



Surprise exit of CEO. Wind down of DeGrussa. Focus on MATSA (Spain) & Motheo Botswana copper assets.

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| Company/ASX Code | Sandfire Resources Ltd ASX:SFR |
| AGM date | Wednesday 30 November 30 2022 |
| Time and location | 1230 AWST. Dexus Place L16 240 St Georges Tce Perth. Hybrid meeting. |
| Registry | Automic Group L5 Philip St Sydney NSW 2000. |
| Type of meeting | Yes – hybrid via https://web.lumiagm.com/345096311 |
| Poll or show of hands | Poll on all items |
| Monitor | Len Roy supported by Ian Berry |
| Pre AGM Meeting? | Yes with Chair John Richards and Sash Trpkoski Head of Corporate Affairs |

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

Summary of issues for meeting

SFR is a mining company focused on the production & sale of copper concentrate including gold & silver by-products from the 100% owned high grade DeGrussa mine in WA. Underground mining at Degrussa has concluded & rehabilitation continuing. In parallel, SFR has been developing copper reserves at its Motheo copper project in Botswana. In addition, SFR has acquired the long life MATSA established copper mine consisting of three underground operations in Spain, and plans are underway to significantly increase concentrator output.

Development of Black Butte Copper reserves in Montana USA have been subject to several years delays resulting from environmental concerns between regulatory authorities & the communities.

SFR’s challenge has been orderly wind down of a very successful Degrussa operation and at the same time rapidly develop overseas mining activities. At the time the expansionary overseas opportunities were approved, LME copper prices were on a high and demand expectations were strong. Subsequently, copper prices have fallen significantly at a time of high capex.

If that was not enough of a challenge the CEO & MD Karl Simich who was founder of SFR with 15 years’ service, surprisingly announced, he would leave the company immediately – 30 September 2022. SFR chair announced Jason Grace would be acting CEO whilst SFR undergoes a search for Mr Simich’s successor.

A substantial proportion of the AGM Explanatory Memorandum within the NOM is taken up explaining the resolutions associated with the CEO’s termination benefits.

Fortunately, the company has had a good track record from operational, financial & safety perspectives and has successfully managed cyclic commodity prices. Shareholders have appreciated SFR’s high level reporting. Given the current strategic development & growth

opportunities at MATSA (4.7Mtpa) and Motheo (5.2Mtpa) a new CEO in considering overall strategic growth, may re-consider the cost & management effort invested in Montana.

To some extent, the by-products at MATSA (Zinc, Lead, gold & silver) will provide some buffer for cyclic copper pricing.

Consideration of financial statements & reports

No vote required.

Headline financial numbers

| Net Profit attributable to equity holders USD | Cash. YE cash balance USD | Sales revenue USD | Operating cash flow prior to exploration USD | Group EBITDA USD |
|---|---------------------------|-------------------|--|------------------|
| \$111.4m | \$463.1m | \$922.7m | \$439.5m | \$447.3m |

Proposed Voting Summary

| No. | Resolution description | Voting open proxies |
|-----|--|---------------------|
| 1 | Non-binding Resolution to adopt Remuneration Report. | For |
| 2 | Election of Mr Robert Edwards as a Director. | For |
| 3 | Election of Ms Sally Martin as a Director | For |
| 4 | Re-Election of Dr Roric Smith as a Director | For |
| 5 | Grant of STI shares to Mr Karl Simich or his nominee for FY21 | For |
| 6 | Approval of potential termination benefit in relation to payment of STI cash payment to Mr Karl Simich or his nominee for FY21 | For |
| 7 | Grant of STI shares to Mr Karl Simich or his nominee for FY22 | For |
| 8 | Approval of potential termination benefit in relation to payment of STI cash payment to Mr Karl Simich or his nominee for FY22 | For |
| 9 | Approval of potential termination benefit in relation to proposed Deed Payments to Mr Karl Simich or his nominee | For |
| 10 | Approval of potential termination benefits in relation to retention of Discretionary ZEPO's (including the right to be paid any Dividend Equivalent held by Mr Karl Simich | For |

Financial performance

5 Year Summary

| (As at FYE) | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|
| NPAT (USDm) | 109,432 | 127,428 | 47,557 | 80,646 | 93,625 |
| NP attributable to members (USDm) | 111,430 | 128,594 | 48,743 | 76,161 | 95,386 |
| Cash & cash equivalents | 463,093 | 431,313 | 199,812 | 173,536 | 179,873 |
| Secured bank loan balance | 782,283 | – | – | – | – |
| Net cash inflow from operating activities | 391,188 | 347,510 | 183,677 | 147,568 | 189,932 |
| Basic EPS | 32.05 | 72.14 | 28.79 | 46.67 | 60.36 |
| CEO total <u>actual</u> cash value remuneration, (AUDm) | 2,078,981 | | | | |

CEO actual FY22 remuneration is made up of TFR \$1,100,000, Benefits & allowances \$10,000, Cash variable \$553,385, Equity STI \$415,596 giving a total of \$2,078,981 which is 22 times annualised average weekly earnings.

