



## 2016 ANNUAL GENERAL MEETING: CHAIRMAN'S ADDRESS

From a macro perspective, 2016 has been a most interesting year and one of unexpected change. An early resurgence of interest in the resource sector was initially restricted to certain (mainly precious) metals, with the base metals sector facing challenging conditions for much of the year.

More recently, surprising geopolitical outcomes such as Brexit and the US Presidential election result have sparked responses in global markets, wrong-footing many economists' forecasts and causing significant shifts in capital flows and investment strategies.

There is no better example of this than the recent surge in copper and base metal prices in response to the US Presidential election result.

Copper has reached 18-month highs; with the LME copper price recently sitting around US\$5,800 per tonne, up around 25 per cent in only a few weeks.

While this is of course a welcome development – and we remain confident about the fundamentals underpinning the outlook for the copper market – it is important to note that as a company, we continue to focus on those things that are clearly within our control: our production and productivity levels; our costs; our balance sheet; and our growth strategy.

Our steadfast focus on these core elements has served Sandfire well since we commenced production in 2012. I am confident that this focus will continue to stand us in excellent stead as we move forward into 2017, with whatever developments the year ahead may bring.

The 2016 financial year was our fourth successive year of safe, consistent and profitable operations at DeGrussa – which posted its strongest ever operational result for the 12 months to 30 June 2016, achieving record copper production.

This, combined with our continued focus on appropriate cost control, enabled the Company to post its fourth consecutive annual profit – a significant accomplishment in a year where the average received copper price fell by more than 20 per cent over the reporting period.

Most importantly, this strong operating result was also achieved with an excellent safety record across the operation.

It is worth pausing to note that the DeGrussa Operation has now produced more than 285,000 tonnes of copper and 160,000 ounces of gold since mining commenced, generating total revenues exceeding \$2 billion and consistently and reliably delivering clean, high quality copper concentrates to our global customer base.

As we have outlined in previous years, the cash-flows generated by the DeGrussa mining operation are responsibly and prudently deployed to fund our strategic objectives. In 2016, these initiatives have included debt reduction, dividend payments and investment in our longer-term growth and exploration assets, as well as investing to deliver enhanced environmental, social and corporate governance outcomes.

With respect to debt reduction, Sandfire completed the early repayment of our Amortising Facility, reducing total debt to \$50 million and putting us in a net cash positive position for the first time since DeGrussa Project development commenced in 2011 – a significant milestone.

The strong financial result also enabled us to declare a final fully-franked dividend of 9 cents per share for 2016, resulting in a total payout to shareholders for the year of 11 cents per share fully franked.

Turning to our exploration activities, a highlight of the 2016 financial year was the discovery and subsequent successful resource drill-out of the ultra-high grade Monty Copper-Gold Project, located ten kilometres east of DeGrussa, which forms part of our Springfield Joint Venture with Talisman Mining.

Monty is now shaping up as a potentially significant new satellite production centre for DeGrussa, with a Mining Lease Application submitted in July 2016, and a Feasibility Study now underway with the aim of bringing the deposit into production as rapidly as possible.

We also continue to pursue an aggressive exploration campaign across our broader DeGrussa and Doolgunna tenement portfolio and have recently further expanded our strategic footprint in the Doolgunna region to more than 4,000 square kilometres through a series of new tenement acquisitions and strategic Joint Venture agreements. This makes Sandfire far and away the dominant land-holder in the region. As the owner and operator of the only base metal processing facility, we are also the only company with the ability to rapidly develop and monetise any new resources discovered in the region.

Outside of Doolgunna, our exploration portfolio also includes a commanding exploration footprint within world-class mineral districts along the Australian eastern seaboard. Following the completion of methodical, early-stage exploration campaigns over the past 12 months, the Company plans to commence drill testing at several key prospects in the coming year.

Further afield, Sandfire continues to diligently progress longer term business development opportunities that have the potential to create value for our shareholders in the future. In this regard, I would like to remind shareholders of the significant value proposition which exists in North America through our investment in the Canadian-based TSX-listed copper company Tintina Resources, which is developing the high-grade Black Butte Copper Project in Montana, USA.

Sandfire recently increased its stake in Tintina to 61 percent after subscribing to its full entitlement in its recent rights issue. During the year, the team at Tintina continued to make steady and solid progress with respect to permitting for the Black Butte Project, and the application for a Mine Operating Permit is now well advanced. The recent appointment of John Shanahan as President and CEO marks the beginning of the next important chapter in this process, and I would like to take this opportunity to acknowledge the excellent work which John and his team are doing in engaging with a variety of stakeholders and local communities to move this project forward.

I would also like to thank Bruce Hooper for his pioneering efforts in this role over the past two years; Bruce recently returned to Australia to resume his position as Sandfire's Chief Business Development Officer and we welcome him back.

The Black Butte Project is one of the top-10 undeveloped high-grade copper assets in the world, and it has the potential to come on stream at an extremely opportune time in the global copper cycle, particularly in light of the impact a major infrastructure program in the US could have on raw materials demand.

Finally, I would like to comment briefly on our sustainability initiatives during the year which were encapsulated in our second Sustainability Report – a document which builds further on last year's inaugural Report.

Key achievements in this area included the construction and commissioning of the DeGrussa Solar Power Farm during the year, which has established DeGrussa as a world leading reference site for the use of renewable power in the resources industry.

The new state-of-the-art 10.6 megawatt solar power farm can supply up to 20 per cent of DeGrussa's power requirements and reduce carbon dioxide emissions by around 12,000 tonnes per annum.

On the corporate front, we were delighted to welcome experienced resource industry executive Maree Arnason to our Board. Maree has in-depth knowledge of corporate governance, sustainability management and corporate and indigenous affairs, and her input at our Board meetings since her appointment has been invaluable.

In conclusion, we move to the close of another year with the Company well-established as a top quality, financially robust mid-tier mining house that has a profitable mining operation, strong pipeline of growth opportunities and a bright future. Our high quality concentrate and relentless focus on lean, efficient operations means we are well placed to benefit from upside in the copper price; and our long-term commitment to organic growth via exploration means we are well placed to create value through discovery.

This strong position is testament to the outstanding efforts and commitment of the entire Sandfire team, led by our Managing Director and CEO Karl Simich, and on behalf of the Board I would like to sincerely thank all of our team members for their hard work.

I would also like to acknowledge you – our valued shareholders – for your ongoing support.

I hope you share my enthusiasm about the future of our company and look forward to keeping you informed of our progress over the year ahead.

Thank you for your attention.

Derek La Ferla  
Non-executive Chairman

**ENDS**

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