



SANDFIRE RESOURCES NL

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Corporate Governance Statement

ASX Code: SFR

Corporate Governance Statement

This corporate governance statement sets out the key features of the Sandfire Resources NL's (Sandfire) governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles and Recommendations) published by the ASX Corporate Government Council (Council).

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

As at 29 August 2017 the Company is fully compliant with the ASX Principles and Recommendations made by the Council.

In accordance with the ASX Principles and Recommendations, the Company's policies, and charters referred to in this statement are available in the Investor section of the Company's website at www.sandfire.com.au.

Sandfire's Corporate Governance Statement is current as at 29 August 2017 and has been approved by the Board.

The Role of the Board

The Board has adopted a written Charter to provide a framework for the effective operation of the Board which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- delegation of duties and powers;
- Board process; and
- review and performance evaluation.

Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. To this end the Board has established the following committees:

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

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the entity's strategies, policies and performance. This includes overseeing the financial and human resources the entity has in place to meet its objectives, as well as reviewing management performance;
- protect and optimise the entity's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and with a framework of effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the entity's values and governance framework (including establishing and observing high ethical standards); and
- ensure shareholders are kept informed of the entity's performance and major developments affecting its state of affairs.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of Managing Director and Chief Executive Officer;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, significant indebtedness, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Under the Board Charter, the Board has delegated responsibility for the day-to-day management of the Group's business and affairs to the Managing Director and Chief Executive Officer. This responsibility is subject to an approved delegation of authority which is reviewed regularly.

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Internal control processes are in place to allow management to operate within the delegations approved by the Board, and the Managing Director and Chief Executive Officer cannot commit the Group to activities or obligations outside these delegated authorities without the specific approval of the Board.

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Composition and Skills of the Board

The skills, experience and expertise held by each director in office at the date of the financial report are included in the Directors' Report. Information regarding each director's responsibility on Board committees and attendance at Board and committee meetings is also set out in the Director's report.

The Board actively seeks to ensure that the Board and its committees have the right mix of background, skills, knowledge and experience necessary to guide and govern the Group effectively and in accordance with highest standards. The Board considers that its members have the range of skills, experience, qualifications and personal attributes necessary to direct the activities of the Group. The following board skills matrix sets out the skills and experience the Board currently has.

Skills and Experience of the Board

Desired Skill	Number of the 6 Directors with that skill
Leadership <ul style="list-style-type: none"> ▪ Public listed company experience. ▪ Understanding/influencing organisational culture. 	6
Strategy <ul style="list-style-type: none"> ▪ Knowledge of developing and implementing successful strategy. 	6
Mining and Geology <ul style="list-style-type: none"> ▪ Background in the resource industry covering a range of commodities both in Australia and overseas. ▪ Experience in geological consultancy. 	2
International Expertise <ul style="list-style-type: none"> ▪ Exposure to multiple cultural, regulatory and business environments. ▪ Know-how in doing business in China and the Asian region. 	5
Governance <ul style="list-style-type: none"> ▪ Committed to ensuring effective governance structures. 	6
Health, Wellness, Safety and Environment <ul style="list-style-type: none"> ▪ Knowledge of workplace health, wellness and safety. ▪ Experience with environment, including energy, water management, emissions and climate change, land management. 	3
Capital Projects <ul style="list-style-type: none"> ▪ Background in the delivery of large scale capital projects ▪ Proficiency in project governance and risk management. 	2
Sales and Marketing <ul style="list-style-type: none"> ▪ Detailed knowledge of the Company's strategy, markets and competitors. 	2
Finance and Accounting <ul style="list-style-type: none"> ▪ Expertise in financial accounting and reporting, corporate finances and internal financial controls 	2
Information Technology <ul style="list-style-type: none"> ▪ Knowledge and experience in use and governance of critical information technology. ▪ Understanding of potential cyber risk exposure. 	1
Regulatory, Public Policy and Legal <ul style="list-style-type: none"> ▪ Oversight and management of regulatory frameworks and processes designed to ensure that all regulatory obligations are met. 	3
Stakeholder Management <ul style="list-style-type: none"> ▪ Skills in relations with employees, customers and contractors/suppliers, local communities, Native Title Claimant groups, Government and Regulators, industry associations and the investment community. 	5

The Board consists of a majority of independent directors. Directors of Sandfire are considered to be independent

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when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard (refer Section 2.2 of the Board Charter). The Board, guided by the Board Charter, considers thresholds of materiality for the purposes of determining independence in accordance with ASX Recommendations, having regard to both quantitative and qualitative principles. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Sandfire Board consists of six directors and five are considered independent in accordance with the definition set above, and the materiality thresholds set. The following directors are considered to be independent:

Name	Position
Derek La Ferla	Non-executive Chairman
Robert Scott	Non-executive Director
Paul Hallam	Non-executive Director
Maree Arnason	Non-executive Director
Roric Smith	Non-executive Director

Chairman

The roles of Chair and Chief Executive Officer (CEO) are not exercised by the same individual.

