

Upholding good cash flows and competitive C1 costs. Decline in NPAT, EPS & DPS as SFR establishes new mines in Montana & Botswana.

Company/ASX Code	Sandfire Resources Limited (ASX:SFR)
AGM date	27 November 2020
Time and location	11.00 AWT. Virtual meeting. Virtual online platform.
Registry	Automic Group
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Len Roy assisted by Stephen Weston
Pre AGM Meeting?	Yes, with Chair Derek La Ferla, Chair of the People and Performance Committee Paul Hallam and Sash Trpkoski, Head of Corporate Affairs

Individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Governance

In recognition of Sandfire's transition from a largely WA based copper/gold miner to an international miner with significant global exploration & evaluation interests, the board has initiated a renewal process which will involve those with international business experience, strategic mining experience & financial acumen. As at June 30 2020 the board consisted of 5 Independent NEDs plus the MD.

Ms Sally Langer joined the SFR board July 1, 2020 as Independent NED.

Ms Maree Arnason retired from the SFR board June 30, 2020 and NED Robert Scott will retire in December 2020.

SFR chair Derek La Ferla is up for election November 27. He is also chair of Poseidon Nickel ASX:POS and has tendered his resignation as chairman of Threat Protect Aust ASX:TPS effective March 31 2021. He recently retired as chairman of Veris Ltd ASX:VRS .

We have previously flagged workload concerns with Mr Ferla and received assurance that his external professional commitments have no effect upon his SFR responsibilities.

Board committees changed from Audit & Risk, Remuneration & Nomination plus Sustainability to Audit, Risk, People & Performance effective July 1 2020.

No loans had been provided by the company to board members or KMP.

Director shareholdings as of June 30 2020

ASA believes director shareholdings demonstrate a common interest between directors & shareholders. ASA guidelines nominate the equivalent of annual remuneration in equity after 3 years as a director. Director shareholdings recorded in the FY20 annual report:

Derek La Ferla	21,668
Karl Simich	4,900,051
Robert Scott	5,000
Paul Hallam	10,000
Sally Langer	Nil
Roric Smith	Nil

SFR continues to uphold its position of not having no requirement for senior executives and directors to hold a minimum shareholding.

Capital Management

No capital raising or share buyback occurred in FY20.

JORC 12 reporting

Mineral resources & reserves are clearly reported by SFR in accordance with JORC 12 requirements and this will be important to shareholders as the company focuses on its Exploration & Evaluation growth areas particularly in Montana & Botswana.

Item 1	Financial Statements for FY20 (YE June 30, 2020).
ASA Vote	No vote required

Summary of ASA Position

SFR is at a crossroads of maximising financial & operational performance from the established DeGrussa & Monty copper/gold mines which have limited mine life and the exploration, evaluation & approvals associated with mineral assets in Montana USA and Botswana.

The recently completed Feasibility Study for the Black Butte Copper Project in Montana, USA, has outlined a maiden JORC Ore Reserve of 8.8Mt at 2.6% Cu for 226,100t of contained copper for the cornerstone Johnny Lee Deposit which underpins an 8-year mine life at a mine production rate of 1.2Mtpa.

In addition, Sandfire has also completed an updated JORC Mineral Resource estimate of 8.3Mt at 2.4% Cu for 199,500t of contained copper for the nearby Lowry Deposit, located 3km south-east of the Johnny Lee Deposit.

The Optimised Feasibility Study for the T3 Copper-Silver Project in the Kalahari Copper Belt of Botswana is expected to be finalised December 2020. SFR acquired the T3 mineral

tenements and associated resources & reserves from MOD Resources Ltd in October 2019 for a total consideration of AUD165.1m. The maiden mineral resource estimate for A4 Dome discovery is due shortly.

Both Montana & Botswana development projects will require significant capital expenditure to cover plant & equipment and infrastructure.

FY20 revenue was \$656.753m compared to FY19 \$592.211m. Elevated copper and gold prices and lower C1 costs of US72 cents per lb achieved at DeGrussa & Monty mines in WA resulted in NPAT \$72.286m significantly lower than FY19 \$104.0m and FY18 \$120.7m. The NPAT result was impacted by one-off impairments & write-downs, which totalled \$23.575m and increased depreciation and amortisation charges of \$201.435m (FY19: \$140.8m).

FY20 EPS 42.88 cps compared to FY19 EPS 65.23cps. Total dividends for the year equated to 19 cents per share fully franked. Net cash inflow from operating activities \$273.6m.

SFR recorded a negative TSR of 6.78% following the share price reduction from \$5.76 on 3 July 2019 to \$5.07 30 June 2020 inclusive of dividend considerations.

We noted SFR expensed \$49.6m in FY20 of E & E costs (pcp\$48.7m). Balance sheet Exploration & Evaluation assets FY20 were \$170.5m (pcp \$26m). The jump being largely attributed to the capitalisation of acquisition costs relating to the Botswana development project.

Rehabilitation provisions as at 30 June 2020 were \$38.8m.

