estimated based on the closing forward LME (London Metals Exchange) copper price on the final day of the month. This revaluation is performed up until the final invoice is received. The actual settlement price may vary from this estimate.

(ii) Interest income

Income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Inventories

Stores and consumables, ore and concentrate are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and a proportion of variable and fixed overhead expenditure which is directly related to the production of inventories.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes direct material, mining, processing, labour, related transportation costs to the point of sale and other fixed and variable costs directly related to mining and processing activities.

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

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

(l) Exploration and evaluation

(i) Exploration and evaluation assets

Exploration and evaluation assets comprise acquired mineral rights including ore reserves and mineral resources and are recognised at cost. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

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

Once the technical feasibility and commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

2 Summary of significant accounting policies (continued)

(l) Exploration and evaluation (continued)

(ii) *Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred on licenses where the technical feasibility and commercial viability of extracting mineral resources has not yet been established is expensed and recognised in the income statement as incurred. The Directors of the Company generally consider a project to be economically viable on the satisfactory completion of a feasibility study and a JORC reserve estimate.

Exploration and evaluation expenditure includes pre-licence costs, costs associated with exploring, investigating, examining and evaluating an area of mineralisation, and assessing the technical feasibility and commercial viability of extracting the mineral resources from that area.

Once the technical feasibility and commercial viability of extracting mineral resources are demonstrable (at which point, the Company considers it probable that economic benefits will be realised), the Company capitalises any further evaluation costs incurred for the particular licence to mine properties.

Cash flows arising from exploration and evaluation expenditure

Other than the acquisition of mineral rights, cash flows arising from exploration and evaluation expenditure are included in the statement of cash flows as an operating activity.

(m) Mine properties

Mine development

Mine property and development assets are stated at historical cost less accumulated amortisation and any impairment losses recognised. 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 an ore body has been established. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

Amortisation

The Group amortises mine property and development assets from the commencement of commercial production. The Group amortises mine property and development assets on a units of ore extracted basis over the life of mine.

(n) Property, plant and equipment

Property, 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 capitalised value of a finance lease is also included within property, plant and equipment.

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 7 years)
Motor vehicles	Straight line over the life of the asset (3 to 5 years)
Leased equipment	Straight line over the life of the asset (3 to 5 years)

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.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

2 Summary of significant accounting policies (continued)

(o) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

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

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(q) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, trade and other receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Trade and other receivables;
- Held-to-maturity investments; or
- Available-for-sale financial investments.

Financial assets at fair value through profit or loss

The Group did not have any financial assets at fair value through profit or loss at reporting date.

Trade and other receivables

This category is the most relevant to the Group.

Trade receivables are carried at fair value. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition, with any mark to market adjustment due for settlement usually from 60-120 days. Sales of copper concentrate are recognised in accordance with Note 2(i).

After initial measurement, other receivables are subsequently measured at amortised cost using the effective interest method.

Held-to-maturity investments

The Group did not have any held-to-maturity investments at reporting date.

2 Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial investment, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Trade and other receivables

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in the income statement.

Available for sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2 Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in OCI.

iii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

The Group did not have any financial liabilities at fair value through profit or loss at reporting date.

Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are generally unsecured and are usually paid within 60 days of recognition.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the 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 statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 19.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial 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 statement of profit or loss.

iv) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(r) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an 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.

2 Summary of significant accounting policies (continued)

(r) Impairment of non-financial assets (continued)

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. 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.

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. These budgets and forecast calculations cover a period up to seven years from reporting date.

Impairment losses of continuing operations, including impairment on inventories, 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.

(s) Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(ii) Employee leave benefits (wages, salaries, annual leave and sick leave)

Liabilities for wages and salaries, including non-monetary benefits and annual leave 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.

(iii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. There Group did not have a material obligation with respect to long service leave as at 30 June 2014.

(iv) Rehabilitation, restoration and dismantling

The Group records the present value of estimated costs of legal and constructive obligations required to restore and rehabilitate operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. The capitalised cost of this asset is depreciated over the useful life of the related asset. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement in accordance with the Group's accounting policy 2(l).

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

2 Summary of significant accounting policies (continued)

(t) Share-based payment transactions

(i) 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 these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options granted is measured using the Black-Scholes option pricing model. Further details of which are given in Note 24.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of Sandfire Resources NL (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- a) The grant date fair value of the award;
- b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- c) The expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the new award is treated as if they were a modification of the cancelled award (as described in the previous paragraph).

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (see Note 10).

(ii) Cash settled transactions

The Group also provides benefits to employees and contractors (including key management personnel) in the form of cash-settled share-based payments, whereby employees 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 employees, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is 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.

2 Summary of significant accounting policies (continued)

(t) Share-based payment transactions (continued)

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date (see Note 24).

(u) Issued capital

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.

(v) Taxes

(i) Current income tax

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

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

(ii) Deferred tax

Deferred tax is provided using the 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.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary difference associated with investments in subsidiaries, associates and interests in joint ventures, when 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 are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. 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, except:

- When the deferred tax asset relating to the deductible temporary difference arises 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

2 Summary of significant accounting policies (continued)

(v) Taxes (continued)

(iii) Other taxes

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 statement of financial position.

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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group divided by the weighted average number of ordinary shares. Diluted earnings per share is calculated by adjusting the net profit attributable to members of the Group and the number of shares outstanding for the effects of all dilutive potential ordinary shares, which include share options.

(x) 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.

A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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; or
- 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 in the financial statements 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made in determining the carrying amounts of assets and liabilities. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Rehabilitation, restoration and dismantling provision

The Group assesses its rehabilitation, restoration and dismantling (rehabilitation) provision annually. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with AASB 116 *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with AASB 136. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase is charged directly to the income statement.

Ore Reserve and Mineral Resource estimates

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

Technical feasibility and commercial viability of extracting Mineral Resources

The Group assesses a project to be in a development stage when the project is assessed as being technically and commercially viable. The process for determining whether a project is technically and commercially viable involves a number of judgements and estimates, including forecasting metal prices, assessing resource grades and viable methods of extracting the mineral resource. The Directors of the Company generally consider a project to be economically viable upon the satisfactory completion of a feasibility study and a JORC reserve estimate.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. As at 30 June 2014 the Group assessed that no indication of impairment existed.

Taxation and recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

3 Significant accounting judgements, estimates and assumptions (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. 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 statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Share-based payment transactions

The Group measures the cost of equity-settled and cash-settled transactions with employees and contractors (including key management personnel) by reference to the fair value of the instruments. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the instrument, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24.

Estimated useful lives of assets

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. Adjustments to useful lives are made when considered necessary.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 27 for further disclosures.

4 Information relating to subsidiaries

The consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest	
			2014	2013
SFR Copper & Gold Peru S.A.	(i)	Peru	100.00	100.00

(i) The wholly owned subsidiary was formed and incorporated by the Company on 11 April 2012.