On 1 February 2022, SFR completed all regulatory & financial closures for the acquisition of MATSA for total consideration USD1.865billion. The acquisition was funded by a combination of existing cash reserves, an AUD1.248billion equity raising completed October '21, and the proceeds of a USD650 million MATSA Syndicated Debt Facility , plus AUD200million Corporate Debt Facility.

Degrussa underground copper mine has produced high grade copper for over a decade with globally competitive C1 cost outcomes. For FY22 Degrussa produced 67,740 t of copper and 32,285oz gold at an overall C1 cost of USD1.18 lb of copper. Operational EBITDA was AUD392.5m which equated to a 63% margin.

Motheo Copper open pit project is planned to commence production second quarter of CY23, and peak production is estimated at 55ktpa copper. Funding for the Motheo project based on original concentrator output 3.2Mtpa would be a combination of cash reserves and project debt. SFR has received credit committee approval for USD140m project debt facility.

Results of the definitive feasibility study (DFS) completed prior to 30 June '22 and released shortly after support a mill capacity increase to 5.2Mtpa . The increased capacity is planned to be operational March quarter FY24.

The MATSA acquisition is providing important cash flow and SFR's successful decade of underground mining experience at Degrussa will be advantageous in integrating the operational management of MATSA's three underground mines.

ESG, governance and culture

SFR state they comply with all relevant ASX Recommendations and the Appendix 4G checklist cross referencing the ASX Recommendations to disclosures in the Corporate Governance Statement are tabled in the FY22 Annual Report.

The board includes 6 independent NEDs with 50/50 gender mix. Acting CEO Jason Grace reports to the board. Former chair & Director Derek La Ferla retired 8 July 2022 following 12 years of service & replaced by Independent chair John Richards who was appointed to the board January 2021 & appointed chair 30 April 2022.

There were three board committees in FY22:

Risk & Sustainability chaired by Ind NED John Richards

Audit & Finance chaired by Ind NED Sally Langer

People & Performance chaired by Ind NED Jennifer Morris

The company's Sustainability Report is prepared in accordance with GRI Standards Core Option, with additional disclosures from the G4 Mining & Minerals Sector Supplement. SFR has been proactive with progressive rehabilitation requirements at DeGrussa.

SFR has committed to a companywide net zero by 2050 target covering Scope 1 & 2 emissions for all sites under SFR operational control. Also, SFR has committed to an interim company wide renewable electricity target of 50% by 2030.

EY Key Audit Matters refer p132-135 of AR

Value of Trade Receivables

Recognition & measurement of rehabilitation, restoration & dismantling provisions

MATSA operations (reliance on the work of a non-EY component team)

MATSA business combination

Key achievements have included

Aggregate capital raising of \$1,248.0million October '21 inclusive of \$32.1m SPP for retail shareholders. The capital raising was strongly supported by Australian Super who held approximately 15% equity as at 10 May '22.

During FY22 Sandfire sold an aggregate of 34,600,780 CHESS depository interests (CDIs) representing ordinary shares in the capital of Adriatic Metals Plc (ASX: ADT), or 16 percent of Adriatic's existing issued ordinary share capital, at a price of \$2.08 (A\$2.80) per Secondary Placing Share. The sale realised aggregate gross proceeds of \$71.0 million (A\$97.0 million).

Acquisition and integration of the MATSA Copper Operations in Spain in 2H FY22.

The development, construction, and expansion studies for the Motheo Copper Project in Botswana.

Progression of the Black Butte Copper Project in Montana (subject to environmental disputations between regulatory authorities, & local communities.)

Financial performance of the DeGrussa Operations which are now in wind down mode.

As part of the aggregate \$1,248.0m equity raise, SFR closed a Retail Entitlement Offer on 13 October 2021 and raised \$32.1 million based on an offer price \$5.40 per New Share. Eligible retail shareholders took up 5,970,984 New Shares under the Retail Entitlement Offer.

1. Resolution to adopt the Remuneration Report - For

The SFR report has come of age in terms of layout, structure, transparency and outcomes. LTI performance period continues to be 3 years compared to ASA's more realistic "long term" of 4 years however, the report generally complies with ASA Guidelines for ASX200 Listed companies.

