Company Registration No. 11417276 (England and Wales)

METAL CAPITAL EXPLORATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

METAL CAPITAL EXPLORATION LIMITED

COMPANY INFORMATION

Directors	K M Simich	(Appointed 23 October 2019)
	M L Fitzgerald	(Appointed 23 October 2019)
Company number	11417276	
Registered office	Eversheds House 70 Great Bridgewater Street Manchester M1 5ES	
Auditor	Alexander & Co LLP 17 St Ann's Square Manchester M2 7PW	

METAL CAPITAL EXPLORATION LIMITED

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METAL CAPITAL EXPLORATION LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the period ended 30 June 2020.

Principal activities
The Company is a holding company for exploration and development operations in Botswana. The company is a subsidiary of Sandfire Resources Botswana Pty Limited. The ultimate parent company is Sandfire Resources Limited, a company whose shares are publicly traded on the Australian Stock Exchange (ASX).

Results and dividends
The results for the period are set out on page 6.

The company is a holding company and does not trade. There are no specific key performance indicators relevant to the company.

The subsidiary undertaking is involved in the evaluation of identified mineral extraction opportunities. In response to COVID-19 drilling was suspended in late March 2020 due to the lockdown imposed by the Botswana Government. This was resumed in early June 2020 and strict hygiene protocols were maintained to minimise the potential transmission of COVID-19.

The company and its parent intends to continue to provide funding to its subsidiary.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

J Hanna	(Resigned 23 October 2019)
J Janse Van Rensburg	(Resigned 23 October 2019)
D M McNeilly	(Resigned 23 October 2019)
K M Simich	(Appointed 23 October 2019)
M L Fitzgerald	(Appointed 23 October 2019)

Auditor
In accordance with the company's articles, a resolution proposing that Alexander & Co LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....

M L Fitzgerald

Director

Date: 27/05/2021

METAL CAPITAL EXPLORATION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF METAL CAPITAL EXPLORATION LIMITED

Opinion

We have audited the financial statements of Metal Capital Exploration Limited (the 'company') for the period ended 30 June 2020 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

As indicated in note 1.2 to the financial statements, the financial statements have been prepared on the basis that support from the company's parent undertaking will be made available. We draw your attention to note 9 which indicates the company had liabilities of £9,415,724 due to its parent undertaking at 30 June 2020. These conditions indicate a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

METAL CAPITAL EXPLORATION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF METAL CAPITAL EXPLORATION LIMITED

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Alexander & Co

Stephen Jolley (Senior Statutory Auditor)
For and on behalf of Alexander & Co LLP

27 May 2021

Chartered Accountants
Statutory Auditor

17 St Ann's Square
Manchester
M2 7PW

METAL CAPITAL EXPLORATION LIMITED

INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	Period ended 30 June 2020 £	Year ended 31 December 2018 £
Administrative expenses		(27,747)	-
Tax on (loss)/profit	4	-	-
(Loss)/profit and total comprehensive income for the financial period		(27,747)	-

The income statement has been prepared on the basis that all operations are continuing operations.

METAL CAPITAL EXPLORATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		2020		2018	
	Notes	**£**	**£**	**£**	**£**
Non-current assets					
Investments	**5**		9,392,457		5,204,716
Current assets					
Trade and other receivables	**7**	16,320		-	
Current liabilities	**8**	(10,800)		(4,396,284)	
Net current assets/(liabilities)			5,520		(4,396,284)
Total assets less current liabilities			9,397,977		808,432
Non-current liabilities	**8**		(9,415,724)		(798,432)
Net (liabilities)/assets			(17,747)		10,000
Equity					
Called up share capital	**11**		10,000		10,000
Retained earnings			(27,747)		-
Total equity			(17,747)		10,000

The financial statements were approved by the board of directors and authorised for issue on 27/05/2021 and are signed on its behalf by:

M L Fitzgerald
Director

Company Registration No. 11417276

METAL CAPITAL EXPLORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	Share capital £	Retained earnings £	Total £
Balance at 15 June 2018		-	-	-
Period ended 31 December 2018:				
Issue of share capital	11	10,000	-	10,000
Balance at 31 December 2018		10,000	-	10,000
Period ended 30 June 2020:				
Loss and total comprehensive income for the period		-	(27,747)	(27,747)
Balance at 30 June 2020		10,000	(27,747)	(17,747)

1 Accounting policies

Company information

Metal Capital Exploration Limited is a private company limited by shares incorporated in England and Wales. The registered office is Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 101 Reduced Disclosure Framework. These financial statements for the period ended 30 June 2020 are the first financial statements of Metal Capital Exploration Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 15 June 2018. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Sandfire Resources Limited. The group accounts of Sandfire Resources Limited are available to the public and can be obtained as set out in note 14.

Group accounts

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Metal Capital Exploration Limited is a wholly owned subsidiary of Sandfire Resources Botswana Pty Limited and the results of Metal Capital Exploration Limited are included in the consolidated financial statements of Sandfire Resources Limited which are available from Sandfire.com.au.

Comparative period

The directors have extended the company's financial year end to align with the new parent. This set of financial statements covers the 18 month period ended 30 June 2020. As a result, the comparative amounts presented in the financial statements, for the 12 month period ended 31 December 2018 (including the related notes), are not entirely comparable.

1 Accounting policies **(Continued)**

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. This is based on the assumption that the Company's parent undertaking will make adequate funds available to the company should they be required, in order for it to meet its liabilities as and when they fall due. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.4 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.5 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are measured at cost. .

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Operating (loss)/profit

	2020	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	22,800	-

3 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2020	2018
	Number	Number
	3	3

4 Taxation

	2020	2018
	£	£

The charge for the period can be reconciled to the loss per the income statement as follows:

	2020	2018
	£	£
Loss before taxation	(27,747)	-
Expected tax credit based on a corporation tax rate of 19.00% (2018: 19.00%)	(5,272)	-
Unutilised tax losses carried forward	5,272	-
Taxation charge for the period	-	-

5 Investments

	Current		Non-current	
	2020	2018	2020	2018
	£	£	£	£
Investments in subsidiaries	-	-	9,392,457	5,204,716

Movements in non-current investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2019	5,204,716
Additions	4,187,741
At 30 June 2020	9,392,457
Carrying amount	
At 30 June 2020	9,392,457
At 31 December 2018	5,204,716

6 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct
Tshukudu Exploration (Pty) Limited	1	Ordinary	100.00
Trans Kalahari Copper Namibia (Pty) Limited	2	Ordinary	100.00

Registered office addresses:

1 64510 Fairground, Gaborone, Botswana

2 Unit 3, 2nd Floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Windhoek, Namibia

7 Trade and other receivables

	2020 £	2018 £
Amounts owed by subsidiary undertakings	15,210	-
Prepayments and accrued income	1,110	-
	16,320	-

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

8 Liabilities

		Current		Non-current	
	Notes	2020 £	2018 £	2020 £	2018 £
Borrowings	9	-	4,396,284	9,415,724	798,432
Trade and other payables	10	10,800	-	-	-
		10,800	4,396,284	9,415,724	798,432

9 Borrowings

	Current		Non-current	
	2020 £	2018 £	2020 £	2018 £
Borrowings held at amortised cost:				
Loans from parent undertaking	-	4,396,284	9,415,724	558,902
Loans from fellow group undertakings	-	-	-	239,530
	-	4,396,284	9,415,724	798,432

The loans payable are interest free and bear no fixed repayment date.

10 Trade and other payables

	2020	2018
	£	£
Accruals and deferred income	10,800	-

11 Share capital

	2020	2018	2020	2018
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of £100 each	100	100	10,000	10,000

There is a single class of ordinary shares. The holders of ordinary shares are entitled to one vote per share held. Each share ranks equally for any dividend declared, and for any distribution made on a winding up.

12 Financial commitments

In the period the company acquired a subsidiary, Trans Kalahari Copper Namibia (Pty) Ltd. The share purchase agreement provides for deferred consideration which becomes payable if a decision to mine is reached. The contingent consideration is dependent on the amount of copper found, with the maximum amount payable being A$3,500,000. (Translated at the closing rate equivalent to £1,949,636.). No provision has been made for any additional consideration given the early stage of exploration.