5 Segment information

For management purposes, the Group has four reportable segments as follows:

- The DeGrussa Copper Mine, a copper-gold mine located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometres north-east of Perth and 150 kilometres north of Meekatharra. The DeGrussa Copper Mine generates revenue from the sale of copper-gold products to customers in Asia;
- Exploration, which includes exploration and evaluation of the mineral tenements in Australia and overseas, including exploring for potential repeats of the DeGrussa Volcanogenic Massive Sulphide (VMS) mineralised system at the Doolgunna Project;
- Treasury, which includes realised and unrealised price adjustments, finance income and finance expense; and
- Corporate, which includes all corporate expenses that cannot be directly attributed to the DeGrussa Copper Mine exploration and treasury.

Segment information that is evaluated by the Group's chief operating decision makers is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

5 Segment information (continued)

Segment results

<i>in \$000</i>	DeGrussa Mine	Exploration	Corporate	Treasury	Group
Income statement for the year ended 30 June 2014					
Sales revenue	531,230	-	-	-	531,230
Net metal and price adjustments gains (losses)	-	-	-	(2,407)	(2,407)
Changes in inventories of finished goods and work in progress	(2,854)	-	-	-	(2,854)
Mine operations costs	(126,112)	-	-	-	(126,112)
Employee benefit expenses	(30,892)	(7,170)	(6,447)	-	(44,509)
Freight, treatment and refining expenses	(82,886)	-	-	-	(82,886)
Royalties expense	(25,031)	-	-	-	(25,031)
Exploration and evaluation expenses	-	(19,696)	-	-	(19,696)
Depreciation and amortisation expenses	(94,332)	(432)	(333)	-	(95,097)
Reversal of impairment expense	-	-	517	-	517
Administrative expenses	-	-	(7,062)	-	(7,062)
Other expenses	(477)	-	-	-	(477)
Profit (loss) before net finance and income tax	168,646	(27,298)	(13,325)	(2,407)	125,616
Finance income	-	-	-	3,114	3,114
Finance expense	-	-	-	(16,782)	(16,782)
Profit (loss) before income tax	168,646	(27,298)	(13,325)	(16,075)	111,948
Income tax expense	-	-	-	-	(33,790)
Net profit for the year					78,158
<i>in \$000</i>					
Income statement for the year ended 30 June 2013					
Sales revenue	507,331	-	-	-	507,331
Net metal and price adjustments gains (losses)	(6,878)	-	-	(7,695)	(14,573)
Changes in inventories of finished goods and work in progress	26,888	-	-	-	26,888
Mine operations costs	(83,203)	-	-	-	(83,203)
Employee benefit expenses	(26,459)	(8,342)	(3,915)	-	(38,716)
Freight, treatment and refining expenses	(78,563)	-	-	-	(78,563)
Royalties expense	(20,986)	-	-	-	(20,986)
Exploration and evaluation expenses	-	(22,079)	-	-	(22,079)
Depreciation and amortisation expenses	(123,409)	(806)	(1,634)	-	(125,849)
Share of net loss of associates	-	-	(1,106)	-	(1,106)
Impairment expense	-	-	(500)	-	(500)
Administrative expenses	-	-	(6,299)	-	(6,299)
Other expenses	(209)	-	-	-	(209)
Profit (loss) before net finance and income tax	194,512	(31,227)	(13,454)	(7,695)	142,136
Finance income	-	-	-	3,051	3,051
Finance expense	-	-	-	(19,519)	(19,519)
Profit (loss) before income tax	194,512	(31,227)	(13,454)	(24,163)	125,668
Income tax expense					(37,670)
Net profit for the year					87,998

5 Segment information (continued)

Adjustments and eliminations

Deferred taxes are not allocated to individual segments as they are managed on a Group basis.

Segment assets

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

Information about geographical areas and products

	Australia \$000	Asia \$000	Group \$000
Revenues from external customers			
Year ended 30 June 2014			
Sales of copper in concentrate	-	484,124	484,124
Sales of gold in concentrate	-	43,243	43,243
Sales of silver in concentrate	-	3,863	3,863
Total sales revenue	-	531,230	531,230
Year ended 30 June 2013			
Sales of copper in concentrate	-	446,627	446,627
Sales of gold in concentrate	-	41,349	41,349
Sales of silver in concentrate	-	1,190	1,190
Sales of gold in laterite	18,151	-	18,151
Specimen sales	14	-	14
Total sales revenue	18,165	489,166	507,331

The copper-gold concentrate revenue arises from sales to customers in various countries. A majority of the product was sent to China for processing (85%), a portion was sent to South Korea (11%) and the remainder was sent to India. During 2013, 100% of the product was sent to China for processing.

Major customers who individually accounted for more than ten percent of total revenue contributed approximately 83% of total revenue (2013: 60%).

6 Sales revenue, realised and unrealised metal and price adjustment gains (losses)

Sales revenue

	2014 \$000	2013 \$000
Sales of copper in concentrate	484,124	446,641
Sales of gold in concentrate	43,243	41,349
Sales of silver in concentrate	3,863	1,190
Sales of gold in laterite	-	18,151
	531,230	507,331

Realised and unrealised metal and price adjustment gains (losses)

Copper metal and price adjustment	(2,204)	(12,257)
Gold metal and price adjustment	(501)	(2,365)
Silver metal and price adjustment	214	188
Copper and gold foreign exchange adjustment	84	(139)
	(2,407)	(14,573)

Sandfire delivers concentrate to customers on the industry standard basis using prevailing London Metal Exchange (LME) metal prices. For those sales based on prevailing LME metal prices, the customer makes a provisional payment to Sandfire against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the payment is based on the average LME metal price over a subsequent pricing period as specified by the terms of the sales contract. The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally 2 to 4 months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is normal for the industry. This resulted in an unfavourable \$2,407,000 (2013: \$14,573,000) mark-to-market adjustment to profit or loss for the year ended 30 June 2014.

	Note	2014 \$000	2013 \$000
7 Expenses			
Profit before income tax includes the following expenses:			
<i>Depreciation</i>			
Plant and equipment		31,797	21,336
Motor vehicles		172	222
Leased equipment		900	829
Rehabilitation, restoration and dismantling		1,948	1,407
	15	34,817	23,794
Less depreciation capitalised to mine properties		-	(150)
Total depreciation		34,817	23,644
<i>Amortisation</i>			
Mine development		59,626	31,809
Development phase stripping		-	57,289
Production stripping		-	12,375
Rehabilitation, restoration and dismantling		654	732
Total amortisation	14	60,280	102,205
Total depreciation and amortisation		95,097	125,849
<i>Lease payments included in statement of comprehensive income</i>			
Minimum lease payments – operating lease	26	861	810
Cost of goods sold		278,678	216,322
Net loss on sale of property, plant and equipment		14	-
Consultant share-based payments	24	176	642
Employee benefits expenses			
Wages and salaries		37,996	38,098
Defined contribution superannuation expense		3,353	2,854
Employee share-based payments	24	2,507	(702)
Other employee benefits expense		2,374	2,392
		46,230	42,642
Less employee benefits expenses capitalised to mine properties and property, plant and equipment		(1,721)	(3,926)
		44,509	38,716

