



Annual and Sustainability Report 2021

Creating value through opportunity





The 2021 Sandfire Resources Annual and Sustainability Report is available online at www.sandfire.com.au

Contents

| | |
|--|-----|
| About Sandfire | 3 |
| Our People | 4 |
| Our Value Chain | 5 |
| Our Strategy | 6 |
| About Copper | 8 |
| 2021 Year in Review | 10 |
| Chairman's Message | 12 |
| Message from the Managing Director and CEO | 14 |
| Operations Review | 16 |
| Governance | 28 |
| Board of Directors | 30 |
| Management Team | 32 |
| Sustainability Report | 34 |
| Mineral Resources and Ore Reserves | 72 |
| Financial Report | 77 |
| Shareholder and Investor Information | 164 |
| GRI Content Index | 166 |
| TCFD Content Index | 170 |
| SASB Content Index | 171 |
| Glossary of Terms | 172 |
| Cautionary Notes and Disclaimers | 174 |
| Corporate Information | 175 |

About this Report

This Annual and Sustainability Report, approved for release by Sandfire's Board of Directors, covers the period from 1 July 2020 to 30 June 2021 (FY2021), unless otherwise stated. The report has been prepared in line with Sandfire's statutory and regulatory obligations and provides a summary of Sandfire's operating results and financial position as well as providing an overview of Sandfire's long-term and ongoing commitment to sustainable development.

The information, opinions or conclusions expressed in the course of this report should be read in conjunction with Sandfire's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available on the Sandfire website.

In this report, the terms 'Sandfire', the 'Company', the 'Group', 'our business', 'organisation', 'we', 'us', 'our' and 'ourselves' refer to Sandfire Resources Limited (ABN 55 105 154 185) and, except where the context otherwise requires, its respective subsidiaries.

The currency used throughout this report is Australian Dollars, unless otherwise stated.

Our reporting approach

We pride ourselves on voluntary and transparent disclosure and have once again combined our Annual and Sustainability Reports for the 2021 year. This approach to reporting aligns with how we have sought to integrate sustainability in our expanding operations and provides a transparent account of our approach to creating value in a financially, environmentally and socially responsible manner for our stakeholders.

The Annual and Sustainability Report includes the Financial Report and Directors' Report approved by the Board of Directors, released on ASX on 31 August 2021. The remainder of the Annual and Sustainability Report may include information that was available up until the release date 8 October 2021 of this report, which includes events that have occurred subsequent to the release of the Financial Report.

We welcome your feedback on our report or any other aspect of our business. Please visit the Contact Us page of our website to provide your feedback.

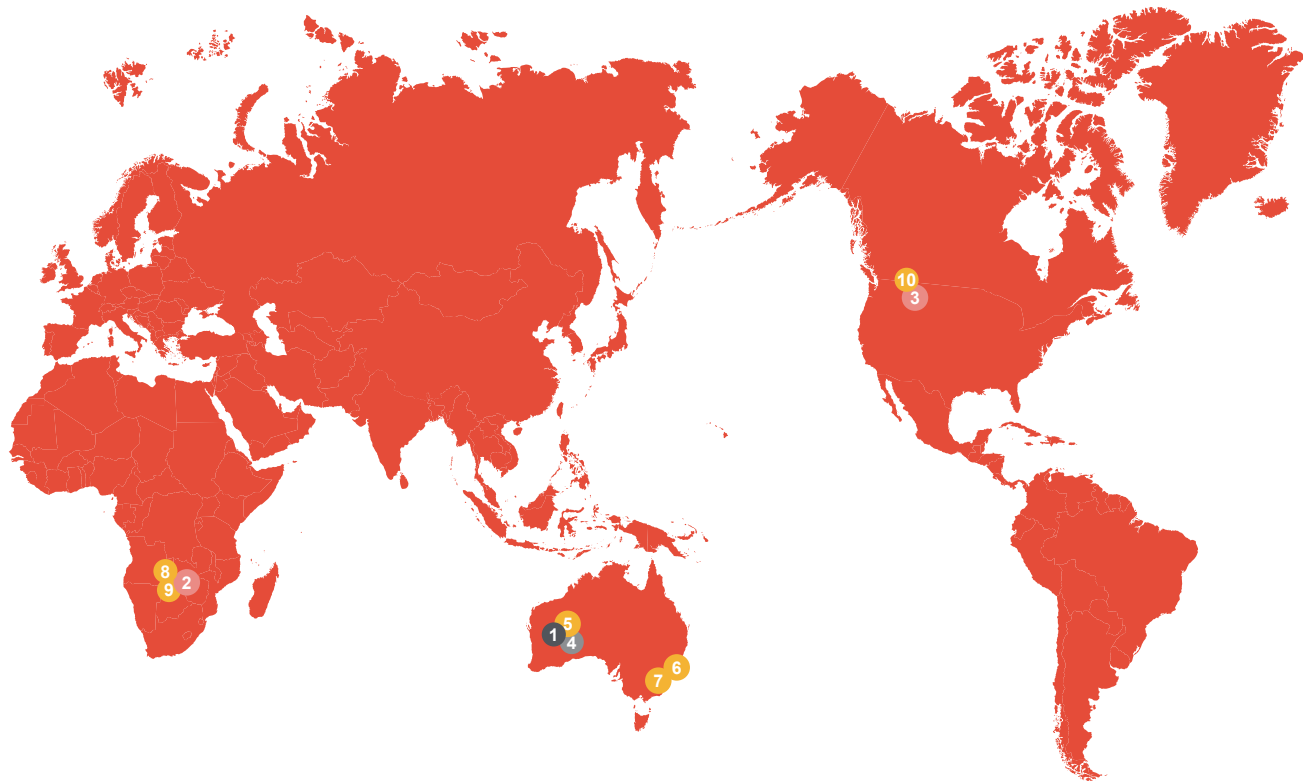
About Sandfire

Our Business

Sandfire Resources Limited is an Australian mining and exploration company listed on the Australian Securities Exchange (ASX: SFR).

With a strong operational base and a clear strategy to grow into an international diversified and sustainable mining company, Sandfire's business is underpinned by a demonstrated commitment to the highest standards of safety, responsibility and sustainability.

Where we operate



Operating Mines

1. DeGrussa Operations, Western Australia
DeGrussa and Monty Copper-Gold Mines



Development Phase

2. Motheo Copper Mine, Botswana
T3 and A4 Deposits
3. Black Butte Copper Project, Montana, USA
Johnny Lee and Lowry Deposits



Study phase

4. Old Highway Gold Project, Western Australia



Exploration

5. Doolgunna Province Exploration, Western Australia
6. Cobar Exploration, New South Wales
7. Macquarie Arc Exploration, New South Wales
8. Motheo Expansion Exploration, Botswana
9. Kalahari Exploration, Botswana and Namibia
10. Black Butte Exploration, Montana, USA

The development of the Motheo Copper Mine represents the foundation for Sandfire's long-term growth plans in Botswana.

Cumulative Production of

616,000

tonnes of Contained Copper and

359,000

ounces of Contained Gold to the end of FY2021

\$5.0 billion

in cumulative Sales Revenue

\$2.6 billion

in cumulative Operating Cash-flow
(prior to exploration and evaluation expenditure)

\$259 million

(\$1.55 per share)
in cumulative Dividends to Shareholders

\$812 million

in cumulative Net Profit After Tax
(attributable to members)

Our People

The people who work with us are our greatest asset. We aim to create an inclusive and supportive workplace, where people are empowered. Our future success and ability to execute our strategic plan depends on attracting and retaining the right people with the right skills.

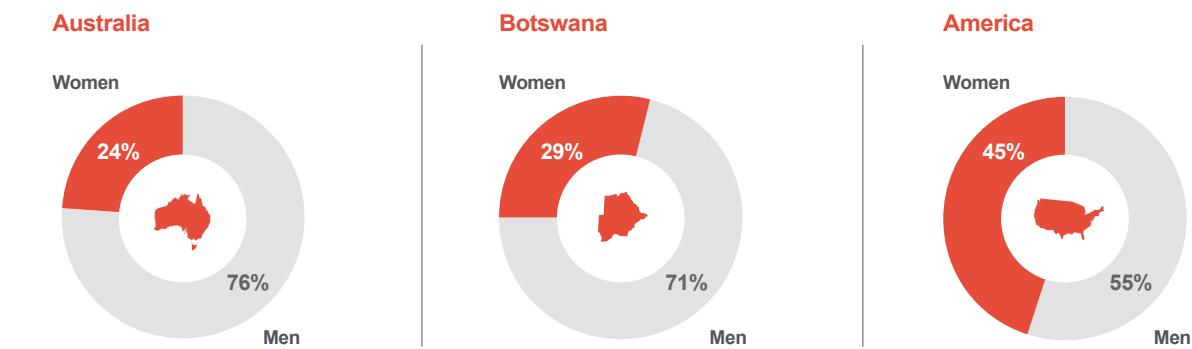
Sandfire's [Our People Policy](#) sets out our commitment to our workforce. The policy is supported by standards which detail our approach for creating a workplace where our people can thrive and reach their full potential. Our approach is informed by ongoing dialogue with our employees, biannual performance reviews and annual engagement surveys, which we use to measure staff performance and receive feedback about our business.

At the end of FY2021, our Australian workforce comprised approximately **662** people, including **287** employees and **375** permanent contractors. We had **121** employees and **184** contractors in Botswana and an additional **20** employees are located in Montana, USA.

Employment

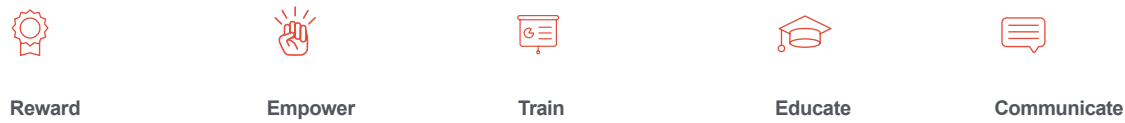
We aim to create an enriching work environment for our people through fostering meaningful work and ensuring our employees feel recognised and are appropriately rewarded.

Breakdown of Sandfire’s workforce gender composition as at 30 June 2021



Benefits to our employees

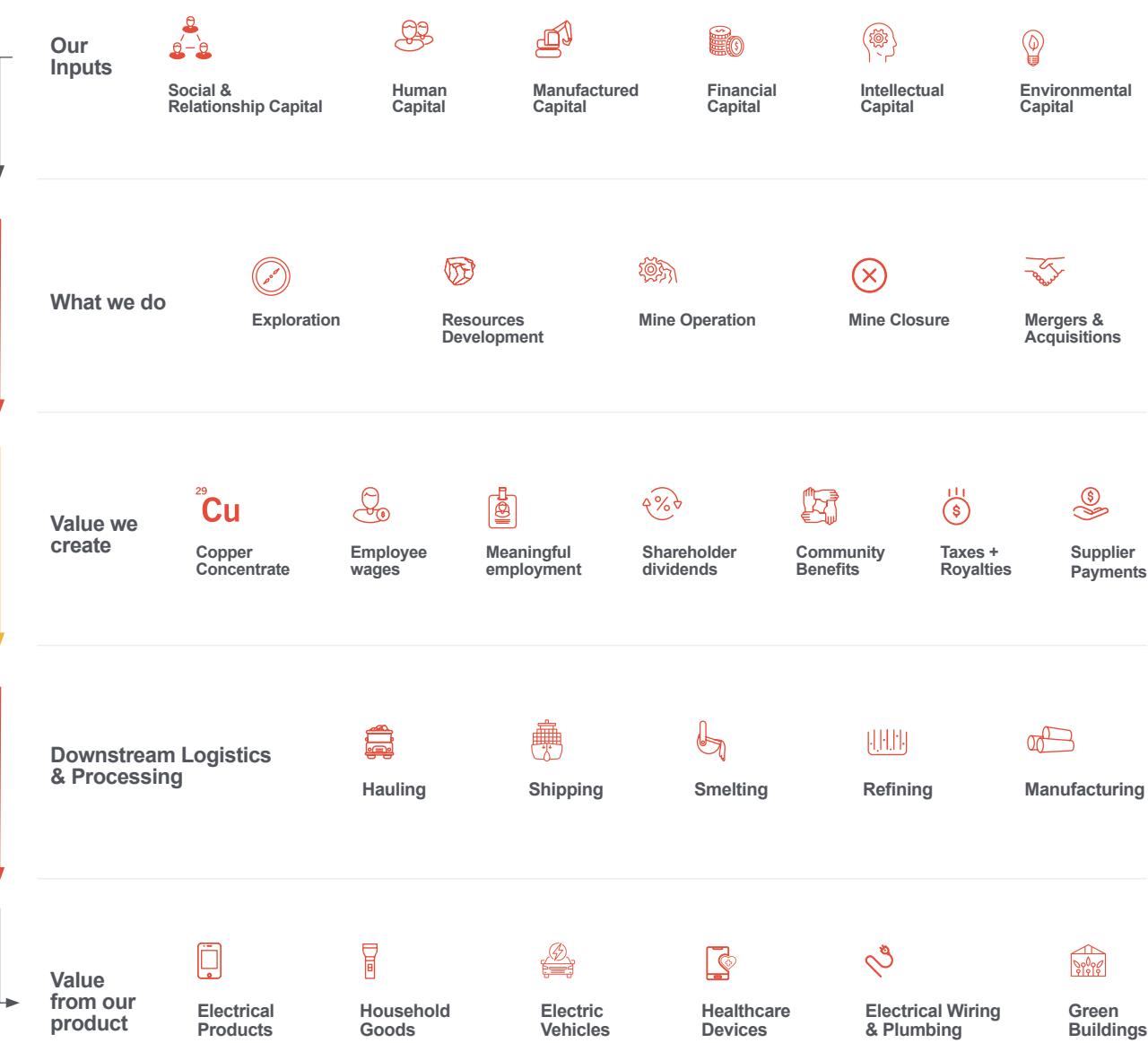
We offer an array of benefits to our employees and these are further detailed on our careers section of our website.



¹ WGEA Mining Division: Workforce Composition – All 2020: 18%.

Our Value Chain

The below image displays how Sandfire draws on the different stores of capital as part of its value chain.



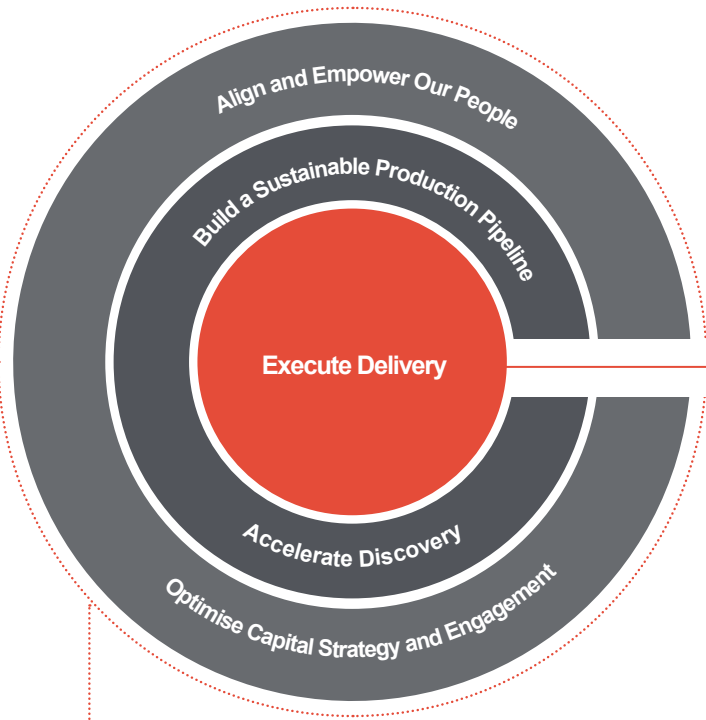
Our Supply Chain

Our Supply Chain includes small businesses, local to our activities, through to global companies. It provides a wide range of products and services, including labour, that contribute to our operations. During FY2021, these products and services included:

- Support services – camp management services, air charter services, freight of inbound goods, power supply, information technology services, training providers, fuel supply, provision of branded clothing and protective personal equipment, other equipment and vehicles;
- Processing – shutdown contractors, supply of grinding media, supply of flocculants, labour hire;
- Projects – technical support services, equipment suppliers, construction contractors.
- Mining – underground mining contractors, cement, explosives, earth movers;
- There were no significant changes to our supply chain in FY2021.
- Delivery – haulage services, port services, stevedoring and shipping; and
- Exploration – drilling and geophysical contractors, drill tools, general hardware and analytical laboratories;

Our Strategy

Sandfire’s strategy supports our key growth objective to transition from a **single-mine company to an international diversified and sustainable mining company.**



Our Sustainability Strategy

Thriving communities
Collaborate with our stakeholders to generate enduring socio-economic development where we are present

Promote workforce well-being
Our people live in communities and they have a right to go home safe, healthy and with a sense of fulfillment

Water stewardship
Manage water as a precious shared resource taking a water catchment based approach

Embracing a low emission future
Embrace opportunity across Sandfire's entire value chain in the transition to a low emission economy

Responsible business practices
Champion responsible business practices where we do business

Strong systems
Standardise Sandfire's management of ESG across all operations

Our Values

-  **Honesty**
-  **Respect**
-  **Collaboration**
-  **Accountability**
-  **Performance**

Our Purpose

Creating value through Opportunity

Creating Opportunity captures the essence of Sandfire's journey to date as well as our aspiration into the future.

We will continue to create value through opportunity for:

- our shareholders
- our employees
- the communities in which we operate
- our customers
- our suppliers and partners
- innovation across industry

Our Values guide our behaviour. They are part of every decision we make.

Value Behaviours



Honesty

- Act with integrity in all your dealings
- Be open to feedback and viewpoints
- Speak up, be authentic and talk straight
- Ensure that we do as we say



Respect

- Empower and trust each other
- Value diversity and act inclusively
- Understand and respect the communities in which we operate
- Use real words so we communicate effectively
- Respect the reputation we've earned and our social license to operate



Collaboration

- Put the company first and work for the shared purpose
- Collaborate within and across teams
- Be open to new information, ideas and approaches
- Invest the time and effort to build strength in your relationships
- Engage with and value team members
- Be curious – ask questions, challenge, explore and think together



Accountability

- Don't Walk Past – Safety, Cultural, Operational or Strategic Risks
- Own our tasks, successes and our mistakes – and learn to improve
- Be dependable in delivering in your role/s
- Take responsibility for your priorities, choices, actions and behaviors



Performance

- Excel in planning and execution to drive safety and profitability
- Bring energy and resilience to your work
- Deliver on our shared goals
- Be agile and adaptable when circumstances change
- Get clear on our performance targets

Desired Outcomes

- We are **proud of what we do**, how we operate and the positive impacts
- We **live Our Values** committed to acting respectfully and with integrity across all stakeholders
- Our diverse and inclusive culture contributes to our successes and enables a **sense of belonging and pride**
- We **deliver** on our commitments and responsibilities together
- Our **fit for purpose** approach drives excellence, ownership, productivity, growth and development
- We are committed to achieving **sustainable and profitable** operations

About Copper

Copper is a cornerstone of the global economy and a critical metal for global economic growth. It is experiencing surging demand due to its essential role as a critical metal in green technologies, while retaining strong underlying demand from its traditional uses in the construction and industrial sectors.

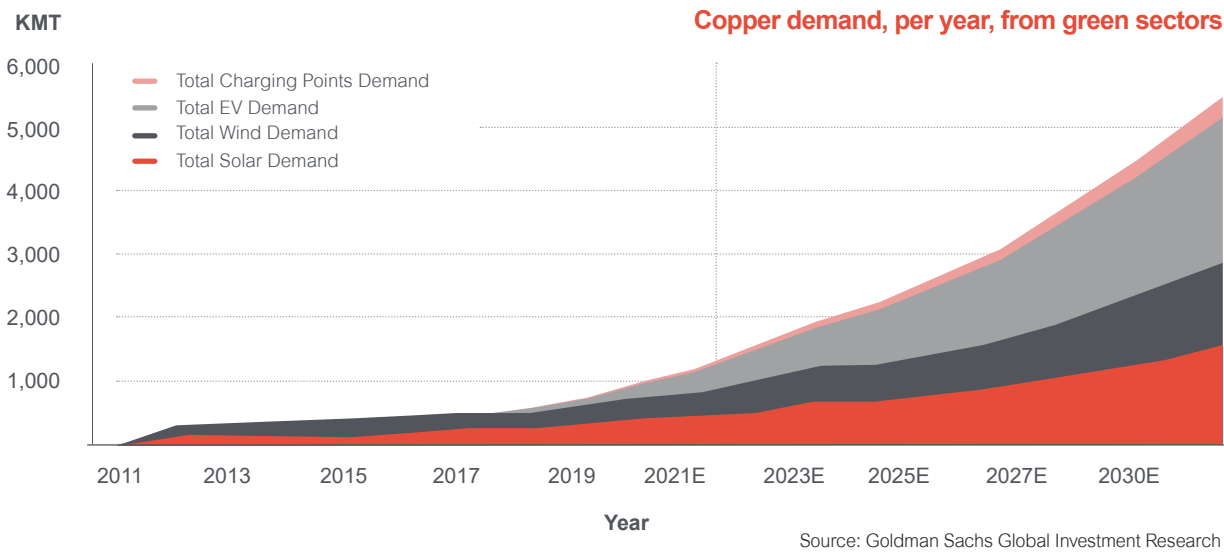
Demand for many future facing metals is projected to surge over the next two decades, particularly as the world moves to 2050 carbon emissions targets. Green demand for copper is forecast to increase by 600% from 1Mt in 2020 (just 3% of total global consumption) to 5.4Mt in 2030 (16% of total consumption)².

Despite this accelerating demand outlook, global mine supply remains structurally challenged due to declining discoveries and mine grades. This presents an exceptional opportunity for companies such as Sandfire with a high-quality copper development pipeline and a commitment to maintaining strong governance, environmental and social standards.

All three countries in which Sandfire has major assets (Australia, Botswana and the United States) are part of the Energy Resource Governance Initiative (ERGI) group that aims to foster a just and sustainable energy transition and address associated supply-chain vulnerabilities.

Copper is an essential metal in modern day technology as we transition to increased use of renewable energy.

Acceleration in green electrification trends is set to drive strongest decade in copper demand growth post-2000



Copper goes into products that we use everyday



Electrical and Electronic
Wind Turbines, Air Conditioning and Heating, Smartphones



Consumer and General Products
Coins, Jewellery, Fungicides



Building & Construction
Wiring, Piping and Plumbing & Earthing Systems



Machinery and Metallurgy
Transformers, Generators, Power Stations



Transportation Equipment
Car Wiring (particularly in electric vehicles), Motors, Plane, Train, Ship electronics and wiring



Renewable Energy
Renewable energy systems use up to 12 times more copper than conventional power systems³.



Recycling
Unlike many other resources and metals, copper boasts the ability to be recycled and reused.



Green Technologies
Given expected increase in green technologies - including electric cars - copper consumption is predicted to rise by more than 40% by 2035³.



Superior Conductivity
Copper has a superior electrical and thermal conductivity, is highly durable and can be 100% recyclable, without any loss in performance.



Solar Power
Copper's combination of high heat conductivity, resistance to atmospheric and aqueous corrosion, ease of fabrication, sealability (joining by soldering), mechanical strength and longevity offer strong advantages over any other material in solar power heating applications.

²Goldman Sachs Commodities Research, 'Copper is the new oil' (13 April 2021).

³copperalliance.eu

29
Copper Cu

Copper is a chemical element with the symbol Cu (from Latin: cuprum) and atomic number 29. It is a soft, malleable, and ductile metal with very high thermal and electrical conductivity.

2021 Year in Review



The safety of our people is our top priority

4.0 TRIFR

Decreased from 5.8 in FY2020

Our DeGrussa Operations in Australia delivered another standout performance, leading to record sales revenue and a closing cash position of \$573.7 million with no debt.



We create value for our shareholders

96.29

EPS per share

34c

Total Dividends per share



We created value for the community

\$57.2M

Spent on Employee Wages

\$397.4M

Spent on contractors and suppliers

saved 14,585t of CO₂ through solar use compared to diesels



We achieved record financial and strong operating results

\$171.6M

Net Profit After Tax (attributable to members)

70,845t

contained Copper Production

39,459oz

contained Gold Production

\$813M

Sales Revenue

\$549.8M

DeGrussa Operations segment EBITDA

\$573.7M

Cash at year-end



COVID-19 Response

We continued to monitor the effects of the COVID-19 global pandemic and developed appropriate protocols, in line with formal guidance of health authorities, to limit the risk to our people and impacts on our operations. Key measures implemented during the year included:

- Boosting workforce social distancing measures across transit and workplaces;
- Health screening at airport for personnel travelling to site;
- Enhanced workforce communication and promotion of Sandfire's health and wellbeing programs, including mental health;
- Extended sick and compassionate leave assistance to employees, including casuals;
- Consulting with and assisting our communities;
- Working with our contractors to provide assistance; and
- Maintaining critical payments to employees and contractors.



DeGrussa Operations

- Record financial results and strong operating results.
- Pleasing safety performance.
- Clear planning and communication for the end of mine life.
- Progression of the Old Highway Gold Project to assess utilisation of existing mine infrastructure.

Black Butte Copper Project

- We completed the Feasibility Study for the Johnny Lee Deposit underpinned by a maiden Ore Reserve and an initial 8-year mine life for a state-of-the-art project that meets the stringent Mine Operating Permit conditions.
- We reported an updated Inferred Mineral Resource for the Lowry Deposit, located 1.5km south-east of the Johnny Lee mine access.

Motheo Copper Mine

- We announced a Final Investment Decision for the US\$259 million development of the Motheo Copper Mine following the completion of a positive Definitive Feasibility Study (DFS) on a base case 3.2Mtpa operation.
- The Mining Licence for the T3 Open Pit was awarded by the Government of Botswana, clearing the way for full-scale construction to commence.
- We delivered and updated, an Indicated and Inferred Mineral Resource for the A4 Deposit, following successful drilling programs during the year.
- Subsequent to year end, we announced a maiden Ore Reserve and pre-feasibility study (PFS) for the A4 Deposit. The PFS confirmed outstanding project economics from an expanded 5.2Mtpa mining operation compared to the base case development scenario.

“A key highlight for the year was the formal unveiling of our ‘New Era’ growth strategy in December 2020, when we articulated our vision for Sandfire’s next decade of growth.”

Karl Simich
Sandfire Managing Director and CEO



The announcement of our transformational acquisition of the world-class MATSA Mining Complex in Spain immediately transforms Sandfire into one of Australia's largest copper focused producers.

Chairman's Message

Dear Shareholder,

I am delighted to report on what has been an exceptional year for Sandfire, marked by key achievements against the objectives of our Strategic Growth Plan as we pivot to the next stage of our transition into an international, diversified base and precious metal producer.

The announcement, in late September, of our transformational acquisition of the world-class 4.7Mtpa MATSA Mining Complex in Spain immediately transforms Sandfire into one of Australia's largest copper focused producers with a diversified global production base and outstanding organic growth potential across high quality global mineral provinces.

Importantly, this on-strategy acquisition provides Sandfire with a cornerstone, long-term asset, that achieves our medium-term annual production target of 150kt contained copper equivalent and underpins the business to continue to pursue its emerging pipeline of project development opportunities.

We look forward to keeping you informed in the lead up to our 2021 AGM and as the acquisition progresses towards completion, expected during the March 2022 Quarter.

FY2021 Performance

We articulated our vision for what we believe will be a period of multi-decade growth for Sandfire in a wide-ranging presentation to the market in December 2020. Appropriately, this coincided with a Final Investment Decision for the development of our new Motheo Copper Mine in Botswana – a major milestone for the Company. Our recently announced increase to 5.2Mtpa at Motheo, supported by the maiden A4 Ore Reserve, puts us in a strong position as we progress construction and development.