Five-year Company financial performance^(a)

Measure	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20
Net profit (\$'000)	46,370	75,016	120,753	104,013	72,286
Net profit attributable to equity holders of the parent (\$'000)	47,978	77,510	123,024	106,456	74,054
Cash and cash equivalents at year end (\$'000)	66,223	126,743	243,367	247,449	291,142
Secured bank loan balance at year end (\$'000)	(50,000)	-	-	-	-
Net cash inflow from operating activities (\$'000)	133,896	216,138	244,965	210,420	273,592
Basic earnings per share (cents)	30.54	49.16	77.85	65.23	42.88
ASX share price at the end of the year (\$)	5.23	5.65	9.16	6.69	5.07
Dividends per share (cents)	11	18	27	23	19

(a) Refer to the Operational and financial review for commentary on the Group's results, including underlying performance. The comparative information for FY2016 to FY2018 has not been restated following the adoption of AASB 15 and AASB 9 in prior years and the adoption of AASB 16 in FY2020 and continues to be reported under the previous accounting policies.

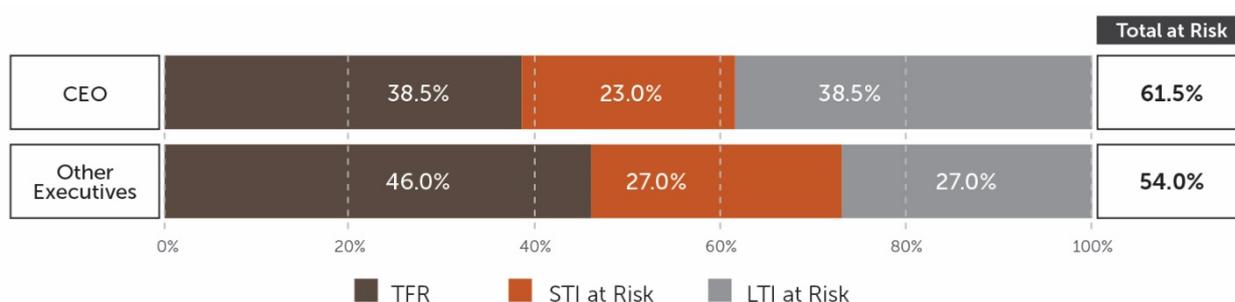
Remuneration disclosure

The 18-page FY20 REM report outlines the SFR incentivised remuneration details as they applied to FY20. The remuneration structure had not materially changed since it was last approved by shareholders at the 2019 AGM.

However, SFR have advised of a new remuneration strategy & structure effective 1 July 2020.

The new rem structure will apply to FY21 & takes into account the importance of project milestones, acceleration of Exploration & Evaluation – discovery – particularly in Montana & Botswana plus the focus on optimising capital structure. Shareholders should note that at this stage there is minimal specific reference to financial performance hurdles in the new rem structure.

The chart below is the remuneration mix for exceptional performance when maximum at risk remuneration is earned for both CEO and KMP. Note; it applies to FY20.



No change in base or committee fees for chairman & NEDs occurred in FY20. The CEO TFR has not changed since 2014. The NED fee pool of \$1.0m was approved by shareholders at the FY19 AGM. Actual statutory NED total remuneration FY20 was \$734,000.

The FY20 REM Report includes three Related Party Transactions:

Karl Simich Tongaat Pty Ltd lease of corporate office parking premises \$9,600

Karl Simich Resource Development Co P/L lease of corp office parking premises \$9,300

Karl Simich Resource Development Co P/L corp admin & financial services \$724,588

The above arrangements were put in place in the early establishment of the company. SFR indicate in the FY20 AR that the Essential Services include Corporate Administration plus clerical & accounting services which are provided on a no profit basis. The director does not profit from any arrangement with the company.

Executive KMP cash value of remuneration realised in FY2020 as displayed in the FY20 Annual Report

	Salary and fees ^(a) (\$)	Benefits and allowances ^(b) (\$)	Short-term Incentive ^(c) (\$)	LTI Plan rights ^(d) (\$)	Payments on termination (\$)	Total actual remuneration (\$)
Current Executives						
Karl Simich	1,100,000	5,052	545,490	-	-	1,650,542
Jason Grace ^(e)	464,631	-	171,714	-	-	636,345
Matthew Fitzgerald	518,322	-	281,043	-	-	799,365
Former Executives						
Richard Beazley ^(f)	111,725	-	-	-	-	111,725
Robert Klug ^(g)	265,350	-	110,279	-	503,340	878,969

(a) Salary and fees comprise base salary and superannuation entitlements. It reflects the total of "Salary and fees" and "Superannuation" in the statutory remuneration table.

(b) Benefits and allowances include the value of motor vehicle insurance provided to Mr Simich. It reflects the same figure that is disclosed in the statutory remuneration table under "Benefits and allowances".

(c) Short-term incentive represents the amount that the Executives earned in the financial year based on achievement of KPIs in accordance with the STI Plan. It includes the entire bonus irrespective of whether it was delivered as cash or superannuation. It reflects the same figures that are disclosed in the statutory remuneration table under "STI payments".

