



SANDFIRE ANNOUNCES NEW REMUNERATION AND INCENTIVES FRAMEWORK

Updated framework enhanced and aligned with Sandfire's strategic objectives

Sandfire Resources Limited (ASX: SFR; “**Sandfire**”, “**the Company**” or “**the Group**”) is pleased to announce a number of updates in relation to the Company's remuneration and incentives framework.

The new framework is aligned with the outcomes of the recently announced strategic and structural review (**Strategic Review**), announced on 1 July 2020, which confirmed the Company's key growth objectives as it transitions from a single-mine company to an international multi-asset base and precious metals producer.

Enhanced Framework

The remuneration and incentives framework has been designed with the assistance of independent remuneration consultants in order to appropriately drive and reward short and medium-term performance and facilitate long-term value creation for our shareholders.

The design of the framework aligns the key milestones required for the development of a sustainable production profile across multiple jurisdictions with executive remuneration.

The six key objectives of the enhanced framework are:

1. Recognising the position of the business in the mining, project development and investment cycle.
2. Achieving clear alignment of transformational strategic outcomes, priorities and incentive programs that provide a powerful incentive to drive desired and aligned behaviours.
3. Supporting executive retention with balanced short, medium and long-term incentive programs.
4. Preserving the Company's entrepreneurial culture.
5. Ensuring alignment with shareholder's interests and value drivers in the delivery of long-term value, including the utilisation of multiple performance metrics.
6. Delivering greater protection and opportunity for our people, communities and environment through enhanced environmental, social and governance performance metrics.

Short, medium and long-term performance

The enhanced framework recognises that the development and implementation of a sustainable production profile across the Group's global asset portfolio requires a longer-term horizon, driven by both short and medium term project planning and execution activities.

The framework sets annual short-term incentives (**STI**) across the various levels of the organisation, with deferred STI equity mechanisms for executives and senior managers within a medium-term (2-year) reward period. The long-term incentive (**LTI**) program is set at four years and also makes use of equity as a deferral mechanism post vesting of awards, providing further alignment with maintained long-term value creation for shareholders.

The maximum possible incentive opportunity for STI and LTI incentives as a percentage of annual Total Fixed Remuneration (**TFR**) is summarised below:

	STI		LTI	
	Cash	Deferred equity	Equity	Deferred equity
	Year 1	Year 2	Year 4	Year 5
CEO/MD	30%	30%	50%	50%
CFO and COO	30%	30%	50%	50%
Senior managers	15-22%	0-15%	30%	30%

Alignment to financial years

Historically, Sandfire has set its STI targets and assessments on the basis of calendar years. From 1 July 2020, the enhanced framework aligns both STIs and LTIs to financial year objectives, targets and measures. This reflects and better aligns with annual market production and guidance cycles and further enhances alignment with development project milestones.

STI Plan

Design rationale and alignment

The Company's STI Plan targets are tied to achievement against individual key performance indicators (**KPI**) as well as Group-wide KPIs. At Executive Committee (**EXCO**) level, which includes the Chief Executive Officer and Managing Director, Chief Financial Officer and Chief Operating Officer, these targets are equally weighted between individual and Group-wide KPIs (50% each), while at senior manager level they are weighted more towards individual and asset-level KPIs.

The STI Plan is further separated into a short-term cash incentive and a deferred short-term equity incentive. This aids retention and further improves alignment of participant outcomes with shareholder outcomes at the end of the deferral period. STI targets will be set and assessed annually with executives having a maximum cash component opportunity of 30% of TFR and a further 12 month deferred equity component of 30% of TFR.

Group measures

Health, safety, environment, community and governance metrics (**ESCG**) are considered to be key to the success and continued viability and sustainability of Sandfire's operations. As such, these metrics have been increasingly incorporated into Group incentive measures. Key production, cost and capital efficiency measures complete the STI assessment metrics, tied to the Company's annual guidance disclosure, usually made around the end of July each year. The Group-wide KPI areas for FY2021 and their weightings are listed below:

Group KPI Area	Weighted opportunity
ESCG	30%
Production	40%
Cost of production	30%
	100%

Individual measures

Individual STI KPIs are specific to the key tasks, functions and targets appropriate to assess the performance of individuals and the areas that they control and influence. While assessing individual and team performance, individual KPIs remain tied to Group strategy and specific objectives that drive the overall success of the Company and its strategy.

LTI Plan

Enhanced design and reach

The Strategic Plan considers the planned development of projects across multiple global jurisdictions over defined time horizons. As such, the plan requires an aligned approach to long-term incentives and performance evaluation. The Strategic Plan is not only related to project development, but is also designed to ensure that the necessary foundations are established to transform and position Sandfire as a global mining company.