Director Selection and Succession Planning

The Board regularly reviews its membership to ensure that it has the appropriate mix of diversity, skills and experience required to meet the needs of the Group. When a Board position becomes vacant or additional directors are required, external professional advisors are engaged to assist with identifying potential candidates to ensure that a diverse range of candidates are considered.

Appropriate background checks are conducted before appointing a Director. When candidates are submitted to shareholders for election or re-election, the Company includes in the Notice of Annual General Meeting (AGM) all material information relevant to a decision on whether or not to elect or re-elect a Director. Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

At the AGM held on 28 November 2016, Ms Maree Arnason, Mr Robert Scott and Mr Paul Hallam were re-elected as Directors of the Company. Mr Roric Smith was appointed a casual Director of the Company on 31 December 2016 and will be standing for re-election at the 2017 AGM, along with Mr Derek La Ferla.

Induction Procedures and Ongoing Professional Development

Sandfire has formal induction procedures for both directors and senior executives. These induction procedures have been developed to enable new directors and senior executives to gain an understanding of:

- Sandfire's financial position, strategies, operations and risk management practices; and
- the respective rights, duties and responsibilities and roles of the Board and senior executives.

Directors are given an induction briefing by the Company Secretary and an induction pack containing information about the Group, Board and Committee charters and the entity's policies. New directors also meet with key senior executives to gain an insight into the Group's business operations.

Sandfire supports the continuing professional development of its Directors to ensure that Directors remain on the cutting edge of knowledge in Director related matters and to identify and remedy any identifiable weakness in any Director or the Board as a whole.

Board Committees

The Board has established an Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee which operate under Charters approved by the Board. The functions of the Committees are set out in their respective Charter.

The Committee Charters and membership details of each Committee are available on Sandfire's website. Details of the number of Board and Committee members held during the year, each Director's attendance at those meetings and the qualifications and experience of each Committee member are set out in the Directors' Report.

All the members on the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee are independent non-executive directors.

Performance Evaluation and Remuneration

Evaluation of the Performance of the Board, its Committees and Individual Directors

The Board, with the assistance of the Remuneration and Nomination Committee, regularly monitors the performance of the Board, its committees and individual directors throughout the year and conducts a review of their performance on an annual basis. This may occur through a process of internal review led by the Chairman, or, be performed with the assistance of external advisers as considered appropriate.

The 2017 financial year review was led by the Chairman by way of a questionnaire, followed up where applicable with one-on-one discussions. The outcomes of the review were discussed and considered by all the directors and the general conclusion was that the Board, individual directors and Board Committees were functioning well. The Board agreed on initiatives to improve its operation and performance.

Evaluation of Senior Executives Performance

Each Director of the Company has entered into a formal letter of appointment which clearly sets out what is expected of each Director. Senior executives have service agreements containing detailed duties and responsibilities which are complimented by key performance indicators. The performance of the key executives is reviewed regularly against both measurable and qualitative indicators.

During the reporting period, the Remuneration and Nomination Committee conducted performance evaluations that involve an assessment of each senior executive's performance against specific and measurable financial and non-financial performance criteria. The performance criteria against which executives are assessed are aligned with the objectives of the Company. Details of how Sandfire assesses the performance of the Managing Director and Chief Executive Officer and the executive management team are set out in the Remuneration Report included in the Directors' Report.

Remuneration Practices

The Remuneration and Nomination Committee's remuneration strategy is designed to attract, motivate and retain employees, contractors and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company. For further details please see the Remuneration Report included in the Directors' Report.

Remuneration of Non-Executive Directors

The Company clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The 2017 Remuneration Report provides a separate table outlining the structure of Executive statutory remuneration disclosures and Non-Executive Director fees. Non-Executive Director fees consist of Director fees and committee fees. Non-executive directors do not receive retirement or termination benefits and do not participate in any incentive plans. The aggregate amount of fees that may be paid to non-executive directors in any one year is capped at a level approved by shareholders.

Risk Framework

Management of Risks

The Board is committed to reviewing and overseeing the risk management strategy for Sandfire and for ensuring the Company has an appropriate corporate governance structure, in order to support the achievement of business objectives.

The identification and effective management of risk, including measured risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Audit and Risk Committee reviews and reports to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate mitigation activities are designed and implemented to manage risks; and
- there are regular reviews on the process of the implementation of designed risk mitigation activities.

The Sustainability Committee assists the Board in monitoring the Company's economic, environmental and social sustainability risks, and the processes and controls underlying the identification and monitoring of risks.

Sandfire's Risk Management Policy outlines the Company's approach to managing risks and is available in the Governance section of Sandfire's website.

