



**SANDFIRE** RESOURCES NL

ACN 105 154 185

**NOTICE OF ANNUAL GENERAL  
MEETING AND EXPLANATORY  
MEMORANDUM TO  
SHAREHOLDERS**

**Date of Meeting**

Wednesday, 27 November 2013

**Time of Meeting**

10.00 am (Perth time)

**Place of Meeting**

Fraser's Function Centre, Ground Floor  
Fraser Avenue, Kings Park  
West Perth, Western Australia 6005

**A Proxy Form is enclosed**

Please read this Notice and Explanatory Memorandum carefully.

# Sandfire Resources NL

ACN 105 154 185

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Sandfire Resources NL ACN 105 154 185 ("Company") will be held at Frasers Function Centre, Ground Floor, Fraser Avenue, Kings Park, West Perth, Western Australia on Wednesday, 27 November 2013 at 10.00am (Perth time) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

### AGENDA

#### ITEMS OF BUSINESS

##### Financial Reports

To receive and consider the financial statements of the Company for the year ended 30 June 2013, together with the Directors Report and the Auditor's Report as set out in the Annual Report.

#### 1. Resolution 1 – Non Binding Resolution to adopt Remuneration Report

To consider and, if thought fit, pass the following as an **ordinary resolution**:

*"That the Remuneration Report for the year ended 30 June 2013 be adopted."*

**Note:** The vote on this Resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter<sup>1</sup>. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 1 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 1; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to

vote any undirected proxies in favour of Resolution 1.

Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

#### 2. Resolution 2 – Election of Mr Paul Hallam as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, Mr Paul Hallam, who was appointed as a casual director of the Company on 21 May 2013, retires in accordance with clause 7.1(e) of the Constitution and, being eligible, offers himself for re-election, be re-elected a Director of the Company."*

#### 3. Resolution 3 – Re-Election of Mr Robert N Scott as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Robert N Scott who ceases to hold office in accordance with clause 7.1(f) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected a Director of the Company."*

#### 4. Resolution 4 – Employee Share Option Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, Shareholders approve the issue of securities under the Sandfire Resources NL Employee Share Option Plan for employees, the rules of which are summarised in the Explanatory Memorandum, as an exception to Listing Rule 7.1."*

The Company will disregard any votes cast on Resolution 4 by a Director of the Company and any person associated with those persons (except one who is ineligible to participate in any employee incentive scheme of the Company). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it was not confined to associate references occurring in Chapter 6 of the Corporations Act and on the basis that the Company is the "designated body". "Associate" also includes a related party of any of the Directors.

<sup>1</sup> Restricted Voter means the Key Management Personnel and their Closely Related Parties as defined in the glossary.

**5. Resolution 5 – Maximum Aggregate Non-executive Director Fee Pool**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 10.17 and for all other purposes, the maximum aggregate Director fees payable to non-executive Directors be increased from \$500,000 per annum to \$750,000 per annum."*

The Company will disregard any votes cast on Resolution 5 by a Director of the Company and any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a Proxy Form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 5 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 5; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 5.

Shareholders may also choose to direct the Chair to vote against Resolution 5 or to abstain from voting.

For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it was not confined to associate references occurring in Chapter 6 of the Corporations Act and on the basis that the Company is the "designated body".

**OTHER BUSINESS**

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To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

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Capitalised terms used in this notice are defined in the glossary to the Explanatory Memorandum.

**By order of the Board**

**Matthew Fitzgerald**  
Company Secretary

Dated: 29 October 2013

## How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote;
- voting online at [www.securitytransfer.com.au](http://www.securitytransfer.com.au). To log in you will need your Online Proxy ID and either your Holder Identification Number (**HIN**) or your Securityholder Reference Number (**SRN**); or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, electronically via the internet or by email or facsimile.

## Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. A properly executed original (or certified copy) of the power of attorney under which they have been authorised to attend and vote at the meeting must be lodged with the Company's share registry by 10.00am (Perth time) on 25 November 2013 (48 hours before commencement of the meeting).

## Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

## Online voting

Shareholders are encouraged to use the online voting facility that can be accessed at [www.securitytransfer.com.au](http://www.securitytransfer.com.au). Online voting enables Shareholders to vote directly on resolutions considered at the meeting without attending the meeting or appointing a proxy.

If you cast an online vote, you are still entitled to attend the meeting. However, your attendance will cancel your online vote unless you instruct the Company or Security Transfer Pty Ltd otherwise.

The Chairman's decision as to whether an online vote is valid is conclusive.

To be effective, online voting must be completed by 10.00am (Perth time) on 25 November 2013. Voting after this time will be invalid.

## Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the

proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).

- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 1 and 5, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy, will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used, where possible, to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.
- The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 10.00am (Perth time) on 25 November 2013. If facsimile or email transmission is used, the power of attorney must be certified.
- Proxies may be lodged using any of the following methods:
  - by returning a completed proxy form in person or by post to:

*The share registry:*  
Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
or  
PO Box 535  
Applecross WA 6953

*Company's registered office:*  
Sandfire Resources NL  
Level 1  
31 Ventnor Avenue  
West Perth, WA 6005  
PO Box 1495  
West Perth, WA 6872

- by faxing or emailing a completed proxy form to:

*The share registry:*  
+61-8 9315 2233  
registrar@securitytransfer.com.au

*Company's registered office:*  
+61-8 6430 3849  
admin@sandfire.com.au

- by recording the proxy appointment and voting instructions via the internet at [www.securitytransfer.com.au](http://www.securitytransfer.com.au). Only registered Shareholders may access this facility and will need their Online Proxy ID and either their Holder Identification Number (**HIN**) or Securityholder Reference Number (**SRN**). To be effective, online voting must be completed by 10.00am (Perth time) on 25 November 2013. Voting after this time will be invalid.

**Shareholders who are entitled to vote**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 4.00pm (Perth time) 25 November 2013.

# SANDFIRE RESOURCES NL

## ACN 105 154 185

### EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of Sandfire Resources NL (**Sandfire** or the **Company**).

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

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#### FINANCIAL REPORTS

The first item of the Notice of Annual General Meeting (**AGM**) deals with the presentation of the annual financial report of the Company for the financial year ended 30 June 2013 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the AGM to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide Shareholders a reasonable opportunity to ask the Auditor or the Auditor's representative questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

The Chair will also allow a reasonable opportunity for the Auditor or their representative to answer any written questions submitted to the Auditor under section 250PA of the Corporations Act.

#### RESOLUTION 1 – NON BINDING RESOLUTION TO ADOPT REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires the Company to put to its Shareholders a resolution that the Remuneration Report for the year ended 30 June 2013 be adopted.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's

financial report for the year ended 30 June 2013, will be set out in the Company's Annual Report and is also available on the Company's website ([www.sandfire.com.au](http://www.sandfire.com.au)).

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2013 AGM, and then again at the 2014 AGM, the Company will be required to put a resolution to the 2014 AGM, to approve calling a general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the 2014 AGM. All of the Directors who were in office when the 2014 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

The Remuneration Report for the financial year ended 30 June 2012 did not receive a vote of more than 25% against its adoption at the Company's last general meeting held on 27 November 2012. Accordingly, if at least 25% of the votes cast on Resolution 1 are against adoption of the Remuneration Report it will not result in the Company putting a spill resolution to Shareholders at this Meeting. However, a spill resolution will be required at the 2014 AGM if the Remuneration Report at the 2013 Annual General Meeting receives a vote of more than 25% against its adoption.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors and other Key Management Personnel, sets out remuneration details for each Director and other Key Management Personnel and any service agreements and sets out the details of any equity based compensation.

The Chair will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

#### *Voting*

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters

may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

#### **RESOLUTION 2 – RE-ELECTION OF MR PAUL HALLAM AS A DIRECTOR**

Resolution 2 seeks approval for the election of Mr Paul Hallam as a Director with effect from the end of the Meeting.