	Note	2014 \$000	2013 \$000
8 Finance income (expense)			
Finance income			
Interest on bank deposits		2,267	3,866
Less interest on bank deposits capitalised to mine properties and property, plant and equipment		-	(1,013)
		2,267	2,853
Foreign exchange gain		847	198
		3,114	3,051
Finance (expense)			
Interest charges		(13,096)	(22,574)
Less interest charges capitalised to mine properties and property, plant and equipment		-	5,865
		(13,096)	(16,709)
Foreign exchange loss		(697)	(633)
Unwinding of discount on provisions		(746)	(500)
Finance establishment costs amortisation		(2,243)	(2,242)
Less finance establishment costs capitalised to mine properties and property, plant and equipment		-	565
		(16,782)	(19,519)
9 Income tax			
Components of income tax are:			
<i>Income taxes</i>			
Current income tax expense		27,028	60,123
Under (over) provision for prior year	(i)	(30,895)	211
<i>Deferred income tax</i>			
Origination and reversal of temporary differences		7,235	(22,121)
Under (over) provision for prior year	(i)	30,422	(543)
Income tax expense reported in statement of comprehensive income		33,790	37,670
Amounts charged (credited) directly to equity			
<i>Deferred income tax related to items charged (credited) directly to equity</i>			
Share issue costs		-	(29)
Income tax expense (benefit) reported in equity		-	(29)

- (i) The under/(over) provision reflected in the 2014 financial year is primarily a result of the finalisation of the tax review of costs capitalised to Mine Development as part of Mine Properties and Plant & Equipment. The review was finalised during the 2014 financial year and identified that the initial estimates used in the 2013 financial report were required to be adjusted due to immediately deductible capital costs and differing rates of decline in value for tax purposes within those asset categories. Whilst the net tax expense impact of this review was nil it resulted in a once off reallocation of deferred and current balances.

9 Income tax (continued)

Reconciliation of tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	2014 \$000	2013 \$000
Profit before tax	111,948	125,668
Income tax expense using domestic corporate tax rate of 30% (2013: 30%)	33,584	37,700
<i>Increase (decrease) in income tax due to:</i>		
Non-deductible expenses	621	51
Current year capital losses not recognised	933	-
Movement in unrecognised temporary differences with respect to investments	(876)	482
Over provision for prior year	(472)	(332)
Other deductible expenses	-	(231)
Income tax expense	33,790	37,670

Recognised deferred tax assets and liabilities

	2014		2013	
	Current tax payable	Deferred income tax	Current tax payable	Deferred income tax
<i>in \$000</i>				
Opening balance	-	2,939	-	40,580
Charged to income	-	(33,790)	-	(37,670)
Charged to equity	-	-	-	29
Closing balance	-	(30,851)	-	2,939
Tax expense in the statement of comprehensive income		33,790		37,670
<i>Amounts recognised in the statement of financial position:</i>				
Deferred tax asset		-		2,939
Deferred tax liability		(30,851)		-
		(30,851)		2,939

9 Income tax (continued)

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities

	2014 \$000	2013 \$000
Mine properties	23,436	17,607
Property, plant & equipment	32,783	4,236
Other	96	58
Gross deferred tax liabilities	56,315	21,901
Set-off of deferred tax assets	(25,464)	21,901
Net deferred tax liability	30,851	-

Deferred tax assets

Employee benefits provision	802	645
Inventories	1,256	1,980
Other payables and accruals	714	327
Rehabilitation, restoration and dismantling provision	6,496	6,796
Share issue costs reflected in equity	305	741
Revenue losses available for offset against future taxable income	14,825	10,957
Unused tax credits	1,010	495
Unrealised metal and price adjustments	-	2,856
Other	56	43
Gross deferred tax assets	25,464	24,840
Set-off of deferred tax assets	(25,464)	(21,901)
Net deferred tax assets	-	2,939

Unrecognised temporary differences and capital losses

The Company has temporary differences and capital losses for which no deferred tax asset is recognised in the statement of financial position of \$1,181,000 (2013: \$1,123,000) that have not been recognised as the statutory requirements for recognising those deferred tax assets have not been met.

The current tax liability on taxable income has been reduced to \$nil for the year ended 30 June 2014 as it has been offset in full against carry forward losses from prior periods that were previously brought to account as deferred tax assets.

10 Earnings per share

Basic earnings per share 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 earnings per share 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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 \$000	2013 \$000
Net profit attributable to ordinary equity holders	78,158	87,998

	2014 Number	2013 Number
10 Earnings per share (continued)		
Weighted average number of ordinary shares for basic earnings per share	155,640,968	153,081,977
<i>Effect of dilution:</i>		
Share options	201,875	266,136
Weighted average ordinary shares adjusted for the effect of dilution	155,842,843	153,348,113

There are 7,005,000 share options (refer to Note 21) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	Note	2014 \$000	2013 \$000
11 Cash and cash equivalents			
Cash at bank and on hand		46,190	7,070
Debt service reserve account	(i)	11,400	50,000
Cost overrun account		-	20,000
		57,590	77,070

- (i) Under the terms and conditions of the Group's DeGrussa Project Loan Facility (see Note 19), the Group must maintain:
- A cash debt service reserve amount equal to or greater than the next quarter's scheduled amortisation payment and projected interest payment.

	2014 \$000	2013 \$000
12 Trade and other receivables		
Current		
Trade receivables	11,870	6,151
Other receivables	2,661	2,340
	14,531	8,491
Non-current		
Security and environmental bonds	174	84

All amounts are not considered past due or impaired. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

See Note 25 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

	2014 \$000	2013 \$000
13 Inventories		
Current		
Concentrate – at cost	18,067	14,566
Ore stockpiles – at cost	12,575	18,930
Stores and consumables – at cost	6,545	5,011
	37,187	38,507
Allowance for obsolete stock – stores and consumables	(686)	(209)
	36,501	38,298
Non-current		
Oxide copper ore stockpiles – at cost	11,698	11,698

14 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.

Reconciliation of the carrying amounts for each class of mine properties is set out below:

	Mine development \$000	Development phase stripping \$000	Production Stripping \$000	Rehabilitation, restoration and dismantling \$000	Total \$000
2014					
Opening carrying amount	172,710	-	-	5,042	177,752
Additions	77,880	-	-	-	77,880
Disposals	-	-	-	-	-
Amortisation	(59,626)	-	-	(654)	(60,280)
Inflation and discount rate adjustments	-	-	-	(458)	(458)
Closing carrying amount	190,964	-	-	3,930	194,894
At 30 June 2014					
Cost	282,400	60,438	12,375	5,315	360,528
Accumulated amortisation	(91,436)	(60,438)	(12,375)	(1,385)	(165,634)
Net carrying amount	190,964	-	-	3,930	194,894

	Mine development \$000	Development phase stripping \$000	Production Stripping \$000	Rehabilitation, restoration and dismantling \$000	Total \$000
2013					
Opening carrying amount	106,172	39,669	12,375	5,454	163,670
Additions	104,937	17,620	-	320	122,877
Disposals	-	-	-	-	-
Amortisation	(31,809)	(57,289)	(12,375)	(732)	(102,205)
Transfers to property, plant and equipment (Note 15)	(6,590)	-	-	-	(6,590)
Closing carrying amount	172,710	-	-	5,042	177,752
At 30 June 2013					
Cost	204,519	60,438	12,375	5,774	283,106
Accumulated amortisation	(31,809)	(60,438)	(12,375)	(732)	(105,354)
Net carrying amount	172,710	-	-	5,042	177,752