Management through the CEO is responsible for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

The Company's risk framework is applied to all risk aspects of the Company's business and is used to identify, assess, evaluate, treat, monitor and communicate risks using a common methodology. The framework is aligned with ISO Standard 31000:2009. Risk are ranked using both pre mitigating controls and post mitigating controls and

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the rankings reflect the different types of likelihoods and consequences that may arise from risks, including metrics for safety and health, environmental, legal and regulatory, reputation/community and social, property damage and process loss and financial. The Board ratifies the Company's approach to managing risk and oversees the Company's Risk Management System, including the Company's risk profile and the effectiveness of the systems being implemented to manage risk. The Risk Management System, including the Company's risk profile and the effectiveness of the systems in place to manage risk, were reviewed in 2017.

The Company is exposed to numerous risks, most of which are common within the mining industry. The business and operational risks; health, safety and environment risks; Mineral Resource, Ore Reserve and Mine Plan risks; and financial risks are outlined on pages 17 and 18 of the Director's Report. Material exposure to economic, environmental and social sustainability risk and how the Company manages those risks, are also disclosed in the Sustainability Report.

Internal Control Framework

The key controls that the Company has in place to ensure that its risks are managed effectively and to protect the Company's interests and to ensure the integrity of its financial reporting include the following:

- Board approval of strategic planning, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of financial and non-financial KPIs; and
- underpinning these efforts is a comprehensive set of policies and procedures directed towards achieving:
 - an effective and efficient use of the Company's resources;
 - compliance with laws and regulations; and
 - preparation of reliable published information.

Internal Audit Function

Sandfire has an internal audit function that assists the Board by undertaking an objective evaluation of the Company's internal control framework, focusing on Sandfire's key risks. The internal auditor attends the Audit and Risk Committee meetings to present internal audit findings and has the opportunity to meet privately with the Audit and Risk Committee on a regular basis to ensure a degree of independence and objectivity to the role. The Audit and Risk Committee is responsible for overseeing the internal audit function.

The Company's internal audit function objectively evaluates and reports on the existence, design and operating effectiveness of internal controls. The internal auditor is independent of the external auditor and reports to the Audit and Risk Committee.

The Board agrees that due to its nature, internal control assurance from the internal auditor can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

External Auditor

Under the Committee Charter it is the policy of Sandfire that its external auditing firm must be independent of it. The Committee reviews and assesses the independence of the external auditor on an annual basis. The Charter contains an External Audit Policy, which provides information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, presently every 5 years, unless otherwise approved by the Audit and Risk Committee and the Board of Sandfire.

The Company's external auditor will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act ("the Act").

CEO and CFO Certification

In accordance with section 295A of the Act, the CEO and CFO have provided written statements to the Board in respect of each half and full year financial period that, in their opinion, the financial records of the Group have been properly maintained in accordance with the Act; the financial statements and the notes for the period comply with accounting standards and give a true and fair view of the financial position and performance of the entity and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Governance Policies

The Group has developed a number of codes and policies to help directors and employees understand what is expected of them. Below is a summary of the Sandfire's core codes and policies which apply to directors and employees. Each of these policies below are available on the Sandfire's website.

Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has established a Code of Conduct which applies to directors, employees, temporary employees and contractors of Sandfire. Their key principles underpinning the Code of Conduct are:

- our actions must be governed by the highest standards of integrity and fairness;
- our decisions must be made in accordance with the spirit and letter of applicable law; and
- our business must be conducted honestly and ethically, with our best skills and judgement, and for the benefit of our people, clients, shareholders, stakeholders and Sandfire alike.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout Sandfire;
- support Sandfire's business reputation and corporate image within the community; and
- make employees aware of the consequences if they breach the Code.

Whistleblower Protection Policy

The Board has endorsed a Whistleblower Protection Policy which has a 24 hours a day, 7 days a week, all year round independent hotline. A whistleblower is someone who discloses reportable conduct to people that have the power to take corrective action. Sandfire recognises that a genuine commitment to detecting and preventing illegal and other undesirable conduct must include a mechanism whereby personnel can report their concerns freely and be protected from reprisals.

Policy for Dealing in Securities

The Board has endorsed a Policy for Dealing in Securities Policy which:

- explains the types of conduct in dealing in securities that are prohibited under the Corporations Act 2001 (Clth) (Corporation Act); and
- establish a best practice procedure for the dealing in securities that protects the Company, directors and personnel against misuse of unpublished information which could materially affect the value of securities.

The rules set out in this policy are designed to assist in preventing breaches of the insider trading provisions of the Corporations Act and to enable the Company to satisfy the disclosure requirements of the ASX Listing Rules. The policy also establishes "blackout periods" during which directors, employees, contractors and their closely related parties must not trade in the Company's securities. It also prevents directors and executives from entering into any hedging arrangements over unvested securities issued pursuant to an equity based remuneration scheme.