As DeGrussa's currently known mine life comes to an end, expected during the September 2022 Quarter, our Board, executive team and staff, are busy setting up the key elements to allow for a successful transition of the business in line with our Strategic Growth Plan. While we do this, we continually consider and respect both the positive and challenging impacts that this transition can have on our people and communities, drawing on two of our values of honesty and respect.

We are actively planning mine closure activities at our DeGrussa Operations, including closure of operating infrastructure and planning for and communicating employment plans for our people and contractors. Our employee retention plans at DeGrussa, seek to balance the business need for strong operational and financial performance until final ore, with a positive outcome for our site based team.

ESG Strategy

Sandfire's revised sustainability strategy supports the Company's purpose of 'Creating value through opportunity' and helps to facilitate the achievement of its Strategic Growth Plan. We have articulated six long-term strategic priorities in how we operate. These ensure that we are well placed to continue to build strong, lasting relationships with stakeholders, deliver on our commitments, develop resources responsibly and drive innovation in our people and industry — all key for creating long-term growth and value.

Sandfire has identified new targets which align with the revised strategy and facilitate our global expansion. Our strategy and targets have been developed with input from the business and take into account our previous performance.

The Board has been able to oversee the significant growth in our ESG capabilities throughout the 2021 financial year and we are pleased to share the key updates within our Sustainability Report.

Board Structure and Succession

The Board succession process has continued throughout FY2021 and has prioritised continuity and stability whilst balancing the need for good governance and strategic leadership. Since the beginning of the financial year, the Board has seen the retirement of Mr Robert Scott and the appointments of Ms Sally Langer, Ms Jennifer Morris and Mr John Richards. Each of these directors bring extensive skillsets, experience and a wealth of knowledge that have already proven invaluable assets to the Board.

Non-executive Director Paul Hallam will retire from the Sandfire Board effective at the 2021 Annual General Meeting in November. This follows eight years of diligent and professional service during which time he chaired the Remuneration and Nomination Committee. Paul's contributions and counsel has been critical through the highly successful operation of the DeGrussa Operations, as well as the acquisition of our interests in Montana, USA, Botswana and more recently Spain.

On behalf of the Board, I would like to extend my sincere thanks to Paul for his service, and to thank Sally, Jennifer and John for their significant contributions since joining the Company.

The Board succession plan process has also increased the level of gender diversity on the Board, currently being approximately 30% female. This aligns with the Company's support of the Australian Institute of Company Director's (AICD) target of at least 30% female representation on ASX200 Boards. Importantly, this positive improvement to Board structure also aligns Sandfire with our Board gender diversity target set for the 30 June 2021 financial year.

Remuneration

It was pleasing to have over 70% of shareholder votes cast in favour of the 2020 Remuneration Report that outlined our revised and enhanced remuneration framework. The Board acknowledges the proxy advisor feedback received at the 2020 AGM last year that resulted in a 'strike' against the remuneration report, with some shareholders voicing concern regarding the new remuneration structure. The Board remains confident that the framework implemented will, and is, helping to achieve the objectives of the Company's strategic plan over the currently defined growth period.

The remuneration structure has been designed to align Executive remuneration to the Strategic Growth Plan and drive value creation for shareholders. The enhanced framework, designed with the assistance of independent remuneration advisors, 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. It aligns both STIs and LTIs to financial year objectives, targets and measures and enhances the focus of the Executives on the achievement of key project milestones.

The Board's response to the 2020 AGM strike and further details of the enhanced remuneration framework are detailed in this year's Remuneration Report.

People and Culture

The Company's executive and senior management structure has continued to evolve in line with our expanding global presence. We were pleased to welcome some incredibly talented and experienced individuals to join our leadership team. These roles included an in-country CEO in Botswana, Head of Exploration, Head of Investor Relations and Head of Business Development and Technical Services.

I am delighted to say that these new senior executives, who have come to us from quality ASX mining companies, have blended in extremely well with our existing senior management team, and the result has been a genuinely complementary combination of ideas, skills, culture and capabilities. This has helped to re-energise our business and ensure that we have the right people in the right roles to help steer Sandfire's growth and development into the future.

We have also put considerable effort and attention during the year on enhancing the Sandfire culture and fostering a participative management style within the organisation. We are striving to build a culture that embraces company values, teamwork, reward for performance and encouraging regular communication and feedback from all employees. I believe we have made great progress in this regard, and I am proud of the strong culture and brand we have developed in the mid-tier mining sector, building on a decade of successful operations in Australia.

In conclusion, after what has been a very productive strategic reset across our business over the past 18 months, I am confident that Sandfire is in great shape to create significant value for shareholders in the years ahead. Our clearly defined purpose and vision, Strategic Growth Plan, and refreshed and revitalised Board and senior leadership team complements our strong culture and high-quality production, development and exploration assets.

We are executing our growth plans against the backdrop of unprecedented demand for the future-facing metals that we produce – notably copper due to its pivotal role in the accelerating energy transformation that will be required to decarbonise the global economy, reduce greenhouse gas emissions and, ultimately, mitigate the impacts of climate change.

Sandfire is in an exceptional position to realise our vision of delivering sustainable copper production for the impending global energy transformation.

Our strong position and the clear direction we are taking is due to the hard work, dedication and commitments of our Board and senior management team – led by our Managing Director and CEO, Karl Simich – and I take this opportunity to thank all of them, as well as our shareholders for your continued support.

Derek La Ferla
Non-executive Chairman



Message from the Managing Director and CEO

Dear Shareholder,

It has been an incredibly busy, productive and rewarding year for Sandfire and I am delighted to say that it's been a successful first year of execution against our Strategic Growth Plan.

We have delivered against each and every one of our five strategic imperatives at a time where the threat of the COVID-19 pandemic continues to pose significant challenges for businesses around the world. This is particularly relevant for an organisation such as ours, which is currently in the midst of a transition from a single-mine company into an international, multi-asset base and precious metals producer. It is pleasing to note that our team has continued to deal professionally with the direct and indirect risks, impacts and challenges that the pandemic has brought to limit the risk to our operations and our people.

The "cash harvest" mode at DeGrussa saw our year-end cash balance increase to \$574 million and helped position the Company to announce a truly transformational acquisition subsequent to year end. On 23 September 2021, we were pleased to announce that Sandfire entered into a binding sale and purchase agreement with Trafigura and Mubadala Investment Company to acquire 100% of the 4.7Mtpa MATSA Mining Complex for a total consideration of US\$1,865M (A\$2,572M).

Base metal assets which offer this combination of scale, grade, mine life and exploration upside are extremely rare globally. The MATSA acquisition transforms Sandfire into a first quartile copper producer of global scale and allows us to leverage our skill set to deliver on our growth ambitions to create one of the highest quality and most compelling copper exposures on the ASX.

The high-quality debt and equity funding package we have secured ensures that we can fully-fund the acquisition of this Tier-1 asset while retaining balance sheet flexibility to deliver our 5.2Mtpa Motheo Copper Mine in Botswana and maintain a global exploration program.

Please refer to the Company's announcement dated 23 September 2021 and the Investor Presentation for further information about MATSA and the acquisition.

The MATSA acquisition transforms Sandfire into a first quartile copper producer of global scale and allows us to leverage our skill set to deliver on our growth ambitions to create one of the highest quality and most compelling copper exposures on the ASX.

We delivered an exemplary operational and financial performance during FY2021. We significantly expanded the depth and capability of our organisation and senior leadership team, increased the range and quality of ESG initiatives being undertaken and embarked on an exciting era of growth with the development of our new Motheo Copper Mine in Botswana, now approved and in full swing.

Our performance translated into an exceptional set of financial results, headlined by record sales revenue of over \$813 million, operating cash-flow of \$471 million, a record net annual profit after tax of \$170 million and a final dividend of 26 cents per share, lifting the total payout to shareholders to 34 cents.

Our safety and ESG strategies and performance have delivered pleasing results with a strengthened focus on our people, communities and geographies.

The key highlight of the year was the announcement of a Final Investment Decision for the US\$259 million development of the Motheo Copper Mine, following the completion of a high-quality Definitive Feasibility Study outlining compelling economics for an initial Base Case 3.2Mtpa operation over an initial 12.5-year life based only on the T3 Deposit.

As part of this important occasion, we also announced a maiden Mineral Resource for the A4 Deposit, located 8km from T3, providing us with an immediate pathway to rapidly expand to a 5.2Mtpa operation.

With early site works commencing at Motheo during the year, we were delighted to secure the grant of the Mining Licence in July from the Government of Botswana, representing the final green-light to get full-scale construction underway.

I would like to thank the Government of Botswana for their support throughout the approvals process, which will see Motheo come on-stream in 2023 as one of very few new copper mines commencing production globally.

Motheo is expected to generate approximately 1,000 jobs during construction and 600 full-time jobs during operations and represents the foundation for Sandfire's long-term growth plans in Botswana. Our vision is that Motheo will form the centre of a new, long-life copper production hub in the central portion of the world-class Kalahari Copper Belt, where we hold an extensive ground-holding spanning Botswana and Namibia.

Our ambition to rapidly increase the scale of our operations in the Kalahari Copper Belt have been further enhanced with the recent completion of an updated Mineral Resource and release of a maiden Ore Reserve for the A4 Deposit subsequent to financial year-end. The Pre-Feasibility Study for the A4 Deposit confirms the validity of our 5.2Mtpa expansion case scenario and we will make final investment decisions with the conclusion of the DFS.

On the exploration front, we are ramping up our efforts globally with a budget of over \$50 million for FY2022. In the Doolgunna Region, we have allocated a budget of \$16 million for a dual-track exploration strategy focused on gold exploration across the district and copper exploration targeting new VMS discoveries at Doolgunna Deeps – a new search space located at depths below 500m.

In the Kalahari Copper Belt, we have a \$23 million exploration budget for FY2022 as we ramp-up exploration across our tenement holding, initially in the Motheo Expansion Area, before stepping out to test targets across our land holding in this emerging copper belt.

At our Black Butte Project in the USA, we completed the Feasibility Study for the 87%-owned and fully-permitted Johnny Lee Copper Deposit underpinned by a maiden Ore Reserve of 8.8Mt at 2.6% Cu for 226,100 tonnes of contained copper. We completed surface earthworks at the Johnny Lee Deposit after securing the Phase I bonding amount required as part of the permitting process and have been dealing with the ongoing legal challenge – which we are confident of resolving in the coming months.

Importantly, we are executing our growth strategy against the backdrop of one of the best commodity market environments in decades. The long-term fundamentals for copper in particular remain exceptionally strong, heralding what some commentators see as a new copper super-cycle as the global energy transition gathers pace.

In conclusion, thank you for your continued support as we look toward our next growth chapter. I look forward to keeping you informed of our progress in the months and years ahead.

Karl Simich
Managing Director and CEO

Operations Review

Doolgunna, Western Australia
DeGrussa Operations



The outstanding operational and financial results delivered in FY2021 represent the culmination of what has been another wonderful performance by our flagship DeGrussa Operations during the year.

The DeGrussa Operations are located 900km north-east of Perth in Western Australia and include the high-grade DeGrussa and Monty Copper-Gold Mines. Commencing with an initial 2-year open pit mining operation, which was completed in April 2013, the DeGrussa Operations are based on underground mining delivering sulphide ore to an on-site 1.6Mtpa Concentrator producing copper concentrate (also containing gold and silver).



Production and operations

Sandfire achieved strong production for FY2021 of 70,845 tonnes of contained copper and 39,459 ounces of contained gold with improved safety performance.

| Production Statistics | | | Units | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Total FY21 |
|-----------------------|------------------|---------|-------|------------|------------|------------|------------|---------------|
| DeGrussa | Mined | Tonnes | | 243,050 | 277,094 | 299,066 | 293,579 | 1,112,808 |
| | Copper Grade | % | | 4.4% | 4.0% | 3.5% | 3.4% | 3.8% |
| | Gold Grade | g/t | | 1.87 | 1.74 | 1.44 | 1.38 | 1.59 |
| Monty | Mined | Tonnes | | 90,116 | 112,352 | 111,769 | 110,842 | 425,079 |
| | Copper Grade | % | | 6.9% | 5.9% | 7.8% | 8.3% | 7.2% |
| | Gold Grade | g/t | | 1.60 | 1.69 | 1.70 | 1.37 | 1.55 |
| Total | Mined | Tonnes | | 333,166 | 389,446 | 410,835 | 404,421 | 1,537,887 |
| | Copper Grade | % | | 5.1% | 4.5% | 4.7% | 4.7% | 4.7% |
| | Gold Grade | g/t | | 1.80 | 1.69 | 1.50 | 1.37 | 1.58 |
| Concentrator | Milled | Tonnes | | 408,810 | 383,978 | 395,671 | 375,298 | 1,563,757 |
| | Copper Grade | % | | 5.1% | 4.6% | 4.6% | 4.8% | 4.8% |
| | Gold Grade | g/t | | 1.77 | 1.69 | 1.54 | 1.43 | 1.61 |
| Concentrate produced | Concentrate | DMT | | 81,887 | 70,262 | 71,013 | 77,286 | 300,447 |
| | Contained Copper | Tonnes | | 19,400 | 16,390 | 16,803 | 18,252 | 70,845 |
| | Contained Gold | Tonnes | | 11,683 | 9,660 | 9,100 | 9,016 | 39,459 |
| Operating cost | C1 cost | US\$/lb | | 0.53 | 0.89 | 0.87 | 0.93 | 0.82 |

Note: Mining and production statistics are rounded to the nearest 0.1% Cu grade and 0.1 g/t Au grade. Errors may occur due to rounding. Production statistics are subject to change following reconciliation and finalisation.

The DeGrussa Concentrator continued to perform well, with a total of 1.56 million tonnes milled for the year at an average head feed grade of 4.8% Cu and with overall recoveries of 93.6% for copper and 48.7% for gold.

Driven by higher processed grades and better than forecast recovery, the Company was able to deliver low operating costs for the year, with C1 cash operating costs of US\$0.82 per pound achieved.

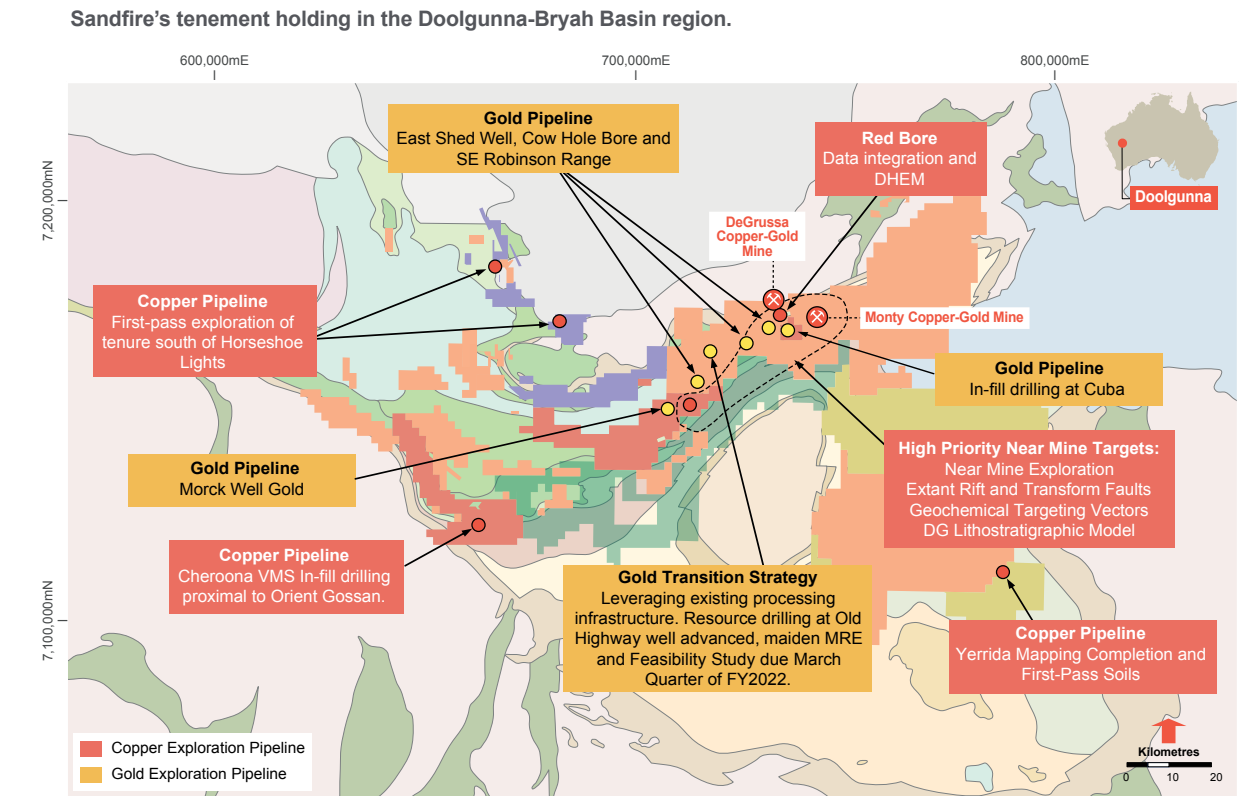
| Operating costs US\$/lb | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Total FY21 |
|---------------------------------|------------|------------|------------|------------|---------------|
| Mining | 0.51 | 0.53 | 0.50 | 0.45 | 0.50 |
| Processing | 0.25 | 0.35 | 0.31 | 0.32 | 0.30 |
| Business services | 0.12 | 0.11 | 0.11 | 0.13 | 0.12 |
| Transport Costs | 0.21 | 0.26 | 0.26 | 0.33 | 0.27 |
| Treatment and refining | 0.15 | 0.15 | 0.17 | 0.15 | 0.15 |
| C1 cost (pre by-product credit) | 1.23 | 1.39 | 1.35 | 1.39 | 1.35 |
| By-product credit | (0.71) | (0.51) | (0.48) | (0.46) | (0.53) |
| C1 cost | 0.53 | 0.89 | 0.87 | 0.93 | 0.82 |
| Royalties | 0.19 | 0.19 | 0.24 | 0.26 | 0.22 |
| Production cost | 0.72 | 1.08 | 1.11 | 1.18 | 1.03 |
| Depreciation and amortisation | 0.69 | 0.93 | 0.97 | 0.89 | 0.86 |
| Total production cost | 1.41 | 2.01 | 2.08 | 2.07 | 1.89 |

Note: Operating cost are rounded to the nearest US\$0.01. Errors may occur due to rounding.

Doolgunna Province Exploration

Exploration remains at the heart of Sandfire's long-term growth strategy, with the Company maintaining a systematic, multi-pronged exploration program across its large landholding in the Doolgunna-Bryah Basin region, which now stands at 7,182km².

Sandfire is progressing a dual track exploration program across the Doolgunna Province – a Copper Exploration Pipeline targeting potential extensions to the DeGrussa and Monty VMS systems and other VMS-hosted copper mineralisation, and a Gold Exploration Pipeline targeting gold mineralisation that could support the development of a gold processing train at the DeGrussa processing plant.



Copper Exploration Pipeline

Following approximately 10 years of systematic exploration collecting high-quality data, the top 500m of Sandfire's near-mine tenure within the Doolgunna region has now been effectively and comprehensively explored, delivering success with the high-grade Monty discovery.

However, significant opportunity still exists for new discoveries at depths below 500m, with Sandfire's exploration programs now transitioning to target these deeper opportunities. Programs currently underway or planned to target the Doolgunna Deeps include:

- Refining the existing structural and lithological models through the collection of additional geophysical data (seismic and magnetotelluric surveys);
- Applying a data-driven approach to predictive modelling; and
- Refining and prioritising initial targets for drill testing.

Gold Exploration Pipeline

Drilling programs continued at the Old Highway Gold Project, located approximately 20km south-west of the DeGrussa Operations, throughout the year. Old Highway is a known area of oxide gold mineralisation, with the drilling programs aimed at assessing the extent of near-surface gold mineralisation and supporting studies to evaluate Old Highway's potential to underpin future gold production through the existing DeGrussa Concentrator.

Resource definition drilling has been substantially progressed, with remaining resource definition drilling programs to commence in the September Quarter of FY2022.

These programs will focus on the Central Deeps, comprising a 50m x 50m diamond drill pattern to test for extensions to Old Highway Deeps where multiple high-grade intercepts have shown good continuity of mineralisation at depth.

Drilling will also test Central-East Links, with a 50m x 50m reverse circulation (RC) drill pattern planned over the area within the strike of the targeted resource area.

Work also continued on the key elements of a Scoping Study for Old Highway during the year, including geotechnical assessments, metallurgical variability testwork, process plant design and base line environmental study work and permitting.

The maiden Mineral Resource Estimate and Scoping Study for the Old Highway Gold Project are on-track for delivery in the March Quarter of FY2022.

Kalahari, Botswana and Namibia

Motheo Copper Mine



Motheo represents the foundation for Sandfire’s long-term growth plans in Botswana and is expected to generate approximately 1,000 jobs during construction and 600 full-time jobs during operations. Our vision is that Motheo will form the centre of a new, long-life copper production hub in the central portion of the world class Kalahari Copper Belt, where we hold an extensive ground-holding spanning Botswana and Namibia.

The Motheo Copper Mine, where development commenced in FY2021, will initially mine a significant sediment-hosted copper and silver deposit at T3. Located in the underexplored Kalahari Copper Belt in Botswana, the project is supported by our community office in the nearby town of Ghanzi, which is the focal point for managing human resources and community relations in the Ghanzi District.



Definitive Feasibility Study

Sandfire’s Board approved the commercial development of the Motheo Copper Mine in December 2020, marking a key step in its international growth and diversification strategy. The Final Investment Decision (FID) was based on the positive results of a Definitive Feasibility Study (DFS) on an initial Base Case 3.2Mtpa processing capacity and open pit development of the T3 Deposit.

The DFS outlined a robust initial 12.5-year operation, underpinned by an updated Ore Reserve of 39.9Mt at 0.9% Cu and 12.2g/t Ag for 360,000t of contained copper and 15.6Moz of contained silver, producing on average ~30kt of contained copper and 1.2Moz of contained silver per annum over the first 10 years of operations, with relatively low capital intensity and robust operating margins.

The DFS 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. 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\$4.30/lb.

Reflecting its confidence in the future long-term growth of the Project, Sandfire’s Board also approved an additional upfront capital investment to be made as part of the 3.2Mtpa Base Case development.

This will facilitate the installation of additional processing capacity and infrastructure (including larger front-end crushing capacity, additional flotation and thickening capacity and an expanded accommodation facility), providing a clear pathway to rapidly expand the processing facility to a planned 5.2Mtpa production rate for the Motheo Production Hub to accommodate other ore sources.

The immediate and most advanced expansion opportunity for the expanded 5.2Mtpa Motheo Production Hub is the A4 Deposit, located 8km west from T3 (see further below).

Motheo access road clearance



Full details of the DFS can be found in Sandfire’s ASX announcement, dated 1 December 2020, titled ‘Sandfire Approves Development of new Long-life Copper Mine’.

Mining Licence

The Mining Licence for the Motheo Copper Mine was granted by the Government of Botswana on 7 July 2021, representing the final major permitting milestone required for full-scale construction of the project to commence.

As part of the Mining Licence approval process, the Government of Botswana has a right to acquire up to a 15% fully contributing interest in the Motheo Copper Mine. The Government of Botswana has not yet notified Sandfire of its intention regarding the acquisition of an ownership stake.

Mining Contract

The contract for open pit mining services of the T3 Deposit at the Motheo Copper Mine has been awarded to African Mining Services (AMS). AMS is a surface mining business of diversified global mining services group Perenti Global Ltd (ASX: PRN).

AMS has been operating in Africa for over 30 years and Perenti already has a presence in Botswana through Barmenco, their underground mining division, at the large-scale Khoemacau Copper Mine located 100km north-east of Motheo.

The contract, which has an estimated value of US\$496 million (A\$648 million), is the largest single contract for Motheo. 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.

200-person construction camp



Project Development

Pre-development activities commenced at the Motheo Copper Mine, with fencing, a 15km access road and construction of a 200-person camp well advanced at the end of the year.

Following the award of the Mining Licence in early July 2021, Sandfire has now mobilised additional personnel to site to commence construction of the process plant and other infrastructure. Orders have already been placed for all key process equipment and long-lead items.

The detailed engineering design, being completed by Lycopodium, is nearing completion and will be finalised in October 2021. The Tailings Storage Facility (TSF) design is now complete and has been issued for tender to construction contractors.

Other key construction contracts awarded during the year include, the 15km Access Road, 750-person Permanent Accommodation facility (Design and Construct) and the High Voltage Substation and Switching station (Design and Construct). Contracts for Process Plant Bulk earthworks, construction camp catering and Medical and Emergency Management Services will be awarded in early FY2022.

Funding

Sandfire intends to fund the development of the Motheo Copper mine through a combination of cash and project debt.

We are progressing consideration of a project financing facility for approximately 50 per cent of the estimated development costs and working capital requirements (estimated at approximately US\$160 million (A\$214 million)), as part of our broader capital management strategy.

A4 camp



A4 Deposit

Given its location just 8km from the planned processing plant and infrastructure at Motheo, the A4 Deposit has potential to become an important source of satellite ore for the Motheo Copper Mine to support Sandfire’s plans to increase production from the Base Case 3.2Mtpa production rate to 5.2Mtpa.

Subsequent to the end of the year, Sandfire has announced an updated Indicated and Inferred Mineral Resource Estimate (MRE) and a Maiden Probable Ore Reserve for the A4 Deposit.

The updated A4 MRE now totals **9.8Mt at 1.4% Cu and 21g/t Ag for 134,000t of contained copper and 6.6Moz of contained silver**. Importantly, recent drilling has enabled Sandfire to upgrade a significant portion of the A4 Deposit to the higher confidence Indicated Resource status. Indicated Resources now stand at **8.9Mt at 1.4% Cu and 22g/t Ag for 124,000t of contained copper and 6.2Moz of contained silver**, representing 93 per cent of the total contained copper within the A4 Deposit.

The A4 Deposit Open Pit Ore Reserve totals **9.7Mt at 1.2% Cu and 18g/t Ag for 114,000t of contained copper and 5.7Moz of contained silver**. This reflects an outstanding Resource-to-Reserve conversion rate of 85% of contained copper based on the updated MRE.

Supporting the estimation and reporting of the A4 Ore Reserve, Sandfire has completed an internal pre-feasibility study (PFS) for the expansion of the Motheo Processing Plant. The PFS has confirmed the strong business case for development of the A4 Deposit as part of an expanded 5.2Mtpa Motheo Production Hub strategy.

In completing the Expansion Case PFS Sandfire has been able to leverage the work completed for the T3 DFS. The A4 PFS outlines the first additional satellite deposit to the Motheo Copper Mine, expanding plant production from 3.2Mtpa to 5.2Mtpa over its five-year mine life. The ore processing contribution of the A4 Open Pit is five years with estimated copper production contained in concentrate over the life of the A4 Open Pit of 105,000t.

Mine facilities include surface mining operations at the A4 Deposit, expansion of the processing plant and supporting infrastructure. The Motheo mining accommodation facility is already sized for the A4 Deposit driven expansion. New infrastructure for A4 will include a light vehicle access road from the accommodation facility, dual lane HV road to be constructed from A4 to the Motheo Plant, tyre/breakdown workshops, fuel, crib and office facilities, electrical and water supplies.