Clause 7.1(d) of the Constitution provides that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy, or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Under clause 7.1(e) of the Constitution, any Director so appointed holds office only until the next following Annual General Meeting and is then eligible for election, but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Paul Hallam retires from office in accordance with the requirements of clause 7.1(e) of the Constitution and submits himself for election in accordance with clause 7.1(i) of the Constitution.

Mr Hallam, a qualified Mining Engineer, is a highly experienced resource industry executive with more than 35 years experience working for a number of blue chip Australian and International mining companies, including 15 years at senior executive management level. His experience spans a range of corporate and operating environments, both in Australia and overseas and covers a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining.

His former roles include Director – Operations with Fortescue Metals Group (2008-2011), where he was responsible for all mine, rail and port operations and support functions, technical services, asset management, HR and infrastructure services.

Prior to this, he was Executive General Manager – Development & Projects with Newcrest Mining Limited (2005 - 2007), where he was responsible for \$1.5 billion of brownfields and greenfields projects; Director, Victorian Operations for Alcoa Australia; and Executive General Manager – Base & Precious Metals for North Limited until its acquisition by Rio Tinto in 2000.

Mr Hallam holds a BE (Hons) from Melbourne University, a Certificate of Mineral Economics from Curtin University and a Company Director's Diploma from the Australian Institute of Company Directors. He is a fellow of the Australian Institute of Company Directors and the Australian Institute of Mining & Metallurgy. He is also currently a non-executive Director of Altona Mining Ltd, Gindalbie Metals Ltd, Enterprise Metals Ltd and Powertrans Pty Ltd.

#### **RESOLUTION 3 - RE-ELECTION OF MR ROBERT N SCOTT AS A DIRECTOR**

Pursuant to clause 7.1(i) of the Company's Constitution, Mr Robert N Scott, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Scott is a Chartered Accountant with over 35 years experience as an adviser on corporate services and taxation.

Mr Scott holds a fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia, and is a member of the Institute of Company Directors. He is also currently a non-executive Director of Lonestar Resources Ltd, Homeloans Limited and Manas Resources Ltd.

#### **RESOLUTION 4 – EMPLOYEE SHARE OPTION PLAN**

The Company previously adopted the “Sandfire Resources NL Incentive Option Plan” (as varied) (**Former Plan**), which was initially approved by shareholders on 27 November 2007 and most recently approved on 29 November 2010. A total of 10,505,000 Options have been issued by the Company under the Former Plan. Options issued under the Former Plan will continue to be governed by the terms and conditions of the Former Plan.

The Directors now consider it reasonable and desirable to adopt a new employee option plan (**Plan**) due to the age of the Former Plan and to reflect changes in the law. Under the Plan, full or part time employees of the Company or of a Related Body Corporate (excluding Directors) (**Eligible Participant**), or their nominees, may be offered the opportunity to subscribe for Options to acquire Shares in the Company in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees. The Company may also apply to ASIC (on a case by case basis) to seek relief for consultants to participate in the Plan.

The Plan is designed to promote continuity of service and provide additional incentive to Eligible Participants to increase Shareholder wealth and to recognise their contribution to the Company's success. Under the Company's current circumstances, the Directors consider that the opportunity to subscribe for Options to acquire Shares is a cost effective and efficient incentive for the Company as opposed to alternative forms of

incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

Shareholder approval is required if any issue of Options pursuant to the Plan is to fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1 on the number of securities which may be issued without Shareholder approval. Accordingly, Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(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 three years of the date of issue.

Prior Shareholder approval will be required before any related party of the Company can participate in the Plan.

Under the Plan, the Board may offer to Eligible Participants the opportunity to subscribe for such number of Options in the Company as the Board may decide and on the terms set out in the rules of the Plan, a summary of which is set out below.

