

Sandfire in transition

Company/ASX Code	Sandfire Resources Limited/SFR
AGM time and date	1.00pm AWST Wednesday, 29 November 2023
Location	Theatrette Dexus Place Perth, Mezzanine Floor 240 St Georges Tce Perth
Registry	Automic Group
Type of meeting	Hybrid
Monitor	Len Roy assisted Ian Berry
Pre-AGM Meeting	Yes with Ind NED Chairman John Richards, MD /CEO Brendan Harris & Company Secretary Ms Sophie Raven

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1.	Adoption of Remuneration Report	For
2.	Election of Mr Paul Harvey as Director	For
3.	Re election of Ms Jennifer Morris OAM as a Director	For
4.	Grant of FY24 LTI Rights to MD & CEO Brendan Harris	For
5.	Approval of Equity Incentive Plan	For
6.	Proposed amendments to Existing Awards to reflect the Equity Incentive Plan	For
7.	Approval of leaving entitlements	Against

2. Key Financial Outcomes

1. Revenue from ordinary activities Down 13% US\$803,974m
2. Loss from ordinary activities after tax attributable to members down 146% (US\$51,576m)
3. Net loss for the period attributable to members Down 146% (US\$51,576m)
4. Underlying Earnings Down 133% (US\$45,257m)
5. Net tangible assets per share were US\$3.59 as at 30 June 2023. Pcp US\$3.78.

Capital raisings & dividend

Considering FY24 capex requirements including the Motheo mill expansion from 3.2Mtpa to 5.2Mtpa plus MATSA requirements, no dividends have been declared or paid during FY23 or since the end of the year 30 June 2023. Motheo & MATSA FY24 output guidance as per the annual report is for 135k tonnes copper equivalent (CuEq). It was noted the initial 3.2Mtpa mill was completed & commissioned on time and within budget.

A fully underwritten entitlement offer of A\$200m was initiated in November 2022 raising A\$147m from the institutional component and A\$55m from the retail component. The offer was priced at A\$4.30 ps – a 10.2% discount at the time. Retail entitlement take up was approx. 66%, with the shortfall allocated via the underwriting agreement. Share price 13 November 2023 was \$6.04.

The table below summarizes the cash, net debt and net assets of the SFR Group at year end.

US\$000	2023	2022
Cash and cash equivalents	141,939	463,093
Current debt ^(a)	(86,265)	(335,800)
Non-current debt ^(a)	(485,735)	(452,000)
Total debt	(572,000)	(787,800)
Net debt ^(a)	(430,061)	(324,707)
Net assets	1,734,547	1,665,438

(a) Debt represents principal outstanding on secured bank loans at period-end. Debt and Net debt excludes capitalised transaction costs, leases and revolving short-term working capital facilities.

The Corporate Debt Facility was fully repaid in the first half of the year with funds from the equity raising. The balance of the MATSA Finance Facility was reduced to \$432.0 million as \$218.0 million was repaid during FY23.

Refer p 39 of the annual report for the key performance indicators.

5 Year Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (US\$m)	(53.561)	109,432	127.428	47.554	80.646
UPAT (US\$m)	(45.257)	138.832			
Share price (A\$)	5.90	4.45	0.34	0.19	0.23
Dividend (cents)	Nil	0.03	0.34	0.19	0.23
Simple TSR (%)	1.45	(2.35)	2.1	1.81	
EPS (cents)	(11.81)	32.05	72.14	28.79	46.67

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Sandfire has transitioned in 2023 to disclosing Underlying Profit after Tax (UPAT) as it considers it a better way to assess business performance. Sandfire has transformed over the past few years from being a company with one operating mine in Australia, which produced mostly good profits and dividends to a more complex corporation charged with rehabilitating this mine, developing

and running mines taken over in an old and historic mining province in Spain, whilst also moving into operation and expanding its new mines on the Kalahari Copperbelt in Botswana, in addition to persevering with plans to bring into operation new mines in Montana, against environmental opposition.

Further, it is also noted that a new CEO was appointed during this period with cultural impact after the previous CEO being in place for fifteen years. A new CFO also commenced in 2023 and other replacement executives have been appointed. A number of new and replacement directors were also appointed in 2022-23.