13 Related party transactions

Transactions with shareholders

Sandfire Resources Botswana Pty Limited provided finance for the company during the year through loans which are included in non-current and current liabilities. Sandfire Resources Botswana Pty Limited is interested in 100% of the shares of the company.

Transactions with subsidiaries

The company has provided finance to its subsidiary, Tshukudu Exploration Botswana (Proprietary) Limited, during the year. The debt provided was capitalised during the period and is reflected in additions to investments in subsidiary (note 5).

14 Controlling party

The parent company of Metal Capital Exploration Limited is Sandfire Resources Botswana Pty Limited and its registered office is Level 2, 10 King Park Road, West Perth, WA 6005, Australia.

The ultimate controlling party of Metal Capital Exploration Limited is Sandfire Resources Limited, a company incorporated in Australia. Group financial statements are prepared by Sandfire Resources Limited and are publicly available on their website.

PARENT: SANDIRE RESOURCES LIMITED

METAL CAPITAL EXPLORATION LIMITED

Financial Statements

For the year ended 30 June 2020

Consolidated Income Statement

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Revenue	4	656,753	592,211
Other gains / (losses)		338	(151)
Changes in inventories of finished goods and work in progress		8,641	11,052
Mine operations costs		(142,602)	(134,694)
Employee benefit expenses	5	(48,146)	(41,699)
Freight expenses		(45,397)	(46,693)
Royalties expenses		(32,959)	(30,214)
Exploration and evaluation expenses		(49,566)	(48,653)
Administrative expenses		(8,231)	(7,305)
Impairment expenses	20	(23,575)	-
Depreciation and amortisation expenses	19	(201,435)	(140,798)
Profit before net finance expense and income tax expense		**113,821**	**153,056**
Finance income	6	2,905	7,603
Finance expense	6	(5,583)	(2,020)
Net finance (expense) / income		(2,678)	5,583
Profit before income tax expense		**111,143**	**158,639**
Income tax expense	7	(38,857)	(54,626)
Net profit for the year		**72,286**	**104,013**
Attributable to:			
Equity holders of the parent		74,054	106,456
Non-controlling interests		(1,768)	(2,443)
		72,286	104,013
Earnings per share (EPS):			
Basic EPS attributable to ordinary equity holders (cents)	8	42.88	65.23
Diluted EPS attributable to ordinary equity holders (cents)	8	42.88	65.23

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $000	2019 $000
Net profit for the year	**72,286**	**104,013**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net of tax	(13,383)	234
Items not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments carried at fair value through other comprehensive income, net of tax	2,842	1,180
Other comprehensive income for the year, net of tax	10,541	1,414
Total comprehensive income for the year, net of tax	**61,745**	**105,427**
Attributable to:		
Equity holders of the parent	63,470	107,898
Non-controlling interests	(1,725)	(2,471)
	61,745	**105,427**

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 $000	2019 $000
ASSETS			
Cash and cash equivalents	9	291,142	247,449
Trade and other receivables	16	26,628	15,325
Inventories	17	53,695	45,143
Income tax receivable	7	16,347	-
Other current assets		5,314	3,626
Total current assets		**393,126**	**311,543**
Financial investments	14	42,014	19,617
Receivables		251	526
Inventories	17	-	11,698
Exploration and evaluation assets	18	170,504	25,975
Property, plant and equipment	19	288,118	366,491
Total non-current assets		**500,887**	**424,307**
TOTAL ASSETS		**894,013**	**735,850**
LIABILITIES			
Trade and other payables	10	55,011	56,550
Lease liabilities	12	10,047	193
Income tax payable	7	-	833
Provisions	28	7,151	4,822
Total current liabilities		**72,209**	**62,398**
Trade and other payables	10	1,563	2,520
Lease liabilities	12	2,443	355
Provisions	28	39,447	30,796
Deferred tax liabilities	7	28,131	35,604
Total non-current liabilities		**71,584**	**69,275**
TOTAL LIABILITIES		**143,793**	**131,673**
NET ASSETS		**750,220**	**604,177**
EQUITY			
Issued capital	11	363,064	242,535
Reserves	11	(8,641)	831
Retained profits		394,596	357,928
Equity attributable to equity holders of the parent		**749,019**	**601,294**
Non-Controlling interest		1,201	2,883
TOTAL EQUITY		**750,220**	**604,177**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued capital $000	Foreign currency translation reserve $000	Retained profits $000	Other reserves* $000	Total $000	Non-controlling interest $000	Total equity $000
At 1 July 2019		**242,535**	**587**	**357,928**	**244**	**601,294**	**2,883**	**604,177**
Profit for the year		-	-	74,054	-	74,054	(1,768)	72,286
Other comprehensive income		-	(13,426)	-	2,842	(10,584)	43	(10,541)
Total comprehensive income for the period		**-**	**(13,426)**	**74,054**	**2,842**	**63,470**	**(1,725)**	**61,745**
Transactions with owners in their capacity as owners:								
Issue of shares, net of transaction costs and tax		120,529	-	-	-	120,529	-	120,529
Share based payments		-	-	-	1,175	1,175	6	1,181
Dividends	15	-	-	(37,386)	-	(37,386)	-	(37,386)
Rights issue in controlled entity		-	-	-	(63)	(63)	37	(26)
At 30 June 2020		**363,064**	**(12,839)**	**394,596**	**4,198**	**749,019**	**1,201**	**750,220**

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Cash receipts from customers		644,360	590,707
Cash paid to suppliers and employees		(256,127)	(246,061)
Income tax paid		*(60,691)*	*(82,064)*
Payments for exploration and evaluation		(57,417)	(56,985)
Interest received		3,467	4,823
Net cash inflow from operating activities	9	**273,592**	**210,420**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(7,720)	(825)
Proceeds from sale of property, plant and equipment		157	115
Payments for plant and equipment, including assets under construction		(8,451)	(9,895)
Payments for mine properties		(98,023)	(154,033)
Payments for investments		(24,275)	(5,002)
Proceeds from sale of investments		4,133	-
Net cash paid to acquire MOD Resources Ltd	24	(44,603)	-
Security deposits and bonds		(9)	(40)
Net cash outflow from investing activities		**(178,791)**	**(169,680)**
Cash flows from financing activities			
Net proceeds from share issue in controlled entity		-	789
Proceeds from exercise of options		381	5,263
Share issue costs		-	(110)
Repayment of lease liabilities principal		(13,765)	(346)
Interest and financing costs		(985)	(162)
Other		588	-
Cash dividends paid to equity holders		*(37,386)*	*(41,486)*
Net cash outflow from financing activities		**(51,167)**	**(36,052)**
Net increase in cash and cash equivalents		**43,634**	**4,688**
Net foreign exchange differences		59	(606)
Cash and cash equivalents at the beginning of the period		247,449	243,367
Cash and cash equivalents at the end of the period	9	**291,142**	**247,449**

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

Index – notes to the Consolidated Financial Statements

Corporate information and basis of preparation

1 Corporate information

Sandfire Resources Limited (previously Sandfire Resources NL) is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The consolidated financial statements of Sandfire Resources Limited incorporate Sandfire Resources Limited (the Parent) as well as its subsidiaries (collectively, the Group) as outlined in Note 23. The financial statements of the Group for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 26 August 2020.

The nature of the Group's operations and principal activities are described in the Directors' report. Information on the Group's structure is provided in Note 23. Information on other related party relationships of the Group is provided in Note 26.

2 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 also complies with IFRS as issued by the International Accounting Standards Board.

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

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

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

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

(a) Adoption of AASB 16 Leases

Overview

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

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

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

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

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

- applied the practical expedient exemption for lease contracts that on the date of initial application have a lease term of 12 months or less;
- recognised right-of-use assets based on the amount equal to the lease liabilities with the lease liabilities determined based on the remaining lease payments, discounted using the incremental borrowing rate of 5% per annum at the date of the initial application.