- (a) Subject to the Corporations Act, Class Order and the Listing Rules, the Directors may, at such times as they determine, issue an invitation (**Offer**) to Eligible Participants inviting application for the issue of Options upon and subject to the terms and conditions of the Plan. Options issued under the Plan may be issued for no consideration.
- (b) The purpose of the Plan includes to assist in the reward, retention and motivation of Eligible Participants, link the reward of Eligible Participants to performance and the creation of Shareholder value and align the interests of Eligible Participants more closely with the interests of Shareholders by providing an opportunity for Eligible Participants to receive an equity interest in the form of Options.
- (c) Further, the number of Shares to be received on the exercise of Options granted under the Plan at any time must not exceed the limit set in the Plan, being broadly 5% of the total number of issued Shares when aggregated with the number of Shares issued, or the subject of an Option issued, pursuant to an employee incentive scheme during the previous 5 years (less certain exempted offers). This limit is compliant with the Class Order relating to such employee schemes.
- (d) Offers are not assignable but, on receipt of an Offer, an Eligible Participant may nominate to

renounce the Offer to a Nominated Party. The Directors may, in their discretion, resolve not to allow a renunciation of an Offer in favour of a Nominated Party without giving any reason for that decision. If the Directors resolve to allow a renunciation of an Offer in favour of a Nominated Party, the Eligible Participant will procure that the permitted Nominated Party accepts the Offer made to that Eligible Participant and that both the Eligible Participant and the Nominated Party agree to be bound by the Rules. Where Options are issued under the Plan, the holder of those Options is called a Participant.

- (e) Options granted under the Plan may not be assigned, transferred, or encumbered with a security interest, or otherwise disposed of by a Participant, other than in accordance with the Rules, unless:
  - (i) the prior consent of the Board is obtained; or
  - (ii) such assignment or transfer occurs by force of law upon the death of a Participant to the Participant's legal personal representative.
- (f) The Directors may determine the Option exercise price for each Offer in their absolute discretion. Subject to the Listing Rules, the Option exercise price may be nil but to the extent the Listing Rules specify or require a minimum price, the Option exercise price in respect of an Offer must not be less than any minimum price specified in the Listing Rules.
- (g) The Directors will have the power to make adjustments to or vary the terms of exercise of an Option, but any proposed variation or adjustment will be subject to any requirements of the Listing Rules and, except in certain prescribed circumstances, no adjustment or variation of the terms of exercise of an Option will be made without the consent of the Participant who holds the relevant Option if that adjustment or variation would have a materially prejudicial effect upon the Participant (in respect of his or her outstanding Options).
- (h) In lieu of paying the aggregate exercise price to purchase Shares on exercise of an Option, the Directors may, in their sole and absolute discretion, permit a Participant to elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (**Cashless Exercise**):

$$A = \frac{B(C - D)}{C}$$

Where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant;

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Option being exercised;

C = the Market Value of one Share determined as of the date of delivery to the Company secretary of the notice of exercise of Options and the certificate for the Options; and

D = the Option exercise price.

Upon the cashless exercise of an Option (or portion thereof), the total number of Shares that may be issued pursuant to the exercise of Options under the Plan shall be reduced by the total number of Shares with respect to which the Option (or portion thereof) was surrendered.

- (i) Subject to the terms of the Offer made to a Participant and except in the certain prescribed circumstances (including death, permanent disability, retirement or redundancy), a Participant's Options will lapse immediately, and all rights in respect of those Options will be lost if, in respect of a Participant or an Offer:
  - (i) the Relevant Person ceases to be an employee of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause) and the Exercise Conditions have not been met;
  - (ii) the Exercise Conditions are unable to be met;
  - (iii) the Expiry Date has passed; or
  - (iv) the deadline for exercise provided for in the Plan has passed (being 180 days or such other period determined by the Board following the Ceasing Date (as that term is defined below)), whichever is earlier.
- (j) Where a Relevant Person ceases to be an employee of, or to render services to, a member of the Group for any reason whatsoever (other than for death, permanent disability, retirement or redundancy but including without limitation resignation or termination for cause) prior to the Expiry Date (**Ceasing Date**) and the Options have become exercisable, the Participant will be entitled to exercise Options granted as a result of an Offer in accordance with the terms of the Offer and the Rules, not later than the first to occur of:
  - (i) the Expiry Date;
  - (ii) 180 days after the Ceasing Date; or

(iii) such other period determined by the Board following the Ceasing Date,

after which the Participant's Options will lapse immediately and all rights in respect of those Options will be lost.