It is stressed that the Motheo mine in Botswana was built over a three-year period, on time and on budget and is now in production. It is very unlikely, if not impossible, that a comparably sized mine could become operational in a similar timeframe in Australia. Sandfire is exploring in the Botswana and Namibia copper belts and is finding success in locating orebodies to justify expanding both the mine and plant.

The main risk to Sandfire is the future copper price. Although, in the mid-term there are forecast supply shortages of copper, and adequate new production globally is not emerging, the mid-term price outlook is very positive. The short-term outlook is not as promising, but as a low-cost producer and with some hedging in place as regards Matseo borrowings, this challenge should not have a hugely negative impact.

The company is also impacted by commodity prices for zinc and lead which are important by-products. Cost of production of these is low.

Governance

The SFR AR includes Appendix 4G Key to Corporate Governance Disclosures and SFR states they comply with all relevant ASX Corporate Governance Council's 4th edition Principles & recommendations.

The SFR board is made up of 5 independent NEDs plus the MD/CEO. Three Ind NEDs are Female. Board attendance in FY23 was 100%.

Four board committees are:

Audit & Finance	Chaired by Ind NED Sally Langer
People & Performance	Chaired by Ind NED Jennifer Morris
Risk & Sustainability	Chaired by Ind NED Rob Edwards
Nominations	Chaired by Ind NED & chairman John Richards

The company does not support political donations.

Status of Motheo, MATSA, Black Butte & DeGrussa

Motheo mine & production in Kalahari copper belt Botswana was officially opened in FY23 with significant community & government involvement. Mineral Reserves in surrounding areas of Kalahari Copper Belt have increased with incremental exploration and, SFR had decided to increase the mill capacity from 3.2M tpa to 5.2M tpa. Motheo is primarily a copper mine with complimentary silver deposits. FY24 production guidance CuEq ~42k tonnes.

29% of the Motheo workforce are women.

DeGrussa Copper mine in WA has ceased operations, following the conclusion of orebody processing in May '23 and, transitioned to care & maintenance. Rehabilitation program being established and divestment opportunities being investigated.

MATSA Cu, Zn, Pb & Ag (Copper, Zinc, Lead, Silver) underground mines are located in the Iberian Pyrite Belt SW Spain and now fully operational under SFR ownership. Significantly contributing CuEq - 93k tonnes output compared with Group output CuEq of 135k tonnes.

Black Butte project in Montana USA is a potential underground high grade copper mine.

There have been a number of environmental hurdles to overcome with regulatory authorities & local environmentalists. The "Record & Decision to Grant Mine Operating Permit" was granted in 2020 however some authorisation matters are still pending. The mine is near established road, rail & power infrastructure.

Key board and senior management changes

Dr Roric Smith joined SFR board December 2016 and retired as NED 30 June 2023. He continues to be available in an advisory capacity.

Brendan Harris joined SFR April '23 in the capacity of CEO & MD. He has senior Executive experience with BHP and S32.

Matthew Fitzgerald planned to step down 30 September 2023. He is a CA and held the responsibility of CFO. His planned successor was Megan Jansen who commenced in October '23. Cath Bozanich BSc GAICD and MBA has been appointed Chief Sustainability & Corporate Affairs Officer.

Sustainability/ESG

SFR's Sustainability Report FY23 is based upon 6 pillars; People, Biodiversity, Water, Business Integrity, Climate Change & Communities. The timeline is 5 years.

The structure is in accordance with UN Sustainable Development Goals "SDGs" and Key Performance reporting metrics are in accordance with GRI Standards 2021.

Sustainability reporting is also in accordance with the SASB Metals & Mining Industry Standard (Version 2023-06).

Noteworthy points include:

1. The Climate Change chapter aligns with TCFD - Taskforce on Climate Related Financial Disclosures – recommendations
2. Incentivised executive remuneration is embedded in the Sustainability Report
3. Bureau Veritas has issued an Independent Assurance Statement
4. The report includes a Decarbonisation Pathway

SFR has concluded a long term Power Purchase Agreement for supply to MATSA. It is a carbon emission free agreement in line with SFR's interim absolute emission reduction target for 2035.