2 Basis of preparation (continued)

Impact

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

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

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

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

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

The presentation of Consolidated Statement of Cash Flows was also impacted with the lease payments now included as part of financing activities rather than as part of operating activities.

Summary of new accounting policy applied from 1 July 2019

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

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

Right-of-use asset

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

Lease Liabilities

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

Short-term leases and leases of low-value assets

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

2 Basis of preparation (continued)

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

Overview

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

Impact

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

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

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

(c) Key estimates and judgements

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

Note		Key estimate or judgement
Note 4	Revenue	• Price adjustment for estimate of concentrate specifications. • Fair value of receivables is based on the closing forward LME metal price.
Note 7	Income tax	• The recognition of deferred tax asset depends on the probability of future taxable profits.
Note 14	Fair value measurement	• Where the fair value of an instrument is not determinable with reference to active market prices, an alternative valuation technique is used to estimate the fair value of the instrument.
Note 18	Exploration and evaluation assets	• The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely from either future exploitation or sale.
Note 20	Impairment of non-financial assets	• The recoverable amount of Mine Properties is dependent on the Group's estimate of ore reserves that can be commercially extracted.
Note 28	Provisions	• Rehabilitation, restoration and dismantling provisions are reassessed at the end of each reporting period. The estimated costs include judgement regarding the Group's expectation of the level of rehabilitation activities that will be undertaken, technological changes, regulatory obligations, cost inflation and discount rates.

(d) Basis of consolidation and business combinations

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

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

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

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

2 Basis of preparation (continued)

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

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

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

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

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

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

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

(e) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

2 Basis of preparation (continued)

(f) Goods and services taxes (GST)

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

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

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

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

(g) Other accounting policies

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

Segment Information

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

3 Segment information

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

The operating segments reported including comparatives have been updated in the current financial year in accordance with current segment information provided to the CODM, being the executive management team and the Board of Directors.

Segment name	Description
DeGrussa Operation	This segment consists of both the DeGrussa and Monty Copper-Gold Mines located in the Bryah Basin mineral province of Western Australia. The mines generate revenue from the sale and shipment of copper-gold concentrate to customers in Asia.
Black Butte Project	This segment consists of the evaluation activities for the Black Butte copper project located in central Montana in the United States of America, held through the Group's 85% interest in Sandfire Resources America Inc. (TSX-V: SFR).
Tshukudu Project	This segment consists of the Group's exploration, evaluation and development activities in Botswana and Namibia within the Kalahari Copper Belt. This includes the advanced T3 Copper-Silver Project.
Exploration and Other	This segment includes the Group's exploration and evaluation activity including both regional and Doolgunna based exploration activities and the Group's corporate expenses that are unable to be directly attributed to an operating segment.

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

Segment results

Income statement for the year ended 30 June 2020	**DeGrussa Operation $000**	**Black Butte Project $000**	**Tshukudu Project $000**	**Exploration and Other $'000**	**Group $000**
Revenue	656,753	-	-	-	656,753
Other gains / (losses)	-	588	-	(250)	338
Changes in inventories	8,641	-	-	-	8,641
Mine operations costs	(142,602)	-	-	-	(142,602)
Employee benefit expenses	(30,054)	(548)	(826)	(16,718)	(48,146)
Freight expenses	(45,397)	-	-	-	(45,397)
Royalties expense	(32,959)	-	-	-	(32,959)
Exploration and evaluation expenses	-	(13,857)	(3,550)	(32,159)	(49,566)
Administrative expenses	-	(1,835)	(876)	(5,520)	(8,231)
Impairment expense	-	-	-	(23,575)	(23,575)
EBITDA	**414,382**	**(15,652)**	**(5,252)**	**(78,222)**	**315,256**
Depreciation and amortisation expenses	(197,865)	(268)	(50)	(3,252)	(201,435)
Segment result (EBIT)	**216,517**	**(15,920)**	**(5,302)**	**(81,474)**	**113,821**
Finance income					2,905
Finance expense					(5,583)
Profit before income tax					**111,143**
Income tax expense					(38,857)
Net profit for the year					**72,286**

3 Segment information (continued)

Income statement for the year ended 30 June 2019	DeGrussa Operation $000	Black Butte Project $000	Tshukudu Project $000	Exploration and Other $'000	Group $000
Revenue	592,211	-	-	-	592,211
Other gains / (losses)	89	-	-	(240)	(151)
Changes in inventories	11,052	-	-	-	11,052
Mine operations costs	(134,694)	-	-	-	(134,694)
Employee benefit expenses	(26,303)	(378)	-	(15,018)	(41,699)
Freight expenses	(46,693)	-	-	-	(46,693)
Royalties expense	(30,214)	-	-	-	(30,214)
Exploration and evaluation expenses	-	(13,387)	-	(35,266)	(48,653)
Administrative expenses	-	(929)	-	(6,376)	(7,305)
EBITDA	**365,448**	**(14,694)**	**-**	**(56,900)**	**293,854**
Depreciation and amortisation expenses	(139,719)	(141)	-	(938)	(140,798)
Segment result (EBIT)	**225,729**	**(14,835)**	**-**	**(57,838)**	**153,056**
Finance income					7,603
Finance expense					(2,020)
Profit before income tax					**158,639**
Income tax expense					(54,626)
Net profit for the year					**104,013**

Adjustments and eliminations

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

Revenue

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

Segment assets and liabilities

The Group does not separately report assets or liabilities for its operating segments to the CODM.

Geographical information on non-current assets

30 June 2020	Australia $000	Botswana and Namibia $000	United States of America $000	Group $000
Exploration and evaluation assets	5,331	150,678	14,495	170,504
Property, plant and equipment	283,849	1,754	2,515	288,118
Total Assets	289,180	152,432	17,010	458,622

30 June 2019	Australia $000	Botswana and Namibia $000	United States of America $000	Group $000
Exploration and evaluation assets	12,260	-	13,715	25,975
Property, plant and equipment	364,321	-	2,170	366,491
Total Assets	376,581	-	15,885	392,466

Geographical information on sales and customers

The Group's revenue (refer to Note 4 for details) arise from sales to customers in Asia. In 2020, the majority of the product was sent to China for processing (93%) and the remainder to the Philippines (3.5%) and Japan (3.5%). During 2019, majority of the product was sent to China for processing (81%), with the remainder sent to the Philippines (19%). The geographical information is based on the location of the customer's operations.

Three customers (2019: Four customers) individually accounted for more than ten percent of total revenue during the year. Sales revenue from these major customers ranged from 24% to 31% of total revenue, in combination contributing approximately 83% of total revenue (2019: 90%).

Results for the year

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

4 Revenue

	2020 $000	2019 $000
Revenue from contracts with customers		
Revenue from sale of concentrate	633,229	588,818
Revenue from shipping services	12,231	11,813
Total revenue from contracts with customers	**645,460**	**600,631**
Realised and unrealised fair value movements on receivables subject to QP adjustment	11,293	(8,420)
Total Revenue	**656,753**	**592,211**

Recognition and measurement

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

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

Concentrate sales

Each shipment of metal concentrate under a master services agreement is determined to be a contract with a customer. Revenue from metal concentrate sales is recognised when control of the concentrate passes to the customer, which is generally determined when title passes together with significant risks and rewards of ownership, which for CIF shipments of concentrate represents the bill of lading date.

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

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

Shipping services

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

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

Key estimates and judgements – Revenue

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

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

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally two to four months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is standard within the industry and represents an embedded derivative under *AASB 9 Financial Instruments*. Accordingly subsequent changes in fair value of the receivable is recognised within Realised and unrealised price adjustments in the income statement in each period in until final settlement. A key input into the fair value determination of the receivable at the balance date is the closing forward LME metal price on the final day of the month. The revaluation of the receivable is performed up until the final invoice is received. For the year ended 30 June 2020 a favourable $11,293,000 (2019: unfavourable $8,420,000) mark-to-market adjustment to profit or loss was recognised.