SFR achieved above-guidance copper production (98,367t) and zinc production (38,907t) for FY2022 (including MATSA from February 2022 onwards. Notwithstanding strong global inflationary pressure on energy, labour and supply chains, the company achieved strong financial performance including revenue (\$922.7 million), operating cash flows (\$391.2 million) and net profit (\$109.4 million).

The report is heavily focused on the SFR Strategic Growth Plan inclusive of 5 Strategic Imperatives. NED base fees did not change however a A\$13,000 annual committee membership fee was introduced for each NED.

In FY22, nil LTI grant occurred resulting in 4 consecutive years of nil LTI vesting.

Nil exercising of board discretion occurred in FY22 and SFR has a policy of NEDs holding a minimum 100% of base fees value in company shares within a window of 5 years.

Fixed remuneration for KMP executives did not change in FY22. Three executive Team Leaders received 76.8%, 76.0%, & 77.6% (respectively Karl Simich, Jason Grace, & Matthew Fitzgerald) of their STI maximum award entitlement in FY22.

We support the resolution and will vote "Open" proxies in favour of the resolution

2. Election of Mr Robert Edwards as a Director - For

Mr Edwards was appointed Independent NED 8 July 2022 and has 30 years relevant experience. He graduated from Camborne School of Mines and specific experience includes production mining, new business development, equity research, investment banking & board level responsibilities.

Engagements have included HSBC Global Mining Team, Royal Bank of Canada (Europe) investment banking including mergers & acquisitions. He was NED chairman of Sierra Rutile Ltd until its sale to Iluka in 2016.

We will ask the chair if Mr Edwards can speak to the resolution.

We support the resolution and will vote open proxies in favour of the resolution.

3. Election of Ms Sally Martin as a director - For

Ms Sally Martin joined the SFR board 8 July 2022 and is a former senior executive of Shell. During her 34 years with Shell Ms Martin's responsibilities included operational & business team leadership, including refining & trading. She has strong ESG credentials including energy transition, strategy development as VP health, safety, security, environment & social performance.

We will ask the chair if Ms Martin can speak to the resolution and will support the resolution.

4. Re-election Dr Roric Smith as Director - for

Dr Smith was appointed to the SFR board 31 December 2016 and we believe he has made strong contributions. He is a highly experienced geologist with Australian & international al experience.

Previously, Dr Smith was VP Discovery & Chief Geologist for Evolution Mining Ltd.

He also had Senior VP roles with AngloGold Ashanti Ltd including Global Greenfield Exploration, Country Manager & Chief Representative China, Exploration Manager North Asia and Chief Geologist – Australia.

We support the resolution and will vote open proxies in favour of the resolution.

Items 5 to 10 – For

(Being 5 Grant of STI shares to CEO & MD Mr Karl Simich or his nominee for FY21; 6 Approval of potential termination benefit in relation to payment of STI Cash Payment to Karl Simich or his nominee for FY21; 7 Grant of STI shares to Karl Simich or his nominee for FY22; 8 Approval of potential termination benefit in relation to payment of STI Cash payment to Karl Simich or his nominee for FY22; 9 Approval of potential termination benefit in relation to proposed Deed Payments to Mr Karl Simich or his nominee; and 10 Approval of potential termination benefit in relation to retention of Discretionary ZEPOs (including the right to be paid any Dividend Equivalent) held by Mr Karl Simich.)

ASA voting guidelines support vesting of incentive awards where we have been supportive of the remuneration arrangements. As we voted in favour of Remuneration Report in '20 and '21 we will vote open proxies for resolutions 5, 7 and 10. We would prefer the incentives are conveyed in the form of shares rather than in cash, and will vote undirected proxies in favour of resolutions 6 and 8 on the understanding that if resolutions 5 and 7 are carried those payments will be in the form of equity. We note the remuneration outlined in the notice of meeting (NOM) shows Mr Simich's pay for the pro rata period since 30 June 2022. We have consider the FY22 fixed remuneration of \$1.1m as a benchmark rather than what is in the NOM.

ASA voting guidelines require no ex-gratia payments to executives on their retirement. Resolution 9 relates to a potential termination benefit in relation to the deed payments which facilitate winding up of longstanding arrangements and are therefore not ex-gratia in nature. The company warns if this Resolution is not passed, the Company will not be able to pay the relevant termination benefits under Resolution 9 and Mr Karl Simich may have a claim against the Company for payment of amounts under Resolution 9.

Mr Simich has been at the helm of Sandfire for 15 years, since Sandfire was a junior explorer, and the arrangements with the "Contractor" and "Supplier," as defined by the NOM, date back to that time and are not in keeping with an ASX200 company. An orderly unwinding is in the best interests of the company and we support this resolution.

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