15 Property, plant and equipment

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

	Plant and equipment \$000	Motor vehicles \$000	Leased equipment \$000	Assets under construction \$000	Rehabilitation, restoration and dismantling \$000	Total \$000
2014						
Opening carrying amount	223,353	42	2,878	4,678	14,973	245,924
Additions	1,440	-	-	15,776	-	17,216
Disposals	(14)	-	-	-	-	(14)
Transfers	10,298	388	5	(10,691)	-	-
Depreciation	(31,797)	(172)	(900)	-	(1,948)	(34,817)
Inflation and discount rate adjustments	-	-	-	-	(1,287)	(1,287)
Closing carrying amount	203,280	258	1,983	9,763	11,738	227,022
At 30 June 2014						
Cost	261,291	1,250	4,198	9,763	15,092	291,594
Accumulated depreciation	(58,011)	(992)	(2,215)	-	(3,354)	(64,572)
Net carrying amount	203,280	258	1,983	9,763	11,738	227,022

	Plant and equipment \$000	Motor vehicles \$000	Leased equipment \$000	Assets under construction \$000	Rehabilitation, restoration and dismantling \$000	Total \$000
2013						
Opening carrying amount	2,548	513	2,193	187,504	9,474	202,232
Additions	256	74	1,467	52,193	6,906	60,896
Disposals	-	-	-	-	-	-
Transfers from mine properties (Note 14)	6,324	266	-	-	-	6,590
Transfers	235,561	(589)	47	(235,019)	-	-
Depreciation	(21,336)	(222)	(829)	-	(1,407)	(23,794)
Closing carrying amount	223,353	42	2,878	4,678	14,973	245,924
At 30 June 2013						
Cost	246,622	1,227	4,197	4,678	16,380	273,104
Accumulated depreciation	(23,269)	(1,185)	(1,319)	-	(1,407)	(27,180)
Net carrying amount	223,353	42	2,878	4,678	14,973	245,924

	Note	2014 \$000	2013 \$000
16 Investments accounted for using the equity method			
Investment in associates - WCB Resources Ltd	(i)		
Opening carrying amount		-	-
Acquisition at cost		5,891	-
Closing carrying amount		5,891	-
Investment in associates - White Star Resources Ltd	(ii)		
Opening carrying amount		-	1,189
Share of losses after income tax		-	(1,106)
Impairment		-	(83)
Closing carrying amount		-	-

(i) *WCB Resources Limited*

The Group acquired a 38.38% interest in junior explorer WCB Resources Ltd (TSX-V: WCB), a Toronto listed copper-gold explorer, on 7 April 2014. The Group was issued 22,222,222 shares for a total cost of AU\$5,891,000 as part of a private share placement. In addition, the Group was issued with 11,111,111 warrants with an exercise price of CA\$0.40 per share expiring 7 October 2015 and 11,111,111 warrants with an exercise price of CA\$0.60 per share expiring 7 April 2017. Each warrant entitles the holder to acquire one additional common share of the Company.

The share price of WCB as at 30 June 2014 was CA\$0.28. The Group accounts for the investment in WCB using the equity method of accounting.

The Group did not recognise any adjustment with respect to the equity method of accounting during the current financial year as the Group's share of WCB's change in net assets for the period from acquisition date to financial year end was not considered material.

At the date of this report, WCB has not completed its full year financial statements for the period ended 30 June 2014 and therefore summarised financial information on WCB at 30 June 2014 is not included in these financial statements. The following information is based on the WCB's interim financial statements for the nine months ended 31 March 2014, which are WCB's latest public issued and available financial statements:

<i>in CAD\$000</i>	Assets	Liabilities	Revenue	Net loss after tax
WCB Resources Ltd	4,110	918	1	(680)

(ii) *White Star Resources Limited*

The Group disposed of its 17.4% interest in junior explorer White Star Resources Ltd (ASX: WSR) during April 2014. The net sale proceeds of \$452,000 have been recognised as a reversal of impairment losses in the statement of comprehensive income.

	2014 \$000	2013 \$000
17 Exploration and evaluation assets		
Exploration assets	3,148	-

Exploration assets represent acquisition of a 35% interest in the Thaduna/Green Dragon Copper Project (Project), acquired from Ventnor Resources Ltd during October 2013.

	Note	2014 \$000	2013 \$000
18 Trade and other payables			
Current			
Trade payables and accruals		43,119	43,276
Other payables		71	31
Interest payable		-	87
Related party payables – cash-settled share-based payments	24	686	207
Related party payables – KMP related entities	23	1,483	331
		45,359	43,932
Non-current			
Related party payables – cash-settled share-based payments	24	763	553
Terms and conditions of the above financial liabilities:			
<ul style="list-style-type: none"> ▪ Trade and other payables and accruals are non-interest bearing and are normally settled on 60-day terms. ▪ For terms and conditions relating to cash-settled share-based payments, refer to Note 24. ▪ For terms and conditions relating KMP related entities, refer to Note 23. ▪ For explanations on the Group's credit risk management processes, refer to Note 25. 			
19 Interest bearing liabilities			
Current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		966	1,024
Insurance premium funding		1,594	1,133
<i>Secured bank loan</i>			
DeGrussa Project Loan Facility	(i)	75,000	165,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(1,581)	(3,251)
Total current interest-bearing loans and borrowings		75,979	163,906
Non-current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		1,407	1,906
<i>Secured bank loan</i>			
DeGrussa Project Loan Facility	(i)	85,000	120,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(1,791)	(2,364)
Total non-current interest-bearing loans and borrowings		84,616	119,542
(i) Finance facilities			
<i>The Group had access to the following facilities at reporting date:</i>			
DeGrussa Project Loan Facility		160,000	285,000
Working Capital Facility		50,000	-
Bond Facility		10,000	10,000
		220,000	295,000
<i>Facilities utilised at reporting date:</i>			
DeGrussa Project Loan Facility		160,000	285,000
Working Capital Facility		-	-
Bond Facility		4,035	4,145
		164,035	289,145
<i>Facilities not utilised at reporting date:</i>			
DeGrussa Project Loan Facility		-	-
Working Capital Facility		50,000	-
Bond Facility		5,965	5,855
		55,965	5,855

19 Interest bearing liabilities (continued)

Finance facilities

DeGrussa Project Loan Facility

The Group reached agreement to restructure its banking arrangements with ANZ Banking Corporation (ANZ) to become its sole financier, replacing the previous syndicate.

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

The facility, which includes \$10 million relating to bonding, was designed to underpin the Group's construction and development of its DeGrussa Copper Mine in Western Australia. The facility is repayable in set quarterly installments (repayments commenced on 31 March 2013) and is to be fully repaid by 31 December 2015.

The bond facility is drawn in the form of bank guarantees to the relevant State Government Department for environmental restoration and property managers for security deposits and does not involve the provision of funds.