- (k) Each Option entitles the holder to subscribe for and be allotted one Share. Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- (l) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
  - (i) they have become entitled to exercise their Options under the Plan; and
  - (ii) they do so before the record date, for the determination of entitlements to the new issue of securities and participate as a result of being a holder of Shares.

The Company will give Participants in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the exercise price shall be reduced according to the formula specified in the Listing Rules. If a bonus issue of Shares is made pro-rata to Shareholders, the number of Shares issued to a Participant on exercise of each Option will include the number of Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price.
- (n) Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time.
- (o) Subject to and in accordance with the Listing Rules (including any waiver granted under the Listing Rules), the Directors (without the necessity of obtaining the prior or subsequent consent of shareholders of the Company in a general meeting) may from time to time amend, revoke, add to or vary all or any provisions of the Rules of the Plan in any respect whatsoever, provided that rights or entitlements in respect of any Option granted before the date of amendment shall not be reduced or

adversely affected unless prior written approval from the affected Participant(s) is obtained.

- (p) On the occurrence of a Change of Control Event, the Directors may in their sole and absolute discretion determine that unvested Options will vest and become exercisable in accordance with the below, with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event (regardless of whether or not the employment, engagement or office of the Participant is terminated or ceases in connection with the Change of Control Event).
- (q) Whether or not the Board determines to accelerate the vesting of any Options, the Company shall give written notice of any proposed Change of Control Event to each Participant.
- (r) Subject to the provisions of the Rules of the Plan, the Directors may make such regulations and establish such procedures for the administration and management of the Plan as they consider appropriate and the decision of the Directors as to the interpretation, effect or application of the Rules will be final.
- (s) Neither participation in the Plan by the Company or an Related Body Corporate or any Eligible Participants or Option holders or anything contained in the Rules of the Plan shall in any way prejudice or affect the right of the Company or an Related Body Corporate to dismiss any Eligible Participant or Option holder or to vary the terms of employment of any Eligible Participant or Option holder. Nor shall participation or the rights or benefits of an Eligible Participant or Option holder under the Rules be relevant to or used as grounds for granting or increasing damages in any action brought by an Eligible Participant or Option holder against the Company or an Related Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b), the following information is provided to Shareholders:

- (a) a summary of the Plan is set out above and a full copy of the proposed Plan is available on the Company's website at [www.sandfire.com.au](http://www.sandfire.com.au);
- (b) this is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 4.

## **RESOLUTION 5 – MAXIMUM AGGREGATE NON-EXECUTIVE DIRECTOR FEE POOL**

Resolution 5 seeks Shareholder approval for the purposes of Listing Rule 10.17 and for all other purposes, for the Company to be authorised to increase the aggregate amount of fees allowed to be paid to non-executive Directors by \$250,000 from \$500,000 per annum to an aggregate amount of \$750,000 per annum.

The Board considers that it is reasonable and appropriate at this time to seek an increase in the remuneration pool for non-executive Directors for the following reasons:

- a) expected growth of the Company and increased responsibilities for non-executive Directors;
- b) allow the Board to attract and retain appropriately qualified Directors of a calibre required to effectively guide and monitor the business of the Company; and
- c) provide the Board with flexibility to manage any future changes in its membership and composition.

The maximum aggregate fees payable to Directors have not been increased since 2010. The number of non-executive Directors has increased over the same period. It is not intended to fully utilise the increased aggregate fees in the immediate future.