Disclosure and Communication Policy

The Board has endorsed a Disclosure and Communication Policy, which sets out processes which assist the Company to ensure that all investors have equal and timely access to material information about the Company and that Company announcements are factual and presented in a clear and balanced way.

The Disclosure and Communication Policy also sets out the procedures for identifying and disclosing material and market-sensitive information in accordance with the Corporations Act and the ASX Listing Rules.

Diversity Policy

Sandfire is committed to providing a diverse and inclusive work environment in which everyone is treated fairly and with respect. Sandfire is committed to recruiting, training and promoting individuals based on competence and to attracting the best people in their fields, regardless of their gender, religion, race, ethnicity, language, cultural background, sexual orientation, disability and age.

The Board believes that the promotion of diversity within the organisation generally:

- broadens the pool for recruitment of high quality employees;
- is likely to support employee retention;
- is likely to encourage greater innovation, enhances work practices and productivity; and
- is socially and economically responsible governance practice.

The Remuneration and Nomination Committee has developed, and the Board has approved, the Company's Diversity Policy. This policy applies to directors and all employees of Sandfire. In summary, the Diversity Policy provides guidelines in relation to Sandfire's commitment to diversity, the establishment of measurable objectives for achieving gender diversity and the progress made towards achieving the objectives set and the responsibilities of the Remuneration and Nomination Committee to consider the Diversity Policy.

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The proportion of women employed by the Company as at 30 June 2017 and as at 30 June 2016 is listed below:

	2017	2016
Board	16%	16%
Senior executive positions ¹	Nil	Nil
All employees	21%	24%

Approximately 13%² (2016:17%³) of employees in the resource industry are females, and as such, Sandfire exceeds the industry average by approximately 8% (2016: 7%).

The Sandfire's website contains Sandfire's Public Report Form submitted to the Workplace Gender Equality Agency for 2016-17 and 2015-16, which details amongst other items, the proportion of females employed by manager occupational categories and non-manager occupational categories.

Sandfire offers equal remuneration for all of our employees, reflective of the type of job, years of experience and the period for which employees have held their position.

Additional information on diversity can be found in Sandfire's Sustainability Report.

2018 Gender Diversity Measurable Objectives

1	Implement diversity and inclusion strategy.
2	Determine and implement quarterly diversity metrics report for Group Management Team. ⁴
3	Maintain and improve current female representation.
4	Continue to meet or exceed the resource industry average female participation rates.
5	Support the intent of the Australian Institute of Company Director's (AICD) target of female representation on Boards. ⁵

2017 Gender Diversity Measurable Objectives

Objective	Achieved
1	Yes
2	Yes
3	Yes
4	Yes
5	Yes
6	Yes
7	Yes
8	Yes
9	Yes

¹ Senior Executives are defined as including key management personnel who were classified as executives in the Remuneration Report (excluding Executive Directors) and comprise the Chief Operating Officer, Chief Financial Officer and Joint Company Secretary and Chief Commercial Officer and Joint Company Secretary.

² ABS May 2017 – Labour Force.

³ ABS May 2016 – Labour Force.

⁴ The Group Management Team comprises the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Joint Company Secretary, Chief Commercial Officer and Joint Company Secretary, Chief Exploration and Business Development Officer and General Manager Geology.

⁵ The AICD's target is for 30% female representation on ASX200 Boards by 2018.

Shareholder Communication

The Board has endorsed a Shareholder Communication Strategy (Attachment 4 of the Disclosure and Communication Policy). The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications.

Website

One of the Company's key communication tools is its website located at www.sandfire.com.au. The website includes details about the Company's vision; names, photographs and brief biographical information for each of its directors and senior executives; the Company's history; an overview of Sandfire's operations; growth and business development opportunities; sustainability practices; and investor information. The website also contains a facility for shareholders to direct inquiries to the Company.

Forums or measures for communicating the following important aspects of the Company's affairs include: Notice of meeting; Annual General Meeting; Annual Report; announcements lodged with the ASX; presentations; teleconference and webcast of key presentations which provides an opportunity for investors and other financial market participants to express their views to Sandfire on matters of concern of interest to them; and meeting with key stakeholders.

The Company provides a telephone facility (+61 (8) 6430 3800) and a website inquiry service to assist shareholders with any queries. Information is also communicated to shareholders via periodic mail outs, or by email to shareholders who have provided their e-mail address.

Sandfire encourages shareholder participation at its AGM through its use of electronic communication, including by making notices of meetings available on its website and also providing a direct voting facility to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy. Shareholders who are not able to attend the annual general meeting have the opportunity to provide questions or comments ahead of the meeting. Where appropriate, these questions are answered at the meeting.