The Company's new transformational strategy is focused on growth plans to be executed over the next four years. With the assistance of advisory firm BDO Australia, the Board has structured a framework to incentivise, retain and reward management for achieving this business step-change, the results of which will be evident at the end of the four-year period.

The resulting LTI approach seeks to align the executives and senior management group and ensure they are focused on a single set of consistent and clearly defined LTI objectives over that period. It is also designed to recognise that the achievement of these plans is in the context of a higher than previously experienced company risk profile as it expands internationally.

The LTI Plan is further designed to aid executive retention and looks to preserve the entrepreneurial culture that has seen Sandfire grow from a junior explorer into a successful Australian-based copper and gold producer. With these changes comes a revised mindset, with executives forgoing the opportunity to participate in annual equity awards and deferring vesting of awards in line with actual, rather than interim, delivery of the Company's strategic projects.

Informed by the Strategic Review process, external independent advice and its own deliberations, the Board has resolved to implement a four year front-loaded LTI equity incentive to tie executives' awards to the four-year strategic performance cycle and create a strong motivational and retention mechanism.

While the revised LTI Plan is considered to be appropriate for the business at this time, the Board will retain discretion to amend the LTI Plan for future issues. It is the current intention of the Board for the LTI Plan to transition into an annual LTI grant to coincide with the completion of this initial transformational four year period.

Awards under the LTI Plan have been expanded to include key senior management-level positions across operating assets and the project pipeline, recognising their development to date as well as the opportunity for future development and growth in line with the Company's expanding aspirations and transforming operations.

LTI measures

The performance hurdles for the revised LTIs have been expanded from the single metric of Relative Total Shareholder Return (**RTSR**) used in the Company's previous LTI plan. Vesting of LTIs for the FY2021 award are subject to the Company achieving an equal mix of operational growth (Ore Reserves and Production Scale) and market financial (Absolute and Relative Total Shareholder Return) measures:

Measure	Weighted opportunity
Ore Reserves	25%
Production Scale	25%
Absolute Total Shareholder Return (ATSR)	25%
Relative Total Shareholder Return (RTSR)	25%
	100%

The additional metrics reflect performance across multiple benchmarks and provide a more complete picture of the Company's performance on the basis of internal and external market measures. They are directly tied to the key drivers of long-term sustainable success and growth and, ultimately, to the delivery of future value creation for our various stakeholders.

Refer to Appendix 1 for further information on the terms and conditions of the LTIs, including specific measures adopted for each LTI element.

Further disclosure relating to the revised remuneration and incentives framework will be made in the Company's Remuneration Report.

Other considerations

Board Discretion

Volatility in global markets can result in situations where threshold performance measures are not achieved (e.g. ongoing global impacts of the COVID-19 pandemic). In such circumstances, the Board retains and may use its discretion to appropriately amend performance measures and timeframes to reflect the operating environment of the business, with the Board's rationale to be disclosed in the corresponding Remuneration Report.

Shareholder approval

The issue of equity securities to the Chief Executive Officer and Managing Director, Karl Simich, remains subject to shareholder approval, with the next planned shareholders' meeting currently being the Annual General Meeting (**AGM**) in November 2020. The Board intends to seek shareholder approval at AGM to allow for the issue of 927,703 Zero Price Exercise Options (ZEPOs) to the Chief Executive Officer and Managing Director.

Chair and Management Comment

Commenting on the changes, Sandfire Chairman Derek La Ferla said: "This marks another important stage in the reset of our strategy and structures across the business to position Sandfire for its next growth chapter as a diversified, international multi-asset base and precious metals company.

"These important changes to Sandfire's remuneration and incentive framework recognise the current position of the business in the project development and investment cycle and provide clear alignment to the transformational strategic outcomes that we are looking to achieve. Well-designed modern incentives will help to drive desired and aligned behaviours, support executive retention with balanced short, medium and long term program, while also helping to preserve the Company's entrepreneurial culture – which has been such an important key to our success to date."

Sandfire Managing Director and CEO, Karl Simich, said: "We believe we have struck an appropriate balance to drive and reward short, medium and long term performance for our senior management team, with a clear and aligned link to our recently articulated strategic review to build on our successes to date, and drive further success for our people and key stakeholders."

ENDS

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This announcement is authorised for release by Sandfire's Board of Directors.

Forward-Looking Statements

Certain statements made during or in connection with this announcement contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration and project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. There is continuing uncertainty as to the full impact of COVID-19 on Sandfire's business, the Australian economy, share markets and the economies in which Sandfire conducts business. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not currently possible to assess the full impact of COVID-19 on Sandfire's business or the price of Sandfire securities.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management.

Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in these forward-looking statements and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in forward-looking statements or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly, you should not place undue reliance on any forward-looking statement.

Appendix 1 – Terms and Conditions of the FY2021 LTI Plan Offer

<p>What is the FY2021 Long Term Incentive (LTI) Plan Offer?</p>	<p>The LTIP offer for FY2021 is a discretionary grant of Zero Exercise Price Options (ZEPOs) over ordinary shares (linked to specific long term performance measures) in the Company for no consideration.</p> <p>ZEPOs are issued under the Company's Equity Plan and grants are made at the discretion of the Board.</p> <p>The award is front loaded and represents the 4-year performance period for the LTI Offer (1 July 2020 to 30 June 2024).</p> <p>Grants to the Managing Director and Chief Executive Officer are subject to and can only be made following shareholder approval at the next applicable General Meeting of shareholders.</p>
<p>Who is eligible?</p>	<p>Selected executives, senior managers and the Managing Director and Chief Executive Officer or their permitted Nominee(s) (collectively referred to as the Executive(s)).</p>
<p>What is the quantum of the award and how is each Executive's entitlement determined?</p>	<p>Each Executive is allocated a dollar value (which is a fixed percentage (multiplier) of the Executive's total fixed remuneration (TFR)) representing the Executive's maximum LTI opportunity for the year.</p> <p>This dollar value is converted into a number of ZEPO's in the LTI Plan, based on the face value of the option at the applicable grant date, represented by the 30-day volume weighted average price (VWAP) of Sandfire shares up to and including 30 June 2020.</p> <p>The senior executives' multiplier, including the Managing Director and Chief Executive Officer, is 1.0 x TFR.</p>
<p>How is the incentive delivered?</p>	<p>To the extent that the applicable vesting conditions are satisfied at the end of the 4-year performance period, LTI awards are delivered by vesting of all or a portion of ZEPOs which may be exercised thereafter in return for allocation to Executives of fully paid ordinary shares.</p>
<p>What is the expiry date for the ZEPOs?</p>	<p>All ZEPOs will expire six years from grant date, which for this current issue of ZEPOs means an Expiry Date of 17 July 2026.</p>
<p>What are the performance measures (i.e. vesting conditions)?</p>	<p>Service condition - The service condition is met if employment/engagement with Sandfire is continuous for the period commencing on or around the grant date until the date the ZEPOs vest.</p> <p>Performance conditions - Performance conditions must be met for the grant to trigger the Board consideration of whether the ZEPOs should vest. The measures are set as a mix of operational growth and market financial measures that are aligned with long term shareholder interests. Each measure carries an equal weighting (25%) of the ZEPO grant.</p> <ol style="list-style-type: none"> Ore Reserves Production Scale Absolute Total Shareholder Return (ATSR) Relative Total Shareholder Return (RTSR)
<p>How is Ore Reserves performance measured?</p>	<p>Delivery of Ore Reserves through comparison of the Group's JORC compliant Ore Reserves over the performance period.</p> <p>For the FY2021 LTI offer with a 4-year performance period of 1 July 2020 to 30 June 2024, 25% of the total tranche issued to Executives will be measured against the following Ore Reserves criteria. If the Ore Reserve change is:</p> <ul style="list-style-type: none"> Negative: Nil vest Depletion replaced: 50% vest Depletion replaced plus up to a 20% increase: pro rata between 50% and 100% vest Depletion replaced plus 20% increase or greater: 100% vest
<p>What is Production Scale and how is it measured?</p>	<p>Through comparison of the annual copper equivalent metal Production Scale measured over the performance period.</p> <p>Production Scale is the forecast annual copper equivalent metal production rate represented in the Group's strategic planning report (future production graph), measured in tonnes.</p> <p>For the FY2021 LTI offer with a 4-year performance period of 1 July 2020 to 30 June 2024, 25% of the total tranche issued to Executives will be measured against the following Production Scale criteria. If the annual Production Scale is:</p> <ul style="list-style-type: none"> Up to 30,000t Cu (Threshold): Nil vest 30,001t Cu to 70,000t Cu: pro rata between 0% and 100% vest More than 70,000t Cu: 100% vest