5 Expenses

Profit before income tax includes the following expenses:

	Note	2020 $000	2019 $000
Employee benefits expense			
Wages and salaries		45,948	35,624
Defined contribution superannuation expense		3,379	3,607
Employee share-based payments	27	1,181	1,050
Other employee benefits expense		3,265	2,616
		53,773	42,897
Less employee benefits expense capitalised to mine properties		(3,945)	(1,198)
Less employee benefits expense capitalised to exploration and evaluation assets		(1,682)	-
Total employee benefit expense		**48,146**	**41,699**
Net profit on sale of property, plant and equipment		50	2

Recognition and measurement

Employee benefits

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

Refer to Note 28 for the accounting policy relating to short-term and long-term employee benefits.

Employee share-based payments

The accounting policy, key estimates and judgements relating to employee share-based payments is set out in Note 27.

6 Finance income and finance expense

		2020 $000	2019 $000
Finance income			
Interest on bank deposits calculated using the effective interest rate method		2,905	7,603
Total finance income		**2,905**	**7,603**
Finance expense			
Interest charges		(125)	(183)
Interest on lease liabilities	12	(985)	-
Net foreign exchange loss		(3,640)	(287)
Unwinding of discount on provisions		(517)	(646)
Facility fees and charges		(316)	(904)
Total finance expense		**(5,583)**	**(2,020)**

Recognition and measurement

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

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

7 Income tax

	2020 $000	2019 $000
Components of income tax are:		
Current income tax		
Current year income tax expense	47,280	52,168
Over provision for prior year	(3,787)	(475)
Deferred income tax		
Origination and reversal of temporary differences	(7,082)	2,622
Under provision for prior year	2,446	311
Income tax expense in the income statement	38,857	54,626
Deferred income tax related to items credited directly to equity		
Financial assets carried at fair value through other comprehensive income	1,218	506
Share issue costs	(1)	(8)
Reconciliation of income tax expense to pre-tax profit		
Profit before income tax	111,143	158,639
Income tax expense at the Australian tax rate of 30% (2019: 30%)	33,343	47,592
Increase (decrease) in income tax due to:		
Non-deductible expenses	1,825	1,836
Foreign tax losses and temporary differences not recognised	5,452	5,313
Movement in unrecognised temporary differences with respect to investments	(563)	-
Over provision for prior year	(1,341)	(163)
Tax rate differential on foreign income	825	545
Recognition of previously unrecognised prior year capital losses	(684)	(497)
Income tax expense	**38,857**	**54,626**

7 Income tax (continued)

Recognised tax assets and liabilities

	2020		2019	
in $000	**Current tax receivable / (payable)**	**Deferred income tax**	**Current tax payable**	**Deferred income tax**
Opening balance	(833)	(35,604)	(31,203)	(32,174)
Charged to income	(43,511)	4,637	(51,694)	(2,933)
Charged to equity	-	(1,217)	-	(497)
Other payments	60,691	-	82,064	-
Acquisitions/disposals	-	4,053	-	-
Closing balance	**16,347**	**(28,131)**	**(833)**	**(35,604)**

	2020 $000	**2019 $000**
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Investments	4,104	1,484
Mine properties	30,069	34,062
Plant and equipment including assets under construction	13,871	17,704
Other	-	42
Gross deferred tax liabilities	48,044	53,292
Set-off of deferred tax assets	(19,913)	(17,688)
Net deferred tax liability	**28,131**	**35,604**
Deferred tax assets		
Employee benefits provision	1,231	926
Inventories	627	5,219
Other payables and accruals	2,071	1,080
Rehabilitation, restoration and dismantling provision	11,649	8,829
Share issue costs reflected in equity	101	14
Capital losses	3,537	1,484
Other	697	136
Gross deferred tax assets	19,913	17,688
Set-off against deferred tax liabilities	(19,913)	(17,688)
Net deferred tax assets	-	-

Recognition and measurement

Current income tax

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

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

Deferred tax

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

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

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

7 Income tax (continued)

Deferred tax is not recognised in the following situations:

(a) Where temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

The temporary differences associated with investments in subsidiaries, for which a deferred income tax liability has not been recognised, aggregate to $50.9 million (2019: $51.5 million).

Key estimates and assumptions – Income tax

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

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

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

A deferred tax asset has been recognised in the statement of financial position of $11,649,000 (2019: $8,829,000), in relation to future rehabilitation obligations within Australia, the recoverability and recognition of this deferred tax asset is reliant on the Group having future taxable profits within Australia during the same period as the Group incurs the rehabilitation expenditure.

The Group has unrecognised temporary differences and carry forward losses for which no deferred tax asset is recognised on the balance sheet of A$129,022,000 (2019: A$77,451,000) that have not been recognised as the statutory requirements for recognising those deferred tax assets have not been met.

Tax Consolidation

Sandfire Resources Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2017. Sandfire Resources Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

8 Earnings per share (EPS)

	2020 $000	2019 $000
Net profit attributable to equity holders of the parent	74,054	106,456

	2020 Number	2019 Number
Weighted average ordinary shares adjusted for the effect of dilution	172,716,417	159,457,066

Basic EPS amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June 2020 there were 977,869 performance rights on issue which are contingently issuable shares and not included in diluted earnings per share.

Capital and debt structure

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

9 Cash and cash equivalents

	2020 $000	2019 $000
Cash at bank and on hand	200,550	67,041
Short-term deposits	90,592	180,408
	291,142	247,449

Recognition and measurement

Cash and cash equivalents in the consolidated balance sheet and consolidated statement of cash flows comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash with insignificant risk of change in value. Short-term deposits are usually between one to three months depending on the short term cash flow requirements of the Group.

Cash flow information

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

	2020 $000	2019 $000
Cash and cash equivalents in the statement of cash flows	291,142	247,449
Reconciliation of net profit after tax to net cash flows from operations:		
Profit for the period	72,286	104,013
Adjustments for:		
Net loss on sale of assets	(50)	(2)
Depreciation and amortisation included in the income statement	201,435	140,799
Share based payments expense	1,181	1,051
Unrealised QP price adjustments and foreign currency adjustments	(16,067)	(3,020)
Impairment expense	23,575	-
Other non-cash items	3,488	1,329
Change in assets and liabilities:		
Decrease in trade and other receivables	5,979	2,181
Increase in inventories	(9,492)	(11,705)
Increase in income tax receivable	(17,612)	-
Increase in trade and other payables	11,579	4,273
Decrease in interest bearing liabilities	-	(1,370)
Decrease in income tax payable	-	(30,370)
Increase / (decrease) in deferred tax liabilities	(4,205)	2,932
Increase in provisions	1,495	309
Net cash inflow from operating activities	**273,592**	**210,420**

10 Trade and other payables

	Note	2020 $000	2019 $000
Current			
Trade and other payables		55,011	56,550
Non-current			
Other payables		1,563	2,520

Recognition and measurement

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

11 Issued capital and reserves

Issued ordinary shares

	Note	2020 Number	2020 $000	2019 Number	2019 $000
Movement in ordinary shares on issue					
On issue at 1 July		159,558,793	242,535	158,472,038	235,415
Issue of shares, net of transaction costs and tax	(a)	18,692,540	120,529	134,168	1,000
Issue of shares under employee awards	(b)	-	-	952,587	6,120
On issue at 30 June		178,251,333	363,064	159,558,793	242,535

(a) The following issues of shares were made during the year:
- i. 18,440,174 shares were issued as part of the acquisition of MOD Resources Limited as detailed in Note 24;
- ii. 30,000 shares were issued as part of the Cashman Farm-in arrangement as announced on the ASX on 12th November 2019; and
- iii. 222,366 shares were issued as part of acquisition of Namibian exploration properties from Kapore Metals Limited as announced on the ASX on 27th May 2020. The acquisition was accounted for as asset acquisition, with the total consideration of $2.0 million determined based on the fair value of the shares issued.