(d) No LTI Plan Rights granted to Executives in prior years vested during the current financial year. This differs from the amount disclosed in the statutory remuneration table, which discloses the value of LTI grants which may or may not vest in future years.

(e) Mr Grace commenced as Chief Operating Officer of the Company on 23 September 2019.

(f) Mr Beazley ceased as Chief Operating Officer of the Company on 20 September 2019. Mr Beazley's fees were paid to Altair Mining Consultancy Pty Ltd and he did not participate in the Company's STI or LTI Plans.

(g) Mr Klug ceased to be a KMP on 20 January 2020. Payments made to Mr Klug on termination comprise the cash value of accumulated annual leave and long service leave entitlements and termination benefits. This differs from the amounts disclosed in the statutory remuneration table.

Item 1 Resolution 1	Adoption of the remuneration report
ASA Vote	For

Summary of ASA Position

The resolution applies to the remuneration structure in place for FY20 and not to be confused with the new remuneration structure which applies in FY21. SFR have stated that their remuneration structure is tailored to SFR requirements. KPIs & weightings are stated in the report. LTI Performance Rights / share allocations are based on market price of shares using VWAP. Prior to vesting & exercise, the LTI Performance Rights do not carry dividend or voting rights.

Considering the remuneration report which applied for FY20, the areas of miss alignment with ASA Voting & Engagement Guidelines include;

STI award where applicable paid in cash with no deferral

LTI Performance period is three years compared to ASA's preferred position of 4 years

Singular LTI performance hurdle of RTSR (with comparator group ASX200 Resources Index) is considered a soft hurdle. EPS growth is a suggested secondary hurdle to RTSR.

LTI vesting conditions are softer compared to ASA.

Given (1) the FY20 REM report & structure there-in has not materially changed and was supported by shareholders at the FY19 AGM and (2) SFR has completed a significant review of the structure to take into account the potential long term growth based on international opportunities, we will support the resolution. Please refer to earlier comments under Remuneration disclosure.

Item 2 Resolution 2	Election of Independent NED Ms Sally Langer
ASA Vote	For

Summary of ASA Position

Ms Langer has some 25 years' experience in professional management consulting particularly associated with mining & Industrial Practice. She was appointed to the SFR board 1 July 2020. Ms Langer is a Chartered Accountant and her management consulting experience has covered strategic development, business growth and culture. It is planned for Ms Langer to assume the Chair SFR's People & Performance Committee (including remuneration) by December 2020.

We support her election.

Item 3 Resolution 3	Re-election of Independent NED Mr Derek La Ferla
ASA Vote	For

Summary of ASA Position

Mr La Ferla was appointed to the SFR board 17 May 2010. He has in depth knowledge & understanding of the SFR business from development stage to financially successful year on year production in WA. He is a corporate lawyer with 30 years' experience. Please refer to earlier comments under governance.

ASA acknowledges his contribution & supports his re-election at this strategic stage of SFR's long term growth.

Item 4 Resolution 4	Re-election of NED Dr Roric Smith
ASA Vote	For

Dr Smith was appointed to the SFR board 31 December 2016. In addition to his professional qualifications – BSc, BSc (Hons) Geology and PhD from University of Natal South Africa, he has both Australian & global experience at senior executive levels within the mining sector.

Given his knowledge & understanding of SFR's mining interests and the current long term growth stage of SFR involving considerable Exploration & Evaluation in Montana & Botswana we support his re-election.

Item 5 Resolution 5	Adoption of SFR Equity Incentive Plan
ASA Vote	Against

The Plan involves granting of Options or Performance Rights to employees nominated by the board.

Shareholder approval is required if the "Awards" fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1.

The overall objective of the Plan is to further increase the alignment of company performance & ownership amongst individuals selected by the board. Whilst we acknowledge the objective, we are concerned all aspects of the Plan are at board discretion. For example, Performance Period and Performance Conditions for vesting are also at board discretion. SFR state "The board in its absolute discretion operate the Plan".

We do not support incentive plans which have no reasonable disclosure and entirely at board discretion.

Item 6 Resolution 6	Approval to grant of Options to the MD / CEO.
ASA Vote	For

The overriding objective of this resolution is to motivate & ensure strategic objectives alignment at a critical stage of the company's development. The company is transitioning from a largely single mine in country miner to one with potential development in Montana & Botswana. The role of the MD/CEO at this stage is a key part of the growth strategy.

Basic details are, Grant of 927,703 zero exercise price options – “ZEPOS” – with a performance period of four years. Hurdles are equally weighted RTSR, ATSR, Ore Reserves & Production. Vesting is tailored to the award hurdles.

ZEPOS calculation is based on 100% of Karl Simich current annual fixed remuneration multiplied for 4 years. Grant value has then been divided by the volume weighted average market price – VWAP- of the company shares up to & including 30 June 2020.

Full details are included in the SFR NOM.

Considering the importance of the strategic growth initiatives in play, we support the resolution.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 (“ASA”). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.