Remuneration Report

The FY23 Remuneration Report is covered extensively in pages 77-103 of the Annual Report. Independent NED Jennifer Morris chairs the Remuneration Committee, and the report addresses the challenging transitional circumstances involving closure of DeGrussa mine, acquiring MATSA in Southern Spain, development of Motheo in the Kalahari Copper Belt of Botswana plus significant changes to the Executive team.

During our meeting, we gained the impression the transition was going according to SFR strategy which was put in place 2-3 years ago.

The remuneration structure had to address the surprise departure of the original founder & CEO, 30 September '22, the installation of an in-house executive as Acting CEO and the commencement of newly appointed CEO & MD 3 April '23.

An additional challenge was retention of key people during the transition involving closure of DeGrussa copper mine in WA and establishing & developing Motheo in the Kalahari Copper Belt. Added to the challenging transition period was the acquisition & integration of 3 underground operational copper mines under the MATSA umbrella in southern Spain in FY22.

All things considered; we feel SFR has managed to navigate the transition remarkably well. The rem framework is based upon 5 guiding principles, purpose, strategy, culture, shareholders performance & market alignment.

The remuneration structure continues to be modelled on Fixed Remuneration, STI and LTI however there have been modifications.

The Acting CEO received a one-off equity-based retention award and the MD CEO Mr Harris received \$1,100,000 sign on rights as approved by shareholders at the general meeting held 21 March '23.

STI score card measures have been re-weighted; Safety 10%, Production 30%, Cost of production 15%, adjusted cost of production 15% and MATSA reserves replenishment. Any STI award would be payable 50% cash & 50% equity.

LTI score card measures are sustainability 25%, Financial 50% & strategic 25%.

Going forward, the LTI performance period has been reversed from the recently introduced 4-year period to three years as part of the major readjustment of remuneration. We assume the criticality of the transition was an influence in this change. However, FY21 LTI being 4 year, was not tested in FY23 but will be in FY24.

Some positive board discretion took place in the FY23 transition period acknowledging TSR 35%, (outperforming ASX200 and ASX200 Resources indices), CuEq production 132k tonnes, Safety performance TRIFR reduced from 3.8 to industry leading 1.6 plus milestones related to MATSA & Motheo.

Rem reward mix

	CEO / MD	Other Executives
Fixed remuneration	33%	36%
STI cash	13%	13%
STI equity	13%	13%
LTI	42%	38%
Total at risk	67%	64%

Minimum shareholding requirements are as follows:

Board Chair, NEDs, Other Execs 100% of fixed rem.

CEO/MD 200% of fixed rem.

Maximum period for complying with this requirement is 5 years.

Share holdings as at 30 June '23

John Richards	chair	66,819	
Sally Langer	NED	29,044	
Jennifer Morris	NED	28,062	
Jason Grace	COO	59,293	(acting CEO Oct '22- May '23)

Production Guidance

FY2024 Guidance (FY2023 comparative)(a)	MATSA	Motheo(b)	Continuing Operations	DeGrussa	Group
Copper Equivalent (~kt)(a)	93 (90)	42 (1)	135 (91)	-(32)	135 (123)
Contained Metal					
Copper (~kt)	58 (56)	39 (1)	97 (57)	-(27)	97 (84)
Zinc (~kt)	88 (86)	- (-)	88 (86)	- (-)	88 (86)
Lead (~kt)	10 (11)	- (-)	10 (11)	- (-)	10 (11)
Gold (~kz)	- (-)	- (-)	- (-)	-(19)	-(19)
Silver (~Moz)	2.6 (2.6)	1.2 (-)	3.8 (2.6)	-(0.1)	3.8 (2.7)

(a) CuEq is calculated based on JUN23 average market price in US\$. Source: WM/Reuters; Assumptions: Cu US\$8,386/t, Zn US\$2,368/t, Pb US\$2,118/t, Au US\$1,943/oz, Ag US\$23/oz.

(b) FY2023 metal produced represents contained metal during the commissioning and ramp up phase. FY2024 metal production guidance is expected to include both ramp up and production phases, with the achievement of commercial production in July 2023.

Group copper equivalent production is expected to increase by 10% in FY2024 with the ramp-up of Motheo to be partially offset by the loss of production from DeGrussa.