(b) The value recorded in issued capital on conversion of shares under employee awards represents the original fair value of the award in the share-based payment reserve that is transferred from the share-based payment reserve to issued capital on exercise, as well as any consideration received on exercise. Refer to Note 27 for further details.

Recognition and measurement

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

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

Capital management

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

The Group manages and makes adjustments to its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may for example return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes for managing capital, during the years ended 30 June 2020 and 2019.

11 Issued capital and reserves (continued)

Nature and purpose of reserves

Share-based payments reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 27 for details.

Foreign currency translation reserve

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

Fair value reserve

The fair value reserve represents the changes in fair value of investments where an irrevocable election has been made at initial acquisition to present fair value movements in other comprehensive income (OCI).

Capital reserve

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

12 Lease liabilities

Included in this note is the Group Lease liabilities for the right-of-use (ROU) assets recognised under AASB 16 Leases that were recognised for the first time as at 1 July 2019.

	Lease Liabilities $000	Finance leases $000	Total $000
Reconciliation			
At 1 July	-	548	**548**
Transferred to lease liabilities under AASB 16 Leases	-	(548)	**(548)**
Leases recognised on transition to AASB 16 Leases	25,421	-	**25,421**
Cash repayments	(14,750)	-	**(14,764)**
Interest	985	-	**985**
New leases recognised during the period	877	-	**877**
Foreign exchange movement	(43)	-	**(29)**
At 30 June 2020	12,490	-	**12,490**
At 30 June 2020			
Current	10,047	-	**10,047**
Non-Current	2,443	-	**2,443**
Total	12,490	-	**12,490**

Recognition and measurement

Lease liabilities

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between one and ten years, while motor vehicles and other equipment generally have lease terms between one and five years.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 30 June 2020 lease liabilities have a remaining lease term of three years or less and were determined using an effective interest rate of 5%. The undiscounted cash-flows over the remaining lease term are $12.7 million.

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

12 Lease liabilities (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

During the year, the Group incurred short-term lease expenses of $3.1 million and productivity-based (variable) lease payments of $9.5 million, these amounts were not required to be included in the measurement of the lease liability and were recognised in the income statement.

Finance facilities

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

Bond Facility

The bond facility is drawn in the form of bank guarantees to the relevant government agencies for environmental restoration and property managers for security deposits and does not involve the provision of funds. As at 30 June 2020, the Company has drawn $10,000 of the $100,000 facility limit.

13 Financial risk management objectives and policies

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

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

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

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

Primary responsibility for the identification and control of these financial risks rests with the Group's senior management. The Group's senior management is supported by both the Audit Committee and Risk Committee under the authority of the Board. The committees 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 which are summarised below.

Market risk

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

The sensitivity analysis in the following sections relate to the position as at 30 June 2020 and 2019.

Interest rate risk management and sensitivity analysis

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

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

Foreign currency risk and sensitivity analysis

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's foreign currency cash holdings and receivables from sale of metal concentrate products denominated in US dollars, and the Group's net investments in foreign subsidiaries. The Group did not use any form of derivatives to hedge its exposure to foreign currency risk during the financial year ended 30 June 2020.

13 Financial risk management objectives and policies (continued)

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2020 is listed below.

	Denominated in US$ presented in AU$000		Other currencies presented in AU$000		Total in AU$000	
	2020 $000	**2019 $000**	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**
Cash and cash equivalents	**20,699**	14	**291**	-	**20,990**	14
Trade and other receivables	**22,424**	10,031	**-**	-	**22,424**	10,031
Trade and other payables	**(375)**	(707)	**(215)**	-	**(590)**	(707)
Total	**42,748**	9,338	**76**	-	**42,824**	10,045

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

	Effect on profit before tax	
	2020 $000	**2019 $000**
5% increase (2019: 5% increase)	(1,068)	(476)
5% decrease (2019: 5% decrease)	1,180	527

Commodity price risk and sensitivity analysis

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

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

No derivative hedging instruments were entered into during the year ended 30 June 2020 (2019: Nil).

The following table demonstrates the sensitivity to the exposure at the balance sheet date of a reasonably possible change in commodity prices from the 30 June 2020 London Metals Exchange (LME) forward curve, with all other variables held constant.

	Effect on profit before tax	
	2020 $000	**2019 $000**
10% increase (2019: 10% increase)	10,791	14,275
10% decrease (2019: 10% decrease)	(10,791)	(14,275)

The impact on the Group's profit before tax and equity is due to changes in the fair value of the gross value of provisionally priced sales contracts outstanding at year end totaling $95,405,000 (2019: $66,739,000). 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 with trade receivables and from its financing activities, including deposits with 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 and holding of funds to banks which are assigned high credit ratings by international credit rating agencies. The Group's cash and cash equivalents as at 30 June 2020 are predominately held with two financial institutions with a credit rating of AA- or higher with Standard & Poor's. As short-term deposits have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using life time expected credit losses. In this regard, the Group has concluded that the probability of default on the term deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the short-term deposits.

13 Financial risk management objectives and policies (continued)

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

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

Liquidity risk

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

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

14 Fair value measurement

The following table shows the fair values of financial instruments, other than cash and cash equivalents, including their levels in the fair value measurement hierarchy as at 30 June 2020.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Trade receivables at fair value through profit and loss	(i)	-	22,424	-	22,424
Financial assets at fair value though other comprehensive income	(ii)	41,349	-	665	42,014
		41,349	22,424	665	64,438

(i) Trade receivables relate to concentrate sale contracts that are still subject to price adjustments where the final consideration to be received will be determined based on prevailing London Metals Exchange (LME) metal prices at the final settlement date. Receivables that are still subject to price adjustments at balance date are fair valued by estimating the present value of the final settlement price using the LME forward metals prices at balance date. The fair value takes into account relevant other fair value considerations including any relevant credit risk.

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

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

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

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

14 Fair value measurement (continued)

Fair value measurement

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

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

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

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

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

Fair value hierarchy

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

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

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

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 30 June 2020 or the comparative period ended 30 June 2019.

Key estimates and assumptions – Fair value measurement

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

15 Dividends paid and proposed

	Note	2020 $000	2019 $000
Cash dividends on ordinary shares declared and paid:			
Final franked dividend for 2019: 16 cents per share (2018: 19 cents)		28,485	30,317
Interim franked dividend for 2020: 5 cents per share (2019: 7 cents)		8,901	11,169
		37,386	41,486
Proposed dividends on ordinary shares:			
Final cash dividend for 2020: 14 cents per share (2019: 16 cents per share)	(i)	24,955	28,485

(i) Subsequent to year end, the Board resolved to pay a franked dividend of 14 cents per share to be paid on 29 September 2020. The expected financial impact of the dividend is based on the ordinary shares outstanding at 30 June 2020 and has not been recognised in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial statements.

Franking credit balance

	2020 $000	2019 $000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance at the end of the financial year at 30% (2019: 30%)	193,542	148,869
Estimated franking debits that will arise from the payment of dividends as at the end of the financial year	(10,695)	(10,941)
Estimated franking credits that will arise from the payment (refund) of income tax as at the end of the financial year	(16,347)	833
	166,500	138,761

Invested capital

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

16 Trade and other receivables

	2020 $000	2019 $000
Current		
Trade receivables	22,567	10,098
Other receivables	4,061	5,227
	26,628	15,325

Recognition and measurement

Receivables are classified at initial recognition, and subsequently measured at amortised cost or fair value through profit or loss. The classification of receivables at initial recognition depends on the receivable's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables the Group initially measures a receivable at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price determined in accordance with the accounting policy for revenue.

In order for a receivable to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Trade receivables are subject to provisional pricing and are exposed to the commodity price risk which causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements in fair value being recognised in the comprehensive income statement.

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

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

The Group recognises an allowance for estimated credit losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment. As at 30 June 2020 no allowance for ECLs has been recognised as it is expected that all receivable amounts will be received in full when due. No impairment expense was recognised in relation to receivables for the 2020 and 2019 financial years.