The remuneration of each Director for the year ended 2013 is detailed in the remuneration report in the Company's 2013 Annual Report.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this Resolution.

## **GLOSSARY**

**Accounting Standards** has the meaning given to that term in the Corporations Act.

**AGM** means Annual General Meeting.

**ASX** means ASX Limited.

**Board** means the board of Directors of the Company.

**Change of Control Event** occurs where:

- a) an offer is made for Shares pursuant to a takeover bid under Chapter 6 of the Corporations Act and is, or is declared, unconditional;
- b) the Court sanctions under Part 5.1 of the Corporations Act a compromise or arrangement relating to the Company or a compromise or arrangement proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or

c) any other merger, consolidation or amalgamation involving the Company occurs which results in the holder of Shares immediately prior to the merger, consolidation or amalgamation being entitled to 50 per cent or less of the voting shares in the body corporate resulting from the merger, consolidation or amalgamation; or

d) any Group Company enters into agreements to sell in aggregate a majority in value of the businesses or assets (whether or not in the form of shares in a Group Company) of the Group to a person, or a number of persons, none of which are Group Companies; or

e) the Board determines in its reasonable opinion, control of the Company has or is likely to change or pass to one or more persons, none of which are Group Companies.

**Class Order** means ASIC Class Order 03/184 (or any amendment to or replacement of that Class Order).

**Closely Related Party** has the meaning given to that term in the Corporations Act.

**Company** means Sandfire Resources NL ACN 105 154 185.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Eligible Participant** has the meaning given on page 6.

**Exercise Condition** means in respect of an Option, any condition as determined by the Board (in its absolute discretion) and set out in the Offer which must be satisfied before that Option can be exercised or any other restriction on exercise of that Option specified in the Offer or in the Rules.

**Expiry Date** means, in respect of an Option, the date which is five (5) years after the date of the grant of that Option, or such other date as the Directors determine in their discretion with respect to that Option at the time of the grant of that Option.

**Group** means the Company and its Related Bodies Corporate and Group Company means the Company or any of its Related Bodies Corporate.

**Key Management Personnel** has the meaning given to that term in the Accounting Standards.

**Listing Rules** means the official listing rules of ASX as amended from time to time.

**Market Value** means the value of Shares as determined by the volume weighted average trading price of Shares sold on the ASX over the last 5 trading days immediately before the relevant date.

**Meeting** means the annual general meeting the subject of the Notice.

**Notice** means the notice of annual general meeting which accompanies this Explanatory Memorandum.

**Nominated Party** means, in respect of an Eligible Participant:

- a) that person's spouse;
- b) that person's biological or legally adopted child of at least 18 years of age;
- c) a trustee or trustees of a trust set up wholly for the benefit of one or more Eligible Participants or a person mentioned in sub-clauses (a) or (b); or
- d) a company in which all of the issued shares are beneficially held by, and all of the voting rights are beneficially held by:
  - a. the Eligible Participant; and/or
  - b. a person or persons mentioned in sub-clauses (a), (b) or (c) above.

**Offer** means an offer made to an Eligible Participant to subscribe for one or more Options under the Plan.

**Option** means an option to acquire a Share in the capital of the Company.

**Participant** means an Eligible Participant to whom Options have been granted under the Plan, or if Rule 5.5 of the Rules applies, a Nominated Party of the Eligible Participant to whom Options have been granted under the Plan.

**Plan** means the Sandfire Resources NL Employee Share Option Plan.

**Related Body Corporate** has the meaning given in section 9 of the Corporations Act.

**Relevant Person** means:

- a) in respect of an Eligible Participant, that person; and
- b) in respect of a Nominee of an Eligible Participant being a permitted Nominee under Rule 5.5 (renunciation), that Eligible Participant.

**Restricted Voter** means the Key Management Personnel and their Closely Related Parties.

**Resolution** means a resolution proposed pursuant to the Notice.

**Rules** means the rules of the Company's Plan.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.