Working Capital Facility

The Company has also secured a new \$50 million working capital facility with ANZ which can be drawn down up to the value of saleable copper concentrate inventories held by the Company at the mine and ports. This facility is designed to reduce the potential cash flow impact of timing of concentrate shipments and cash receipts. This new facility, which follows usual financing conditions, terms and pricing, was undrawn at 30 June 2014 and at the date of this report.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in Note 25.

20 Provisions

Current

Employee benefits

2014
\$000

2013
\$000

2,672

2,151

Non-current

Rehabilitation, restoration and dismantling

21,654

22,654

Movement in provisions

Movements in each class of provision during the financial year are set out below:

	Employee benefits \$000	Rehabilitation, restoration and dismantling \$000	Total \$000
At 1 July 2013	2,151	22,654	24,805
Arising during the year	3,449	-	3,449
Utilised	(2,928)	-	(2,928)
Unwinding of discount	-	746	746
Inflation and discount rate adjustments	-	(1,746)	(1,746)
At 30 June 2014	2,672	21,654	24,326

2014
\$000

2013
\$000

21 Issued capital and reserves

Ordinary and paid up capital

219,391

219,391

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends from time to time 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.

21 Issued capital and reserves (continued)

Movement in ordinary shares on issue

	2014 Number	2013 Number
On issue at 1 July	155,640,968	151,237,635
Conversion of options to shares	-	4,403,333
On issue at 30 June	155,640,968	155,640,968

Posco Australia Pty Ltd (POSA)

Australian Securities Exchange (ASX) has granted the Company a waiver from listing rule 6.18 to the extent necessary to permit the Company to give POSA the right to maintain its percentage interest in the issued capital of the Company by participating in any issue of shares or subscribing for shares (the "Top-Up Right") in respect of a diluting event, subject to the following conditions:

- (i) The Top-Up Right lapses if POSA's percentage holding in the Company falls below 10%;
- (ii) The Top-Up Right lapses if the strategic relationship between the Company and POSA ceases or changes in such a way that it effectively ceases;
- (iii) The Top-Up Right may only be transferred to an entity in the wholly owned group of POSA;
- (iv) Any securities issued under the Top-Up-Right are offered to POSA for cash consideration that is no more favourable than offered to third parties; and
- (v) The number of securities that may be issued to POSA under the Top-Up Right in the case of any diluting event must not be greater than the number required in order for POSA to maintain its percentage holding immediately before the diluting event.

Movement in shares under option

Options expiring on or before	Note	Exercise Price	On issue 30 Jun 13	Issued	Exercised	On issue 30 Jun 14
27 November 2014	(i)	\$4.66	310,000	-	-	310,000
27 November 2014	(i)	\$5.44	310,000	-	-	310,000
27 November 2014		\$6.22	310,000	-	-	310,000
15 June 2015	(i)	\$3.80	33,333	-	-	33,333
15 June 2015	(i)	\$4.40	133,333	-	-	133,333
15 June 2015	(i)	\$5.00	333,335	-	-	333,335
28 February 2016		\$9.00	1,749,995	-	-	1,749,995
28 February 2016		\$10.30	1,666,665	-	-	1,666,665
28 February 2016		\$11.70	1,583,340	-	-	1,583,340
15 July 2018	(ii)	\$7.60	-	565,000	-	565,000
15 July 2018	(ii)	\$8.80	-	565,000	-	565,000
15 July 2018	(ii)	\$10.00	-	565,000	-	565,000
			6,430,001	1,695,000	-	8,125,001

(i) The options are considered to be dilutive for the purposes of calculating the Group's diluted earnings per share. Refer to Note 10 for details.

(ii) The options were issued to senior employees and officers of the Group. Refer to Note 24 for details.

Capital management

The primary objective of the Group's capital management is to maximise shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the Company's interest-bearing loans and borrowings (see Note 19) and maintain a strong liquidity position in order to support its business. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Group is not subject to externally imposed capital requirements other than restrictions relating to the Group's cash debt service reserve account as part of the Group's Project Loan Facility. See Note 11 and 19 for more details.

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 30 June 2014 and 2013.

21 Issued capital and reserves (continued)

Nature and purpose of reserves

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 Note 24 for details of the plans).

	Note	2014 \$000	2013 \$000
22 Cash flow statement reconciliation			
Cash and cash equivalents in the statement of cash flows	11	57,590	77,070
Reconciliation of cash flows from operating activities			
Profit for the period		78,158	87,998
<i>Adjusted for:</i>			
Loss on sale of assets		14	-
Depreciation and amortisation included in statement of comprehensive income		97,340	125,849
Capitalised interest revenue		-	1,013
Interest and other costs of finance paid		13,096	16,709
Share based payments expense (credit)		2,683	(1,148)
Unrealised price adjustments and foreign currency adjustments		(13,208)	9,519
Income tax expense		33,790	37,670
Other non cash items		230	3,992
Operating loss before changes in working capital and provisions		212,103	281,602
<i>Change in assets and liabilities:</i>			
Decrease (increase) in trade and other receivables		7,117	(12,653)
Decrease (increase) in inventories		1,797	(36,446)
Increase in trade and other payables		1,035	15,712
Increase in interest bearing liabilities		462	503
Increase in provisions		521	1,512
Net cash inflow (outflow) from operating activities		223,035	250,230

23 Related party disclosures

The ultimate parent entity within the Group is Sandfire Resources NL.

Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 4 to the consolidated financial statements.

Associates

Information in relation to investments in associates is set out in Note 16 of the consolidated financial statements.

Joint Arrangements

As at 30 June 2014, the Group did not have an interest in a joint venture or joint operation that met the definition of a joint arrangement under AASB 11.

Transactions with related parties other than KMP

There were no transactions with related parties other than KMP during the current or previous financial year.

Compensation of key management personnel of the Group

	2014 \$	2013 \$
Short-term employee benefits	3,679,880	3,574,495
Post-employment benefits	119,249	101,686
Share-based payments	1,888,809	(1,018,609)
Total compensation	5,687,938	2,657,572

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

23 Related party disclosures (continued)

Transactions with KMP

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence of those entities and transacted with the Group during the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees received for any related party payables. It is the Company's policy to avoid related party transactions when possible. The Company's related party transactions with Resource Development Company Pty Ltd and Tongaat Pty Ltd have existed since the Sandfire Resources NL was a junior explorer.

The aggregate value of transactions and outstanding balances relating to key management personnel and their related entities over which they have control or significant influence were as follows:

KMP and their director related entity	Transaction	Note	Transactions value year ended 30 June		Balance outstanding as at 30 June	
			2014 \$	2013 \$	2014 \$	2013 \$
Karl Simich – Tongaat Pty Ltd	Lease of corporate office parking premises		12,600	12,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Lease of corporate office parking premises		12,600	12,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Corporate and financial services		622,630	567,476	40,012	-
Soocheol Shin – Posco Australia Pty Ltd (POSA)	Commercial agreement	26	5,383,683	-	1,442,804	-
			6,031,513	592,676	1,482,816	-

Interests held by Key Management Personnel under the Senior Executive Plan

Share options held by key management personnel under the Long-term Incentive Option Plan (IOP) to purchase ordinary shares have the following expiry dates and exercise prices:

Issued date	Expiry date	Exercise price	2014	2013
Financial year ended 30 June			Number outstanding	Number outstanding
2009	2014	\$4.66	310,000	310,000
2009	2014	\$5.44	310,000	310,000
2009	2014	\$6.22	310,000	310,000
2010	2015	\$3.80	-	33,333
2010	2015	\$4.40	-	133,333
2010	2015	\$5.00	133,334	266,668
2011, 2013	2016	\$9.00	599,999	716,665
2011, 2013	2016	\$10.30	516,667	633,334
2011, 2013	2016	\$11.70	433,334	550,001
2014	2018	\$7.60	340,000	-
2014	2018	\$8.80	340,000	-
2014	2018	\$10.00	340,000	-
Total			3,633,334	3,263,334

Refer to Note 24 for further details on the IOP.