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

17 Inventories

		2020 $000	2019 $000
Current			
Concentrate – at cost		21,862	23,211
Ore stockpiles – at cost		22,620	12,631
Stores and consumables – at cost		12,119	11,306
		56,601	47,148
Allowance for obsolete stock – stores and consumables		(2,906)	(2,005)
		53,695	45,143
Non-current			
Oxide copper ore stockpiles – at cost	20	-	11,698
Cost of goods sold		399,973	324,307

17 Inventories (continued)

Recognition and measurement

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

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

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

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

Net Realisable Value Adjustment / Impairment

The Group has decided to no longer pursue development and processing of the DeGrussa Oxide stockpile at this stage following further evaluation work and higher prioritisation of other Group projects. This has resulted in the conclusion that the carrying amount of the DeGrussa Oxide stockpile was not recoverable resulting in an $11.7 million write-off of the non-current inventory balance, as well as the capitalised study costs presented within Mine Properties.

The Group's policy for the impairment of non-financial assets is disclosed in Note 20, along with a summary of the impairments/write-offs recognised in the period.

18 Exploration and evaluation assets

	Note	2020 $000	2019 $000
Reconciliation			
At 1 July		25,975	24,410
Assets acquired as part of the acquisition of MOD Resources Limited	24	159,148	-
Other expenditure and exploration tenements acquired		8,659	769
Impairment	20	(9,648)	-
Exchange differences		(13,630)	796
At 30 June		170,504	25,975

Recognition and measurement

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

Exploration and evaluation assets are assessed for impairment if:

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

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

Key estimates and assumptions – Exploration and evaluation assets

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

Impairment

The Group recognised an impairment write-down of $9.6 million during the year in relation to the carrying value of Australian regional resources prospects, which was triggered by the limited planned level of future activities on the prospects along with resource estimates that not currently considered to be commercially viable. The carrying value of these early stage prospects have been written-down to nil.

19 Property, plant and equipment

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

2020	Mine Properties $000	Plant and equipment $000	Right of use asset $000	Assets under construction $000	Total $000
Opening net carrying amount	230,571	131,327	-	4,593	366,491
Adoption of AASB 16 Leases	-	(465)	25,421	-	24,956
Additions	81,169	2,450	903	7,192	91,714
Transfers	-	10,801	-	(10,801)	-
Impairment	(2,229)	-	-	-	(2,229)
Depreciation and amortisation	(144,060)	(43,879)	(13,496)	-	(201,435)
Movement in the rehabilitation and restoration asset	4,488	4,394	-	-	8,882
Foreign exchange movements	-	(267)	6	-	(261)
Closing net carrying amount	169,939	104,361	12,834	984	288,118
At 30 June 2020					
Gross carrying amount – at cost	868,929	394,903	26,324	984	1,291,140
Accumulated depreciation	(698,990)	(290,542)	(13,490)	-	(1,003,022)
Net carrying amount	169,939	104,361	12,834	984	288,118

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

Recognition and measurement

Mine properties

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

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

19 Property, plant and equipment (continued)

Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning, restoration and dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 28 Provisions for further information about the recognised decommissioning provision.

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

Right-of-use asset

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

Depreciation

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

Category	Depreciation method
Mine properties	Units of ore extracted basis over the life of mine
Plant and equipment	Straight line over the life of the mine/asset (2 - 5 years)
Right-of-use assets	Straight line over the shorter of the lease term and life of the asset

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

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

Impairment

During the year the Group has continued to evaluate options for the processing of the DeGrussa Oxide stockpile. This has resulted in the conclusion that the carrying amount of the DeGrussa Oxide stockpile was not recoverable resulting in a $2.2 million impairment recorded against Mine Properties.

The Group's policy for the impairment of non-financial assets is disclosed in Note 20, along with a summary of the impairments recognised in the period.

20 Impairment of non-financial assets

Testing for impairment

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

Key estimates and assumptions – Ore Reserve and Mineral Resource

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

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

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

Impairment and write-down calculations

The Group continued to study and evaluate options for the various projects within the Group, including the DeGrussa Oxide stockpile and regional exploration prospects. These assessments resulted in the conclusion that the carrying amount for both the DeGrussa Oxide stockpile and regional exploration prospects were not recoverable therefore the carrying amounts for these assets was written-down.

The resulting impairment losses and net realisable value adjustments to inventory recognised during the period are below. There were no other indicators of impairment to require the Group to estimate any other asset or CGU's recoverable amount.

	Note	2020 $000	2019 $000
Impairment losses / write-downs			
Write-down of Inventories – Oxide Stockpile	17	11,698	-
Impairment of Exploration and Evaluation assets	18	9,648	-
Impairment of Mine Properties – Oxide Stockpile	19	2,229	-
Total		23,575	-

21 Commitments

Group resource property commitments

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

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

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

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

	2020 $000	**2019 $000**
Within one year	**725**	629
After one year but not more than five years	**2,950**	2,515
More than five years	**11,752**	9,954
Total payments	**15,427**	13,098

Contractual commitments

The Group has entered into a number of key contracts as part of its operations. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2020 amount to approximately $18,745,000 (undiscounted) (2019: $24,562,000).

Group structure and related party information

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

22 Information relating to Sandfire Resources Limited (the Parent)

The consolidated financial statements of the Group include:

	2020 $000	2019 $000
Current assets	371,093	306,969
Total assets	959,149	780,748
Current liabilities	52,599	61,321
Total liabilities	124,491	130,448
Issued capital	363,064	242,535
Retained earnings	362,452	275,350
Share based payment reserve	2,161	2,153
Profit or loss of the Parent entity	97,229	124,486
Total comprehensive income of the Parent entity	100,071	125,666

23 Information relating to subsidiaries

The consolidated financial statements of the Group include:

Name	Note	Country of incorporation	% equity interest 2020	2019
Sandfire Resources America Inc.	(i)	Canada	85.27	85.45
Sandfire BC Holdings (Australia) Pty Ltd		Australia	100.00	100.00
Sandfire BC Holdings Inc.		Canada	100.00	100.00
Sandfire (RMP) Pty Ltd		Australia	100.00	100.00
Sandfire (RMP) Inc.		U.S.A.	100.00	100.00
SFR Copper & Gold Peru S.A.		Peru	100.00	100.00
EMEA (BIH) Pty Ltd	(ii)	Australia	100.00	0.00
Triassic Resources d.o.o.	(ii)	Bosnia and Herzegovina	100.00	0.00
Sandfire Resources Botswana Pty Ltd	(iii)	Australia	100.00	0.00
Metal Capital Limited	(iii)	United Kingdom	100.00	0.00
Metal Capital Exploration Limited	(iii)	United Kingdom	100.00	0.00
MOD Resources (Botswana) Pty Ltd	(iii)	Australia	100.00	0.00
MOD Resources (NZ) Pty Ltd	(iii)	Australia	100.00	0.00
Tshukudu Metals Botswana (Pty) Ltd	(iii)	Botswana	100.00	0.00
Tshukudu Exploration (Pty) Ltd	(iii)	Botswana	100.00	0.00
MOD Resources Botswana (Pty) Ltd	(iii)	Botswana	100.00	0.00
Sams Creek Gold Ltd	(iii)	New Zealand	100.00	0.00
Trans Kalahari Copper Namibia (Pty) Ltd	(iv)	Namibia	100.00	0.00

(i) Changes in ownership in Sandfire Resources America Inc. due to the exercise of certain employee share-based awards within Sandfire Resources America Inc.
(ii) The wholly owned subsidiaries were formed and incorporated in the current financial year.
(iii) Entities were acquired as part of the acquisition of MOD Resources Limited during the period. See Note 24 for further information. MOD Resources Limited was renamed to Sandfire Resources Botswana Pty Ltd during the period.
(iv) The Group acquired Trans Kalahari Copper Namibia (Pty) Ltd ("TKC"), from Kapore Metals Limited on 27 May 2020. TKC holds several Namibian exploration licences within the Kalahari Copper Belt. Total consideration paid was A$2 million, comprising of A$1 million cash and 222,366 fully paid ordinary shares in Sandfire as well as deferred consideration to a maximum of A$3.5 million on reaching a "Decision to Mine" and certain Ore Reserve thresholds. Due to the early stage nature of the exploration licenses, no amounts have been recognised for consideration payable on a "Decision to Mine," and the shares issued were fair valued based on Sandfire's share price at transaction date. See ASX announcement dated 27 May 2020 for further information.