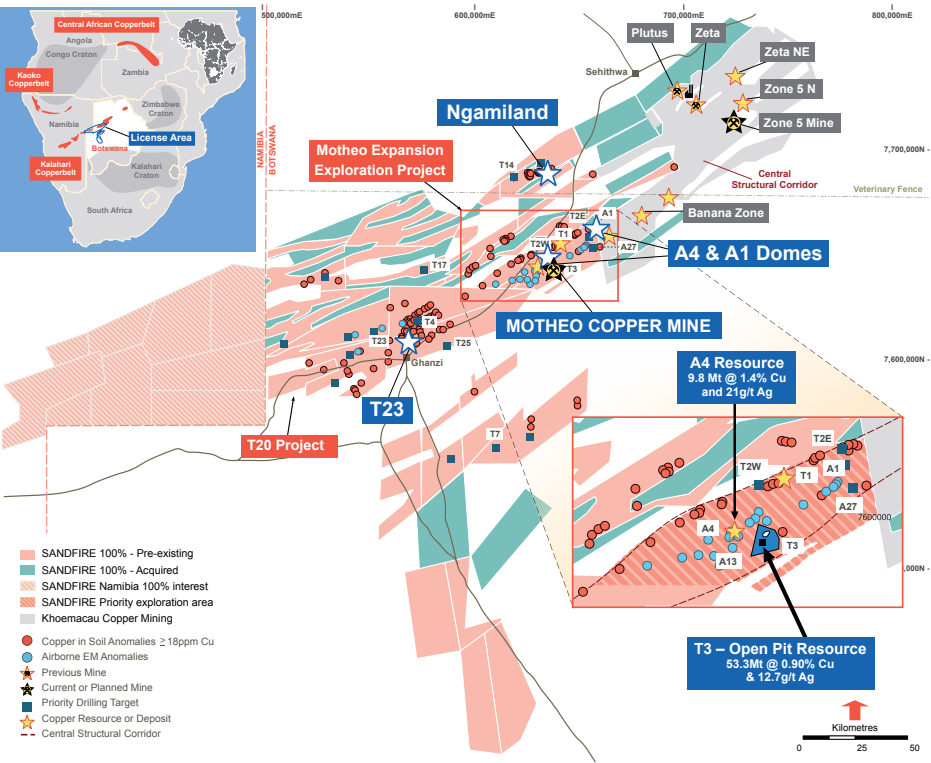
Based on the strong economics of the PFS, Sandfire will now move directly to a Definitive Feasibility Study (DFS) for the integration of the A4 Deposit as a source of satellite ore feed for the Motheo Mining Hub.

For more details on the A4 PFS and the combined T3 and A4 operations, refer to the Company’s ASX Announcement, dated 22 September 2021, titled ‘A4 Ore Reserve and Motheo Expansion PFS’.

Motheo Expansion Exploration

The ~1,000km² Motheo Expansion Exploration Project lies within a 30km radius of the Motheo Copper Mine.

Sandfire has commenced a substantial diamond drilling program to test a number of additional near-mine targets along the A4 Dome. Drilling is focused on targets with potential for high-grade vein-hosted mineralisation in the upper part of the Dome and the potential for extensive mineralisation associated with the Ngwako Pan Formation (NPF) contact below the Dome.



Motheo Copper Mine showing the planned integration of the A4 Deposit as part of an expanded 5.2Mtpa production hub.



Regional Location Plan with Kalahari licence holdings showing the Motheo Copper Mine, including the T3 Deposit, A4 Deposit, multiple exploration targets, the neighbouring Khoemacau Copper Mining licences and deposits (source: Khoemacau Copper Mining’s website www.khoemacau.com) and the Company’s extensive ground-position in Botswana and Namibia.

NPF contact related mineralisation is more typical of sediment-hosted copper deposits globally and has the potential to extend over wide areas of the Kalahari Copper Belt.

The NPF contact hosts most of the major deposits in the eastern part of the belt including the 60-65ktpa Zone 5 underground mine, which is currently being commissioned. On 1 July 2021, the Khoemacau Copper Mining company announced first concentrate production from the Zone 5 Mine which Khoemacau reported is being ramped up to full production through the second half of the 2021 calendar year.

Previous, widely spaced drilling of the NPF contact along a 1.6km section of the interpreted 9km long A4 Dome has resulted in a number of significant intersections of disseminated and high-grade contact copper-silver mineralisation, announced by MOD Resources Ltd during 2018.

In addition to targeting high-grade vein systems, most holes in the current program will be extended to intersect the NPF contact. The objective is to scope out the extent of NPF contact mineralisation below the A4 Dome and identify areas with higher copper-silver grades to focus future drilling.

Drilling also commenced at other high priority targets within 30km of the Motheo Copper Mine during the September 2021 Quarter. Targets include the large A1 Dome located 25km along strike from A4 and the T1 and T2 East prospects located 10km north of A1.

Kalahari Exploration, Botswana and Namibia

Significant progress has been made during FY2021 in systematically compiling and interpreting the wider geological and structural setting of the Kalahari Copper Belt. This belt-scale interpretation is supported by a detailed review of aero-electromagnetic (AEM) data combined with geological and other geophysical data from known deposits in the region.

Several compelling targets have been identified for drilling on Sandfire’s licences west and north of the Motheo Expansion Project. Drilling is underway and planned to test multiple prospects, including the T4 copper prospect, approximately 80km west of the T3 Deposit, and the T14 and adjacent T5 prospects, 50km north of the T3 Deposit, in the September and December 2021 Quarters.

Exploration activities in Namibia are also continuing with Sandfire’s first phase of RC drilling across all the Namibian licences. Holes were designed to test several new structural targets, as well as apply new exploration concepts taken from Sandfire’s Botswanan work. A large-scale soil geochemical program is also being undertaken after a successful initial trial.

Eastern Australia, New South Wales

Sandfire is continuing to progress its Australian east coast exploration initiative, targeting world-class discoveries in some of **Australia’s premier exploration provinces.**

Exploration activities during FY2021 primarily focused on the Cobar district, including the new Endeavour Joint Venture Project, and the Temora Project, located in the Macquarie Arc of New South Wales.

Cobar Exploration

Sandfire entered into a Farm-in Agreement with CBH Resources Ltd in October 2020 giving it the right to earn up to a 100% interest in the Endeavor Base Metal Mine and surrounding exploration tenements, located near Cobar in NSW.

Exploration at the Endeavor joint venture during the year consisted of diamond drilling and drillhole electronmagnetic data (DHEM) surveys targeting extensions to the Endeavor mine resources, and the interpretation and modelling of the historical DHEM data to generate additional areas requiring investigation in close proximity to the Endeavor Orebody.

Extensional diamond drilling will be conducted over the first half of FY2022 to test new electro-magnetic (EM) targets at the Endeavor South orebody. In addition, a regional diamond, RC and air-core (AC) drilling program and ground-based geophysics are expected to continue throughout FY2022 to target multiple geochemical and geophysical anomalies.

Outside of the Endeavour JV tenements, Sandfire also conducted several small ground geophysics programs on its 100% owned tenure in the Cobar district as a precursor to drill testing. Programs of airborne magnetics, ground geophysics and diamond and AC drilling on geophysical, structural and geochemical targets are planned for FY2022.

Macquarie Arc Exploration

Exploration programs in the Temora region are focused on discovering both epithermal and porphyry-style mineralisation, with a number of targets drill tested during FY2021.

At Monza, drilling intersected porphyry mineralisation with visible chalcopyrite, confirming the up-dip extension of the copper-molybdenum stockwork zone as well as intersecting a second mineralised zone at depth, with a follow-up hole extending the known mineralisation by 150m to the north.

Diamond drilling at the Donnington prospect successfully extended the known mineralisation down plunge. AC drilling at the Showground prospect targeting a potential porphyry copper system at depth confirmed the existence of proximal alteration consistent with these systems.

Diamond drilling at Fields intersected epithermal vein breccias over several intervals, with further work planned along the Fields – Gidginbung trend in FY2022 to test extensions to known low sulphidation mineralisation and conceptual porphyry targets. Planned work programs include 3D geochemical modelling, diamond and AC drilling as well as IP surveys.



Black Butte, Montana, USA

Black Butte Copper Project



The Black Butte Copper Project is one of the world’s highest-grade undeveloped copper projects. **The planned mine development will utilise best-practice technology and modern mining techniques to develop a wholly-underground mine with minimal surface footprint and environmental impact.**

Sandfire holds an 87% interest, via Canadian listed company Sandfire Resources America Inc. (TSX-V: SFR), in the high-grade Black Butte Copper Project, located in central Montana in the United States.

Project permitting for Black Butte was completed in April 2020, with the Montana Department of Environmental Quality (MTDEQ) releasing the Final Environmental Impact Statement (EIS) on 13 March 2020 and issuing a positive Record of Decision (ROD) to grant a Mine Operating Permit (MOP) on 9 April 2020.

The project is located on private ranch land in Meagher County owned by the Group’s subsidiary, Tintina Montana Inc. The site is close to existing road, power and rail infrastructure, with the ability to access a residential workforce located nearby and competitive sources of materials and power.

The proposed underground mine at Black Butte is designed to provide economic opportunity to Central Montana while fully protecting the Smith River Watershed.



Feasibility Study

A Feasibility Study for the project's Johnny Lee Copper Deposit was completed in October 2020. Key highlights from the Feasibility Study are listed below.

- Maiden Mineral Reserve of 8.8 million tonnes at 2.6% copper for 226,100 tonnes of contained copper defined for the Johnny Lee Upper and Lower Copper Zones.
- The Johnny Lee Deposit underpins an 8-year mine life and is designed to be mined at 1.2 million tonnes of ore per annum.
- Average annual production of ~23,000 tonnes of copper metal at a C1 cash cost of US\$1.51/lb.
- Construction capital cost of US\$274.7 million.

We also released an updated Inferred Mineral Resource for the Lowry Deposit of 8.3 million tonnes at 2.4% copper for 199,500 tonnes of contained copper. The Lowry Deposit is located 1.5km south-east of Johnny Lee mine access portal. The updated Mineral Resource is based on updated geological modelling, resource estimation, classification, and mineralogy/recovery assumptions. The Lowry Deposit is not covered by the current environmental permits and will need to undergo a further permitting and approvals process.

Project Approvals and surface earthworks

With the Phase I Bond requirement met, a final MOP for the Johnny Lee Deposit was issued to Tintina Montana Inc., by the MTDEQ in August 2020. The award of the final MOP allowed the Company to commence Phase I Development surface construction at the mine site.

The pre-construction earthworks to construct the mine portal pad and contact water pond were completed between August and December 2020.

Legal Challenge

A legal challenge to the MTDEQ's Record of Decision was lodged on June 4, 2020 in the 14th Judicial Court in Meagher County, Montana against the MTDEQ and Tintina Montana Inc., by a number of groups who oppose resource development in Montana. Following the filing of various briefs on the matter by all parties, oral arguments were heard before the presiding Judge on July 16, 2021. The Judge will now consider the matter over the coming months. To date, plaintiffs have filed no Preliminary Injunction against the project and Sandfire will continue to work with the MTDEQ to defend this litigation vigorously.

Black Butte Exploration

Exploration programs commenced at the Black Butte Project during FY2021 targeting potential extensions and other near-mine opportunities within the existing Mining Lease.

Sandfire Resources America Inc. reported assay results from its winter 2021 exploration core drilling program, including initial results which intercepted 12.45m grading 3.4% copper and 6.5g/t silver in the Lowry Lower Zone, including 4.65m of 6.0% copper and 14.6g/t silver.

The drilling, which was completed in March 2021, focused on testing new targets away from the fully permitted Johnny Lee area to expand the footprint of mineralisation that could be accessed from the currently planned underground mine. Eight diamond drill holes were completed, with a total of 5,267m of core spread over four different target areas.

All four target areas are outside of the area covered under the current MOP and will require further environmental assessment, a thorough permitting process and commercial studies before any decision to mine.

Further details can be found on the Sandfire America Resources Inc. website at www.sandfireamerica.com.



Located in the State of Montana, USA, the Black Butte Copper Project is one of the world's highest-grade undeveloped copper projects.

Governance

The Board and all levels of management are fully committed to maintaining and enhancing corporate governance so that it continues to contribute to Sandfire’s key growth objective to transition from a single-mine company into an international, diversified and sustainable mining company.

The Board of Directors guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. In performing its responsibilities, the Board acts in the best interests of the Company, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by Sandfire’s Constitution and the law.

Whilst the Board is responsible for establishing the corporate governance framework of Sandfire, we believe good governance is the collective responsibility of all our management and staff. We believe that excellence in governance is intrinsic to our social license to operate and essential for the long-term sustainability of our business.

Sandfire’s governance framework supports our people to deliver our strategy and provides an integral role in effective and responsible decision making and business conduct. Integral to the framework is our Code of Conduct, which is based on Our Values. The Code guides our behaviours and reinforces the importance of carrying out our work responsibly. We use Our Values and code to drive the best outcomes for our shareholders, employees, business partners, government, regulators and the broader community.

The Company regularly reviews its governance practices and corporate governance policies to reflect the growth and strategy of the Company, current legislation and best practice.

Further information about governance at Sandfire, as well as copies of our Board and Committee Charters, Code of Conduct and various governance policies can be found in the Governance section of our website at www.sandfire.com.au.

2021 Corporate Governance Statement

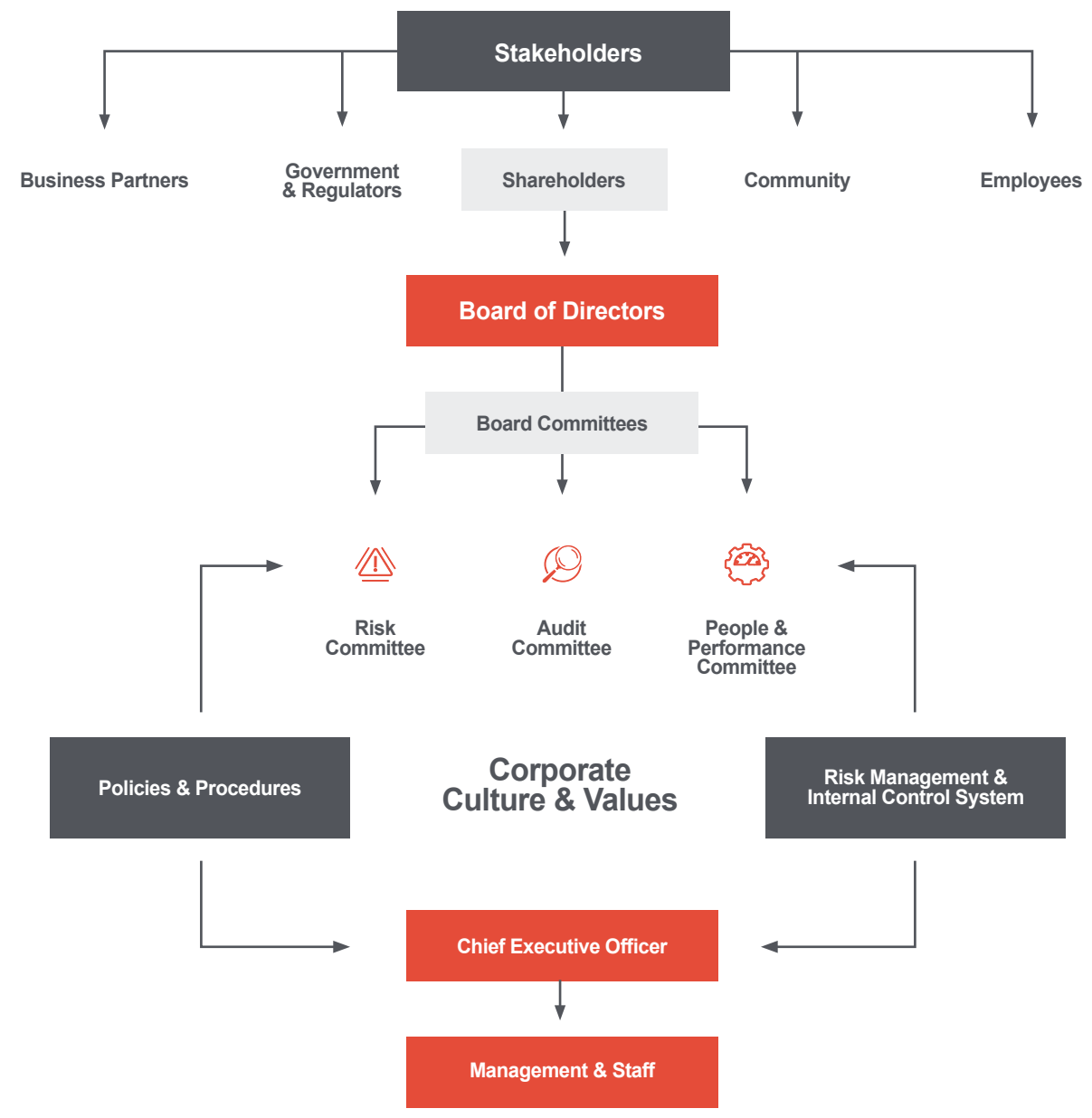
Sandfire’s Corporate Governance Statement (Statement) outlines the key features of Sandfire’s governance framework by reference to the 4th edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (ASX Recommendations). The Company’s corporate governance practices have complied with all relevant ASX Recommendations during the 2021 Financial Year.

Sandfire’s Corporate Governance Statement is accurate and current as at 8 October 2021 and has been approved by the Board of Directors.

The Statement can be found on the Governance page of our website at www.sandfire.com.au, along with the ASX Appendix 4G - a checklist cross-referencing the ASX Recommendations to disclosures in the Statement, the 2021 Annual and Sustainability Report and the Company website.



Our Governance Framework



Supporting Documents

- Company Constitution
- Code of Conduct
- Board and Committee Charters
- Policies and procedures
- Corporate Governance Statement

Available on our website
www.sandfire.com.au/site/About/corporate-governance

Board of Directors



Derek La Ferla

Independent Non-Executive Chairman

Mr La Ferla is a corporate lawyer and company director with more than 30 years' experience. He has held senior leadership positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations. He brings a strong corporate governance perspective, balancing commercial and legal risk management needs.

Mr La Ferla is a fellow of the Australian Institute of Company Directors and a member of the AICD National Board and the WA Council Division.



Karl Simich

Managing Director and Chief Executive Officer

Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of various mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a director of and held senior positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance.



Roric Smith

Independent Non-Executive Director

Dr Smith is a highly experienced geologist with extensive Australian and international experience. Dr Smith was previously Vice President, Discovery and Chief Geologist for Evolution, where he played a key role in leading that company's exploration efforts.

Prior to joining Evolution, Dr Smith held senior executive positions with the gold producer AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager – North Asia Region; and Chief Geologist Australia. Dr Smith holds a B.Sc, B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa.



Paul Hallam

Independent Non-Executive Director

Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities and includes both surface and underground mining. He has global experience stemming from his executive roles across multiple cultural, regulatory and business environments and has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversight and management.

Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy.



Jennifer Morris OAM

Independent Non-Executive Director

Ms Morris is a former partner of global professional services firm Deloitte where her career spanned more than 10 years working across the mining, government and transport sectors.

Her experience includes advising government entities and corporations on strategy development, governance controls, business transformation, the embedding of environment, social and governance related policies, the development of leadership and understanding of high-performance environments.

Ms Morris is a member of the Australian Institute of Company Directors, a Fellow of Leadership WA and a member of the Vice Chancellor's List, Curtin University. Prior to her business career, she was a member of the highly successful Australian Women's Hockey Team which won Olympic gold medals at both Atlanta in 1996 and Sydney in 2000. In 1997, she was awarded a Medal of the Order of Australia (OAM).



Sally Langer

Independent Non-Executive Director

Ms Langer has 25 years' experience in Professional Services including as founder and Managing Partner of the management consulting and executive recruitment firm Derwent Executive, where she set up and led the growth of the Perth office servicing a wide range of clients both local and national and led the Mining and Industrial Practice.

Ms Langer has been responsible for strategy development and execution with a strong focus on profitable business growth, supervising and coordinating large teams and other management functions including strategy, business development, human resources and organisational culture. She has been a trusted advisor to numerous Boards on recruitment, talent management, culture and organisational structure.

Sally holds a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant and is a graduate of the Australian Institute of Company Directors.



John Richards

Independent Non-Executive Director

John Richards is an economist with more than 35 years' experience in the resources industry. He has held strategy and business development positions across several mining companies and has worked extensively in the investment banking and private equity industries. He has been involved in a wide range of significant mining M&A transactions on a global scale.

He holds a Bachelor of Economics (Honours) from the University of Queensland.

Diversity of knowledge, experience and gender is highly desired across Sandfire and female representation at director level remains a key focus.

Note: The skills, experience, and expertise of each Director, including current and former directorships are set out in more detail in the Directors' Report, as well as on the Directors page of our website.

Management Team



Jason Grace

Chief Operating Officer

Mr Grace is an experienced mining professional with industry experience spanning Australia and the AsiaPacific region and ranging across multiple disciplines including general and operational management, technical leadership, business improvement, mineral resource evaluation, mine planning and mine geology. He was most recently Executive General Manager – Iron Ore for diversified mining services group Mineral Resources Ltd (ASX: MIN), where he managed the group’s Australian iron ore business.

Mr Grace’s qualifications include a Bachelor of Applied Science (Geology) from Queensland University of Technology, a Bachelor of Science (Honours) from James Cook University and a Master of Mining Engineering from the University of New South Wales.



Matthew Fitzgerald

Chief Financial Officer and Company Secretary

Mr Fitzgerald is a chartered accountant with extensive experience in the resources industry. He began his career in the Assurance & Advisory division of KPMG, before joining ASX listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald is also the Chairman of the Company's 87% owned TSX Venture Exchange listed subsidiary, Sandfire Resources America Inc. (TSX-V: SFR). Sandfire Resources America Inc. is permitting the 100% owned and leased Black Butte Copper project in Montana, USA.



Samantha Masters

Head of Health, Safety, Environment & Communities (HSEC)

Ms Masters has over 18 years' experience in the mining industry, commencing her career as an underground operator and then completing a tertiary qualifications in Occupational Health and Safety. Ms Masters has developed and been recognised for her ability to navigate unknown business environments and ensure adherence to health and safety requirements. She has held several senior management roles in mining companies in a health and safety capacity. She first joined Sandfire in 2014, and after a brief period working elsewhere, re-joined Sandfire in 2017.



Dale Burgess

Executive Country Head – Botswana

Mr Burgess is a mining engineer with over 30 years of global industry experience and brings extensive operational, technical, leadership and management experience and a proven track record in optimising and expanding on operations across jurisdictions. During his career, he has held several senior management level positions where he has successfully led multi-disciplinary teams in open pit and underground operations for companies such as Barrick Gold – Pueblo Viejo Operation in Dominican Republic, Barrick Niugini Porgera Operation in PNG, Bersa Gold in Vietnam, and the Great Australian Copper Mine for CopperChem Limited.



Victoria Twiss

Head of Legal and Procurement and General Counsel

Ms Twiss is a practising lawyer with over 16 years' experience in the resource sector with a focus on the development and operation of mining and infrastructure projects. Ms Twiss joined Sandfire in 2011 during the construction of the DeGrussa Copper-Gold Mine and is now the Head of Legal and Procurement and General Counsel. Prior to joining Sandfire, Ms Twiss worked in corporate services and commercial roles for other resource companies, as well as spending a number of years working in the UK.

The Company’s executive and senior management structure has continued to evolve in line with our expanding global presence.



Richard Holmes

Head of Exploration – APAC and AMER

Mr Holmes is a geologist who has a mining industry career spanning 25 years across the globe with practical experience in over 35 countries. He brings a wealth of experience in leadership, strategic thinking, exploration management, business development, innovation and strong technical evaluation skills that are reinforced by extensive experience reviewing the technical/ financial/commercial aspects of many projects throughout the world.

Richard joined Sandfire following his role at Oz Minerals Ltd (ASX:OZL) as the Head of Exploration and Growth, where he successfully built a global pipeline of opportunities.

Sandfire has delivered an outstanding year as our leadership team has progressed against the objectives of our Strategic Growth Plan.

Note: The skills, experience, and expertise of our senior management is set out in more detail on the Senior Management page of our website.



Sustainability Report

Contents

| | |
|--|----|
| Our Approach to Sustainability | 36 |
| Reporting | 44 |
| Materiality | 44 |
| Chapter 1 The Mining Lifecycle | 46 |
| Chapter 2 Operating Responsibly | 49 |
| Chapter 3 Safety, Health and Wellbeing | 52 |
| Chapter 4 Thriving Communities | 55 |
| Chapter 5 Indigenous Peoples | 58 |
| Chapter 6 Water | 60 |
| Chapter 7 Climate Change | 63 |
| Chapter 8 Tailings and Waste | 68 |
| Assurance Statement | 70 |

Our goal is for **sustainability** to be part of every decision we make.



Our approach to sustainability

Sandfire recognises that we have a role to play in contributing to global sustainable development. We are committed to conducting our business responsibly, from exploration through to mine closure, so that our people are safe and well supported, local communities benefit from our presence and we demonstrate strong environmental stewardship.

Our goal is for sustainability to be part of every decision we make. We believe that non-financial performance is connected to long term value creation and that this is best effected when sustainability is embedded throughout our business.

“Our sustainability strategy supports the Company’s clearly defined purpose of ‘Creating value through opportunity’ and is closely aligned with the deliverables of our Strategic Growth Plan.”

Derek La Ferla
Sandfire Chairman

Our Sustainability Strategy

Sandfire’s sustainability strategy supports the Company’s purpose of ‘Creating value through opportunity’ and helps to facilitate the achievement of our Strategic Growth Plan. We have articulated six long-term environmental, social and governance (ESG) priorities in how we operate. These ensure that we are well placed to continue to build strong, lasting relationships with stakeholders, deliver on our commitments, develop resources responsibly and drive innovation in our people and industry — all key for creating long-term growth and value.



Objectives and targets

Our commitment to sustainable development is underpinned by our management approach: we have set objectives and targets for each of our ESG priorities, creating an opportunity for continuous improvement.

Our objectives and targets align with the Company’s ESG priorities and support the delivery of our sustainability strategy. Each year, we review our targets in light of previous performance to ensure they remain appropriate for the business. As part of this process, we consider strategic priorities, operational forecasts, community expectations and resource availability.


Our performance against the FY2021 objectives and targets is provided on page 38 to 43 and discussed throughout this Sustainability Report.

The FY2021 targets also formed a key component of the short-term incentive plan (STI Plan) for the Executives during the year. Including ESG targets in our Executive Remuneration Framework supports the responsible achievement of our strategic imperatives.

As detailed on page 111 of the FY2021 Remuneration Report, the assessment was performed against 18 of the targets and excludes measures relating to TRIFR and serious safety incidents, as these measures are already reflected in the STI Plan.


The positive performance against our ESG targets for FY2021 led to a 72% achievement against the scorecard and a performance rating of ‘target’. More information relating to the Executive Remuneration Framework can be found in the FY2021 Remuneration Report, as contained in the 2021 Annual and Sustainability Report.

Sustainability Strategy Objectives and Targets

| Thriving Communities | | Objectives | | |
|--|---|--|---|--|
|  | | <ul style="list-style-type: none">Champion local participation in our workforcePrioritise spending localInvest to build local ownership, capacity and job creationAlign strategic issues of the business with the development priorities of local communities, civil society and government to create shared valueMaintain a diverse workforce that reflects the local communities in which we operate | | |
| Collaborate with our stakeholders to generate enduring socio-economic development where we are present | | | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Future Actions and Targets | |
| Community investment & engagement | Develop a Group strategic investment strategy. | Achieved | Group community investment strategy developed and communicated to business. | |
| | Develop a community investment strategy for each region. | On track | Published a Group Community Policy, which states our commitment to voluntary community investment. Developed a Group Community Investment Standard. Developed a Community Investment Management Plan for our Botswana operations. | |
| Support local suppliers | Develop a Group local procurement policy. | On track | Published a Group Community Policy, which states our commitment to local procurement. | |
| | | | Developed a Sustainable Procurement Standard, which requires each region to develop a Local Procurement Strategy and set quantifiable targets. | |
| Champion local participation | Develop a Group local recruitment strategy. | On track | Published a Group Community Policy, which states our commitment to local recruitment. | |
| | | | Our development of a Group local recruitment strategy was not completed during FY2021. Work was undertaken to develop a Group human resources (HR) Strategy, which will provide direction on local recruitment strategy and targets. Sandfire submitted a HR Agreement to the Botswana Ministry of Employment, Labour Productivity & Skills Development for the construction phase of the Motheo Copper Mine. The agreement sets out our commitment to employ, train and transfer skills to Botswana citizens and includes restrictions on the levels of expatriate workforce. | |
| Prioritise diverse local participation | Female representation to be at a level 20% above the mining industry average for our Australian operations. | Achieved | Female representation for our Australian Operations at 30 June 2021 was 24%. The outcome was 31.4% above the mining industry average ⁴ . | |
| | | | Continue to support overall female representation by maintaining and where possible, improve female representation at a level 20% above the mining industry average for our Australian Operations. Refer to our 2021 Corporate Governance Statement for more details on our approach to diversity. | |

⁴ WGEA Mining Division: Workforce Composition – All 2020: 18%.