24 Share-based payments

Recognised share-based payments

Details of share-based payments recognised during the current and previous financial year are shown in the following table:

	Note	2014 \$000	2013 \$000
Equity-settled employee share-based payments	24(a)	1,819	317
Equity-settled consultant share-based payments	24(a)	176	642
Cash-settled employee share-based payments	24(b)	688	(1,019)
Total arising from share-based payments		2,683	(60)

(a) Equity-settled share-based payments

Long-term Incentive Option Plan

The long-term Incentive Option Plan (IOP) provides for selected employees, contractors and consultants, including KMP, to be offered the opportunity to subscribe for options over ordinary fully paid shares for no consideration. Each option carries the right to subscribe for one fully paid ordinary share in Sandfire Resources NL and awards under the plan are made to employees and other key talent who have an impact on the Group's performance.

Options issued under the plan are premium-priced and therefore provide a strong incentive for employees and other key talent to increase shareholder wealth.

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.

Further information on the key terms and conditions of the plan are outlined in the Remuneration Report.

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

Grant date	Number	Exercise price	Service based vesting condition	Contractual life
Option grant on 14 Oct 2013, expiring 15 Jul 2018	565,000	\$7.60	30 Sep 2014	4.5 years
	565,000	\$8.80	30 Sep 2015	4.5 years
	565,000	\$10.00	30 Sep 2016	4.5 years

Option pricing model

The fair value of options issued is estimated at the date of grant using the Black-Scholes option pricing model and have been recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The following table lists the assumptions used in determining the fair value of options granted during the current and previous financial year.

30 June 2014	14 October 2013		
	Employee and consultant grant		
Fair value at grant date	\$1.08	\$1.17	\$1.28
Option exercise price	\$7.60	\$8.80	\$10.00
Grant date	14 Oct 13	14 Oct 13	14 Oct 13
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	40.00%	40.00%	40.00%
Risk-free interest rate	2.76%	3.00%	3.20%
Expected life	2 years	3 years	4 years
Share price on date of grant	\$6.30	\$6.30	\$6.30

24 Share based payments (continued)

(a) Equity-settled share-based payments (continued)

30 June 2013	2 August 2012 Employee grant			21 December 2012 Consultant grant		
	Fair value at grant date	\$0.59	\$0.62	\$0.81	\$0.40	\$0.96
Option exercise price	\$9.00	\$10.30	\$11.70	\$9.00	\$10.30	\$11.70
Grant date	2 Aug 12	2 Aug 12	2 Aug 12	12 Dec 12	12 Dec 12	12 Dec 12
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Risk-free interest rate	3.30%	2.79%	2.79%	2.97%	2.69%	2.69%
Expected life	1 year	1.5 years	2.5 years	0.2 years	1.2 years	2.2 years
Share price on date of grant	\$7.05	\$7.05	\$7.05	\$8.49	\$8.49	\$8.49

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at 1 July	6,430,001	\$9.16	9,583,334	\$5.40
Granted during the year	1,695,000	\$8.80	1,250,000	\$10.15
Exercised during the year ^A	-	-	(4,403,333)	\$1.26
Outstanding at 30 June ^B	8,125,001	\$9.08	6,430,001	\$9.16
Exercisable at 30 June	6,180,001	\$9.05	4,846,661	\$8.33

A The weighted average share price at the date of exercise is \$nil (2013: \$7.54).

B The outstanding balance at 30 June 2014 is represented by:

Options expiring on or before	Exercise Price	On issue 30 Jun 14
27 November 2014	\$4.66	310,000
27 November 2014	\$5.44	310,000
27 November 2014	\$6.22	310,000
15 June 2015	\$3.80	33,333
15 June 2015	\$4.40	133,333
15 June 2015	\$5.00	333,335
28 February 2016	\$9.00	1,749,995
28 February 2016	\$10.30	1,666,665
28 February 2016	\$11.70	1,583,340
15 July 2018	\$7.60	565,000
15 July 2018	\$8.80	565,000
15 July 2018	\$10.00	565,000
		8,125,001

The weighted average remaining contractual life for share options outstanding as at 30 June 2014 is 1.97 years (2013: 2.43 years).

The weighted average fair value of options granted during the year was \$1.18 (2013: \$0.77).

The range of exercise prices for options outstanding at the end of the year was \$3.80 - \$11.70 (2013: \$3.80 - \$11.70). As the range of exercise prices is wide, refer to the above table for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

24 Share-based payments (continued)

(b) Cash-settled share-based payments

Long-term Indexed Bonus Plan

For Executive Directors, long-term incentives in the form of rights are provided through the Long-term Indexed Bonus Plan (LT plan).

Rights issued under the LT plan are long term in nature, granted in three equal tranches and are premium-priced and therefore provide a strong incentive for Executive Directors to increase shareholder wealth.

The Company sets an initial indexed notional value (INV) for rights issued under the LT plan. On the first vesting date, the holder of the awards receives, at the Company's sole discretion, either cash, or subject to any shareholder approval required under the *Corporations Act 2001* and the ASX Listing Rules, ordinary shares in the Company for the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the vesting date (test price), and the INV set when the rights were initially granted. At each subsequent test date, the award is retested, whereby the holder receives the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the test date and the higher of the initial INV or the highest test price that occurred prior to that date.

Further information on the key terms and conditions of the plan are outlined in the Remuneration Report.

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

Grant date	Number	Indexed notional value	Initial vesting date	Test dates	Contractual life
Rights grant on 14 Oct 2013	200,000	\$7.60	15 Jun 2015	15 Jun and 15 Dec from 2015 to 2018	4.5 years
	200,000	\$8.80	15 Jun 2016	15 Jun and 15 Dec from 2016 to 2018	4.5 years
	200,000	\$10.00	15 Jun 2017	15 Jun and 15 Dec from 2017 to 2018	4.5 years

Pricing model

The ultimate cost of the rights, representing the fair value at settlement date, will be equal to the cash paid to the participants or, subject to any shareholder approval required under the *Corporations Act 2011* and the ASX Listing Rules, the value of ordinary Company shares issued.

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.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted.

The following table lists the assumptions used in determining the fair value of the rights outstanding as at 30 June 2014.