24 Acquisition of MOD Resources Limited

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

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

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

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

The acquisition of MOD was accounted for as an asset acquisition and in accordance with the requirements of AASB 2 Share-based payments resulting in the recognition at fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired exploration and evaluation assets was determined based upon the range of fair values of the MOD exploration and evaluation projects determined by an independent expert valuation. Which included the T3 Copper-Silver project which was valued using a discounted cash-flow. See summary table below.

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

25 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to the Company and all its Australian subsidiaries from the Corporations Act 2001 requirements for the preparation, audit and lodge their financial report.

As a condition of the Corporations Instrument, the Company and all its Australian subsidiaries ("Closed Group" (Refer to Note 23), entered into a Deed of Cross Guarantee ("Deed") on 17 April 2020.

The effect of the Deed is that the Company has guaranteed to pay any deficiency in the event of winding up of an Australian subsidiary within the Closed Group or if they do not meet their obligations under the terms of loans or other liabilities subject to the guarantee. The Australian subsidiaries have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of loans or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and consolidated balance sheet of the Closed Group are set out below.

Consolidated Statement of Comprehensive Income – Closed Group entities	**2020 $000**
Revenue	656,753
Other gains / (losses)	(251)
Changes in inventories of finished goods and work in progress	8,641
Mine operations costs	(142,602)
Employee benefit expenses	(46,772)
Freight expenses	(45,397)
Royalties expenses	(32,959)
Exploration and evaluation expenses	(33,300)
Administrative expenses	(6,130)
Impairment expenses	(23,575)
Depreciation and amortisation expenses	(201,167)
Profit before net finance expense and income tax expense	133,241
Finance income	2,954
Finance expense	(5,358)
Net finance income	(2,404)
Profit before income tax expense	130,837
Income tax expense	(38,857)
Net profit for the year	91,980
Other comprehensive income	
Items not to be reclassified to profit or loss in subsequent periods:	
Changes in fair value of equity investments carried at fair value through other comprehensive income, net of tax	2,842
Other comprehensive income for the year, net of tax	2,842
Total comprehensive income for the year, net of tax	94,822

25 Deed of Cross Guarantee (continued)

Consolidated Balance Sheet – Closed Group entities	2020 $000
ASSETS	
Cash and cash equivalents	290,292
Trade and other receivables	26,301
Inventories	53,695
Income tax receivable	16,347
Other current assets	1,113
Total current assets	387,748
Financial investments	42,014
Receivables	54,198
Investment in subsidiaries	260,346
Exploration and evaluation assets	5,431
Property, plant and equipment	283,869
Total non-current assets	645,858
TOTAL ASSETS	1,033,606
LIABILITIES	
Trade and other payables	51,883
Lease liabilities	10,011
Provisions	7,065
Total current liabilities	68,959
Trade and other payables	1,563
Lease liabilities	2,313
Provisions	39,447
Deferred tax liabilities	28,131
Total non-current liabilities	71,454
TOTAL LIABILITIES	140,413
NET ASSETS	893,193
EQUITY	
Issued capital	363,064
Reserves	38,948
Retained profits	491,181
TOTAL EQUITY	893,193

Summary of movements in consolidated retained earnings - Closed Group entities	2020 $000
Retained earnings at the beginning of the year	361,815
Profit for the year	91,980
Dividends provided for or paid	37,386
Retained earnings at the end of the year	491,181

26 Related party disclosures

As at, and throughout the financial year ended 30 June 2020, the ultimate parent entity of the Group was Sandfire Resources Limited.

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

Compensation of key management personnel of the Group

	2020 $	2019 $
Short-term employee benefits	3,519,830	2,958,722
Long-term employee benefits	56,510	20,870
Post-employment benefits	53,776	58,406
Share-based payments	858,290	613,599
Termination benefits	372,461	-
Total compensation	4,860,867	3,651,597

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

Transactions with KMP

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

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
KMP and their Director related entity	**Transaction**	**2020** **$**	**2019** **$**	**2020** **$**	**2019** **$**
Karl Simich – Tongaat Pty Ltd	Lease of corporate office parking premises	9,600	9,600	-	-
Karl Simich – Resource Development Company Pty Ltd	Lease of corporate office parking premises	9,300	9,300	-	-
Karl Simich – Resource Development Company Pty Ltd	Corporate administrative and accounting services	724,588	687,954	54,989	-
		743,488	706,854	54,989	-

Other notes

27 Share-based payments

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

	Note	2020 $000	2019 $000
Expense arising from equity-settled share-based payments – SFR [A]	27(i), (ii)	1,141	1,363
Expense arising from equity-settled share-based payments – SFRA [B]		40	99
Expense arising from cash-settled share-based payments – SFR [C]	27(iii)	-	(412)
Total expense arising from share-based payment transactions		1,181	1,050

[A] Long-term Incentive Plan.

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

[C] Cash settled Long-term Indexed Bonus Plan. This plan ceased in 2019.

Recognition and measurement

Equity-settled transactions

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised, together with a corresponding increase in the share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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

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

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

Cash-settled transactions

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

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

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

27 Share-based payments (continued)

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

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

Issue date	Number	Fair value^	Expected Vesting date	Performance period
FY2020				
29 November 2019	164,866	$2.45	31 Aug 2022	3 years
23 September 2019	53,956	$3.68	31 Aug 2022	2.8 years
FY2019				
28 June 2019	157,749	$3.68	31 Aug 2022	3 years
29 November 2018	116,650	$2.72	1 Oct 2020	3 years

^ Represents the fair value per right at grant date.

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

Pricing model

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

	Issue date		Issue date	
	29 Nov 19	**23 Sep 19**	**28 Jun 19**	**29 Nov 18**
Fair value at measurement date	**$2.45**	**$3.68**	$3.68	$2.72
Underlying share price for issue	**$5.65**	**$6.69**	$6.69	$6.30
Dividend yield	**4.90%**	**5.20%**	5.20%	3.90%
Expected volatility	**35.00%**	**35.00%**	35.00%	35.00%
Risk-free rate	**0.7%**	**1.0%**	1.0%	2.0%
Expected life (years)	**2.6**	**3.0**	3.0	2.6

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

Movements in LTI Plan during the year

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

	2020 Number	2019 Number
Opening balance	**1,169,046**	1,133,319
Rights granted during the year	**218,823**	274,399
Rights vested and exercised during the year	**-**	(202,587)
Rights lapsed or forfeited during the year	**(410,000)**	(36,085)
Closing balance	**977,869**	1,169,046

27 Share-based payments (continued)

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

The IOP Plan was created to align senior management awards with shareholder value. Awards under the plan were provided as a grant of options over ordinary shares for no consideration. With the introduction of the LTI Plan, no further awards have been made under the IOP Plan. The plan ceased in 2019, with all remaining options exercised or lapsed by 30 June 2019.

Movements in IOP Plan

	2020 Number	2019 Number
Outstanding at 1 July	Nil	1,410,000
Exercised during the year	Nil	(750,000)
Lapsed during the year	Nil	(660,000)
Outstanding at 30 June	Nil	Nil
Exercisable at 30 June	Nil	Nil

(iii) Long-term Indexed Bonus Plan (LTIB Plan)

The LTIB Plan was created to align Executive Director rewards with shareholder value and was provided as a grant of conditional rights. It is the current intention of the Board that awards issued under the LTIB Plan will be settled in cash where the participant realises value from the rights. Historically, grants that have realised value have been cash-settled.

With the introduction of the LTI Plan, no further awards have been made under the LTIB Plan. Outstanding awards under the LTIB Plan include the conditional rights previously issued to the CEO, which expired on 15 December 2018. No amounts were payable under the plan for the year ended 30 June 2020, or for the year ended 30 June 2019.

