
2014 ANNUAL GENERAL MEETING: CHAIRMAN'S ADDRESS

I am pleased to report on what has been another successful and rewarding year for Sandfire.

Five years on from the DeGrussa discovery, Sandfire is well established as a mid-tier producer with a strong commitment to shareholder returns and a clear vision to grow into a diversified mining house.

Of utmost importance, we have been able to deliver a consistent operational and financial performance for the 2014 financial year while maintaining an excellent safety record and continuing to develop our strong corporate culture which embraces teamwork, a high level of professionalism, a balanced approach to growth, and an unwavering focus on shareholder returns.

In a year that has seen strong headwinds for the resources sector generally, DeGrussa has generated consistent production and sales, maintained a tight focus on controlling costs and delivered substantial operating cash flows and, ultimately, profits for our shareholders.

We were able to achieve our second successive annual net profit, based on sales revenues exceeding half a billion dollars. We also passed the significant milestone of generating over \$1 billion in revenues since our start-up in 2012.

This strong performance has enabled us to declare our first-ever dividend – a final unfranked dividend of 10 cents per share for the 2014 financial year which was paid in early October. This was a tremendous milestone for the Company, coming just two years after we completed construction at DeGrussa, and less than a year after we achieved steady-state production.

As a Board, we remain committed to paying dividends in the future as part of our focus on shareholder returns. However, this will obviously be assessed on an ongoing basis and be subject to prevailing commodity prices and economic circumstances. We will also continue to strive to strike the right balance between the competing demands for capital across our business.

As I said in the Annual Report, we intend to deploy the strong cash flows generated by DeGrussa across the three key pillars for Sandfire's growth, which are:

- investment in the ongoing operating needs of the business – including mine development, capital works, debt reduction and working capital;
- investment in indirect shareholder returns such as exploration and business development; and
- direct shareholder returns via dividends.

At DeGrussa, we continue to prioritise capital development to ensure that our mine development remains well ahead of our ore delivery requirements. This has also allowed us to establish new drilling platforms to target potential zones of mineralisation below the existing resource areas.

In parallel with this, we have implemented a prudent approach to managing our balance sheet, directing significant funds to aggressively reduce our debt – which has been cut by more than 60 per cent in the past two years to \$150 million at the end of the September Quarter.



Meanwhile, our exploration efforts in the Doolgunna/Bryah Basin region of WA remains one of the largest and most sophisticated VMS exploration initiatives currently underway anywhere in the world. With a dedicated annual budget of more than \$20 million-a-year, we have made considerable progress this year, including on the Talisman joint venture ground, and exploration continues to gather momentum.

Looking further afield, our Business Development Team secured two exciting new opportunities during the year in the form of strategic cornerstone investments in Toronto-listed companies Tintina Resources and WCB Resources. These investments have, respectively, given us a seat at the table to participate in the development of a premier high-grade USA copper deposit and exploration for a potential world-class porphyry copper-gold deposit on Misima Island in PNG.

Despite the challenging times confronting the resource sector, we do not wish to become stagnant or too afraid to commit serious funds to invest and grow. We must continue to do everything we can to create a meaningful growth path for the Company into the future, to create a well-stocked pipeline of growth opportunities that will allow us to continue develop as a truly diversified mining house for years to come.

Shareholders can expect that we will continue to invest strongly in organic growth via exploration and in advancing and growing our business development portfolio in 2015 and beyond. While we have achieved a great deal in the past five years, we recognise that, as a single-mine company, we have only completed the first few chapters of what we believe will ultimately be a much bigger story.

In summary, our engine room at DeGrussa continues to perform strongly and generate substantial operating cash flows. We have already reduced our debt substantially, with a further significant reduction forecast by the end of this financial year to \$85 million. Exploration is ramping up, both at the mine itself and regionally.

We also now have a number of business development initiatives underway which could deliver us a well-stocked organic growth pipeline for the future. And, most importantly, our team has the focus and desire to execute all of these programs and deliver significant value for our shareholders.

On behalf of the Board, can I thank all of our staff and contractors for their continuing hard work, which has enabled the Company to deliver these results; I would also like to thank you – our valued shareholders – for your continued support.

Before handing over to Karl Simich to run through a more detailed summary of the past year's achievements, we would like to show you a brief video presentation which recaps the significant highlights of the past few years – more particularly the considerable achievements of the 2014 financial year.

Thank you for your attention.

Derek La Ferla
Non-executive Chairman

ENDS

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Forward-Looking Statements

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