Rationale for Voting Intentions

Interested parties are urged to read the NOM Explanatory Notes in their entirety to fully familiarise themselves with resolution details.

Resolution 1 - Adoption of Remuneration Report

The report is necessarily complex considering the transition circumstances, the surprise resignation of founding CEO plus the tight market in WA's resources sector for senior executives. Nevertheless, the rem structure upholds the traditional fixed rem & incentivised format with explanatory weightings and performance award metrics. We commend SFR for the detail in the report although ASA does not support board discretionary awards or what may be seen as "golden parachute" appointment payments.

We note the incoming CEO appointment payment was in the form of equity and tied to LTI requirements.

Considering the SFR rem structure has become more professionalised and generally in accordance with ASA Guidelines we, in the case of open proxies, will support the resolution.

Resolution 2 - Election of Paul Harvey as Director

Mr Harvey was appointed to the board 12 September '23 and is considered an independent NED. He has 35 years senior executive experience in the resources sector including BHP (2005-2015), and South 32 (2015-2020), with local & global responsibilities. He is a professional mining engineer, Fellow of the Australasian Institute of Mining & Metallurgy, and a Graduate & member of AICD.

In the case of open proxies, we will support the resolution.

Resolution 3 - Re-election of Ms Jennifer Morris OAM as a Director

Ms Morris was appointed to the board 1 January '21. She is an accomplished / respected corporate executive with focus on strategy development, business transformation, management of human capital, plus ESG culture & policies.

She has an impressive sporting background winning two Olympic gold medals (1996 & 2000), and a period as Commissioner on the Australian Sports Commission.

Ms Morris is a member of AICD, a Fellow of Leadership WA and a member of the Vice Chancellor's List, Curtin University. She also completed the Finance for Executives at INSEAD.

Taking into account her recent retirement from the FMG board (Nov 2016-June 2023), and considering other material directorships, we will, in the case of open proxies, support this resolution.

Resolution 4 - Grant of FY2024 LTI Rights to CEO Brendan Harris (or his nominee(s))

Mr Harris in his capacity as MD & CEO is entitled to be included in the SFR LTI Performance Rights Plan and has been offered 249,810 FY24 under the FY24 LTI plan at nil price. Expiry date of the Rights is 3 years from issue date. Under the LTI FY24 award conditions the maximum value of the PRs is \$1.500,000.

For open proxies, we will support this resolution.

Resolution 5 - Adoption of Equity Incentive Plan

The updated Equity Incentive Plan includes following key changes:

Provision for the board to determine T&Cs of a salary sacrifice arrangement for which awards are offered in lieu of cash remuneration;

Provision for the cashless exercise of Options (in lieu of paying the aggregate exercise price exercise the options in cash);

Removing the 14 day period within which the board was previously required to exercise its discretion upon an “event”;

Amending the treatment of vested Awards held by persons who cease employment (other than termination for cause circumstances); and

Aligning the Plan with the requirements of Div 1A of Part 7.12 of the Corporations Act which were introduced in late 2022.

Under this resolution, shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 13(b), which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within 3 years of the date of issue.

Where there are open proxies, we will support the resolution.

Resolution 6 - Proposed amendments to Existing Awards to reflect the Plan

If Resolution 6 is passed, Shareholders will be approving amendments to the terms of all existing Awards on issue to align with the amendments summarised by SFR under Resolution 5 – Adoption of Equity Incentive Plan- section 5.1 for the purpose of Listing Rule 6.23.4.

Where we hold open proxies, we will support the resolution.

Resolution 7 - Approval of leaving entitlements

Part 2D.2 of the Corporations Act restricts the benefits that can be given without shareholder approval to individuals who hold or held a managerial or executive office (as defined in the Corporations Act), to the equivalent of 12 months fixed remuneration on leaving employment with the company. This resolution appears to provide the board with full discretion for all purposes including Part 2D.2 of the Corporations Act, in determining the entitlements & termination benefits.

While ASA supports the remuneration framework, ASA considers the board discretion described in this resolution ventures into the area we consider should be subject to shareholder approval.

ASA will vote any open proxies Against this resolution.

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