	Grant 14 Oct 2013		
	Tranche 1	Tranche 2	Tranche 3
Fair value at reporting date	\$0.56 - \$1.89	\$0.75 - \$1.60	\$0.89 - \$1.36
Notional value	\$7.60	\$8.80	\$10.00
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	40.00%	40.00%	40.00%
Risk-free interest rate	2.54 - 2.91	2.54 - 2.91	2.69 - 2.91
Expected life (years)	1.0 - 4.5	2.0 - 4.5	3.0 - 4.5
Share price at reporting date	\$6.22	\$6.22	\$6.22

24 Share-based payments (continued)

(b) Cash-settled share-based payments (continued)

	Grant 8 Aug 2011			Grant 2 Jul 2010 (modified 8 Aug 2011)		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Fair value at reporting date	\$0.09 - \$0.89	\$0.03 - \$0.67	\$0.09 - \$0.50	\$0.19 - \$0.70	\$0.19 - \$0.70	\$0.71 - \$1.29
Notional value or test price	\$9.00	\$10.30	\$11.70	\$8.04	\$8.04	\$6.21
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Risk-free interest rate	2.54 - 2.71%	2.54 - 2.71%	2.54 - 2.60%	2.60 - 2.71%	2.60 - 2.71%	2.60 - 2.71%
Expected life (years)	0.5 - 2.5	0.5 - 2.5	1.0 - 2.5	0.5 - 1.5	0.5 - 1.5	0.5 - 1.5
Share price at reporting date	\$6.22	\$6.22	\$6.22	\$6.22	\$6.22	\$6.22

Movements during the year

The following table illustrates the number and weighted average prices (WAP) of, and movements in, rights during the year:

	2014 Number	2014 WAP	2013 Number	2013 WAP
Outstanding at 1 July	2,300,000	\$9.32	2,600,000	\$8.94
Granted during the year	600,000	\$8.80	-	-
Outstanding at 30 June ^B	2,900,000	\$9.21	2,600,000	\$9.32

A The weighted average price of rights represents the INV or test price as relevant.

B The outstanding balance at 30 June 2014 is represented by:

Rights expiring on	INV/Test Price	On issue 30 Jun 14
15 December 2015	\$8.04	266,667
15 December 2015	\$8.04	266,667
15 December 2015	\$6.21	266,666
15 December 2016	\$9.00	500,000
15 December 2016	\$10.30	500,000
15 December 2016	\$11.70	500,000
15 December 2018	\$7.60	200,000
15 December 2018	\$8.80	200,000
15 December 2018	\$10.00	200,000
		<u>2,900,000</u>

In accordance with the terms and conditions of the plan, the Company paid \$nil (2013: \$1,090,000) in cash-settled awards for the year ended 30 June 2014, representing vesting of long-term rights. The Company also recognised an expense of \$689,000 (2013: credit \$2,108,000) during the current financial year relating to the valuation of the long term rights in accordance with AASB 2.

25 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets comprise trade and other receivables, and cash and short-term deposits that arise directly from its operations. The group also holds available-for-sale investments.

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

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

This note presents information about the Group's exposure to each of the above risks and the objectives, policies and processes the Group uses to measure and manage these risks.

25 Financial risk management objectives and policies (continued)

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.

As at 30 June 2014, the Group did not use any form of derivatives to hedge its exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk that the fair value of 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 equity price risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, trade receivables, cash and short-term deposits and available-for-sale investments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2014 and 2013.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short-term deposits.

At 30 June 2014 the interest rate profile of the Group's interest-bearing financial instruments was:

	Average interest rate %	Variable interest rate \$000	Fixed interest rate maturity			Total \$000
			Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000	
Financial assets						
Cash and cash equivalents	2.85	57,590	-	-	-	57,590
Financial liabilities						
Interest bearing liabilities	4.77	160,000	2,560	1,407	-	163,967

At 30 June 2013 the interest rate profile of the Group's interest-bearing financial instruments was:

	Average interest rate %	Variable interest rate \$000	Fixed interest rate maturity			Total \$000
			Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000	
Financial assets						
Cash and cash equivalents	3.04	77,070	-	-	-	77,070
Financial liabilities						
Interest bearing liabilities	5.90	285,000	2,157	1,906	-	289,063

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings and cash and short-term deposits, as follows:

	Effect on profit before tax	
	2014 \$000	2013 \$000
0.25% increase (2013: 0.25% increase)	(256)	(520)
0.25% decrease (2013: 0.50% decrease)	251	1,004

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

25 Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency exchange risk that arises from the sale of metal concentrate products denominated in US dollars.

As at 30 June 2014, the Group did not use any form of derivatives to hedge its exposure to foreign currency risk.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant.

	Effect on profit before tax	
	2014 \$000	2013 \$000
10% increase (2013: 10% increase)	(1,086)	(412)
10% decrease (2013: 10% decrease)	1,195	454

The impact on the Group's profit before tax is due to changes in the fair value of trade receivables designated in US dollars.

Commodity price risk

The Group is exposed to commodity price volatility on concentrate sales made by its DeGrussa Copper Mine that arises from sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges. As at 30 June 2014 and 30 June 2013, the Group did not use any form of derivatives to hedge its exposure to commodity price risk.

The Group's trade receivables are carried at fair value using a Level two valuation method as stipulated by AASB 13 *Fair value* measurement which involves observable market prices for commodities, adjusted for terms as per sales contracts.

The following table demonstrates the sensitivity to a reasonably possible change in commodity prices from the 30 June 2014 LME (London Metals Exchange) forward curve, with all other variables held constant.

	Effect on profit before tax	
	2014 \$000	2013 \$000
10% increase (2013: 10% increase)	8,720	7,792
10% decrease (2013: 10% decrease)	(8,714)	(7,792)

The impact on the Group's profit before tax is due to changes in fair value of provisionally priced sales contracts outstanding at year end totaling \$82,007,000 (2013: \$91,767,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

Credit risk

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

The credit risk on cash and cash equivalents is managed by restricting dealing to banks which are assigned high credit ratings by international credit rating agencies.

Credit risk in trade receivables is managed by the Group by undertaking a regular risk assessment process including assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. As there are a relatively small number of transactions, they are closely monitored to ensure payments are made on time. Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable promptly after vessel loading. The balance outstanding is received within 60-120 days of the vessel arriving at the port of discharge. Additionally, several sales are covered by letter of credit arrangements with approved financial institutions.

The Group does not have any significant receivables which are past due at the reporting date.

25 Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

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

The following table lists the contractual maturities of the Group's financial liabilities as at 30 June 2014. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows.

	Note	Within 6 months \$000	6 to 12 months \$000	1 to 5 years \$000	Total \$000
Year ended 30 June 2014					
Trade and other payables	18	44,673	-	-	44,673
DeGrussa Project Loan Facility	19	30,595	46,963	90,772	168,330
Other interest bearing liabilities	19	1,893	754	1,534	4,181
		77,161	47,717	92,306	217,184
Year ended 30 June 2013					
Trade and other payables	18	43,674	51	-	43,725
DeGrussa Project Loan Facility	19	92,354	84,594	124,842	301,790
Other interest bearing liabilities	19	1,675	677	2,044	4,396
		137,703	85,322	126,886	349,911

The Group also has access to a number of finance facilities, as detailed below. Refer to Note 19 for more details on the Group's finance arrangements.

