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Sandfire awards open pit mining contract for Motheo Copper Mine, Botswana

Sandfire Resources Ltd (ASX: **SFR**; **Sandfire** or **the Company**) is pleased to announce that, through its subsidiary Tshukudu Metals Botswana (Pty) Ltd (**Tshukudu**), it has awarded the contract for open pit mining services of the T3 pit at its **Motheo Copper Project** in Botswana to African Mining Services (**AMS**). AMS is a surface mining business of diversified global mining services group Perenti Global Ltd (ASX: **PRN**).

The contract, which has an estimated value of US\$496 million (A\$648 million), is the largest single operational contract for the new Motheo Project covering a period of 7 years and 3 months, with provision for a one-year extension.

The contract was awarded following a competitive 3-stage tender process which saw a number of key factors taken into consideration when selecting the preferred contractor. These included Citizen Economic Empowerment, safety culture, equipment suitability and availability, commercial terms and identified improvement opportunities.

The award is subject to the grant of the Mining Licence and subsequent execution of the final contract. Under the terms of the contract, AMS has agreed to form a 70:30 Joint Venture with a suitable local Botswana partner or partners. The JV is expected to be finalised ahead of commencement of mining in early CY2022.

AMS has been operating in Africa for over 30 years. AMS' parent company, ASX listed diversified mining services group Perenti, already has a presence in Botswana through Barmenco, their underground mining division, at the large-scale Khoemacau Copper Mine located 200km north-east of Motheo.

The award of the open pit mining contract represents another key milestone in advancing the Motheo Project towards production, with all components of the contract in line with the key parameters outlined in the December 2020 Definitive Feasibility Study (**DFS**) (see ASX Announcement, dated 1 December 2020, for details).

The Motheo-T3 Feasibility Study was based on a forecast copper price of US\$3.16/lb reflecting long-term consensus pricing at the time the feasibility study was completed. The Base Case 3.2Mtpa project development was projected to generate US\$664 million (A\$867 million) in pre-tax free cash-flow and US\$987 million (A\$1,289 million) in EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), at a forecast all-in sustaining cost of US\$1.76/lb over its first 10 years of operations. Since the completion of the study, the average long-term broker price forecast for copper has increased to US\$3.43/lb and the current spot price for copper is around US\$4.50/lb.

Full-scale construction of the US\$279 million (A\$364 million) mine development is expected to commence immediately upon receipt of the Mining Licence, which is expected over the coming weeks, with mining scheduled to commence in early CY2022 ahead of first production in early 2023. The Motheo mine has an initial mine life of 12.5 years based on production from the T3 pit.

The initial development is expected to generate approximately 1,000 jobs during the construction phase and 600 direct full-time jobs during operations, with at least 95% of the total mine workforce expected to be made up of Botswana citizens.

In addition to direct employment, the mine is also forecast to generate an estimated 1,500 indirect jobs, with local businesses to supply provisions, parts, services and support throughout the mine's construction and operation.

Over its initial 12.5-year mine life, the Motheo operation is projected to deliver life-of-mine royalties to the Botswana Government totalling US\$70 million (BWP750 million) and pay corporate income tax expected to be in excess of US\$200 million (BWP2,120 million).

Management Comment

Sandfire's Managing Director and CEO, Karl Simich, said the award of the open pit mining contract marked another key milestone towards the development of the Motheo Project, which is one of the very few new copper projects of scale currently being developed anywhere in the world.

"We are looking forward to working with the AMS team to deliver the Motheo operation. As one of the largest contract mining companies in Africa, AMS has vast experience working across the African continent, and with a strong focus on safety and sustainability, they represent a perfect fit with our organisation.

"By partnering with a group with deep roots and strong community and stakeholder relationships in Africa, we have a unique opportunity to work together to create a lasting, positive legacy in Botswana and deliver significant sustainability and ESG outcomes," Mr Simich added.

"The Motheo development will generate approximately 1,000 jobs during construction and 600 full-time jobs during operations. Importantly, under the terms of the Mining Contract, AMS will partner with a suitable local company via a 70:30 joint venture – a structure that will generate a significant number of high-quality employment opportunities and generate long-lasting social and economic benefits for local and regional communities.

"We expect that at least 95% of the workforce employed under this contract will be citizens of Botswana – a fantastic outcome for this new flagship project. In addition, this will provide a unique opportunity to leverage AMS' existing state-of-the-art mining training centre in Maun, providing the local workforce with access to world-leading mining techniques and technology.

"From our perspective, we will be able to bring the high-quality operational skills and capabilities we have developed at our DeGrussa Operations over the past decade and, together with AMS, work together to ensure we draw on the very latest mining technologies to maximise productivity while ensuring the safety of our workforce at all times.

"We are excited to be working with Perenti and AMS to deliver a world-class mining operation that will continue to enhance Botswana's position as a highly-rated destination for global mining investment."

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This announcement is authorised for release by Sandfire's Managing Director and CEO, Karl Simich.

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.

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