Sustainability Strategy Objectives and Targets

| Promote Workforce Well-Being | | Objectives | | |
|---|---|---|--|--|
|  | | <ul style="list-style-type: none">Take a holistic approach to health and wellbeing which extends beyond activities we controlPursue continual improvement in health and safety performanceFoster a culture where our people uphold Sandfire Values & Don't Walk Past philosophy | | |
| Our people live in communities, and they have a right to go home safe, healthy and with a sense of fulfilment | | | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Future Actions and Targets | |
| Foster a strong workforce culture at all locations | Complete FY2021 Engagement Survey. | Achieved | Global FY2021 Engagement Survey completed with a 52% employee participation rate. Employee engagement score across our operations was positive, leading to an overall engagement score of 4.1 out of a possible rating of 5.0. Certain areas for improvement were highlighted for our Botswana operations and work is underway to address these issues. | |
| | Communicate the results of the FY2020 Engagement Survey. | Achieved | Survey results communicated to global workforce. Key issues and feedback raised via the survey has informed the development of our revised, and new, global people and HR initiatives. | |
| | See comment (A). | | Refreshed Sandfire's Values. | |
| Champion a safe, healthy and well workforce | Pursue year-on-year reduction in annual total recordable injury frequency rate (TRIFR). | Achieved | Group TRIFR at 30 June 2021 was 4.0 (FY2020: 5.8). | |
| | Long term, Sandfire will continue to target 4.5. | | Continue to target a Group TRIFR of 4.5. | |
| | Develop health and safety improvement plans for all regions. | Achieved | Developed a Health and Safety Improvement Plan for each region. Developed a Community Health and Safety Management Plan for Botswana. | |
| | | | Implement a Group Assurance Framework by the end of FY2023. Review and communicate Principal Hazard Management framework across all regions in FY2022. | |

(A) No public commitment was made in the FY2021 Sustainability Report however, internal work was undertaken guided by the initiatives of our Sustainability Strategy.


Sustainability Strategy Objectives and Targets

| Water Stewardship | | Objectives | | |
|---|---|--|--|---|
|  Manage water as a precious shared resource taking a water stewardship-based approach | | <ul style="list-style-type: none">• Adopt water stewardship practices• Manage water as an asset• Build stakeholder trust towards Sandfire's water management practices by proactive, transparent and inclusive engagement• Participate in collective action on shared challenged, capacity building and knowledge sharing | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Actions and Targets | |
| Account for true value of water | Develop a Group water accounting framework. | Achieved | Water Accounting Framework developed. The intent of the framework is to improve accuracy of data collection as a key a step towards assigning a financial value to water long term. Water Value Tool developed to assess the social, cultural, environmental and economic aspects of the water sources we interact with. Long term, this will assist Sandfire to work towards putting a 'true value' on water. | Implement water sensitivity tool in due diligence processes in FY2022. Implement Water Accounting Framework to our operations in FY2023. |
| Water stewardship | Develop a Group water stewardship framework. | Achieved | Group Water Stewardship Roadmap developed. The roadmap identifies the actions required to move Sandfire towards adopting a water stewardship approach. Undertook staff perception survey to gauge our people's views towards Sandfire's water management practices. | Commence implementation of identified actions in FY2022. |
| | Participate in forums for collectively discussing and managing water resources. | Achieved | Participated in the International Copper Association's (ICA) Zero Emissions Copper Project – water theme. Established the Ghanzi Stakeholder Committee for our operations in Botswana. Developed an approach to address community concern regarding water in the Ghanzi District, Botswana. This included establishing the Ghanzi Stakeholder Committee, committing to make good agreements, and implementing a regional water monitoring program. | Target partnerships aimed at addressing water stewardship as part of our Group Investment Strategy. Undertake a conceptual study in FY2022 with the objective to identify a local community development project for an innovative and sustainable solution to utilise excess mine dewatering and surplus acquired land for the Motheo Copper Mine. |
| Promote water efficiency across the mine lifecycle | See comment (A). | Achieved | Water accounting framework developed. The intent of the framework is to improve accuracy of data collection and provide a standardised way of collecting data, which will allow for comparability across our regions. Ultimately this will allow Sandfire to identify efficiencies and set quantifiable targets. | Establish cross region collaboration on water issues in FY2022 with the objective to promote innovation in water efficiency. |

^(A) No public commitment was made in the FY2021 Sustainability Report however, internal work was undertaken guided by the initiatives of our Sustainability Strategy.

Our objectives and targets align with the Company’s ESG priorities and **support the delivery of our sustainability strategy.**

Sustainability Strategy Objectives and Targets

| Embracing a low emissions future | | Objectives | | |
|---|---|--|---|--|
|  Embrace opportunity in the transition to a low emission economy across Sandfire's entire value chain | | <ul style="list-style-type: none">• Support the global transition to a low emission future• Create organisation wide awareness and action for transition to low emission economy• Enable Sandfire to reduce its carbon footprint and emissions intensity• Participate in collective action to promote transitioning to a low emission economy• Continue to provide public disclosure on climate change risk and strategy | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Actions and Targets | |
| Energy efficiency & low emissions across the mine lifecycle | Consider renewable energy for development of the T3 Deposit (Motheo Copper Mine). | Achieved | Commissioned a feasibility study to assess the potential use of solar energy for the Motheo Copper Mine. Undertook greenhouse gas (GHG) emissions study and climate change impact assessment for the Motheo Copper Mine. | Complete solar feasibility study for the Motheo Copper Mine for Board assessment and investment decision in FY2022. |
| | Continue to operate DeGrussa Solar Facility at maximum efficiency. | Achieved | DeGrussa Solar Facility operated at maximum efficiency. For FY2021, the DeGrussa Solar Facility provided on average 16.8% of the overall power usage for the DeGrussa Operations. | 17% of the DeGrussa Operations' energy mix to be supplied by renewables in FY2022. Develop a Group emissions reduction plan by FY2023. |
| Pursue partnerships to respond to move towards low emissions | See comment (A). | | Participated in ICA's Zero Emissions Copper project – water theme. We committed to providing solar powered lighting at Kuke Village, located 40kms from the Motheo Copper Mine development in Botswana. . | Target partnerships aimed at moving towards low emission economy as part of our Group Investment Strategy. Investigate regional partnerships aimed at supporting community adaptation and resilience to climate change in FY2022. Complete Kuke Village solar powered light project in FY2022. |
| Adopt global reporting standards for emissions | Develop plan to further align reporting with TCFDs. | Achieved | Developed a roadmap to adopt the TCFD recommendations and assist the business to improve its response to climate change risk and opportunity. | Complete TCFD scenario analysis in FY2022. Implement actions from our TCFD roadmap by FY2023. |
| Adaptation to climate change and finding opportunity in the move to a low emission economy | | | | Develop and publish a Climate Change Policy in FY2022. Develop a Group climate change adaptation strategy by FY2023 to address the risks and opportunities related to the physical impacts of climate change and the move to a low emission economy. |


^(A) No public commitment was made in the FY2021 Sustainability Report however, internal work was undertaken guided by the initiatives of our Sustainability Strategy.

Sustainability Strategy Objectives and Targets

| Responsible Business Practices | | Objectives | | |
|--|--|--|--|--|
|  Champion responsible business practices everywhere we do business | | <ul style="list-style-type: none">Undertake business and decision making in accordance with Sandfire ValuesProactive approach to meeting regulatory obligations and agreements made with stakeholdersPrioritise building relationships with responsible business partners across our value chainObtain and maintain our social licence to operate | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Actions and Targets | |
| Create awareness and accountability for responsible business practices | Establish global training and education modules for key risk areas. | Achieved | Adopting a risk assessment approach, we reviewed a number of Group governance elements and policies during FY2021 to reflect our new strategic direction and international expansion plans. These included revising Our Values, reviewing our Code of Conduct, publishing an Anti-Bribery and Corruption (ABC) Policy, Community Policy and Human Rights Policy, and reviewing existing policies, including Our People Policy. Developed a global training package for key risk areas. | |
| | Continue to assess human rights, bribery & corruption and other related risks. | On track | Published a Group Human Rights Policy. Published a Group ABC Policy. Completed risk specific workshops to identify and assess the risks to our operations. Continued to develop business activities that address potential human rights impacts. Continued to develop risk mitigation strategies to support our zero tolerance approach to bribery and corruption. Enhanced reporting for key areas of compliance risk to our governing bodies, including the Risk Committee and the Board. | |
| Maintain a responsible supply chain | See comment (A). | | Published a Supplier Code of Conduct. Developed a Sustainable Procurement Standard. Continued to refine our approach to identify, manage and respond to modern slavery risks, including publishing our 2020 Modern Slavery Statement in-line with the Modern Slavery Act. Continued to evaluate supplier risk management software tools, to help screen suppliers as part of our risk assessment process. | |

(A) No public commitment was made in the FY2021 Sustainability Report however, internal work was undertaken guided by the initiatives of our Sustainability Strategy.

Sustainability Strategy Objectives and Targets

| Strong Systems | | Objectives | | |
|---|---|---|---|--|
|  Standardise Sandfire's management of ESG across all operations | | <ul style="list-style-type: none">Fit for purpose management systemEmbed ESG due diligence within Sandfire's standardsESG dimensions are reflected and incorporated across the businessUndertake proactive stakeholder engagement to test the effectiveness of the systems | | |
| Initiatives | FY2021 Targets | FY2021 Progress | Actions and Targets | |
| Establish and Embed ESG management frameworks | Embed the Sandfire Integrated Management Framework | Achieved | Implemented the Sandfire Integrated Management Framework and developed Global HSEC Management Standards. | |
| | Undertake gap analysis comparing Sandfire standards to best practice international standards. | On track | Completed a gap analysis comparing Group HSEC Management Standards to best practice international standards. To support the Company's project debt financing, established a Motheo Copper Mine Management Plan that conforms to the International Finance Corporation (IFC) Performance Standards and Equator Principles. Made a public commitment to adopt the Global Industry on Tailings Management Standard (Tailings Standard) and formed an internal working group, comprising of cross-functional experts, to assess the impact of adoption. | |
| Optimise ESG Reporting | See comment (A). | | Commenced implementation of environmental software solution which will be used to collect Global environmental and ESG reporting data. Adopted partial reporting against SASB Standards in this year's Sustainability Report. | |
| | | | Complete environmental software implementation in FY2022. Develop a roadmap for further alignment to SASB in FY2022, incorporating additional disclosure in future reporting where possible. | |

(A) No public commitment was made in the FY2021 Sustainability Report however, internal work was undertaken guided by the initiatives of our Sustainability Strategy.



Reporting

We have been reporting on our sustainability performance since 2015 and this report marks the second year that we have published a combined Annual and Sustainability Report. This approach to reporting aligns with how we have integrated sustainability into our business and demonstrates the interconnectivity of sustainability to company performance.

We report on our sustainability performance in accordance with the Global Reporting Initiative (GRI)⁵ Standards: Core Option, including the Mining and Minerals Sector Supplement. The GRI Standards guide the comprehensive analysis and disclosure of topics most material to our business.

We engaged Bureau Veritas to undertake independent, external assurance on selected information and disclosures in this year's Sustainability Report. Refer to Bureau Veritas' report on page 70 for the full assurance statement.

This year, Sandfire has also provided partial reporting against the Sustainability Accounting Standards Board (SASB) Standards⁶. Our disclosure against the standards is outlined on page 171.

Sandfire has adopted the Taskforce for Climate-related Financial Disclosures' (TCFD)⁷ recommendations for addressing climate-related risks and opportunities. Implementation of the TCFD's will be undertaken progressively and our planned activities are outlined on page 170.

Transparent reporting against these internationally recognised standards allows our stakeholders to understand our sustainability performance, including how we respond to both risks and opportunities.

Restatements

Continuing improvements to our data collection systems can result in restatements of previously reported data. There were no material restatements identified in FY2021.

Reporting Boundaries

The 2021 Sustainability Report covers the sustainability performance of our wholly owned and operated DeGrussa Operations in Western Australia and exploration activities in Australia. These are assets over which Sandfire had operational control during the 2021 financial year. They also materially contribute to our ESG performance. Joint ventures which we do not operate are excluded.

The report also provides limited disclosure on projects in development, including our Motheo Copper Project in Botswana and the Black Butte Copper Project located in Montana, USA, held via an 87 per cent interest in TSX Venture Exchange-listed company, Sandfire Resources America Inc. (Sandfire America).

We have elected to take this approach to disclosure in our Sustainability Report, as these development projects did not materially contribute to our ESG performance during FY2021.

Materiality

Sandfire conducts an annual materiality assessment in accordance with the GRI Standards to identify the key ESG issues that matter most to our stakeholders and our business. The outcome of this assessment determines the content of our Sustainability Report.

Step 1 – Identification

The identification of material ESG topics is informed by a comprehensive review of current and emerging issues facing the mining industry, stakeholder and investor feedback, peer and industry leader benchmarking, and feasibility and impact studies. This year we also received feedback from our people via our first employee ESG survey.

Step 2 – Prioritisation

- We prioritise reporting on identified ESG topics by:
- Assessing the impact to our stakeholders, such as our local communities and the environment,
 - Determining our ability to contribute (positively or negatively) to sustainable development through the management of the topic, and
 - Stakeholder's interest in understanding Sandfire's management of the topic.

Step 3 – Validation and Reporting

The material ESG topics are reviewed and validated by the Executive Committee and endorsed by the Board.

FY2021 material topics

Our material topics reflect Sandfire's growth and global positioning in FY2021. The table on page 45 includes their impacts and where they are discussed in the Sustainability Report.



⁵ For more information refer to www.globalreporting.org.
⁶ For more information refer to www.sasb.org.
⁷ For more information refer to www.fsb-tcf.org

FY2021 Material Topics

| Material topic | Description | Where the impact occurs | Link to Sustainability Strategy | Report chapter |
|------------------------------|---|--|---------------------------------|----------------|
| The Mining Lifecycle | How we consider risk and create sustainable outcomes throughout each phase of the mining lifecycle | Throughout every phase of the mining lifecycle in current operations and future business activities | | Chapter 1 |
| Operating Responsibly | How we manage and demonstrate effective responsible business practice across the business | Employees, contractors and other stakeholders | | Chapter 2 |
| Safety, Health and Wellbeing | How we promote and protect the physical and mental wellbeing of our workforce | Employees, contractors and visitors at our current operations and future developments | | Chapter 3 |
| Thriving Communities | How we contribute to regional economic development and provide opportunities for local communities | People living and working within close proximity to our operations and future developments | | Chapter 4 |
| Indigenous Peoples | How we manage cultural heritage and provide opportunities for Indigenous peoples | Traditional custodians of the land on which we operate presently and in the future | | Chapter 5 |
| Water | How we manage water resources to ensure sustainable access for our operations and our stakeholders, including the local community | Water bodies above and below the surface at our current operations and future developments, stakeholders including the local community | | Chapter 6 |
| Climate Change | How we are embracing a low emissions future | Operations, stakeholders, and investors | | Chapter 7 |
| Tailings and Waste | How we align with global best practices for tailings management | Operations, people living within close proximity to our operations and the environment | | Chapter 8 |



Chapter 1: The Mining Lifecycle



Sandfire’s integrated approach to sustainability complements our Company’s purpose - **creating value through opportunity** - and supports our goal to create shared value for all our stakeholders through every phase of the mining lifecycle. The ability to successfully execute our strategy and build a sustainable production profile depends on maintaining our social licence to operate.

This goal has driven the continued development of Sandfire’s governance framework, including related policies and standards, and optimisation of our operations throughout FY2021. These are discussed throughout our 2021 Annual and Sustainability Report.

Our performance

| | | | |
|---|---|---|--|
| Achieved  | <ul style="list-style-type: none">Approval of the T3 Deposit (Motheo) Environmental and Social Impact AssessmentCompleted permitting process for the Motheo Copper Project, leading to the grant of the Mining licence subsequent to the end of the year | <ul style="list-style-type: none">Pre-construction groundworks for the Black Butte Copper Project and Motheo Copper Project | <ul style="list-style-type: none">DeGrussa Operations mine closure assessment |
| In progress  | <ul style="list-style-type: none">Feasibility studies for the Old Highway Gold Project | <ul style="list-style-type: none">Enhancement of Black Butte project feasibility study | <ul style="list-style-type: none">DeGrussa Operations post-mine closure planning |

Governance framework

Sandfire has business activities spanning the mining lifecycle, including projects in exploration, feasibility, construction and development, and in operation that are approaching the end of its known mine life.

Each phase of the mining life cycle exposes the Company to different risks and opportunities to create sustainable outcomes. Sandfire’s governance framework of policies, standards, management plans and supporting procedures help our people to operate responsibly through every phase of the mining lifecycle. Sandfire’s Board has endorsed a number of global policies that state our commitments across key aspects of our business. These policies can be viewed on our website.

Our governance framework supports our people to effectively:

- Identify, assess and manage actual and potential risks,
- Comply with regulatory and legislative requirements,
- Align activities and processes to our corporate and sustainability strategies,
- Manage expectations from internal and external stakeholders, and
- Manage social and environmental impacts of our activities.

Our success is measured by the effective management of risks, attainment of permits, absence of fines and sanctions, ongoing profitability of our business, and value generation for our stakeholders. Our success is demonstrated in our ability to manage activities and transitions of each phase of the mining lifecycle.

Transition management

Sandfire’s risk management framework helps us to manage and mitigate risks throughout every phase of the mining lifecycle. This includes the risks that are created when transitioning from one phase of the mining lifecycle to another. Transition management has been a key focus for Sandfire during FY2021 with the shift of the Motheo Copper Project to construction and the DeGrussa Operations beginning its transition to mine closure.

The key activities undertaken include:

- Obtaining regulatory approvals and licences,
- Submitting project briefs, feasibility studies and impact assessments, and mine closure plans to regulatory bodies,
- Implementing standards and control measures, and
- Engaging internal and external stakeholders to establish expectations and gauge their perception of how they are impacted by change.

Exploration and feasibility

Gaining and maintaining access to land on which to explore is critical to our ongoing success. It depends on our ability to build positive relationships with landholders and the community, including promoting the potential socio-economic opportunities, whilst demonstrating our commitment to environmental stewardship.

Sandfire’s exploration activities abide by relevant legislation and regulatory approvals. Internally, our activities are governed by our stakeholder engagement plans, Land Access Agreements, Cultural Heritage Protection Agreements, and our Health, Safety, Environment and Community (HSEC) Integrated Management System.

During the exploration phase, we assess the environmental and social characteristics of the area to identify potential impacts and opportunities from our activities. We conduct baseline studies to identify the type and scale of impacts that may change due to seasonality or social factors and may manifest during the project development and operation phase.

Sandfire’s current exploration activities are set out on page 3 of the 2021 Annual Report.

If a mineral deposit is found, there is no guarantee that it will be mined as there are a range of factors to be considered including the technical and economic viability of commercial extraction, as well as environmental and social considerations. The project development phase requires extensive research and analysis to establish a business case for pursuing mineral extraction.

This information is presented in the project’s feasibility studies which are then used for the mine permitting process and design.

Sandfire has continued exploration programs aimed at delineating additional mineral resources during FY2021. We will continue to invest in exploration projects throughout Australia, including the Old Highway gold prospect adjacent to our DeGrussa Operations, across the Kalahari Copper Belt in Botswana and Namibia, and at Black Butte in Montana, USA. Our aim is to discover additional resources which have the potential to increase the scale and mine life of our existing operations and target new regional discoveries.

For more information on Sandfire’s exploration activities, refer to our ASX announcements, Quarterly Activity Reports and our website.

Permitting and construction

The permitting phase of the mining lifecycle is resource intensive and requires cross-functional planning between Business Units to ensure that the project can be executed. Permitting requires mining companies to demonstrate that they have extensively considered all elements of the project and can elicit confidence from government bodies and stakeholder groups that the project will deliver on all of its undertakings. This is achieved through the submission of studies and data sets, strategies, facility designs, management plans, impact assessments, and evidence of social licence to operate.

Sandfire dedicated its resources to address the requirements to establish the Motheo Copper Mine during FY2021. This includes reviews of Sandfire’s global governance framework and the development of the Motheo Project’s environmental and social management plans.

Some of the activities and milestones undertaken for the permitting of the Motheo Project throughout the period included:

- Approval of the T3 Environmental and Social Impact Assessment,
- Approval of the Permanent Accommodation Facility and Switching Station Environmental Management Plan,
- Commencement of the specialist environmental and social studies to inform the A4 Project, and
- Updates to the Motheo Mine’s closure plan from conceptual to preliminary based on the Definitive Feasibility Study.

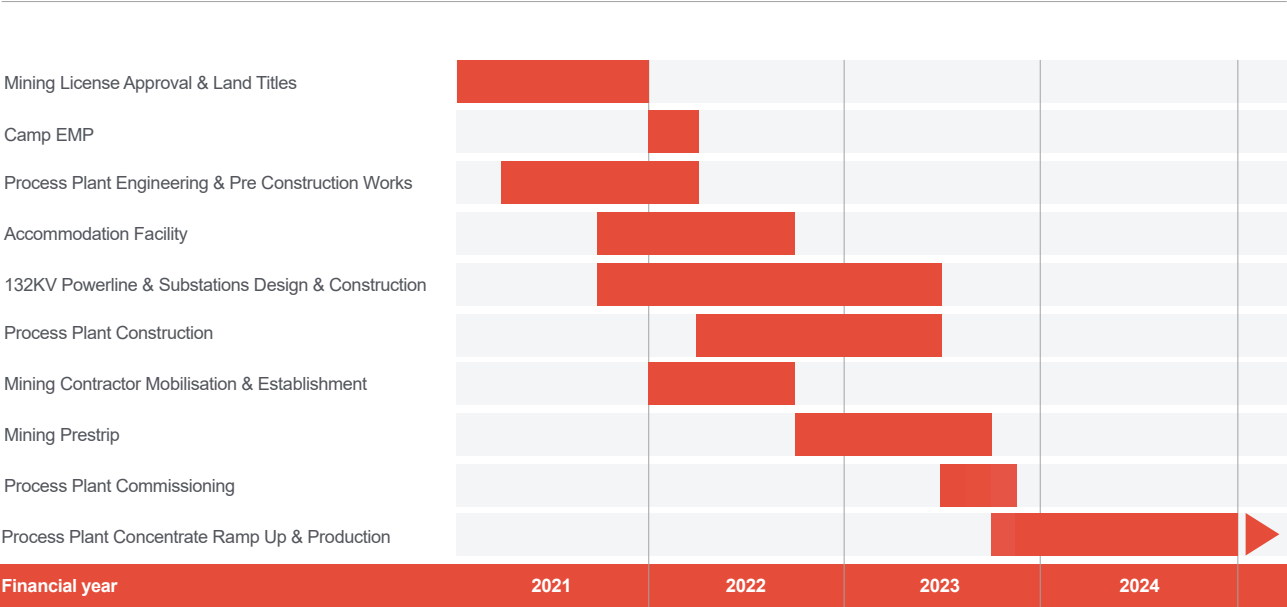
The submission of this documentation and preceding information resulted in the Botswanan Government granting the Mining Licence in July 2021. This will allow Sandfire to undertake full-scale construction of the mining facility which is planned for commissioning in FY2023.

The construction phase is inclusive of all the infrastructure and facilities that are required to support the mine including the camp, roads, power supplies, treatment and waste facilities and processing plant. The construction phase requires a large workforce and is an intensive process that poses increased safety risks due to increased hours worked and high-risk construction activities. Conducting risk assessments and identifying principal hazards allows us to mitigate risks during the construction phase and ensure that our management systems remain effective to keep our workforce safe.

This phase also has the potential to cause negative impacts on local community, with increased vehicular movement on local roads, an influx of jobseekers and a transient workforce due to the nature of construction.

Sandfire has adopted a long-term strategic approach for the construction of the Motheo Project. We have undertaken significant studies for the A4 Deposit adjacent to the Motheo Project’s T3 Deposit. This includes an upfront investment to expand the processing plant from 3.2Mtpa to 5.2Mtpa. We intend to take a proactive and long-sighted approach to developing the project to allow for the facilities to cope with future pipeline opportunities.

Motheo project development timeline



The Black Butte Copper Project in Montana, USA, is awaiting resolution of mitigation water rights before Phase 2 construction works can progress to be able to access ore from underground. In preparation for construction, we have begun discussions with the Meagher Stewardship Council regarding the impact of the transition to construction and operational mining phases. In accordance with the Hard Rock Mining Impact Act, funds to the value of \$437,000 (USD) have been set aside to support Meagher County to upgrade infrastructure and community services needed during mining activities. Discussions about the use of these funds is ongoing and studies are being undertaken by the Meagher Stewardship Council to inform their local development plans.

Operation

The operational or production phase of a mine’s lifecycle can be long, typically from ten to thirty years or beyond. This means that management systems must be consistently reviewed and updated to meet industry best practice and ensure they remain appropriate for the operation and affected stakeholders. Sandfire is committed to continuous improvement and proactively protects our workforce, local communities, and the environment from experiencing potential negative impacts.

Sandfire manages its performance through regular audits, monitoring programs, annual risk assessments, ongoing training of our workforce, and the implementation of action plans to continuously improve performance against lead and lag indicators. Progress against our performance indicators is reported to senior management and the Board on a regular basis and form part of our senior manager’s performance assessments.

The DeGrussa Operation was Sandfire’s only operating asset in FY2021. Driven by operating excellence and cost control programs, the DeGrussa Operations, continued to operate at full capacity, with mining, processing and concentrate sales in line with, or exceeding, market guidance. The DeGrussa Operations did not receive any fines or sanctions related to environmental non-compliance in FY2021. Safety is a key priority for everyone at Sandfire and the pleasing safety performance of our DeGrussa Operations led to a Group TRIFR result of 4.0 in FY2021 compared to 5.8 in FY2020.

Collaboration is a core Sandfire value and we have established opportunities for our DeGrussa employees to share their knowledge and experience with our project development teams. Sandfire has facilitated this engagement through employee secondments to developing projects in Botswana and the USA, and ongoing collaboration between Business Units.

Mine closure planning

Closure and reclamation of a mining asset is complex and can be a challenging transition for the business, environment and stakeholders. Planning for closure commences at the feasibility stage and continues throughout the mine’s operational life to identify and reduce risks and unknowns over time. Sandfire recognises that strong engagement and ongoing consideration of closure right from the project’s development phase can help to mitigate risks and identify opportunities to leave a positive legacy.

There is a changing expectation of Governments and stakeholders for how the land shall be left after mine closure. The expectations and standards imposed by Governments and stakeholders have the potential to impact closure liabilities and costs. Sandfire regularly evaluates the capital and resources required to address stakeholder expectations and legislative requirements. These evaluations outline how we will meet our rehabilitation targets, decommission assets and restore areas disturbed during the operation of the mine.

Our operating mines are governed by the DeGrussa and Monty Mine Closure Plans which are overseen by the WA Department of Mines, Industry, Regulation and Safety (DMIRS). Updated Mine Closure plans were submitted to DMIRS during FY2020 and approvals are pending.

We are actively planning mine closure activities at our DeGrussa Operations, including closure of operating infrastructure and planning for and communicating employment plans for our people and contractors. Our employee retention plans at DeGrussa, seek to balance the business need for strong operational and financial performance until final ore, with a positive outcome for our site based team.