	2014 \$000	2013 \$000
<i>The Group had access to the following facilities at reporting date:</i>		
DeGrussa Project Loan Facility	160,000	285,000
Working Capital Facility	50,000	-
Bond Facility	10,000	10,000
	220,000	295,000
<i>Facilities utilised at reporting date:</i>		
DeGrussa Project Loan Facility	160,000	285,000
Working Capital Facility	-	-
Bond Facility	4,035	4,145
	164,035	289,145
<i>Facilities not utilised at reporting date:</i>		
DeGrussa Project Loan Facility	-	-
Working Capital Facility	50,000	-
Bond Facility	5,965	5,855
	55,965	5,855

26 Contingent liabilities and commitments

Contingent liability - DeGrussa DSO Royalty Rate

The Western Australian Department of Mines and Petroleum has advised Sandfire of its determination that a royalty rate of 7.5% applies to the Direct Shipping Ore ("DSO") sold from its DeGrussa Copper Mine.

The Company was invited to, and made, a submission to the Western Australian Minister for Mines and Petroleum to present an alternative interpretation of the Regulations. This submission was part of a process aimed at finally determining the royalty rate which should apply to the DSO.

Sandfire contends that under the Regulations, a maximum royalty rate of 5 per cent applies to the sale of copper material, applying to copper sold as concentrate. Sandfire has submitted that the royalty rate of 5 per cent apply to its DSO which it contends has been sold as concentrate. Sandfire has received legal advice in this regard. Sandfire has expensed royalties based on the 5 per cent rate.

Sandfire believes it probable that a rate of 5 per cent will ultimately be determined to be applicable consistent with its royalty expense. However, as the additional 2.5 per cent liability is considered a possible result following full and proper determination by other parties, an amount of \$5.5 million exists at balance date, as a contingent liability, representing the potential additional 2.5 per cent royalty from the period from the first DSO sale, to 30 June 2014.

Operating lease commitments – Group as lessee

The Group leases corporate office, administrative and storage facilities throughout Australia. The leases have varying terms, with options to renew the lease on respective expiry dates. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2014 \$000	2013 \$000
Within one year	735	759
After one year but not more than five years	1,991	2,811
Total minimum lease payments	2,726	3,570

Finance leases and hire purchase commitments – Group as lessee

The Group has finance leases and hire purchase contracts for various motor vehicles and mobile plant with a carrying amount of \$1,983,000 (2013: \$2,878,000). These lease contracts expire within five years. 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	2014 \$000	2013 \$000
Within one year		1,052	1,186
After one year but not more than five years		1,534	2,044
Total minimum lease payments		2,586	3,230
Less amounts representing finance charges		(213)	(300)
Present value of minimum lease payments		2,373	2,930
Included in the financial statements as:			
Current interest bearing liabilities	19	966	1,024
Non-current interest bearing liabilities	19	1,407	1,906
Total included in interest-bearing liabilities		2,373	2,930

Contractual commitments

The Group has entered into a number of key contracts as part of its operation of the DeGrussa Copper Mine located in Western Australia. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2014 amount to approximately \$28,941,000 (undiscounted).

26 Contingent liabilities and commitments (continued)

Other Contractual commitments

Posco Australia Pty Ltd (POSA)

In May 2008, the Company entered into a commercial agreement with Posco Australia Pty Ltd (POSA), whereby POSA, or POSA nominated affiliates, has the right to purchase 30% of the Company's future mineral production at fair market value excluding gold and diamond production. The rights under the commercial agreement remain for as long as POSA has at least a 10% holding of Sandfire ordinary shares and entitles POSA to a 7.5% discount on the first \$100 million of purchased production.

As at 30 June 2014, POSA's remaining contractual entitlement to the 7.5% discount was \$2,116,000.

27 Fair value measurement

The carrying amount of all financial assets and all financial liabilities, except for the Group's secured bank loan, recognised in the Balance Sheet approximates their fair value. The fair value of the Group's secured bank loan is represented by the face value of the liability, prior to capitalised finance establishment costs. Refer to Note 19 for more details.

Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. The methods comprise:

- Level 1 – Fair value is calculated using quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value is estimated using inputs other than quoted market prices included in Level 1 that are observable for the financial asset or financial liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – Fair value is estimated using inputs for the financial asset or financial liability that are not based on observable market data.

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

The fair value of the financial instruments as at 30 June 2014, as well as the method used to calculate/estimate the fair value are summarised in the table below:

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value					
Available-for-sale investments – listed equity securities		248	-	-	248
Trade receivables	(i)	-	11,870	-	11,882
		248	11,870	-	12,130

- (i) Trade receivables includes the embedded derivative for 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. The embedded derivative for sales that are still subject to price adjustments at balance date is fair valued by estimating the final settlement price using the LME forward metals prices at balance date. The receivable represents the expected proceeds to be received, determined using the prevailing forward metal prices at reporting date.

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 2014.

The fair value of the financial instruments as at 30 June 2013, as well as the method used to calculate/estimate the fair value are summarised in the table below:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
Available-for-sale investments – listed equity securities	183	-	-	183
Trade receivables	-	6,151	-	6,151
	183	6,151	-	6,334

28 Events after the balance sheet date

Dividends

On 29 August 2014, the Directors of the Company announced a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$15,564,000 which represents an unfranked dividend of 10 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

Investment in Tintina Resources Inc

Subject to the approval of the TSX Venture Exchange, Sandfire has entered into agreements with Tintina Resources Inc (Tintina: TSX-V: TAU) whereby Sandfire will subscribe for 80 million shares in a private share placement at CA\$0.20 per share. The CA\$16 million placement will give Sandfire an initial 36% interest in Tintina.

In addition, Tintina will issue Sandfire with 20 million two-year Class A warrants exercisable at CA\$0.28 per share, 20 million three-year Class B warrants exercisable at CA\$0.32 per share and 40 million five-year Class C warrants exercisable at CA\$0.40 per share. If these warrants are exercised, Sandfire's interest would increase to 53% (undiluted) giving it a clear path to control of the Company and the project.

Tintina has also granted Sandfire the right to appoint two representatives to the Tintina Board, including an appointment to fulfill the role of President and Chief Executive Officer.

29 Auditor's remuneration

The auditor of Sandfire Resources NL is Ernst & Young.

	2014 \$	2013 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit and review of the financial report of the entity and any other entity in the consolidated group	277,851	271,800
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services	29,446	24,741
Other advisory services	38,110	-
	345,407	296,541

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

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 2014 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2014 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(a); 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 2014.

On behalf of the Board



Derek La Ferla
Non-Executive Chairman



Karl Simich
Managing Director and Chief Executive Officer

West Perth, 28 August 2014



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Independent auditor's report to the members of Sandfire Resources NL

Report on the financial report

We have audited the accompanying financial report of Sandfire Resources NL, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards.

Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Opinion

In our opinion:

- a. the financial report of Sandfire Resources NL is 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 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Sandfire Resources NL for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

A stylized blue ink signature of Ernst & Young.

Ernst & Young

A blue ink signature of D S Lewsen.

D S Lewsen
Partner
Perth
28 August 2014