28 Provisions

	2020 $000	2019 $000
Current		
Employee benefits	7,151	4,822
Non-current		
Employee benefits	618	1,367
Rehabilitation, restoration and dismantling	38,829	29,429
	39,447	30,796

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

	2020 $000
At 1 July 2019	29,429
Arising during the year	5,565
Unwinding of discount	517
Inflation and discount rate adjustments	3,318
At 30 June 2020	38,829

Recognition and measurement

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

28 Provisions (continued)

Rehabilitation, restoration and dismantling

The Group recognises a provision for the estimate of the future costs of restoration activities on a discounted basis at the time of exploration or mining disturbance. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement.

If a change to the estimated provision results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the related asset, the Group considers whether this is an indication of impairment of the asset. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase to the provision is charged directly to the income statement.

Key estimates and assumptions – Rehabilitation provisions

The Group assesses its rehabilitation, restoration and dismantling (rehabilitation) provision at each reporting date. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, timing 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.

The discount rate used in the calculation of the provision is derived from an average of the 5 and 10 year government bond rate, which is currently the estimated time period when majority of the future rehabilitation costs will be incurred, and as at 30 June 2020 equalled 0.64% (2019: 1.18%). The rehabilitation costs are expected to be incurred up to 2039.

Employee Benefits

(i) Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and other short-term benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future expected wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

29 Significant events after the reporting date

Dividends

Subsequent to year end the Directors of the Company announced a fully franked final dividend on ordinary shares in respect of the 2020 financial year of 14 cents per share. The total amount of the dividend is $25.0 million based on the shares outstanding as at 30 June 2020. The dividend has not been provided for in the 30 June 2020 Financial Statements.

30 Accounting standards and interpretations issued but not yet effective

The standards and interpretations that have been issued or amended but not yet effective and have not been early adopted by the Group for the annual reporting period ended 30 June 2020, have been assessed and are not expected to have an impact on its disclosures, financial position or performance of the Group when applied. The Group intends to adopt these standards when they become effective.

31 Auditor remuneration

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

	2020 $	2019 $
Amounts received or due and receivable by EY (Australia) for:		
Fees for auditing the statutory financial report of the parent covering the group and auditing the financial reports of any controlled entities	258,580	332,780
Fees for other services		
Taxation services	84,803	15,630
Other advisory services	5,903	12,360
Total Fees to EY (Australia)	349,286	360,770
Amounts received or due and receivable by related practices of EY for:		
Fees for auditing the financial reports of any controlled entities	178,141	105,344
Other services in relation to the entity and any other entity in the consolidated group:		
Taxation services	-	27,458
Other advisory services	-	19,353
Total fees to overseas member firms of EY (Australia)	178,141	152,155
Total auditor's remuneration	**527,427**	**512,925**

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

1. In the opinion of the Directors:
   a) the financial statements and notes of Sandfire Resources Limited for the financial year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   d) as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in Note 25 will be able to meet any liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.
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 2020.

On behalf of the Board

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

West Perth, 26 August 2020

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Sandfire Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit natters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Valuation of trade receivables

Why significant	How our audit addressed the key audit matter
As disclosed in Note 16 of the financial report, copper concentrate sales are subject to a quotational pricing period at 30 June 2020. During the quotational pricing period the consideration from the sale of copper concentrate is adjusted for changes in the copper prices, with final consideration determined based on the prevailing copper price at the end of the quotational pricing period. As revenue is recognised prior to the completion of the quotational pricing period, trade receivables are subject to quotational pricing adjustments and do not meet the 'solely payments of principal and interest' test of AASB 9 *Financial Instruments* so are required to be measured at fair value through profit or loss. In determining the fair value of trade receivables, a key input is the expected copper price at the completion of the quotational pricing period, based on market forward copper prices. Given changes in market forward copper prices can significantly impact the fair value of trade receivables and the unrealised price adjustment, being a gain or loss, is recognised in the consolidated statement of comprehensive income, this was considered a key audit matter.	We assessed the methodologies, inputs and assumptions used by the Group in determining the fair value of trade receivables subject to quotational pricing. We compared observable inputs into the Group's valuation model, such as quoted prices, to externally available market data. We recalculated the fair value measurement of trade receivables still subject to quotational pricing adjustments as at 30 June 2020, using 30 June 2020 market copper forward prices. We considered the appropriateness of the disclosures within the financial report.

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

Why significant	How our audit addressed the key audit matter
As disclosed in Note 28 of the financial report, the Group has rehabilitation, restoration and dismantling provisions of $39.9 million at 30 June 2020. The calculation of these provisions was considered a key audit matter because it requires judgment in estimating the costs, the timing as to when these costs will be incurred and the determination of an appropriate rate to inflate and discount these costs to net present value. The Group reviews the underlying costs used to calculate the rehabilitation, restoration and dismantling provisions on a semi-annual basis, *using external experts to provide support in its* assessment as appropriate. This review incorporates the identification of any new rehabilitation, restoration and dismantling obligations that have arisen, an assessment of the underlining assumptions used, effects of any changes in local regulations, and the expected approach to restoration and rehabilitation.	We evaluated the legal and/or constructive obligations with respect to the rehabilitation, restoration and dismantling provision for the Degrussa and Monty operations and the intended method of restoration and rehabilitation and the associated cost estimates. We considered the qualifications, competence and objectivity of the external experts the Group engaged who produced the cost estimates. We consider the timing of the Group's proposed rehabilitation, restoration and dismantling activities for consistency with the Group's legal and/or constructive obligations and useful lives of the associated mining operations. We assessed the mathematical accuracy of the calculations and the appropriateness of the inflation and discount rates. We considered the appropriateness of the disclosures within the financial report.

3. Carrying value of inventories

As disclosed in Note 17 of the financial report, the Group held inventories as at 30 June 2020 of $53.7 million, which related to concentrate, ore stockpiles, stores and consumables. These inventories are valued at the lower of cost and net realisable value. The costing of inventories involves allocating mining costs relating to the extraction of ore from the Degrussa and Monty mine.

The determination of whether mining costs are considered development costs or production costs which form part of the cost of inventory involves judgment, which can significantly impact the cost of inventories and the amount recognised in the consolidated statement of comprehensive income when the inventories are sold. As a consequence, this was considered a key audit matter.

How our audit addressed the key audit matter

We considered whether the Group's accounting policies in respect of concentrate, ore stockpiles, stores and consumables and oxide copper stockpiles are consistent with Australian Accounting Standards.

We assessed the effectiveness of the relevant controls in respect of the allocation of the mining costs at the different stages of production to inventories.

We selected a sample of mining related costs to evaluate whether, based on their nature, they were allocated appropriately (i.e. capitalised to inventories or mine properties).

We tested inventories are being appropriately costed based on allocated costs and production volumes.

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4. Acquisition of MOD Resources Limited

As disclosed in Note 24 of the financial report, the Group completed the acquisition of MOD Resources Limited on 23 October 2019 for combined consideration price of $161.9 million through the issue of 18,440,174 Sandfire ordinary shares and cash of $41.6 million.

Based on the group's accounting policies, which included the early adoption of the amendment to AASB 3, as disclosed in 2(b), the acquisition was accounted for as an asset acquisition.

As a sharebased payment transaction, the assets and liabilities were recognised at fair value as at the date of acquisition. The fair value of the acquired exploration and evaluation assets were determined based on the range of the fair values outlined in an independent expert valuation report.

The determination of the fair value asset and liabilities acquired involves judgment and estimation impacting the net assets of the group. Consequently, this was considered a key audit matter.

How our audit addressed the key audit matter

We considered the appropriateness of the accounting for the acquisition of MOD Resources Limited as an asset acquisition.

We recalculated the Group's assessment calculation of the purchase consideration for the acquisition.

We assessed the appropriateness of the methodologies, inputs and assumptions used by the Group in determining the fair values of acquired assets and liabilities.

We considered the appropriateness of the disclosures within the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrpepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 26 to 40 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sandfire Resources Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth

26 August 2020