The Motheo Copper Mine’s Closure Plan was updated in FY2021. The plan articulates the preliminary method in which mine closure would be undertaken at Motheo. This includes the guiding vision, regulatory obligations, ESG considerations, stakeholder engagement plan, risk management and closure schedule. The closure plan will be updated to reflect changes in legislation, knowledge, design, operations, and technology as required. Assuming there are no major changes affecting closure, this closure plan will be updated every three years.



Chapter 2: Operating Responsibly





Sandfire strives to conduct its business with integrity and transparency wherever we operate. Our governance framework supports our people to deliver our company strategy whilst making effective and responsible decisions. It ensures that our business practices align with relevant laws and regulations across jurisdictions, helps us to address and manage risks, and manage stakeholder expectations.

Our objectives are to:

- Make ethical business decisions in accordance with our Code of Conduct and Sandfire Values,
- Maintain a proactive approach to meeting regulatory obligations and agreements made with stakeholders,
- Prioritise building relationships with responsible business partners across our value chain, and
- Maintain our social licence to operate.

Our performance

| | | | |
|---|--|---|---|
| Achieved  | <ul style="list-style-type: none">• Refreshed our Code of Conduct• Developed a Supplier Code of Conduct• Published our 2020 Modern Slavery Statement in-line with the Modern Slavery Act | <ul style="list-style-type: none">• Published a:<ul style="list-style-type: none">• Human Rights Policy• Community Policy• Anti-Bribery and Corruption Policy | <ul style="list-style-type: none">• Developed a Sustainable Procurement Standard |
| In progress  | <ul style="list-style-type: none">• Continuing to develop and implement a Human Rights due diligence and risk framework | <ul style="list-style-type: none">• Implementing a supplier risk tool to support due diligence in our supplier onboarding process | <ul style="list-style-type: none">• Developing new training packages for our people |

Governance framework

Sandfire’s governance policies outline our commitment to ethical and responsible decision making. Underpinning our governance policies is our Global Management System Framework that includes our HSEC Management System, which addresses the management of ESG topics through a series of topic specific standards. These standards apply to the Group and set out the expectations and requirements for addressing our core ESG risks and opportunities.

Driven by a risk-based approach we undertook a review of our management system in FY2020 to align with our vision for international expansion. Our existing governance framework was effective for managing our Australian activities however, the move into new, global jurisdictions increased our exposure to certain corporate governance and ESG risks. To mitigate these risks, we undertook extensive work to publish new and revised policies and deliver a revised management system framework that will ensure we continue to meet our high standard of ethical business dealings. Our policies can be viewed on the Corporate Governance page of our website.

The rollout of the policies and management system to our workforce will continue throughout FY2022 and will include compliance training to ensure that our people are competent in meeting an elevated standard of operation. The application of our policies is discussed throughout this Sustainability Report.

Business ethics

We measure the success of our responsible business practices through our ongoing compliance with regulatory bodies, the number and nature of stakeholder grievances addressed, and employee alignment with our policies and standards. In addition, we measure success through our ability to identify issues, mitigate risks and remediate breaches associated with modern slavery and human rights within our supply chain. Our success will be supported by educating our employees to comply with our policies and standards.

Anti-bribery and corruption

Our Board approved [Anti-bribery and Corruption \(ABC\) Policy](#) outlines our zero-tolerance approach to bribery, corruption and facilitation payments.

To ensure an effective framework to manage the risks associated with bribery and corruption, we enhanced our counter party risk assessment and due diligence procedures during FY2021. We also automated our conflict of interest procedure for our Australian operations and continue to provide people with pathways and options to elevate concerns about ethical and inappropriate behaviour.

The procedures, aligned with our new ABC Policy, help to mitigate the heightened level of risk due to our growing international presence.

- Looking ahead, our actions for FY2022 include:
- Global rollout of the ABC training program with a focus on the extraterritorial application of foreign bribery and corruption laws,
 - Mentoring key personnel in relation to third party risk assessments and due diligence,
 - Continuing to monitor the effectiveness of controls to reduce Sandfire’s risks, and
 - Implementing a software tool for due diligence administration and third party ABC risk profiling.

Codes of conduct

Driven by our revised Sandfire Values and international growth, we reviewed of our Code of Conduct in FY2021, which can be viewed on our website.

We also developed a Supplier Code of Conduct to set out the behaviour and business practices we expect of our suppliers and their supply chains. Our diverse network of suppliers is integral to the success of our business and we expect our suppliers to share the same commitment to operating in a responsible, safe and sustainable manner. The code addresses supplier behavioural standards for health and safety, the environment, human rights, community development, transparency, compliance and integrity, and privacy and confidentiality.

Sandfire encourages a culture where people do not suffer detriment for speaking up and raising a concern if they suspect a decision or action does not adhere to our Codes. We provide people with multiple pathways and options to elevate concerns about ethical and inappropriate behaviour, including our confidential and independent whistle-blower service as detailed in our [Whistle-blower Protection Policy](#).

Human rights

Sandfire is committed to upholding the fundamental human rights of our employees, the communities in which we operate, those within our supply chains and other stakeholders who may be impacted by our business activities. We aim to avoid impacting human rights resulting from our activities and to remedy any issues that are identified.

In FY2021, Sandfire developed a standalone [Human Rights Policy](#) to guide our management of human rights risks. Our approach aligns with the United Nations' Guiding Principles on Business and Human Rights⁸, International Bill of Human Rights⁹ and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work¹⁰.

We also developed a Human Rights Standard to complement the policy which outlines the requirements to conduct human rights risk assessments, to develop a local grievance mechanism and human rights management plan, training requirements, and contractor and supplier requirements. Human rights risk assessments will be conducted for all new operations or when there is significant change to existing operations.

Motheo Copper Mine

Potential human rights impacts were identified through the existing T3 Environmental and Social Impact Assessment process including the active identification of any potentially marginalised groups and potential changes to livelihoods. An in-depth Human Rights Impact Assessment will be conducted for the Motheo Hub in FY2022. This will inform the development of the Motheo Human Rights Management Plan.

Modern Slavery

Sandfire prepares an annual Modern Slavery Statement in accordance with the *Commonwealth Modern Slavery Act 2018*. Sandfire will publish its third statement in December 2021. Our Modern Slavery Statements are available on our website.

Sandfire's Modern Slavery Standard helps our people to identify modern slavery risks in our supply chain and outlines how we will work with our suppliers should modern slavery be identified. Our Human Rights Policy governs our approach and is complimented by our Supplier Code of Conduct and Grievance Mechanism Standard.

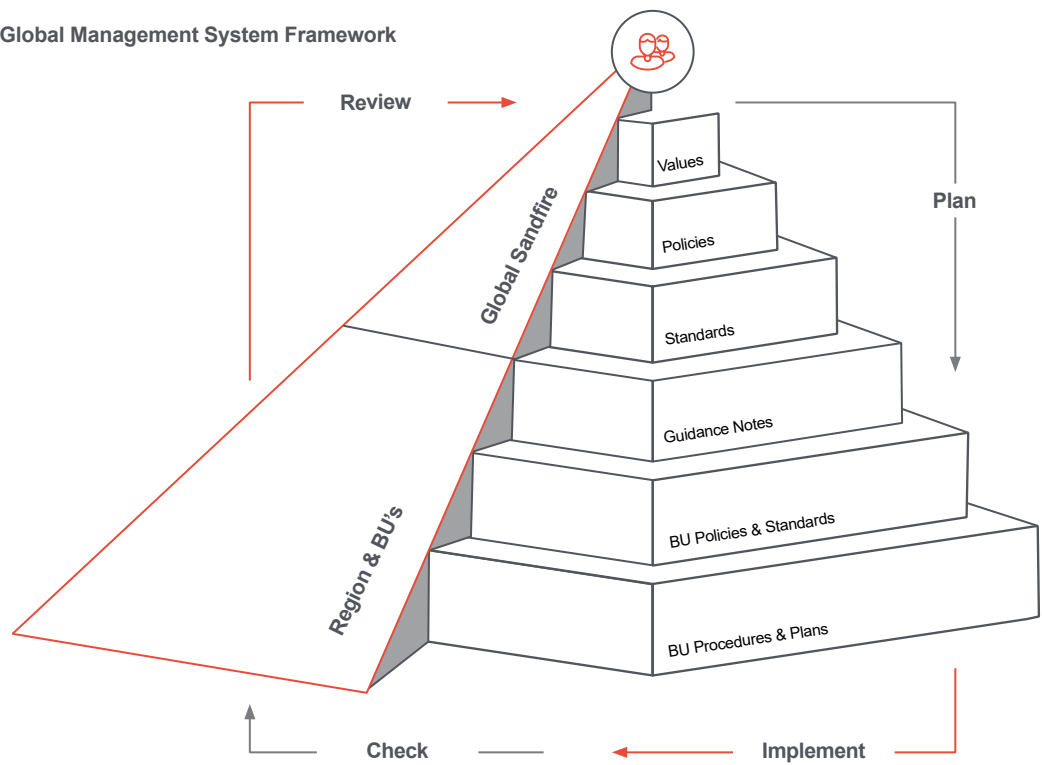
Successful management of modern slavery risks is measured by being able to identify risks through our internal frameworks, and the ability to support our existing suppliers to mitigate risks and remedy violations if any should occur.

Our people are our best defence in identifying and helping us to address any instances of modern slavery. It is therefore critical they understand what modern slavery is and how to detect it. Sandfire commenced mandatory training of staff in FY2021 to enhance their understanding of modern slavery, including risk identification, management and monitoring practices.

Sandfire assesses major tenders¹¹ against modern slavery criteria and has included modern slavery clauses in our contracts. We also continued to assess software solutions in FY2021 to assist with the identification of human rights risks and provide a greater level of detail for our due diligence and supplier onboarding process.

Building strong systems

Sandfire's Global Management System Framework has undergone significant changes in FY2021 to support our expansion into international jurisdictions and address our business strategy. These changes aim to ensure a consistent global approach to the way we operate whilst considering key global and regional economic, environmental, and social issues. Each Business Unit is designing an Integrated Management System which includes a revised set of standards and guidelines which will align our management approaches with industry best practice.

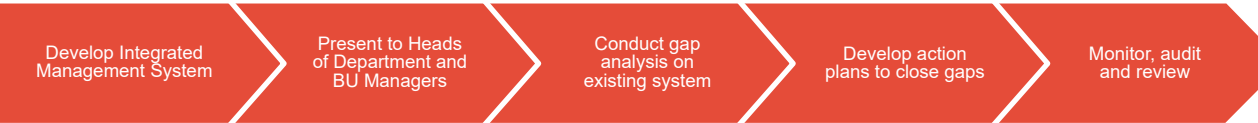


The HSEC Management System was the first to be developed. It sets out the global policies and standards for health, safety, environment, and community-related practices and risks. The requirements and initiatives outlined by the Function Plan will be implemented across all Business Units and operations in FY2022.

Our Botswanan activities will take priority to ensure that all elements of health, safety, environment, and communities are effectively managed prior to our footprint increasing in the region.

Our next steps will include undertaking a gap of analysis of our standards against international ESG best practice standards including the IFC Performance Standards.

HSEC Management System rollout plan for FY2022



Sandfire is committed to upholding the fundamental human rights of our employees, the communities in which we operate, those within our supply chains and other stakeholders who may be impacted by our business activities.



⁸ United Nations. 2011. "Guiding Principles on Business and Human Rights". https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf
⁹ United Nations. 1948. "The International Bill of Human Rights". <https://www.ohchr.org/documents/publications/factsheet2rev.1en.pdf>
¹⁰ International Labor Organization. 1998. "ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up". https://www.ilo.org/wcmsp5/groups/public/-ed_norm/-declaration/documents/publication/wcms_467653.pdf
¹¹ Tenders with a value over \$500,000.

Chapter 3: Safety, Health and Wellbeing



The safety, health and wellbeing of our people is integral to our success. We strive to create a positive workplace culture in which everyone actively contributes and carries out their work in a manner which does not threaten the safety and health of themselves or others.

Inherent in our approach is our philosophy of ‘Don’t Walk Past’ – this means the standard you walk past is the standard you accept. We actively encourage our people to speak up and report work hazards and unsafe practices.

Our objectives are to:

- Take a holistic approach to health and wellbeing which extends beyond activities we control,
- Strive for continuous improvement in health and safety performance, and
- Foster a culture of compliance, where our people uphold the Sandfire Values and our Don't Walk Past philosophy.

Our performance

| | | | |
|------------------------|---|---|--|
| Achieved | <ul style="list-style-type: none">• Completed Health and Safety Improvement Plans | <ul style="list-style-type: none">• Group TRIFR of 4.0 | <ul style="list-style-type: none">• Developed Community Health and Safety Improvement Plan for the Motheo Copper Project |
| In progress | <ul style="list-style-type: none">• Implementing our Group assurance framework | <ul style="list-style-type: none">• Reviewing our Principle Hazard Management framework | |

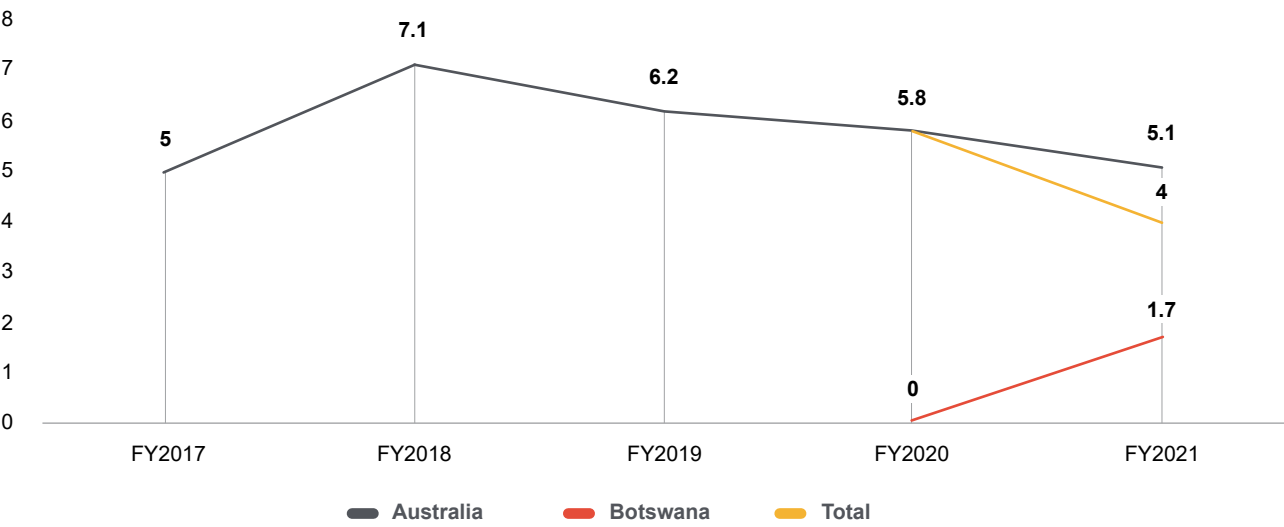
Incidents and injuries

Group TRIFR at 30 June 2021 was 4.0, compared to 5.8 at the end of FY2020. There were also no work-related fatalities or significant potential incidents in FY2021 and injuries predominantly consisted of general sprains, strains and minor injuries.

Our focus on safety leadership and ‘Don’t Walk Past’ culture, effectively managing our principal hazards, robust incident investigations and working closely with our contractors to ensure their safety systems are aligned with ours, has led to this pleasing result.

We will continue to review and enhance our safety controls and processes informed by our risk assessments. To protect our workforce, we must effectively identify, understand and control the risks of hazards in the workplace. All safety incidents are investigated, lessons are learned and corrective actions are adopted to prevent fatalities and serious injuries.

Group Total Recordable Injury Frequency Rate (TRIFR) Trend¹²



¹² This includes employees and contractors.

Governance framework

Sandfire’s [Health and Safety Policy](#) and [Our People Policy](#) govern our approach to managing health, safety and wellbeing across our workforce. Our approach is focussed on preventing fatalities and serious incidents by identifying principal hazards (hazards that have a significant fatality risk) and implementing controls to reduce the risks arising from those hazards.

Our HSEC Management System, which follows the ‘Plan – Implement – Check – Review’ process, governs our approach to risk management and incident investigation.

The HSEC Management System includes a number of standards that provides the minimum requirements and expectations in the areas of health, safety, environment and communities. A contractor handbook has been developed to provide guidance on meeting our requirements of the HSEC Management System to which they must comply.

We monitor positive performance indicators (PPIs) to reduce hazards, incidents and injuries. PPIs allow measurement of activities specifically undertaken to improve performance and include measures such as, leader safety observations, quality reviews, audits, inspections and action close out. These measurements provide valuable information to make decisions and meet due diligence and reporting requirements.

We measure the success of our approach by using lead and lag indicators, which are reported internally on a monthly and quarterly basis. A quarterly taxonomy report is also produced to review the lag indicators, which provides the information to develop preventative programs.

To ensure the effectiveness of our HSEC Management System, Sandfire undertakes a program of monitoring, auditing and review. Sandfire engages a third-party to audit the compliance of each Business Unit with the HSEC Management System on a biennial basis.

Training and competency

Training is a key component to ensure that our workers complete their jobs safely. Our Competency and Behaviour Standard guides our training protocols to ensure our workers are competent in hazard management. This includes providing inductions and regular training sessions.

All personnel and visitors that attend our sites must complete a general induction prior to arriving. The general induction includes information about hazard awareness, completing Job Hazard Assessments (JHA), personal protective equipment requirements and general safety and health information. The general induction expires after a two year period and must be completed prior to site re-entry.



The safety, health and wellbeing of our people is integral to our success.

Health and wellbeing

We actively promote a healthy lifestyle and mental wellbeing. To achieve this, we have a number of initiatives focused on the health and wellbeing of our workforce and local community.

A key focus of Sandfire's health and wellbeing programs in FY2021 was to minimise the impacts of COVID-19 on our workforce and local communities. This included providing personal protective equipment for our staff and community facilities (including schools and hospitals), encouraging staff to receive their flu shots, and supporting working from home as necessary. More information on the Company's continuing response to the COVID-19 global pandemic is disclosed within the Business risks and management section of our Director's Report.

We provide mental health wellness training to our employees every two years, focused on raising awareness of mental health issues in the workplace and imparting strategies to manage mental wellbeing. Mental health training was provided to employees in early FY2021.

We encourage our people to reach out for help when needed and, through education, have equipped our team to recognise the signals that could indicate a colleague may need help. Our Australian employees, contractors and their family members have access to our Employee Assistance Program (EAP), a free, professional and confidential service that supports, guides and counsels people to manage their mental health.

The additional mental health strains caused by COVID-19 related stress and uncertainty has reinforced the importance of providing these health services to our people.

Sandfire conducts an employee engagement survey each year to assess the perceptions of our employees towards their job and the business. Feedback gathered from the survey also informs our continuous improvement processes. The surveys include questions about safety in the workplace, training programs, stress levels and overall wellbeing. This year, the survey was expanded to include questions relating to harassment.

In FY2021, 216 employees participated in the survey across the Group. The overall survey results showed a positive attitude towards individual jobs and the Company in general. Certain areas for improvement were highlighted for our Botswana operations and work is underway to address these issues.

With a period of significant change for the business underway, we have elected to complete another survey in December 2021 to understand how our employees are coping with the transition of the DeGrussa Operations to mine closure, and the construction of the Motheo Copper Project.

Community health and wellbeing

Our approach to health and safety extends beyond the people who work for us. Sandfire aims to provide support for the communities where we operate by participating in community development activities that contribute to improved outcomes for health and wellbeing.

Funding health and wellbeing programs is a key focus area for our Community Investment Strategies. In FY2021, Sandfire invested \$150,000 on health-related programs for our local communities.

Ghanzi Hospital refurbishment

The significant increase of COVID-19 cases in the Ghanzi District highlighted the need for additional facilities to treat COVID patients. To help, our Botswana employees collaborated with the Ghanzi District Health Management Team to renovate a building at the Ghanzi Hospital.

Sandfire donated funds to purchase building materials and our employees volunteered to paint the building. The building will provide isolation housing to an additional eight people.

In FY2021, Sandfire invested \$150,000 on health-related programs for our local communities.

Sandfire employees volunteering at the Ghanzi Hospital



Chapter 4: Thriving Communities



Sandfire is committed to collaborating with its stakeholders to deliver a lasting, positive contribution to the communities where we operate. We contribute to the economic development and social wellbeing of our local communities through job creation, procuring local goods and services, community investments, and paying taxes and royalties. We seek to create effective relationships to ensure that our activities meet the interests of our stakeholders whilst aligning with our business goals.

Our objectives are to:

- Champion local participation in our workforce,
- Invest in local content, capacity building and job creation,
- Develop strategies that identify synergies between local development priorities and our business objectives to create shared value, and
- Foster long term relationships with our stakeholders through transparency and fairness.

Our performance

| | | | |
|---|---|---|---|
| Achieved  | <ul style="list-style-type: none">• Published a Community Policy | <ul style="list-style-type: none">• Developed a Group Community Investment Strategy | <ul style="list-style-type: none">• 74% of our community investment was provided to long term partnerships |
| In progress  | <ul style="list-style-type: none">• Developing Community Investment Management Plans for our operations | <ul style="list-style-type: none">• Implement the Sustainable Procurement Standard requiring local procurement strategy for each region | <ul style="list-style-type: none">• Identifying new community partners and projects that support our strategy |

Governance framework

In FY2021, we developed a stand-alone [Community Policy](#), which demonstrates our commitment to our local communities. The policy outlines our commitment to: engage with communities in a meaningful way, respect cultural heritage and local customs, invest in strategic community projects, and provide accessible reporting mechanisms for community members to lodge feedback with the Company.

Our new community standards ensure that our approach to community relations is consistent across all our operations. This includes the Grievance Mechanism Standard, Community Investment Standard, External Stakeholder Engagement Standard, and the Human Rights Standard. Effective execution of these standards will assist Sandfire to obtain the community's endorsement of our activities, which is fundamental to the success of our business.

Sandfire undertakes significant Environmental-Social Impact Assessments as part of feasibility studies and project development. These studies provide the environmental and social baseline information which allow us to improve our approach and prioritise activities and initiatives.

Our stakeholders

Our stakeholders are those individuals and groups who have an interest in our business, are able to influence our operations, or are impacted by our activities.

They include, but are not limited to, employees, contractors, government and regulators, local members of community, suppliers and investors. We communicate with our stakeholders through the Annual and Sustainability Report, our website, social media, one-on-one engagement, grievance mechanisms, as well as surveys and exhibitions.

We prioritise stakeholders based on their ability to impact our business and our ability to impact their lives or activities. In line with our approach, we consider our host communities to be those within the closest geographical proximity to our activities. We recognise that these communities are not homogenous groups and are made up of complex stakeholder networks with different priorities and needs.

Our local communities are:

Australia

- Perth and Meekatharra, WA
- Cobar, QLD
- Temora, NSW

Botswana

- Ghanzi District (Ghanzi, D'Kar, Maun, and Kuke), Botswana

USA

- White Sulphur Springs, Montana
- Meagher County, Montana

Community engagement

Sandfire's community engagement process aims to establish and build relationships with our stakeholders. Early engagement is essential and we rely on strong and open dialogue with our stakeholders to understand their interests. This helps us to deliver sustainable benefit to our host communities and obtain, and maintain, our social licence to operate.

Effective stakeholder and community engagement therefore remains critical to our success.

Sandfire's engagement process is underpinned by our External Stakeholder Engagement Standard, which details a systematic and comprehensive approach to engaging with stakeholders. Our relationships are managed using stakeholder engagement plans which are required for all Business Units. Stakeholder engagement plans support our people to obtain an in depth understanding of the local content and social landscape. The plans identify key stakeholders, the impact we have on them, known topics of interest, our engagement method and the objectives of engagement. They also help our teams to plan for transition management, address key risks related to projects, and ensure that stakeholders are kept informed about the topics that are important to them.

In FY2021, Sandfire's community relations and exploration staff participated in a community relations course. The intent of the program was to educate our teams on how to identify opportunities for effective community engagement during a project's exploration phase. The course also provided staff with a better understanding of the social landscape of new jurisdictions. The program reinforced the importance of building relationships with communities and has given our teams the confidence to carry out engagement activities.

Community development

Increasingly, governments and other stakeholders are demanding mining companies play a greater role in promoting sustainable socio-economic development. Local employment, procurement and community investment are among the greatest expectations of host communities.

Our Community Investment Strategy and Community Investment Standard guide Sandfire’s investment decisions and execution of sustainable development in our local communities throughout each phase of the mining lifecycle. Each region requires a Community Investment Plan to identify development initiatives and outline how these will be implemented. Designed in collaboration with stakeholders and key partners, the plans define short and long-term objectives, identify target stakeholder groups, key program areas and areas of support, and roles and responsibilities. This approach ensures they are fit for purpose and meet the long-term needs of the host community. In FY2021, 74% of our investment was provided to long term strategic development projects and partnerships.

Financial dependency is a potential negative impact of community investment. Multi-stakeholder partnerships have been the cornerstone of our investment strategy to avoid creating dependency. Our goal for these partnerships has been for them to continue after our activities in the area cease. We continuously engage with our stakeholders on our plans for mine closure. Through our discussions, we identified the need to have exit and handover strategies for our community partnerships, so we can responsibly withdraw support in the eventual occurrence of mine closure. Handover strategies are now a requirement under the Community Investment Standard and will be implemented for all existing and future community development projects.

Economic Contribution

A full record of our economic profile can be viewed in our Financial Report as contained in the 2021 Annual and Sustainability Report.

Australia regional procurement spend

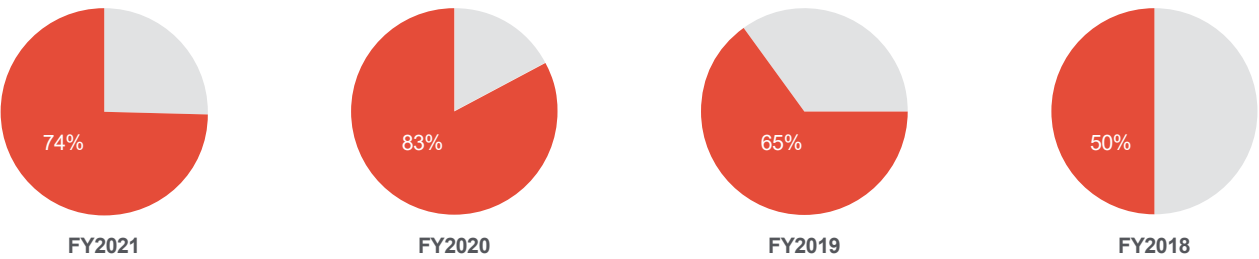
| | Australia | Western Australia | Mid West Economic Region, WA |
|-------------------------------------|---------------|-------------------|---------------------------------|
| Amount spent on local suppliers | \$296,854,236 | \$240,409,013 | \$11,840,273 |
| Total procurement budget | \$314,897,029 | \$314,897,029 | \$314,897,029 |
| Percentage spent on local suppliers | 94.3% | 76.4% | 3.8% |

Voluntary community investment

Details of recipients of our funding are on our website. Our community investment expenditure for FY2021 is detailed below.

| Country | Partnership Contributions | Sponsorships and Donations | In-Kind Contributions | Total |
|-----------|------------------------------|-------------------------------|--------------------------|-----------|
| Australia | \$369,166 | \$79,000 | \$600 | \$448,766 |
| Botswana | - | \$48,080 | \$512 | \$48,592 |
| Total | \$369,166 | \$127,080 | \$1,112 | \$497,358 |

Percentage of investment expenditure contributed to partnerships



Multi-stakeholder partnerships have been the cornerstone of our investment strategy.

Local participation

Sandfire recognises that we can contribute to economic development through the procurement of local goods and services and has developed a Sustainable Procurement Standard to enhance our approach to working with local businesses.

