



2018 ANNUAL GENERAL MEETING: CHAIRMAN'S ADDRESS

It is pleasing to see that 2018 has been a standout year for Sandfire – operationally, financially and in terms of the broader growth and development of our organisation.

The Company completed its sixth consecutive year of mining operations at the DeGrussa Copper-Gold Mine, marking yet another 12 months of consistent, low-cost and, most importantly, safe production. Aided by a stronger copper price environment in the lead up to 30 June 2018, this helped underpin record revenue, record cash generation, a record profit and record dividends to shareholders.

Once again, this exceptional performance has been delivered with an unwavering commitment to corporate and social responsibility in all of its various guises, with the Company adhering to its core values and continuing to innovate and improve its performance in the areas of sustainability, diversity and community and social engagement.

While the 2018 financial year generally saw strong upward momentum in the copper price, since mid-year we have seen the return of significant volatility across global markets which has negatively impacted sentiment across the resources sector. However, for reasons I will go into shortly, copper continues to be one of the preferred base metal commodities, and demand for our own copper concentrate continues to be strong.

Against this backdrop, Sandfire remains in a privileged position as a debt-free, well-established copper producer with robust cash-flows. The exceptional grades and low operating costs of the DeGrussa Operation – soon to be further enhanced with the imminent start of ore production from the ultra-high-grade Monty satellite mine – means we are able to continue to generate strong cash operating margins throughout the commodity price cycle.

Our operating costs at DeGrussa remain at or around the lowest quartile of global performance benchmarks. Our C1 cash costs at DeGrussa averaged US\$0.93 per pound of copper for FY2018, reducing further to an exceptional US\$0.89 per pound in the September 2018 Quarter driven by strong quarterly production.

We remain unreservedly enthusiastic about the medium and long-term outlook for copper. Traditional sources of demand for the metal remain strong and are increasingly being supplemented by new demand from the rapidly accelerating global transition of the world economy to green energy and battery storage technologies.

This convergence of forces comes at a time when the global copper supply pipeline continues to be challenged – with declining average grades across many of the world's major mines, and most new deposits requiring a significantly higher copper price to incentivise new development.

Our positive views on the copper market and our own privileged position within that market forms the basis of our strategy to continue to invest in building a global copper inventory in favourable jurisdictions across the world. Our Managing Director, Karl Simich, will expand on this further during his presentation.

Our growth pipeline encompasses aggressive exploration programs, strategic partnerships and investments through our new Sandfire Ventures strategy, as well as the continued development of our existing high-quality global asset portfolio.

The Company remains well placed to pursue its strategies and advance these growth initiatives, with a debt-free balance sheet, some \$218 million in cash on hand at the end of the September quarter, and a tight and clean capital and corporate structure.

During the year, we continued to make excellent progress with the safe development of the new Monty copper-gold mine, and I am pleased to say we are now just weeks away from first development ore. The rapid and efficient permitting and development of this project has once again been a showcase for what we like to think of as the “Sandfire way”.

Thanks to our strong cash position, during the year we were able to move decisively to consolidate 100 per cent ownership of the Monty mine and surrounding land package by acquiring the remaining 30 per cent interest from our joint venture partner, Talisman Mining Limited, for \$72.3 million. This acquisition is consistent with our key corporate objective of consolidating a dominant footprint in the highly prospective Bryah Basin VMS province and leveraging our high-quality infrastructure and processing hub at DeGrussa.

Exploration within this expansive ground position, which now totals over 6,500km², continued throughout the year, further enhancing our understanding of this highly complex but rewarding geological region and delivering positive early-stage results within the Morck Well Joint Venture area. Aggressive work programs are continuing here and across the surrounding VMS corridor aimed at unlocking the next major discovery.

Further afield, the past year has seen further positive progress at the Black Butte Copper Project in central Montana, USA, where we recently increased our ownership interest to 86%. Our subsidiary, Sandfire Resources America Inc., has progressed both feasibility and permitting activities during the year following receipt of a Draft Operating Permit for the Project in September 2017. In particular, the Environmental Impact Statement (or EIS) process has progressed well towards finalisation, and we expect the draft EIS to be completed in the first quarter of CY2019.

Under the leadership of recently appointed CEO Rob Scargill, Sandfire America has appointed key consultants, including GR Engineering Services, SRK Consulting and Mining Plus to commence the Black Butte Feasibility Study. Drilling programs have commenced to collect additional data for resource verification and geotechnical purposes, and the bulk of work for the Feasibility Study commenced this month, with a targeted completion date of mid CY2019.

It would be remiss of me to conclude my address without acknowledging the massive loss we suffered with the sudden and tragic passing in June of Sandfire America's President and CEO, John Shanahan. John was a well-liked and widely respected leader in the global mining industry, and his loss has been deeply felt by colleagues, friends and associates around the world. He left an indelible imprint on the broader Sandfire family, and I would like to take this opportunity to acknowledge his legacy.

Beyond Black Butte, Sandfire continued to expand its international asset portfolio during the year through the launch of the “Sandfire Ventures” strategy. This is based on the acquisition of cornerstone shareholdings in emerging junior resource companies with highly-attractive base metal exploration and development projects, including opportunities to establish strategic partnerships and alliances.

In addition, our Business Development Team has continued to carefully assess a number of potential new acquisitions and partnerships around the globe. We're well aware that quality opportunities do not come along every day, and we continue to work hard to find acquisition opportunities that are the right strategic and financial fit for Sandfire and, importantly, will be value-accretive for Sandfire shareholders within an appropriate timeframe.

In the meantime, Sandfire continues to accumulate cash and is ready to act when the right opportunity presents itself – with the recent pull-back in the resources market potentially opening up additional opportunities that may not have been there earlier in the year.

From a sustainability perspective, our emphasis during the year has been on how Sandfire fits into a larger value chain, which has implications for how we pursue our organisation's long-term strategies and goals.

Our team has been doing some excellent work to enable the Company to embrace a much broader range of sustainability issues, including our response to environmental concerns such as climate change and water scarcity, commitment to an ethical supply chain, transparency, and maximising social and economic benefits to communities. For more information, please help yourself to a copy of our Annual Sustainability Report, or download it from our website.

In conclusion, I would like to extend a warm vote of thanks to our hard-working and committed executive management team – led by our Managing Director, Karl Simich – for their significant efforts and strong leadership during the year in helping the Company to deliver record results across most key performance benchmarks.

A big thank-you also to our staff and contractors, both at DeGrussa and further afield on the East Coast of Australia and in North America. Your knowledge, expertise and passion remains the key to our future success, and I would like to extend my sincere gratitude to everyone across the organisation for their outstanding efforts and contributions this year.

I would also like to acknowledge and thank my fellow directors for their support during the year. I would especially like to congratulate my fellow director Maree Arnason, who was recently included in the "100 Global Inspirational Women in Mining" Publication, which aims to showcase the range of female talent within the global mining industry and to identify inspirational role models to encourage future generations of women to consider mining as a career choice.

Maree was selected from a broad pool of 642 nominations, with the selected 100 women chosen for a range of attributes including being a voice and role model for diversity and inclusion. Congratulations to Maree on this wonderful achievement.

Finally, I would also like to thank you – our valued shareholders – for your ongoing support. With the Company in such a strong position, I think we can all look forward to the year ahead with great confidence. Thank you.

Derek La Ferla
Non-executive Chairman

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