<p>What is ATSR and how is it measured?</p>	<p>Absolute total shareholder return (ATSR) is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time based on a 30-day VWAP at the relative measure points.</p> <p>TSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new shares.</p> <p>For the FY2021 LTI offer with a 4-year performance period of 1 July 2020 to 30 June 2024, 25% of the total tranche issued to Executives will be measured against the following ATSR performance criteria.</p> <table border="1" data-bbox="507 432 1310 577"> <thead> <tr> <th>ATSR of Sandfire</th> <th>Percentage of ZEPOs that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 10%</td> <td>Nil</td> </tr> <tr> <td>10% to 20%</td> <td>Pro rata between 50% and 100% vest</td> </tr> <tr> <td>Greater than 20%</td> <td>100% vest</td> </tr> </tbody> </table> <p>The Company will engage an independent advisor to calculate the ATSR of the Company to ensure an objective assessment.</p>	ATSR of Sandfire	Percentage of ZEPOs that vest	Less than 10%	Nil	10% to 20%	Pro rata between 50% and 100% vest	Greater than 20%	100% vest		
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<p>What is RTSR and how is it measured?</p>	<p>Relative total shareholder return (RTSR) is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time measured against a comparator group based on a 30-day VWAP at the relative measure points.</p> <p>TSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are re-invested into new shares.</p> <p>The comparator group for Sandfire constitutes companies in the ASX200 Resources Index (ASX:XJR).</p> <p>For the FY2021 LTI offer with a 4-year performance period of 1 July 2020 to 30 June 2024, 25% of the total tranche issued to Executives will be measured against the following RTSR performance criteria.</p> <table border="1" data-bbox="507 1025 1310 1238"> <thead> <tr> <th>RTSR of Sandfire relative to comparator group</th> <th>Percentage of ZEPOs that vest</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Nil</td> </tr> <tr> <td>At the 50th percentile</td> <td>50% vest</td> </tr> <tr> <td>50th to 75th percentile</td> <td>Pro rata between 50% and 100% vest</td> </tr> <tr> <td>Greater than 75th percentile</td> <td>100% vest</td> </tr> </tbody> </table> <p>The Company will engage an independent advisor to calculate the RTSR ranking to ensure an objective assessment.</p>	RTSR of Sandfire relative to comparator group	Percentage of ZEPOs that vest	Less than 50 th percentile	Nil	At the 50 th percentile	50% vest	50 th to 75 th percentile	Pro rata between 50% and 100% vest	Greater than 75 th percentile	100% vest
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<p>Is there an overriding performance condition?</p>	<p>Yes, this will be based on a minimum performance level to be achieved for the Production Scale performance condition.</p> <p>If the minimum (threshold) Production Scale target is not met, then regardless of the performance in respect of the other tranches (Ore Reserves, Absolute and Relative TSR), no LTI incentive tranches will vest.</p> <p>The Board also has the discretion, where appropriate, to reduce the amount of the LTI otherwise payable, taking into consideration the interests of the Group and its shareholders, including for critical safety concerns.</p>										
<p>Is there a deferral mechanism and why?</p>	<p>Yes, vested ZEPOs relating to the market based performance measures (Absolute and Relative TSR) will be deferred for a period of 12 months from vesting date (Deferral Period).</p> <p>Deferral mechanisms allow the impact of decisions made to play out in future years and to ensure there is sufficient facility to reinforce accountability for those decisions.</p>										
<p>How is performance assessed?</p>	<p>The Company will engage an independent advisor to report on the market performance conditions (Absolute and Relative TSR).</p> <p>With regards to the non-market measures, this will be reviewed by the Board.</p>										
<p>How are dividends treated during the performance period and deferral period?</p>	<p>No dividends are paid on ZEPOs prior to vesting. For any ZEPOs that ultimately vest, a cash payment equivalent to dividends paid by Sandfire during the period between grant of the awards and vesting and during the Deferral Period will be made. No cash payment will be made in respect of dividends on awards which do not vest.</p>										

<p>What happens to ZEPOs when an Executive ceases employment?</p>	<p>If the Executive's employment is terminated for cause, or due to resignation, all unvested ZEPOs will lapse, unless otherwise determined by the Board.</p> <p>For Executives who cease employment for other reasons, the Board has discretion to vest any unvested ZEPOs on a pro-rata basis taking into account time and the current level of performance against the performance conditions, or to hold the LTI award to be tested against performance conditions at the end of the performance period.</p>
<p>What happens in the event of a change of control?</p>	<p>In the event of a change in control, the Board will exercise its discretion, and determine the treatment of the unvested ZEPOs which may include a pro-rata vesting.</p>
<p>Can Sandfire clawback LTI awards?</p>	<p>The Board has discretion to reduce or clawback all vested and unvested awards in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion are extensive and include situations where an Executive has engaged in misconduct, where there has been a material misstatement of the Company's results in determining vesting, behaviours of Executives that bring Sandfire into disrepute or any other reasonable factor as determined by the Board.</p>