The Standard provides our contracting and procurement practices flexibility to engage with smaller suppliers and contractors and requires each region to develop a local procurement strategy.

We intend to promote the benefits of doing business with Sandfire and demonstrate our commitment to supporting local development. This contribution has the potential to create economic multipliers and build local capacity.

At present, we are working with local companies at our DeGrussa Operations to provide services such as earthworks and labour hire which have proven valuable. Sandfire intends to support the Botswanan Government’s local employment and economic empowerment strategies by supporting local companies through our contracts and offering capacity building programs.



Chapter 5: Indigenous Peoples





Sandfire acknowledges the Indigenous Peoples of the land in which we live, operate, and explore, and recognises their continuing connection to the land. Sandfire is committed to obtaining the consent of Indigenous Peoples when a project is located on land they traditionally own or use. Our aim is to have meaningful and respectful relationships with Indigenous Peoples and avoid disturbing significant cultural heritage sites unless explicit consent has been provided. Our management practices ensure our approach is based on engagement, consultation, collaboration, and agreement with Indigenous Peoples.

Our objectives are to:

- Participate in meaningful and respectful engagements with Indigenous Peoples,
- Include Indigenous Peoples in sustainable socio-economic development opportunities where we operate, and
- Collaborate with Indigenous Peoples to identify and manage cultural heritage.

Our performance

| | | | |
|---|--|--|---|
| Achieved  | <ul style="list-style-type: none">• Continued building relationships with Indigenous peoples | <ul style="list-style-type: none">• Supporting the Jidi Jidi ranger program | <ul style="list-style-type: none">• Implementation of a Geographic Information System (GIS) for land management |
| In progress  | <ul style="list-style-type: none">• Developing a new Land Access Standard | <ul style="list-style-type: none">• Developing Resettlement Management Plans for the Motheo Copper Project | <ul style="list-style-type: none">• Ongoing engagement with Indigenous Peoples to ensure they benefit from our presence |

Governance framework

Sandfire’s approach to engaging and collaborating with Indigenous Peoples is governed by our [Community Policy](#), [Our People Policy](#) and [Human Rights Policy](#). These policies demonstrate our commitment to: respect cultural heritage and local customs, promote a diverse and inclusive Company culture and participate in meaningful engagement.

The development of a Land Access Standard in FY2022 will further support our land access objectives and be aligned with our policies.

We continue to comply with the local laws and regulations of the jurisdictions in which we operate. Where laws and regulations about the protection of cultural heritage and engagement with Indigenous Peoples is limited, Sandfire plans to adopt IFC Performance Standard 7 Indigenous Peoples¹³ as appropriate. This will ensure that we:

- Align with industry best practice,
- Minimise the potential negative impacts of our activities,
- Respect the dignity and culture of Indigenous Peoples, and
- Maintain an inclusive approach to sustainable socio-economic development.

Sandfire will continue to utilise Land Access Agreements, Heritage Agreements and agreed Heritage Management Plans to manage cultural heritage sites and provide opportunities for collaboration including employment, education, and commercial contracts. Our approach to negotiating these agreements has evolved to protect local communities and remote settlements from the risk of contracting COVID-19. Sandfire has restricted travel to all Remote Aboriginal Communities under Government health advice resulting in majority of our consultation occurring online or over the phone.

A GIS System is being utilised to provide survey boundaries, heritage site locations, and other relevant geographical information to improve oversight for cultural heritage management. Sandfire is also developing a centralised data repository and spatial system, including the integration of all heritage information, to improve controls for Sandfire’s obligations in respect of cultural heritage management.

Australia

Within Western Australia, Sandfire operates in accordance with the requirements of the Aboriginal Heritage Act 1972 and are closely monitoring the progress of the Aboriginal Cultural Heritage Bill 2020. We will continue to abide by the current Act until such time the Bill is enacted.

During the year, Sandfire continued to operate within the Federal and State legislation which has enforceable punishment, including fines and potential jail time to individuals and corporations for any breaches made under each respective Act. No incidents of violations involving the rights of Indigenous people occurred during FY2021.

Sandfire’s DeGrussa Operations and Australian exploration projects are located on land that is subject to nine Native Title Claims and seven Native Title Determinations. In addition, Sandfire has entered into Land Access Agreements and Heritage Agreements with six Native Title Claimant Groups which align with the Native Title Act 1993 (Cth) and relevant state-based Aboriginal heritage legislation. Sandfire conducted four heritage surveys during FY2021 relevant to our Western Australian activities. Heritage surveying was significantly reduced, or halted in some regions, during FY2021, as a result of COVID-19 and directives issued by the Government restricting access to Remote Aboriginal Communities and at the request of Native Title Groups we engage with.

Sandfire has a range of Cultural Heritage Protection Agreements and Land Access Agreements in place that protect cultural heritage sites and offer opportunities to the Native Title Groups. The Land Access Agreements detail the compensation payments, environment and heritage protections, cultural awareness training, contracting and business opportunities, training and employment, and scholarships and education opportunities.

Jidi Jidi Aboriginal Corporation Ranger Program

The Jidi Jidi Aboriginal Corporation (JJAC) was awarded a grant by the Department of Biodiversity, Conservation and Attractions (DBCA) to run a pilot ranger program within the Nharnuwangga Wajarri and Ngarlawangga (NWN) Native Title Determination area. The purpose of the program is to create a sustainable and collaborative Indigenous Ranger Program to preserve and manage lands entrusted to the NWN people and share knowledge of caring for country.

Caring for country activities reinforce and support Indigenous Peoples’ relationships with their physical, cultural, social, economic, and spiritual environment.

Sandfire has partnered with the JJAC, Westgold Resources Ltd and DBCA to deliver the two-year pilot program and has committed \$75,000 per annum.

The program to support the JJAC to deliver monitoring and restoration, complete training programs and tertiary qualifications, and develop a cultural repository to preserve cultural knowledge is anticipated to continue once the two-year pilot has been completed. During this time, the partners will explore future opportunities for these activities to become economically sustainable, through ongoing funding, an environmental services business, and the creation of a JJAC Business Plan.

The Jidi Jidi rangers



Botswana

Sandfire recognises there are people who identify as Indigenous Peoples living within the vicinity of the Motheo Copper Mine. The San people are a minority group of Indigenous Peoples that reside throughout the Kalahari regions. The Environmental-Social Impact Assessment (ESIA) undertaken for the Motheo Project identified that these groups are often marginalised and can be denied the opportunity to participate in socio-economic development.

Sandfire is currently developing the Motheo Environmental and Social Management Plans. These management plans will address IFC Performance Standard 7 and ensure attention is given to foster participation in socio-economic development opportunities as well as address cultural sensitivities in our approach to stakeholder engagement, grievance redress and in community health and safety.

Sandfire is committed to obtaining the consent of Indigenous Peoples when a project is located on land they traditionally own or use.

¹³ IFC Performance Standard 7 Indigenous Peoples www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7

Chapter 6: Water



Sandfire recognises that water is a precious and finite resource which holds significant social, cultural, environmental, and economic value. Water is also an essential component for the success of our activities; including exploration drilling, mining and processing, dust suppression, drinking water, and use in our accommodation camps.

Water stewardship is a strategic priority for the business. We treat water as a precious resource and take a catchment-based approach to managing surface and groundwater. We manage water resources and mitigate impacts that would result in the inability to sustain current and future demands.

- Our objectives are to:
- Promote water stewardship across the business,
 - Manage water as a valuable asset,
 - Build stakeholder trust towards our water management practices, and
 - Participate in collective action to support sustainable water resources.

Our performance

| | |
|------------------------------------|--|
| <div>Achieved</div> <div></div> | <ul style="list-style-type: none">• Developed a Water Accounting Framework and Water Value Tool• Established the Ghanzi Stakeholder Committee to collaboratively manage water catchment• Participated in the International Copper Association's (ICA) Zero Emission Copper Mine of the Future Project's water study¹⁴ |
| <div>In progress</div> <div></div> | <ul style="list-style-type: none">• Implementing a roadmap for initiatives and Water Stewardship Framework tools• Undertake conceptual study for excess water management |

Governance framework

Sandfire aims to manage its use of natural resources in a way that demonstrates environmental stewardship. Our approach to managing water resources is governed by our [Environment Policy](#), which was revised in FY2021. The policy outlines our commitment to the responsible management and protection of the natural environment at all stages of our business, from exploration through to mine closure and rehabilitation.

Sandfire's Water Standard outlines the activities we will undertake to manage surface and groundwater resources. This includes baseline studies, monitoring, operation design efficiencies, risk management, data, and auditing requirements. The standard also requires all operations to have a Water Management Plan that accounts for the site's full water balance. The Motheo Water Management Plan has been developed in accordance with IFC Performance Standards and will be implemented in FY2022.

- Sandfire manages water bodies by utilising the following methods:
- Monitoring water abstraction, usage and discharge,
 - Reviewing operational water account balances, and
 - Conducting water table surveys and modelling.

These practices help to detect opportunities for increased efficiencies and support the proactive identification of risks.

Sandfire has also commenced using GIS analysis to gain a deeper insight into our water management activities. The system supports our team to monitor vegetation health and detect possible changes in biodiversity health. Utilising GIS is increasingly useful as Sandfire continues to broaden its scope from the mine boundary to the water catchment area.

Water Stewardship

In FY2021, we developed a Water Stewardship Roadmap to identify the issues related to water, our accountability for how we use water and to standardise our reporting.

Through this work we identified that considering the social and cultural perspectives on water use, in addition to the traditional environmental attributes has the potential to change the way water is valued by the business. As a result, the Water Value Tool was developed to capture the social and cultural perspectives on water resources that are relevant to local stakeholders on a catchment wide basis. This tool will be used to support feasibility and due diligence studies ensuring Sandfire assessments of water resources include the social, cultural, and environmental values that are an intrinsic part of this important resource.

Sandfire has developed a Water Accounting Framework to standardise the way water usage is accounted for and reported at each operating site. Implementing the framework will enable comparable water accounts to be prepared across the business. Once implemented, the framework will also require each operation to assign a level of accuracy to reported water usage data, identifying opportunities for improving the accuracy of the water data collected. Having access to accurate and consistent water data will enable benchmarking across all future Sandfire operations and inform future decision making on water use efficiency.

Australia

The DeGrussa and Monty Copper-Gold Mines in Western Australia are Sandfire's largest water consumption activities. Sandfire's exploration activities have limited water usage compared to our operating assets. DeGrussa and Monty are located in an arid environment, experiencing low rainfall and regular droughts. As such, they are classified as having a high overall water risk¹⁵ according to the World Resources Aqueduct Water Risk Atlas, however are not subject to water stress due to the low water use in the region.

This risk is managed through the implementation of our standards and regular monitoring and review programs.

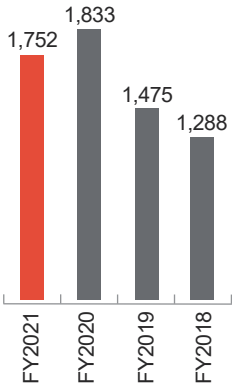
The DeGrussa and Monty Mines source water from groundwater aquifers as there is no access to surface water near the mines. Both mines conduct dewatering of fractured rock aquifers to ensure safe mining activities. We aim to limit water withdrawal from aquifers as much as possible. Once groundwater enters the ore processing circuit, we efficiently use water by reusing and recycling wherever possible.

Water abstraction and dewatering for the DeGrussa and Monty Mines is reviewed on a monthly basis, and an Aquifer Review is conducted annually. This information is also submitted to regulators on an annual basis to ensure we align with our permitting and licence requirements.

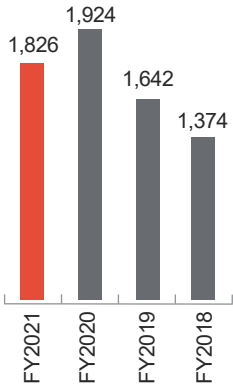
Any excess water that cannot be used is discharged to ephemeral creeks under our Environmental Protect Act licences. Our water abstraction and discharge are reported to the WA Department of Water and Environmental Regulation through the Annual Aquifer Review and Annual Environmental Report. Sandfire's water activities are regulated by legislation through operating licences and approvals which have set quality and quantity thresholds.

Our performance

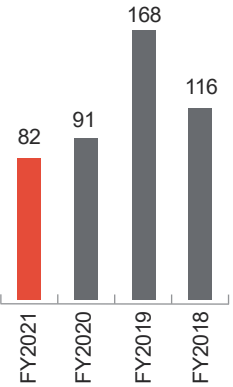
Total water consumption (ML)



Total water withdrawal (ML)



Total water discharge (ML)



¹⁵ The DeGrussa and Monty Copper-Gold Mines are classified as high risk according to the [World Resources Institute Aqueduct Water Risk Atlas](#).

¹⁴ Zero Emission Copper Mine of the Future - [The Water Report 2021](#).

Botswana

The Motheo Copper Mine is located within the Kalahari Desert, characterised by an arid to semi-arid region with cold dry winters and hot and relatively humid summers. There is no surface water in the area and all water will be sourced via groundwater aquifers. The project area is classified as extremely high water risk¹⁶ by the World Resources Aqueduct Water Risk Atlas, however water stress is limited due to the low water use in the region. Notwithstanding this, the environmental and social connection and reliance on water resources is high identified by our Water Value Tool.

Sandfire has prioritised the development and implementation of water stewardship initiatives in FY2021 to support the Motheo Project in Botswana. These initiatives have included:

- Comprehensive stakeholder engagement to develop a collaborative approach to water management,
- Planning for the establishment of a local stakeholder committee that will have oversight of all regional groundwater usage,
- Developing accurate and complete hydrological models and monitoring records,
- Identifying the cumulative impact of water usage on the catchment area, and
- Aligning our practices with IFC Performance Standards.

The data we have collected in our hydrological studies and monitoring activities informs our management approach and the mitigation measures we will employ during the construction and operation of the mine. Sandfire intends to mitigate negative impacts on the water catchment area by collaborating with potentially affected stakeholders to understand the cumulative effects of water usage, by sharing data and responsibility for sustainable management of the water resources.

Our research has considered potentially sensitive receptors in the community and the environment. This includes studies on fauna migration to the mining area due to dewatering activities and water in the tailings storage facility (TSF). Sandfire commissioned an elephant study in FY2021 to identify migration patterns and the likelihood of elephants being drawn to the mine. As a result of the study, the TSF has been redesigned with a steeper embankment to act as a game deterrent. For more information see Tailings and Waste.

Make Good Agreements

Our stakeholder engagement process has identified that there is the potential for Motheo's groundwater draw down to impact local landowners within the vicinity of the operation. Sandfire has developed a 'Make Good Agreement' as a proactive measure to provide comfort to landowners that Sandfire will address any potential impacts to groundwater sources. The Agreement goes beyond the requirements of our regulatory approvals to demonstrate good faith to local stakeholders. The Agreement will oblige Sandfire to remedy or 'make good' any adverse impacts to groundwater experienced by local farmers which can be shown to be a result of our activity. Make good measures may include:

- Changing the pump type so that it is better suited to the decreased water level in the bore,
- Drilling a new bore, or
- Providing an alternate water supply.

Sandfire will undertake ongoing monitoring and annual regional groundwater modelling to understand the impacts to water levels and yields as a result of the Motheo mining activities, extraction by the landowner, and influence of any other third-party extraction. Monitoring activities will indicate if there is going to be an impact to local stakeholders in advance, so that we can remediate this prior to an actual impact being experienced.

Ghanzi Stakeholder Committee

Sandfire encouraged the establishment of the Ghanzi Stakeholder Committee during the year. The stakeholder driven committee was formed to oversee all regional groundwater usage, and will act as an independent water monitoring and assurance program for the local area. The Committee is comprised of members with a stake in regional groundwater usage and include, landowners, key community figures, a Sandfire representative, and an independent hydrologist appointed by the Committee.

Sandfire will facilitate the initial Committee meeting and assist by preparing a draft charter. We will also provide the Committee with access to our mine dewatering program and groundwater monitoring data to support our efforts in developing community trust. Funding for an independent hydrologist to interpret the information to the Committee will be provided by Sandfire.

USA

The Black Butte Copper Project is located approximately 27 kms north of White Sulphur Springs in Montana, USA within the Sheep Creek watershed, a tributary of the Smith River. The project area is classified as a low – medium water risk¹⁷ by the World Resources Aqueduct Water Risk Atlas, and water stress medium – high. Our local stakeholders place a high value on maintaining clean and plentiful water resources.

Sandfire America is committed to protecting the water resources in the water catchment area. Careful management is critical to maintaining water quality and quantity. Montana law, through its Mine Operating Permit structure, mandates that industrial activities cannot degrade water quality nor quantity during the development, operation, closure and reclamation of a mining operation.

To protect the water quality and quantity, the proposed underground mine is designed with the following features:

- All planned openings or entry points to the mine (including air ventilation and escape routes) are located far above the water table to keep water from leaving the mine after closure and mixing with surface water.
- All ground water from the mine and surface run off water from precipitation will be collected, monitored, tested, and treated before being placed back into the ground water system through an underground infiltration system buried 2 metres below the surface. There is zero discharge to surface waters. Water temperature will also be monitored and maintained through this system.
- A Reverse Osmosis (RO) water treatment plant will be constructed on-site for treating all waters discharged to the underground infiltration gallery and will remain operational through the reclamation phase of the mining operation.

Sandfire America continues to work closely with the local community and Government agencies to ensure our water management practices are sustainable. The Meagher County Stewardship Council, established in FY2019, brings together local voices to direct our attention to the issues that matter most to the community. The Council has broadened their scope from a water focus to consider additional environmental, social and governance topics that are material to the community. Sandfire and the Council have been drafting an Agreement which will reflect this broadened scope. The Agreement is planned for execution by the end of 2021.

Chapter 7: Climate Change



Sandfire recognises that climate change is a shared global challenge that requires collective action between business, government and society. Sandfire supports the move to a low emission economy to reduce the scale of future climate change impacts and avoid increasing their severity. This, coupled with the world's increasing requirements for secure, affordable energy, creates significant challenges which are best met by companies, governments and society working together.


A key priority of Sandfire's sustainability strategy is to embrace a low emission future.

Our objectives are to:

- Support the global transition to a low emission future,
- Create organisation wide awareness and action for a transition to a low emission economy,
- Implement initiatives that reduce our carbon footprint and emissions intensity,
- Participate in collective action to promote transitioning to a low emission economy, and
- Continue to provide public disclosure on our climate-related risks, opportunities, and management.

Sandfire is committed to continuing to develop a comprehensive understanding of climate-related topics and will develop systems and operations that can adapt to challenges that we may face in the short, medium, and long-term.

Our performance

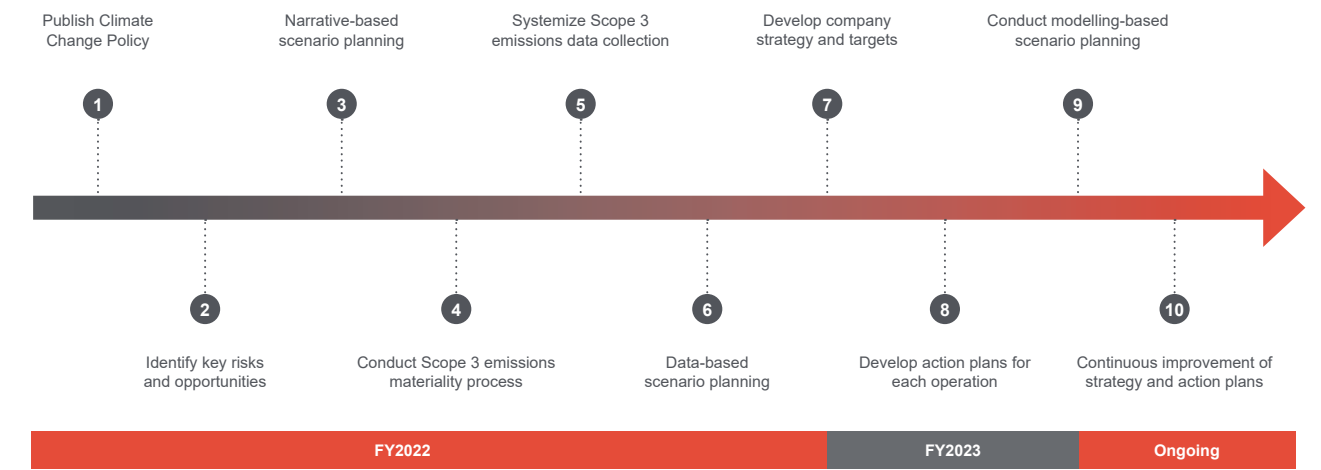
| | | |
|--|--|--|
| Achieved  | <ul style="list-style-type: none">• Developed a roadmap to align with the TCFD framework | <ul style="list-style-type: none">• DeGrussa Solar Facility provided 17% of total power to the DeGrussa Operations |
| In progress  | <ul style="list-style-type: none">• Climate scenario analysis and implementation of the TCFD framework | <ul style="list-style-type: none">• Development of our Climate Change Policy• Development of a Climate Change Strategy and emissions reduction plan |

Taskforce for Climate-related Financial Disclosures

Sandfire has committed to adopting the Taskforce for Climate-related Financial Disclosures (TCFD) to further our understanding of the effect of climate change on Sandfire's value chain, the resulting financial risks and opportunities and in turn to mature our management practices and long-term strategies.

In FY2021, Sandfire developed a two-year roadmap which outlines the activities that will guide us to improve our disclosure against the TCFD recommendations. Sandfire predicts that stakeholders will expect greater rigor and sophistication in disclosure. Sandfire will continue to mature our disclosure and our approach to managing climate-related risks and opportunities with the support of the TCFD recommendations.

TCFD implementation roadmap



¹⁶ The Motheo Copper Mine is classified as high risk according to the [World Resources Institute Aqueduct Water Risk Atlas](#).

¹⁷ The Black Butte Copper Project is classified as low – medium risk according to the [World Resources Institute Aqueduct Water Risk Atlas](#).

The following disclosure has been developed in accordance with the TCFD disclosure requirements for Governance, Strategy, Risk Management, and Metrics and Targets.

Governance

Sandfire’s approach to climate change is governed by our [Environmental Policy](#) and HSEC Management System. Sandfire is committed to addressing the physical and transitional risks of climate change and harnessing the opportunities associated with transitioning to a low emission future.

Sandfire’s Board has ultimate responsibility and oversight for climate-related activities. This includes:

- Reviewing and endorsing our Environmental Policy and supporting the implementation of a Climate Change Policy to further outline Sandfire’s commitment to addressing climate-related risks,
- Reviewing and endorsing public disclosure of climate-related information, and
- Reviewing and endorsing the Sustainability Strategy and public climate-related targets and goals.

The Risk Committee maintains oversight of material ESG risks (both opportunities and threats) and provides feedback and recommendations to the Board on ESG topics. The Risk Committee’s Charter can be viewed on our website.

Our Executive Committee (ExCo), consisting of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operational Officer (COO), is directly accountable to the Board and Risk Committee on all ESG matters and are responsible for ensuring ESG KPI’s are met to achieve our Sustainability Strategy. The COO is also accountable for our climate-related responsibilities, overseeing our strategy implementation, and providing progress reports to the Risk Committee on the management of risks and execution of opportunities.

Strategy

Embracing a low emission future is a strategic priority of Sandfire’s Sustainability Strategy. The intention of this focus area is to prioritise opportunities during the transition to a low emission economy across our entire value chain. Sandfire addresses climate-related risks through our due diligence, risk assessment, and environmental management processes. These processes support Sandfire to integrate risk mitigation measures for our activities to address climate-related impacts effectively.

In FY2021, a third party was engaged to upskill senior management on the TCFD’s and their implementation. The workshop was attended by our Business Unit Managers, CFO, and COO. This work provided key internal stakeholders with the foundational knowledge prior to developing our scenario analysis which will be completed in early FY2022.

Sandfire intends to undertake a qualitative approach to scenario analysis by developing scenario narratives to help management explore the implication of climate change to our current and future interests. The outcome of this work will factor into our climate-change strategic planning. Long term, Sandfire intends to build on this scenario analysis by moving towards greater sophistication using quantitative models and data.

The activities planned for FY2022 include:

- Publishing our Climate Change Policy,
- Improving our understanding of key risks for each time horizon and determining their potential financial impact on the Company,
- Conducting scenario planning exercises to determine how climate-related issues will affect the Company, our strategy and our financial planning,
- Conducting an enterprise climate change risk assessment,
- Undertaking a materiality assessment on Scope 3 emissions,
- Conducting a gap analysis on our data management systems to ensure they can integrate Scope 3 emissions, and
- Utilising our scenario planning to improve our public disclosure on climate-related risks and opportunities.

Sandfire plans to develop a standalone Climate Change Strategy which will outline the actual and potential climate-related risks and opportunities that may impact our business, corporate strategy, and financial planning. This will include the outcomes of our scenario analysis and our approach to different climate-related scenarios, including a 2 degree Celsius or lower scenario.

These activities will further support Sandfire’s integration of climate-related risks and opportunities into our decision-making processes and Climate Change Strategy formulation, including planning assumptions and objectives around climate change mitigation, adaptation, and opportunities.

Risk

Sandfire recognises the physical and transitional impacts of climate change may affect our assets, productivity, the markets in which we sell our products, and the communities in which we operate. Risks related to the physical impacts include acute risks resulting from increased severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns. Transitional risks arise from a variety of policy, regulatory, legal, technological, and market responses to the challenges posed by climate change and the transition to a lower-carbon economy.

Sandfire aims to mitigate these risks to protect our people, operations and local communities from the adverse effects of climate change. Our Air Emissions Standard, Energy and Greenhouse Gas (GHG) Standard, and ESG Risk Management Standard detail our commitment to investigating renewable energy for all existing and future operations, risk identification requirements, baseline data collection methods, and data management practices.

























Our Risk and Assurance Management Standard and Crisis and Emergency Management Standard support our people in identifying, managing, and responding to risks in both minor and catastrophic circumstances. The processes outlined in these standards will be implemented when addressing climate-related risks at a local and enterprise level.

To inform our understanding of climate-related risks and opportunites, Sandfire undertakes stakeholder engagement to identify and assess the impact and likelihood of climate risks for our business and local communities. Sandfire conducts interviews with our stakeholders annually through our materiality process to determine what our stakeholder perceive as being short, medium, and long-term risks to the business and our local communities.

Sandfire understands that risks and opportunities will arise over different or multiple time horizons. Identifying the time horizon in which a risk or opportunity will occur helps us to develop our strategy and prioritise our responses.

The table on the next page outlines Sandfire’s climate-related risks and the time horizon we believe the risk may be encountered. Sandfire continues to mature its understanding of climate change impacts and the associated financial implications. In FY2022, Sandfire will incorporate the outcomes of its climate change scenario analysis into its Enterprise Risk Assessment to support Sandfire’s financial quantification of climate-related risks to our operations and business as a whole.




Known risks

| Classification | Risks and impacts | Transitional or Physical | Time Horizon |
|--|--|---|---|
| Policy | Carbon pricing including carbon tax, cap and trade systems and any other regulatory carbon pricing mechanisms which may result in increased/ passed on costs. |  |   |
| | Uncertainty around policy limiting the business capacity to prepare for transition. |  |  |
| | Impacts to Sandfire’s suppliers based on changes to policy and passing on costs. |  |   |
| | Changes to ancillary policy as a result of climate change such as water scarcity which may result in increased/ passed on costs. |  |   |
| Legal | Legal precedents being set allowing communities or individuals to seek compensation or legal action from companies contributing to climate change. Sandfire may incur significant legal costs as well as higher operational costs by ensuring compliance with legislation. If a legal challenge were to be successful, Sandfire could suffer reputational damage. |  |    |
| Reputation | Shareholders losing faith in the Company’s ability to address climate change and undertaking divestment activity. |  |   |
| | Communities may become increasingly hostile to companies contributing to climate change without acting on it. |  |   |
| | This could result in the loss of social license to operate if communities believe Sandfire is actively contributing to climate change. This sentiment would be increased by the heightened frequency of climate disaster. |  |   |
| Shareholder action | Being seen as failing to take action could lead to reputational damage and impact capacity to secure investment capital, insurance, development or expansion permissions and partners. |  |   |
| | Shareholders attention on companies’ disclosure, responsiveness and lobbying activities. |  |   |
| | Shareholders could divest if Sandfire is seen to be static in responding to climate change and not acting quick enough. This could lead to loss of financial capabilities for Sandfire. |  |   |
| Technology | Difficulties in integrating new technology with existing systems – and the cost and unproven nature of new technology – could reduce productivity and margins. |  |   |
| | Risks associated with the disruptive nature of new technologies, which may change demand for our products. |  |   |
| | Failing to adopt new technology resulting in being uncompetitive. |  |  |
| Market changes | The supply and demand for our commodities may change as technology changes and consumer demands shift. |  |   |
| | Demand for responsibly sourced products including those with a low emissions profile throughout the supply chain. |  |   |
| | As governments and other companies act on climate change, there is a chance we could be exposed to higher cost for the inputs we rely on, such as water or electricity. |  |   |
| Environmental | Extreme weather events (e.g. bushfires, cyclones, flooding and droughts) may lead to production and logistics delays. |  |    |
| | Drought, heat extremes or unseasonal weather variability could contribute to worker ill-health and the spread of disease. |  |    |
| | The physical impact of climate change has the potential to increase closure liabilities. |  |   |
| Impacts to the price or availability of insurance due to extreme weather events. | |  |   |
| Conflict over access to natural resources and their subsequent impacts as a result of physical impacts of climate change, such as drought and its flow on effect to food security causing unrest and challenging operating environments. | |  |   |

Transitional or Physical Legend

Transitional  Physical 

Time Horizon Legend

Short  Medium  Long 

Metrics

Our objectives and targets for ‘embracing a low emission future’ are:

- Complete solar feasibility study for the Motheo Copper Mine for Board assessment and investment decision in FY2022,
- 17% of the DeGrussa Operations’ energy mix to be supplied by renewables in FY2022,
- Target partnerships aimed at moving towards low emission economy as part of our Group Investment Strategy,
- Investigate regional partnerships aimed at supporting community adaptation and resilience to climate change in FY2022,
- Complete Kuke Village solar powered light project in FY2022,

- Complete TCFD scenario analysis in FY2022,
- Implement actions from TCFD roadmap by FY2023,
- Develop a Group Emissions Reduction Plan by FY2023, and
- Develop and publish a Climate Change Policy in FY2022.

The targets will continue to be updated as we mature our approach to climate change management. Once completed, Sandfire’s Climate Change Strategy will provide detailed disclosure on the methodology used to manage climate-related risks and opportunities, and performance against the targets presented in our Sustainability Strategy.

| | FY2021 | FY2020 | FY2019 | FY2018 | FY2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| Scope 1 emissions (tonnes of CO ₂ -e) | 86,344 | 97,426 | 89,053 | 84,902 | 83,167 |
| Scope 2 emissions (tonnes of CO ₂ -e) | 75 | 80 | 71 | 129 | 138 |
| Sandfire’s Energy consumption (GJ) | 1,320,179 | 1,463,486 | 1,358,306 | 1,284,899 | 1,223,498 |
| Carbon emissions abated through solar (tonnes of CO ₂ -e) | 14,585 | 12,098 | 14,727 | 12,959 | 5,735 |



Energy and emissions

In FY2021, the majority of Sandfire’s energy use occurred at the DeGrussa Operations which is powered by an off-grid diesel power station and a renewable solar facility. The two main areas of energy consumption were the processing plant (electricity) and mining vehicles (diesel fuel).

Motheo Copper Project Solar Study

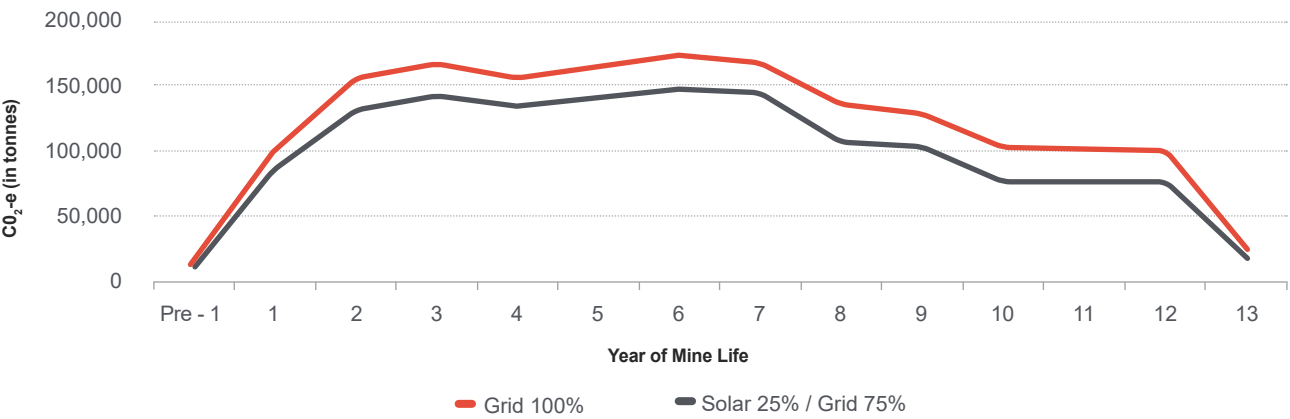
Investigating renewable energy options is a fundamental principle of our Sustainability Strategy. In FY2021, Sandfire commissioned a scoping study for the installation of a combined photovoltaic (PV) generation plant, battery energy storage system and diesel generator to power the Motheo Hub.

The study is investigating different power generation source scenarios to feed the required loads for the mine. Whilst the ideal approach has not yet been concluded, one plausible solution may be composed of a PV installation equipped with diesel generator for emergency backup, with fuel storage of two to three days.

This solution would require a PV plant with a capacity of 15MW, composed of 35,205 440Wp modules. The mine would still be connected to the national grid and the supply of electricity would be divided between the two sources with a ratio of up to 35% from the PV at full capacity.

This scoping study will help to inform potential renewable energy activities in the future.

Potential greenhouse gas (GHG) emissions reduction over life of mine at Motheo



Chapter 8: Tailings and Waste



Sandfire is committed to the responsible management of our waste generation to optimise our assets and protect the environment.

Mining and processing ore generates a variety of waste by-products including waste rock, tailings, and hazardous and non-hazardous materials. Tailings and waste rock contribute a majority of the waste produced through the mining process.

Our objectives are to:

- Employ responsible tailings management to minimise the risk of tailings storage facility (TSF) failures,
- Promote a safe, stable and self-sustaining agreed end land use,
- Safely manage our waste streams to prevent harm to the environment and biodiversity, and protect the health and safety of our workers and local communities, and
- Reduce the negative impacts of waste by minimising waste, reusing and recycling, and disposing waste in a responsible manner.

Our performance

| | | | |
|------------------------|---|---|--|
| Achieved | <ul style="list-style-type: none">• Committed to adopting the Global Industry Standard on Tailings Management | <ul style="list-style-type: none">• Completed community and environment research to inform final design for the Motheo Copper Project TSF | <ul style="list-style-type: none">• Completed independent audit of our DeGrussa TSF with no faults identified |
| In progress | <ul style="list-style-type: none">• Complete a gap analysis against the Global Industry Standard on Tailings Management | | <ul style="list-style-type: none">• Continuous improvement of waste stream management to support recycling and reuse |

Governance framework

Our approach is governed by our [Environmental Policy](#), Tailings Management Standard, Waste Standard, Waste Rock Standard and Hazardous Materials Management Standard. Our standards have been refreshed as part of the new HSEC Management System. To manage the potential negative impacts associated with waste disposal, we implement appropriate strategies during project development, operations and in preparation for mine closure.

Sandfire manages waste by-products through the following methods:

- Understanding waste streams - identifying Potentially Acid Forming (PAF) material before coming to surface,
- Managing waste streams - separating and encapsulating PAF material, conducting domestic and industrial recycling programs,
- Regulatory permitting - controlled waste management, approval for waste storage areas such as PAF encapsulation cells,
- Operational controls - including our Environmental Management System (EMS) (management plans and related procedures), monitoring, training, inspections, checking and corrective action,
- Undertaking regular audits - annual third-party geotechnical audit of our DeGrussa Operations TSF,
- Life of mine planning, and
- Mine closure planning.

Sandfire gauges success in managing waste streams through:

- the results of the annual audit of our DeGrussa TSF - no faults were identified at the DeGrussa TSF in FY2021, and
- the effectiveness of our processes to limit breaches of required license conditions and environmental regulations – there have been no significant known breaches of the Group's license conditions or any environmental regulations in FY2021.

Hazardous waste

Hazardous waste generated by our operations includes oil, tyres, grease, batteries and hydrocarbon contaminated waste. We have systems in place to ensure that all hazardous waste is appropriately managed on site, then transported by waste transport companies to licensed and approved facilities off site.

See the 2021 Sustainability Report Data Tables on our website for more information.

Non-hazardous waste

Our most significant streams of non-hazardous waste include glass, plastic, steel, cardboard and aluminium, which are recycled, and general household waste which is diverted to both on and off-site landfill.

See the 2021 Sustainability Report Data Tables on our website for more information.

Global Industry Standard on Tailings Management

Sandfire supports the intent of the Global Industry Standard on Tailings Management¹⁸ (Standard) and has committed to adopting the standard at all its current and future operations. We expect to be in full alignment with the standard within five years.

During the year, we formed a Tailings Working Group comprising of internal cross-functional experts to review the requirements of the Standard and application to our operations. The group will undertake a gap analysis of our current management systems and develop an action plan to comply with the Standard. Our DeGrussa Operations' processing team also completed a certification on the Standard to support the integration of the Standard's requirements.

The Standard includes a consequence classification based on the environmental, demographic, infrastructure, economic, and social circumstances of a TSF. Sandfire has reviewed the design of our current and proposed TSF's against the consequence classification of the Standard and determined that they are low risk.

Sandfire shares the International Council of Mining and Metals vision for the safe management of tailings facilities, towards the goal of zero harm. For this reason, the design of our current and proposed TSF's are to the highest possible structural standards, whilst meeting the environmental and social circumstances of the local area.

DeGrussa Operations TSF

Sandfire manages one active TSF at the DeGrussa Operations. Commissioned in 2012, the downstream designed facility is located within an Integrated Waste Landform (IWL). This is one of the more stable TSF design options based on the classification under the Australian National Committee on Large Dams (ANCOLD) Guidelines. Tailings are deposited into a circular impoundment with a composite liner comprising high density polyethylene and compacted clay. The impoundment is surrounded by waste rock.

Our TSF is governed in accordance with our HSEC Management System and operated in line with regulatory approvals. The approved Mine Closure Plan for the DeGrussa Operations considers long-term monitoring of physical, chemical and biological aspects of the TSF post-closure.

Annual independent audits of the DeGrussa TSF are conducted by specialist engineers and are undertaken in accordance with the Department of Mines, Industry Regulation and Safety and the ANCOLD guidelines. The audits cover aspects of groundwater monitoring, geotechnical stability and tailings management practices.

Feasibility studies are currently being undertaken for the Old Highway Gold Project to determine whether there will be any impact on DeGrussa's TSF. The feasibility studies are due for completion in FY2022.

Waste rock and PAF material

As part of the process to extract ore, waste rock is removed from underground operations and placed into purpose-built engineered waste rock dumps or, when appropriate, used for construction purposes (such as road-base). Sandfire continues to optimise waste generation and return waste rock back to underground operations to stabilise underground workings.

Where PAF waste rock is suspected or known to occur, our operations place PAF material in clay lined encapsulation cells within our waste rock dumps, or in separately lined PAF waste rock dumps, and preferentially return it underground as backfill.

Motheo Copper Project

The proposed Motheo TSF has been designed as a downstream constructed embankment which will be constructed as an IWL. The facility will be constructed initially as a two-cell arrangement. The first cell will have a 3.5Mt capacity to cater for the first 12-18 months of production. The second cell will be constructed during the first year of plant operation.

The area for both cells will be cleared and a compacted soil liner will be constructed over the entire basin area from reworked in-situ material. A double layer of geosynthetic High Density Polyethylene (HDPE) membrane will be installed to reduce the seepage loss from the facility. The design incorporates an underdrainage system to reduce seepage, increase tailings densities, and improve the stability of the embankments. A leakage collection and recovery system will be installed beneath the basin liner.

During the design process, Sandfire conducted research to consider potentially sensitive receptors in the community and the environment. This included studies on fauna migration to the mining area due to dewatering activities and water in the TSF. One of the main risks identified was the attraction of fauna, particularly elephants, to the TSF in search of a water source. As a result, Sandfire commissioned an elephant study to further understand the migration patterns and behaviours of elephants in the Ghanzi Region. The study concluded that elephant populations are likely to be drawn to open water sources located on the mine site.

The Motheo TSF design was updated to include a steeper embankment profile to act as a game deterrent. The embankment has been increased from a slope of 3:1 to 1:1.5 (see diagram below). In addition, the base of the spillway will be surrounded with a ring of waste rock and boulders limit fauna access.

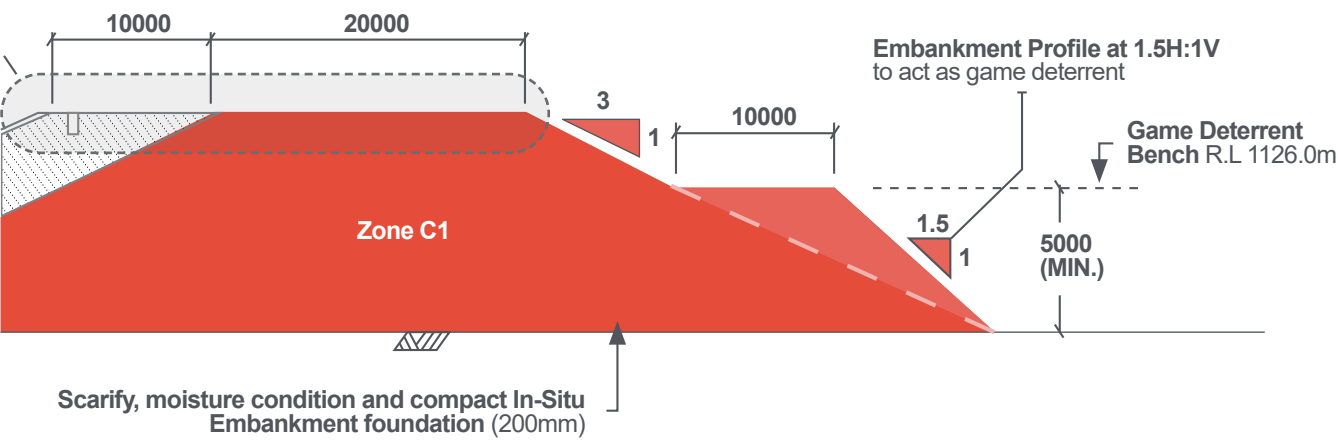
Black Butte Copper Project

Protecting the Smith River Valley watershed at Black Butte is a top priority for both Sandfire America and the project's stakeholders. The proposed tailing facility has been designed to meet these expectations. The design of a Cemented Tailings Facility (CTF) for the project will significantly reduce the risks associated with tailings and will be one of the first for medium or large-scale mines.

The CTF is designed to withstand a 1 in 10,000 year maximum earthquake as well as a storm that brings 1.25 years' worth of precipitation in one event. Tailings at Black Butte will be mixed with cement and permanently stored in a double lined tailings facility in a non-flowable state. The facility will be solid and dry to prevent seepage.

Of the total tailings produced, 45 per cent will be mixed with cement and returned underground to fill the cavities created during the mining process. These 'paste tails' are impermeable and impede groundwater flow. The remaining 55 per cent will be stored in the CTF. After mine operations conclude, the CTF will be sealed with a liner, covered with subsoil, topsoil, and seeded back to grass so the area can return to cattle grazing.

Motheo tailings storage facility design



¹⁸ Global Industry Standard on Tailings Management - globaltailingsreview.org/global-industry-standard/

Assurance Statement

INDEPENDENT ASSURANCE STATEMENT

To: The Stakeholders of Sandfire Resources Ltd



Introduction and Objectives of Work

Bureau Veritas Australia Pty Ltd ("Bureau Veritas") was engaged by Sandfire Resources NL ("Sandfire") to undertake a limited assurance engagement on selected information and data presented in the Sandfire 2021 Sustainability Report ("the Report"). This Assurance Statement applies to the related information included within the scope of assurance described below.

Scope of Limited Assurance

The scope of assurance was limited to the information and data related to the operations of DeGrussa and Monty Copper-Gold Mines in Western Australia, exploration activities and offices in Australia, for the period of 1st July 2020 to 30th June 2021.

The complete list of assured disclosures is referred to within the GRI Index of the Report.

Our assurance engagement does not extend to any other information included in the Report or information in respect of earlier periods.

Limited Assurance Conclusion

On the basis of our procedures as described under "Methodology" and the evidence we have obtained, we provide limited assurance that nothing has come to our attention:

- To indicate that the statements reviewed within the scope of our assurance engagement are inaccurate and the information included therein is not fairly stated.
- That causes us to believe that the information, within the scope of our assurance engagement, is not prepared, in all material respects, in accordance with the criteria indicated under "Understanding how Sandfire has Prepared the Information".

It is our opinion that Sandfire has established systems for the collection, aggregation and analysis of relevant information and quantitative data.

Understanding how Sandfire has prepared the Information

The Report was prepared in accordance with the GRI Standards: Core option and GRI G4 "Mining and Metals Sector" Disclosures including appropriate considerations of the reporting principles for defining report content and report quality, profile disclosures, management approach disclosures and performance indicators.

Sandfire's Responsibilities

Management of Sandfire was responsible for:

- Selecting and establishing suitable criteria for preparing the Report and information subject to our limited assurance;
- Preparing the information in accordance with the criteria; and
- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

Bureau Veritas was responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the information included within the scope of assurance is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Directors of Sandfire.

Bureau Veritas was not involved in the drafting of the Report and our independence has not been compromised. This is the fifth year in which we have provided limited assurance over the Sandfire's Report.



INDEPENDENT ASSURANCE STATEMENT



Methodology

Our limited assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board, and informed by Bureau Veritas' standard procedures and guidelines for external verification of Sustainability Report.

Our work was planned and executed in a manner designed to produce a limited level of assurance and to provide a sound basis for our conclusions. We undertook the following activities:

- Review of the suitability of the criteria used as the basis for preparing the information subject to assurance;
- Interviews and follow-up communication with relevant individuals;
- Review of documentary evidence produced by Sandfire representatives;
- Audit of performance data and factual information including source verification; and
- Review of Sandfire's processes for identification, aggregation and analysis of relevant information, report content and performance data.

Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined reporting period;
- Statements of commitment to, or intention to undertake future actions by Sandfire;
- Statements of position, opinion, belief and/or aspiration by Sandfire;
- Financial data audited by an external third party; and
- Other sites and/or activities not included in the scope.

This independent assurance statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement of Independence, Impartiality and Competence

Bureau Veritas is a global leader in Testing, Inspection and Certification ("TIC") services. The Group's mission is to reduce its clients' risks, improve their performance and help them innovate to meet the challenges of quality, health, safety, hygiene, environmental protection and social responsibility. Leveraging its renowned expertise, as well as its impartiality, integrity and independence, Bureau Veritas has helped build trust between companies, public authorities and consumers for more than 190 years.

Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among its personnel in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with Sandfire, its Directors or Managers beyond that required of this assignment. We have conducted this assurance engagement independently and there has been no conflict of interest.

The assurance team was selected based on its extensive Industry Sector knowledge and experience in conducting independent verification, validation and assurance of Environmental Social and Governance (ESG) information and associated systems and processes.

Jeremy Leu

General Manager – Certification Pacific

5th October 2021

Bureau Veritas Australia Pty Ltd



Mineral Resources and Ore Reserves

Sandfire’s Mineral Resource and Ore Reserve estimates are presented in the following pages of this report. The mineral resource estimates are reported inclusive of ore reserve estimates. Data is rounded to reflect appropriate precision in the estimate and differences may occur due to rounding.

The market announcements (ASX releases), including JORC Table 1 documentation, which detail the material assumptions and technical parameters for each estimate, and the JORC code competent person statements for mineral resources and ore reserves are available on the Company’s website at www.sandfire.com.au/site/Business/group-mineral-resources-ore-reserves.

Sandfire is not aware of any new information or data as at 30 June 2021 that materially affects the information included in the respective relevant market announcements and all material assumptions and technical parameters underpinning the estimates in the respective relevant market announcement continue to apply and have not materially changed.

A comparison of the current declared mineral resource and ore reserve estimates to that of the previous year for the DeGrussa Copper-Gold Mine (DeGrussa Mine), the Monty Copper-Gold Mine (Monty Mine), the Motheo Copper Project (Motheo Project) and the Black Butte Copper-Gold Project (Black Butte Project) are outlined below. There have been no changes to the Temora Project over the annual reporting period. The Company has added a mineral resource for the A4 Copper-Silver Deposit (A4 Deposit) in Botswana during the annual reporting period.

Sandfire reports mineral resources and ore reserves as at a date other than its end of financial year balance date. A brief explanation of material changes that have occurred up to the 30 June 2021 is provided for each respective mine or project.

DeGrussa Mine

The variance between the 2019 and 2020 DeGrussa Mine underground mineral resource estimates primarily reflects mining depletion, sterilisation and changes to the geological model. The variance between the 2019 and 2020 DeGrussa Mine underground ore reserve estimates reflects a mineral resource update, mining depletion and a revision to mining modifying factors.

| DeGrussa Mine Underground | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) |
|---------------------------|-------------|------------|------------|-----------------------|----------------------|
| Mineral Resource | | | | | |
| 31 Dec 2019 | 2.8 | 5.2 | 2.0 | 145 | 179 |
| 31 Dec 2020 | 2.1 | 4.7 | 1.8 | 98 | 122 |
| Ore Reserve | | | | | |
| 31 Dec 2019 | 3.1 | 4.1 | 1.6 | 126 | 155 |
| 31 Dec 2020 | 1.9 | 3.8 | 1.4 | 72 | 84 |

The DeGrussa Mine underground mineral resource and ore reserve is declared as at 31 December 2020. Material changes have occurred in the period between 1 January 2021 and 30 June 2021 due to mining depletion of approximately 0.6 Mt at 3.5% Cu, 1.4 g/t Au for 21kt of contained copper and 27koz of contained gold.

DeGrussa Mine Underground – Ore Reserve and Mineral Resource as at 31 December 2020

| Deposit | Ore Reserve ^(a) | | | | | | Mineral Resource ^(b) | | | | | |
|-------------|----------------------------|-------------|------------|------------|-----------------------|----------------------|---------------------------------|-------------|------------|------------|-----------------------|----------------------|
| | Reserve Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) | Resource Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) |
| DeGrussa | Proved | <0.1 | 4.8 | 1.5 | 1 | 1 | Measured | 0.1 | 5.0 | 2.1 | 3 | 4 |
| | Probable | - | - | - | - | - | Indicated | <0.1 | 1.6 | 0.7 | <1 | <1 |
| | | | | | | | Inferred | - | - | - | - | - |
| | Total | <0.1 | 4.8 | 1.5 | 1 | 1 | Total | 0.1 | 4.2 | 1.8 | 3 | 4 |
| Conductor 1 | Proved | 0.6 | 3.8 | 1.3 | 22 | 23 | Measured | 0.7 | 5.3 | 1.9 | 35 | 41 |
| | Probable | 0.1 | 3.6 | 1.1 | 4 | 4 | Indicated | 0.2 | 1.8 | 0.5 | 3 | 3 |
| | | | | | | | Inferred | <0.1 | 4.9 | 1.5 | 0 | 0 |
| | Total | 0.7 | 3.8 | 1.3 | 25 | 27 | Total | 0.8 | 4.6 | 1.6 | 38 | 43 |
| Conductor 4 | Proved | 0.4 | 4.4 | 1.2 | 17 | 16 | Measured | 0.4 | 6.0 | 1.9 | 25 | 26 |
| | Probable | 0.2 | 3.2 | 1.1 | 6 | 6 | Indicated | 0.1 | 1.9 | 0.7 | 3 | 3 |
| | | | | | | | Inferred | <0.1 | 2.7 | 1.8 | 1 | 2 |
| | Total | 0.6 | 4.0 | 1.2 | 23 | 22 | Total | 0.6 | 4.9 | 1.6 | 29 | 31 |
| Conductor 5 | Proved | 0.4 | 4.0 | 1.9 | 17 | 26 | Measured | 0.5 | 5.2 | 2.4 | 26 | 39 |
| | Probable | 0.2 | 2.5 | 1.2 | 4 | 7 | Indicated | 0.1 | 1.8 | 0.8 | 2 | 3 |
| | | | | | | | Inferred | <0.1 | 5.1 | 2.1 | 1 | 1 |
| | Total | 0.6 | 3.6 | 1.7 | 22 | 33 | Total | 0.6 | 4.6 | 2.2 | 28 | 43 |
| Stockpiles | Proved | <0.1 | 4.0 | 1.4 | <1 | <1 | Proved | <0.1 | 4.0 | 1.4 | <1 | <1 |
| Total | Proved | 1.4 | 4.0 | 1.5 | 58 | 67 | Measured | 1.6 | 5.4 | 2.1 | 89 | 110 |
| | Probable | 0.5 | 3.0 | 1.1 | 14 | 17 | Indicated | 0.4 | 1.8 | 0.7 | 7 | 9 |
| | | | | | | | Inferred | <0.1 | 3.3 | 1.9 | 1 | 3 |
| | Total | 1.9 | 3.8 | 1.4 | 72 | 84 | Total | 2.1 | 4.7 | 1.8 | 98 | 122 |

Notes:

(a) Ore Reserve include mining dilution and mining recovery.

(b) Mineral Resource is based on a 1.0% Cu cut-off and allows for mining depletion and sterilisation as at 31 December 2020.

Monty Mine

The variance between the 2019 and 2020 Monty Mine mineral resource estimates primarily reflects mining depletion, sterilisation and changes to the geological model. The variance between the 2019 and 2020 Monty Mine ore reserve estimates reflects a mineral resource update, mining depletion and a revision to mining modifying factors.

| Monty Mine Underground | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) |
|------------------------|-------------|------------|------------|-----------------------|----------------------|
| Mineral Resource | | | | | |
| 31 Dec 2019 | 0.8 | 10.6 | 2.4 | 84 | 62 |
| 31 Dec 2020 | 0.7 | 9.3 | 2.1 | 66 | 48 |
| Ore Reserve | | | | | |
| 31 Dec 2019 | 1.1 | 7.0 | 1.6 | 76 | 55 |
| 31 Dec 2020 | 0.7 | 7.2 | 1.6 | 48 | 34 |

The Monty Mine mineral resource and ore reserve is declared as at 31 December 2020. Material changes have occurred in the period between 1 January 2021 and 30 June 2021 due to mining depletion of approximately 0.2 Mt at 8.0% Cu, 1.5 g/t Au for 18kt of contained copper and 11koz of contained gold.

Monty Mine Underground – Ore Reserve and Mineral Resource as at 31 December 2020

| Ore Reserve ^(a) | | | | | | | Mineral Resource ^(b) | | | | | |
|----------------------------|------------------|-------------|------------|------------|-----------------------|----------------------|---------------------------------|-------------|------------|------------|-----------------------|----------------------|
| Deposit | Reserve Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) | Resource Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) |
| Monty | Proved | 0.6 | 7.7 | 1.6 | 44 | 30 | Measured | 0.5 | 11.6 | 2.6 | 55 | 39 |
| | Probable | 0.1 | 4.7 | 1.0 | 4 | 2 | Indicated | 0.1 | 4.2 | 1.0 | 6 | 4 |
| | | | | | | | Inferred | 0.1 | 6.3 | 1.5 | 4 | 3 |
| | Total | 0.6 | 7.3 | 1.6 | 47 | 32 | Total | 0.7 | 9.5 | 2.1 | 65 | 47 |
| Stockpiles | Proved | <0.1 | 4.7 | 1.4 | 1 | 1 | Measured | <0.1 | 4.7 | 1.4 | 1 | 1 |
| Total | Proved | 0.6 | 7.5 | 1.6 | 45 | 31 | Measured | 0.5 | 11.2 | 2.5 | 56 | 40 |
| | Probable | 0.1 | 4.7 | 1.0 | 4 | 2 | Indicated | 0.1 | 4.2 | 1.0 | 6 | 4 |
| | | | | | | | Inferred | 0.1 | 6.3 | 1.5 | 4 | 3 |
| | Total | 0.7 | 7.2 | 1.6 | 48 | 34 | Total | 0.7 | 9.3 | 2.1 | 66 | 48 |

Notes:

(a) Ore Reserve include mining dilution and mining recovery.

(b) Mineral Resource is based on a 1.0% Cu cut-off and allows for mining depletion and sterilisation as at 31 December 2020.

Motheo Copper Project

T3 Deposit

The variance between the 2019 and 2020 T3 Deposit mineral resource estimates primarily reflect the outcome of a complete review of the T3 Deposit including the development of a 3D lithostratigraphic and structural model. The 2020 mineral resource estimate for T3 was updated to reflect new mineralisation wireframes and additional in-fill drilling completed by MOD in 2019. The variance between the 2019 and 2020 T3 Deposit ore reserve estimates reflect a mineral resource update and a revision to mining modifying factors based on the completion of an optimised feasibility study.

| | Tonnes (Mt) | Copper (%) | Silver (g/t) | Contained Copper (kt) | Contained Silver (Moz) |
|----------------------------|-------------|------------|--------------|-----------------------|------------------------|
| T3 Deposit Open pit | | | | | |
| Mineral Resource | | | | | |
| 16 Jul 2018 | 60.2 | 1.00 | 13.9 | 590 | 26.9 |
| 01 Dec 2020 | 53.3 | 0.90 | 12.7 | 480 | 21.8 |
| Ore Reserve | | | | | |
| 25 Mar 2019 | 34.4 | 1.00 | 13.2 | 343 | 14.6 |
| 01 Dec 2020 | 39.9 | 0.90 | 12.2 | 360 | 15.6 |

The T3 Deposit mineral resource and ore reserve is declared as at 1 December 2020. No material changes have occurred in the period between 2 December 2020 and 30 June 2021.

T3 Deposit Open Pit – Ore Reserve and Mineral Resource as at 1 December 2020

| Ore Reserve ^(a,b,c) | | | | | | | Mineral Resource ^(d) | | | | | |
|--------------------------------|------------------|-------------|-------------|--------------|-----------------------|------------------------|---------------------------------|-------------|-------------|--------------|-----------------------|------------------------|
| Deposit | Reserve Category | Tonnes (Mt) | Copper (%) | Silver (g/t) | Contained Copper (kt) | Contained Silver (Moz) | Resource Category | Tonnes (Mt) | Copper (%) | Silver (g/t) | Contained Copper (kt) | Contained Silver (Moz) |
| T3 | Proved | - | - | - | - | - | Measured | - | - | - | - | - |
| | Probable | 39.9 | 0.90 | 12.2 | 360 | 15.6 | Indicated | 48.8 | 0.92 | 12.5 | 446 | 19.6 |
| | | | | | | | Inferred | 4.5 | 0.74 | 14.7 | 34 | 2.1 |
| | Total | 39.9 | 0.90 | 12.2 | 360 | 15.6 | Total | 53.3 | 0.90 | 12.7 | 480 | 21.8 |

Notes:

(a) The Probable Ore Reserve is based on the Indicated category of the Mineral Resource. No Inferred category has been included.

(b) Ore was defined using NSR greater than zero. In a scheduling period, the lowest average grade of ore added to the process plant feed was 0.44% Cu.

(c) Ore Reserves are calculated based on a copper price of \$3.21/lb and a silver price of \$17.92/oz.

(d) Mineral Resource is based on a 0.3% Cu cut-off and constrained within a US\$4.50/lb optimised pit shell.

A4 Deposit

The A4 deposit maiden mineral resource is declared as at 1 December 2020. No material changes have occurred in the period between 2 December 2020 and 30 June 2021. The A4 Deposit mineral resource has been updated subsequent to 30 June 2021. Please refer to the Company’s ASX announcement, “Updated Mineral Resource for A4 Copper-Silver Deposit” dated 21 July 2021 for details.

A4 Deposit – Mineral Resource as at 1 December 2020

| Mineral Resource ^(a) | | | | | | |
|---------------------------------|-------------------|-------------|------------|--------------|-----------------------|------------------------|
| Deposit | Resource Category | Tonnes (Mt) | Copper (%) | Silver (g/t) | Contained Copper (kt) | Contained Silver (Moz) |
| A4 | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 6.5 | 1.5 | 24 | 100 | 4.9 |
| | Total | 6.5 | 1.5 | 24 | 100 | 4.9 |

Notes:

(a) Mineral Resource is based on a 0.5% Cu cut-off and constrained within a US\$4.50/lb optimised pit shell.

Black Butte Project

Johnny Lee Deposit

The Johnny Lee Deposit mineral resource and ore reserve is declared as at 15 October 2019 and 19 October 2020 respectively. No material changes have occurred since the respective declaration dates to the 30 June 2021.

Johnny Lee Deposit Underground – Mineral Resource as at 15 October 2019 and Ore Reserve as at 19 October 2020

| Ore Reserve ^(b,c) | | | | | Mineral Resource ^(a,c) | | | |
|------------------------------|------------------|-------------|------------|-----------------------|-----------------------------------|-------------|------------|-----------------------|
| Deposit | Reserve Category | Tonnes (Mt) | Copper (%) | Contained Copper (kt) | Resource Category | Tonnes (Mt) | Copper (%) | Contained Copper (kt) |
| Johnny Lee | Proved | 2.0 | 3.0 | 61 | Measured | 2.0 | 3.5 | 69 |
| | Probable | 6.8 | 2.4 | 165 | Indicated | 8.9 | 2.7 | 242 |
| | | | | | Inferred | 2.7 | 3.0 | 80 |
| | Total | 8.8 | 2.6 | 226 | Total | 13.6 | 2.9 | 391 |

Notes:

(a) Mineral Resource is based on a 1.0% Cu cut-off, a US\$3.20/lb long term copper price and US\$71/t cost base.

(b) Ore reserve is estimated using a US\$3.10/lb copper price and a NSR cut-off value of US\$70/t.

(c) The Black Butte Project is owned by North American-listed Company, Sandfire Resources America Inc. (SFR America), which is listed on the TSX Venture Exchange (TSX-V: SFR). Sandfire’s ownership interest in SFR America is 87% as at reporting date. The figures shown represent 100% of the mineral resource and ore reserve.

Lowry Deposit

The Johnny Lee Deposit mineral resource is declared as at 15 October 2020. No material changes have occurred since the declaration date to the 30 June 2021.

Lowry Deposit Underground – Mineral Resource as at 15 October 2020

| Mineral Resource ^(a,b) | | | | |
|-----------------------------------|------------------|-------------|------------|-----------------------|
| Deposit | Reserve Category | Tonnes (Mt) | Copper (%) | Contained Copper (kt) |
| Lowry | Measured | - | - | - |
| | Indicated | - | - | - |
| | Inferred | 8.3 | 2.4 | 199.5 |
| | Total | 8.3 | 2.4 | 200 |

Notes:

(a) Mineral Resource is based on a 1.2% Cu cut-off, a US\$3.20/lb long term copper price and US\$71/t cost base.

(b) The Black Butte Project is owned by North American-listed Company, Sandfire Resources America Inc. (SFR America), which is listed on the TSX Venture Exchange (TSX-V: SFR). Sandfire’s ownership interest in SFR America is 87% as at reporting date. The figures shown represent 100% of the mineral resource and ore reserve.

Temora Project

The Temora Project mineral resource estimates are unchanged from the last reporting date.

Temora Project – Mineral Resource as at 31 December 2016

| Deposit | Resource Category | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (kt) | Contained Gold (koz) |
|--------------|-------------------|-------------|------------|------------|-----------------------|----------------------|
| Dam | Measured | - | - | - | - | - |
| | Indicated | 25 | 0.3 | 0.5 | 83 | 381 |
| | Inferred | 16 | 0.2 | 0.3 | 37 | 151 |
| | Total | 40 | 0.3 | 0.4 | 121 | 532 |
| Cullingerai | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 24 | 0.3 | 0.3 | 72 | 237 |
| | Total | 24 | 0.3 | 0.3 | 72 | 237 |
| Estoril | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 14 | 0.2 | 0.4 | 30 | 160 |
| | Total | 14 | 0.2 | 0.4 | 30 | 160 |
| Mandamah | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 26 | 0.3 | 0.4 | 89 | 314 |
| | Total | 26 | 0.3 | 0.4 | 89 | 314 |
| Yiddah | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 127 | 0.3 | 0.1 | 410 | 574 |
| | Total | 127 | 0.3 | 0.1 | 410 | 574 |
| Gidginbung | Measured | - | - | - | - | - |
| | Indicated | - | - | - | - | - |
| | Inferred | 8.0 | 0.1 | 1.5 | 7 | 391 |
| | Total | 8.0 | 0.1 | 1.5 | 7 | 391 |
| Total | Measured | - | - | - | - | - |
| | Indicated | 25 | 0.3 | 0.5 | 83 | 381 |
| | Inferred | 215 | 0.3 | 0.3 | 645 | 1,827 |
| | Total | 240 | 0.3 | 0.3 | 728 | 2,207 |

Notes:

- (a) Mineral resources for the Dam, Cullingerai, Estoril, Mandamah, Yiddah deposits are based on a 0.3% CuEq cut-off which is calculated as $CuEq = Cu \% + Au \text{ g/t} ((PAu * RecAu) / (PCu * RecCu))$ where Cu price = 3.53 AUD\$/lb, Au price = 1,600 AUD\$/oz, Cu recovery = 90% and Au recovery = 75%.
- (b) Mineral resource for the Gidginbung deposit is based on a 1.0 g/t Au cut-off.

Competent Person Statements

The information in this report that relates to mineral resources or ore reserves is based on information compiled by the Competent Persons listed in the table below. All Competent Persons listed below have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. All Competent Persons consent to the inclusion in the report of their respective matters based on the information in the form and context in which it appears.

| Activity | Competent Person | Professional Membership | SFR Relationship | Responsible Activity |
|-------------------|------------------|-------------------------|--|---|
| Mineral Resources | Callum Browne | MAusIMM | Previous SFR employee Senior Resource Geologist | DeGrussa and Monty Mine Mineral Resource Estimates T3 Deposit Mineral Resource Estimates A4 Deposit Mineral Resource Estimates |
| | Erik Ronald | M.Eng, PGeo, RM-SME | Independent Consultant Principal Resource Geology SRK Consulting (U.S.) Inc. | Black Butte Project Mineral Resource Estimate |
| | Ross Corben | FAusIMM | Independent Consultant | Temora Project Mineral Resource Estimate |
| Ore Reserves | Neil Hastings | MAusIMM(CP) | SFR Principal Mining Engineer | DeGrussa and Monty Mine Ore Reserve Estimates |
| | Jake Fitzsimons | MAusIMM | Independent Consultant Orelogy Consulting Pty Ltd | Motheo Project Ore Reserve Estimates |
| | Brad Evans | MAusIMM(CP) | Independent Consultant | Black Butte Project Ore Reserve Estimate |



Financial Report

| | |
|---|-----|
| Directors' Report | 78 |
| Auditor's Independence Declaration | 96 |
| Letter from the Chair of the People and Performance Committee | 97 |
| Remuneration Report | 99 |
| Consolidated Financial Statements | 119 |
| Directors' Declaration | 158 |
| Independent Auditor's Report | 159 |

Directors’ Report

The Directors present their report on the consolidated entity (referred to as the Group) consisting of the Parent entity, Sandfire Resources Limited (Sandfire or the Company), and the entities it controlled at the end of, or during, the year ended 30 June 2021 (the reporting period) and the auditor's report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below.

| Name | Period of Directorship |
|--|---|
| Mr Derek La Ferla <i>Independent Non-Executive Chairman</i> | Appointed 17 May 2010 |
| Mr Karl Simich <i>Managing Director & Chief Executive Officer</i> | Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009 |
| Mr Paul Hallam <i>Independent Non-Executive Director</i> | Appointed 21 May 2013 |
| Dr Roric Smith <i>Independent Non-Executive Director</i> | Appointed 31 December 2016 |
| Ms Sally Langer <i>Independent Non-Executive Director</i> | Appointed 1 July 2020 |
| Ms Jennifer Morris OAM <i>Independent Non-Executive Director</i> | Appointed 1 January 2021 |
| Mr John Richards <i>Independent Non-Executive Director</i> | Appointed 1 January 2021 |
| Mr Robert Scott <i>Independent Non-Executive Director</i> | Appointed 30 July 2010 Resigned 31 December 2020 |

The qualifications, experience, other directorships and special responsibilities of the Directors in office for the financial year ending 30 June 2021 and up to the date of this report are detailed below.

| | |
|---|---|
| Derek La Ferla, age 62 | Independent Non-Executive Chairman |
| Qualifications | B.Arts, B.Juris, B.Law, Fellow of AICD |
| Experience | Mr La Ferla is a corporate lawyer and company director with more than 30 years' experience. He has held senior leadership positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently a Partner in the Corporate Advisory Group (on a part time basis) with Western Australian firm, Lavan and was formerly the national leader of the corporate advisory and infrastructure, mining and commodities industry group at Norton Rose Fulbright. Derek has worked on some of the WA's more notable capital market and private equity transactions including the Initial Public Offering (IPO) and ASX listing of Automotive Holdings Group, Navitas Ltd and Southern Cross Electrical Ltd among others. He brings a strong corporate governance perspective, balancing commercial and legal risk management needs. Mr La Ferla is a fellow of the Australian Institute of Company Directors and a member of the AICD National Board and the WA Council Division. |
| Other current listed company directorships | Non-Executive Chairman of Poseidon Nickel Limited (since December 2019). Non-Executive Chairman of Threat Protect Australia Limited (since September 2015). |
| Former listed company directorships in last three years | Non-Executive Chairman of Veris Limited (October 2011 to November 2019). Non-Executive Director of BNK Banking Corporation Limited (November 2015 to August 2019). |
| Special responsibilities | Member of the People and Performance Committee. |
| Karl Simich, age 57 | Managing Director and Chief Executive Officer |
| Qualifications | B.Com, FCA, FFin |
| Experience | Mr Simich is an experienced international mining executive who has been involved in the financing, construction, development and operation of various mining projects in New Zealand, Australia and Africa. Specialising in resource finance and corporate management, Mr Simich has been a director of and held senior positions with a number of ASX-listed mining companies. Mr Simich is a Fellow of the Institute of Chartered Accountants and a Fellow of the Financial Services Institute of Australasia and has completed post-graduate studies in business and finance. |

Directors’ Report

Directors (continued)

| | |
|---|--|
| Paul Hallam, age 66 | Independent Non-Executive Director |
| Qualifications | BE (Hons) Mining, FAICD, FAusIMM |
| Experience | Mr Hallam has more than 40 years Australian and international resource industry experience. His operating and corporate experience is across a range of commodities (iron ore, bauxite, alumina, aluminium, gold, silver, copper, zinc and lead) and includes both surface and underground mining. He has global experience stemming from his executive roles across multiple cultural, regulatory and business environments. His former executive roles include Director – Operations with Fortescue Metals Group, Executive General Manager – Development & Projects with Newcrest Mining Ltd, Director – Victorian Operations with Alcoa and Executive General Manager - Base and Precious Metals with North Ltd; and also, mine management/development roles for Battle Mountain Gold Company in Chile, Bolivia and Australia. In these and previous roles Mr Hallam has held site and corporate accountability for all site functions plus sales and marketing, stakeholder management, capital projects and regulatory oversight and management for multiple mining operations. Mr Hallam retired in 2011 to pursue a career as a professional Non-Executive Director and has held Australian and international Non-Executive Director roles since 1997. Mr Hallam is a qualified mining engineer and holds a BE (Hons) from Melbourne University and a Certificate of Mineral Economics from Curtin University. He is a Fellow of the Australian Institute of Company Directors and the Australasian Institute of Mining & Metallurgy. Non-Executive Director of Coda Minerals Ltd (since August 2019). Non-Executive Director of Gindalbie Metals Ltd (December 2011 to July 2019). |
| Former listed company directorships in last three years | Non-Executive Director of Coda Minerals Ltd (since August 2019). Non-Executive Director of Gindalbie Metals Ltd (December 2011 to July 2019). |
| Special responsibilities | Member of the Risk Committee. |
| Roric Smith, age 59 | Independent Non-Executive Director |
| Qualifications | B.Sc, B.Sc (Hons) Geology, Ph.D Geology, MAICD |
| Experience | Dr Smith is a highly experienced geologist with extensive Australian and international experience. Dr Smith was previously Vice President, Discovery and Chief Geologist for Evolution, where he played a key role in leading that company's exploration efforts. Prior to joining Evolution, Dr Smith held senior executive positions with the gold producer AngloGold Ashanti, including as Senior Vice President, Global Greenfield Exploration; Country Manager and Chief Representative China; Exploration Manager – North Asia Region; and Chief Geologist Australia. Dr Smith holds a B.Sc, B.Sc (Hons) Geology and Ph.D from the University of Natal in South Africa. Non-Executive Director of Saracen Mineral Holdings Ltd (July 2017 to February 2021). |
| Former listed company directorships in last three years | Non-Executive Director of Saracen Mineral Holdings Ltd (July 2017 to February 2021). |
| Special responsibilities | Chair of the Risk Committee. Member of the Audit Committee. |
| Sally Langer, age 47 | Independent Non-Executive Director |
| Qualifications | B.Com, CA, AICD |
| Experience | Ms Langer has 25 years' experience in Professional Services including as founder and Managing Partner of the management consulting and executive recruitment firm Derwent Executive, where she set up and led the growth of the Perth office servicing a wide range of clients both local and national and led the Mining and Industrial Practice. Prior to that, she was a Director at international recruitment firm Michael Page and a Chartered Accountant at accounting and consulting firm Arthur Andersen. During her career, Ms Langer has been responsible for strategy development and execution with a strong focus on profitable business growth, supervising and coordinating large teams and other management functions including strategy, business development, budgeting and human resources. She has been a trusted advisor to numerous Boards on recruitment, talent management, culture and organisational structure. As an experienced director of public companies, Ms Langer is also Non-Executive Director of Gold Corporation/Perth Mint. Sally holds a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant and is a graduate of the Australian Institute of Company Directors. |
| Other current listed company directorships | Non-Executive Director of Northern Star Resources Ltd (since February 2021). Non-Executive Director of MMA Offshore Limited (since May 2021). |
| Former listed company directorships in last three years | Non-Executive Director of Saracen Mineral Holdings Ltd (May 2020 to February 2021). |
| Special responsibilities | Chair of the People and Performance Committee. Member of the Audit Committee. |

Directors’ Report

Directors (continued)

| | |
|--|--|
| Jennifer Morris OAM, age 48 | Independent Non-Executive Director |
| Qualifications | B.Arts, MAICD, Finance for Executives (INSEAD) |
| Experience | <p>Ms Morris is a former partner of global professional services firm Deloitte where her career spanned more than 10 years working across the mining, government and transport sectors. Currently a Commissioner on the Board of the Australian Sports Commission, she was also previously a Senior Marketing Analyst for Rio Tinto Iron Ore and the CEO of Walk Free, the Minderoo Foundation's global initiative against slavery.</p> <p>Jennifer holds a Bachelor of Arts (Psychology and Journalism) from Curtin University, received with Distinction and has completed Finance for Executives at INSEAD. Her experience includes advising government entities and corporations on strategy development, governance controls, business transformation, the embedding of environment, social and governance related policies, the development of leadership and understanding of high-performance environments.</p> <p>Ms Morris is a member of the Australian Institute of Company Directors, a Fellow of Leadership WA and a member of the Vice Chancellor's List, Curtin University. Prior to her business career, she was a member of the highly successful Australian Women's Hockey Team which won Olympic gold medals at both Atlanta in 1996 and Sydney in 2000. In 1997, she was awarded a Medal of the Order of Australia (OAM).</p> |
| Other current listed company directorships | Non-Executive Director of Fortescue Metals Group Ltd (since November 2016). |
| Special responsibilities | Member of the Risk Committee. Member of the People and Performance Committee. |
| John Richards, age 60 | Independent Non-Executive Director |
| Qualifications | B.Econ (Hons) |
| Experience | <p>John Richards is an economist with more than 35 years' experience in the resources industry. He has held strategy and business development positions across several mining companies and has worked extensively in the investment banking and private equity industries. He has been involved in a wide range of significant mining M&A transactions on a global scale.</p> <p>His previous positions include Group Executive – Strategy & Business Development at Normandy Mining Ltd; Head of Mining & Metals Advisory (Australia) at Standard Bank; Managing Director at Buka Minerals Ltd and Operating Partner at Global Natural Resources Investments (GNRI).</p> <p>He holds a Bachelor of Economics (Honours) from the University of Queensland.</p> |
| Other current listed company directorships | Non-Executive Director of Northern Star Resources Ltd (since February 2021). Non-Executive Director of Sheffield Resources Ltd (since August 2019). |
| Former listed company directorships in last three year | Non-Executive Director of Saracen Mineral Holdings Ltd (May 2019 to February 2021). Non-Executive Director of Adriatic Metals Plc (November 2019 to July 2020). |
| Special responsibilities | Chair of the Audit Committee. Member of the Risk Committee. |
| Former director | |
| Robert Scott, age 74 | Resigned as Independent Non-Executive Director on 31 December 2020 |
| Qualifications | FCA |
| Other listed company directorships as at the date of resignation | Non-Executive Director of RTG Mining Inc (since March 2013). Non-Executive Chairman of Castillo Copper Ltd (since December 2018). Non-Executive Chairman of Twenty Seven Co Ltd (since April 2019). |
| Former listed company directorships in last three years | Non-Executive Director of Resimac Group Ltd (previously Homeloans Ltd) (November 2000 to November 2018). |
| Special responsibilities | Chair of the Audit Committee. Member of the Risk Committee. |

Directors’ Report

Interests in the shares of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares of Sandfire Resources Limited were:

| | Number of ordinary shares |
|-----------------|---------------------------|
| Derek La Ferla | 21,668 |
| Karl Simich | 4,900,051 |
| Paul Hallam | 10,000 |
| Roric Smith | - |
| Sally Langer | 3,580 |
| Jennifer Morris | 1,754 |
| John Richards | 20,000 |

Company Secretary

| | |
|--------------------|--|
| Matthew Fitzgerald | Company Secretary and Chief Financial Officer |
| Qualifications | B.Com, CA |
| Experience | Mr Fitzgerald was appointed to the position of Company Secretary on 22 February 2010. Mr Fitzgerald is a Chartered Accountant with extensive experience in the resources industry. He began his career in the Assurance and Advisory division of KPMG, before joining ASX-listed Kimberley Diamond Company NL in 2003, where he held the position of Chief Financial Officer and Director until July 2008. Mr Fitzgerald also holds the position of Non-Executive Chairman of the Company's subsidiary Sandfire Resources America Inc. |

Committee structure and membership

Members acting on the committees of the Board during the year are set out below.

| Audit and Risk | People and Performance | Risk |
|-----------------------|------------------------|---------------------|
| John Richards - Chair | Sally Langer - Chair | Roric Smith – Chair |
| Sally Langer | Derek La Ferla | Jennifer Morris |
| Roric Smith | Jennifer Morris | John Richards |

Directors’ meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director are detailed below:

| | Meetings of Committees | | | | | | | |
|------------------------------|------------------------|---|-------|---|------------------------|---|------|---|
| | Board Meetings | | Audit | | People and Performance | | Risk | |
| | A | B | A | B | A | B | A | B |
| Derek La Ferla | 8 | 8 | 2 | 2 | 3 | 3 | - | - |
| Karl Simich | 8 | 8 | - | - | - | - | - | - |
| Paul Hallam | 8 | 8 | - | - | 2 | 2 | 4 | 4 |
| Roric Smith | 8 | 8 | 4 | 4 | - | - | 4 | 4 |
| Sally Langer | 8 | 8 | 2 | 2 | 3 | 3 | - | - |
| Jennifer Morris ² | 3 | 3 | - | - | 1 | 1 | 2 | 2 |
| John Richards ² | 3 | 3 | 2 | 2 | - | - | 2 | 2 |
| Robert Scott ¹ | 5 | 5 | 2 | 2 | - | - | 2 | 2 |

A Number of meetings attended.

B Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

1 Mr Scott resigned as Independent Non-Executive Director on 31 December 2020.

2 Ms Morris and Mr Richards were appointed as Independent Non-Executive Directors on 1 January 2021.

Directors’ Report

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 26 cents per share, to be paid on 22 September 2021. The record date for entitlement to this dividend is 7 September 2021. The financial impact of this dividend amounting to \$46,345,000 based on ordinary shares outstanding as at 30 June 2021 has not been recognised in the Financial Statements for the year ended 30 June 2021 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 July 2019, other than as above, are set out below:

| Record date | Date of payment | Period | Amount per share (cents) | Franked amount per share (cents) | Total dividends \$000 |
|-------------------|-------------------|-----------------|--------------------------|----------------------------------|-----------------------|
| 03 March 2021 | 17 March 2021 | 2021 FY Interim | 8 | 8 | 14,260 |
| 15 September 2020 | 29 September 2020 | 2020 FY Final | 14 | 14 | 24,955 |
| 26 February 2020 | 11 March 2020 | 2020 FY Interim | 5 | 5 | 8,901 |
| 15 November 2019 | 29 November 2019 | 2019 FY Final | 16 | 16 | 28,485 |

Principal activities

The principal activities of the consolidated Group during the year were:

- Production and sale of copper concentrate, containing gold and silver by-products from the Group's 100% owned DeGrussa Operations in Western Australia;
- Evaluation and development of the Motheo Copper Mine and Motheo Expansion Project in Botswana;
- Evaluation of Sandfire Resources America Inc.'s high-grade Black Butte Copper Project in Montana, United States; and
- Exploration, evaluation and development of mineral tenements and projects in Australia, Botswana and elsewhere overseas, including investment in early stage mineral exploration companies.

Directors’ Report

Operational and financial review

COVID-19 Business Response

In response to COVID-19 the Group initiated and maintained strict hygiene protocols across our operations and workplaces to minimise the potential transmission of COVID-19 and to ensure the well-being of our people and contractors. While the global COVID-19 pandemic required the Group to adjust some of its usual operating procedures during the year, the direct impact to the DeGrussa Operations was limited to social distancing and additional risk mitigation strategies enabling the Group to maintain a strong production performance.

Safety Performance

The Total Recordable Injury Frequency Rate (TRIFR) for the Group at the end of the 30 June 2021 was 4.0 compared with 5.8 in 2020.

DeGrussa Operations, Western Australia

The DeGrussa Operations are located within the Group's Greater Doolgunna Project in Western Australia's Bryah Basin mineral province, approximately 900km north-east of Perth.

The Operations are located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra, and includes both the DeGrussa and Monty Copper-Gold Mines.

Overview

Production for the 12 months to 30 June 2021 was 70,845 tonnes of contained copper and 39,459 ounces of contained gold. A summary of copper and gold production and sales for the year is provided below:

| FY 2021 Production Statistics | | Tonnes | Grade (% Cu) | Grade (g/t Au) | Contained Copper (t) | Contained Gold (oz) |
|-------------------------------|--------|-----------|--------------|----------------|----------------------|---------------------|
| Concentrator | Mined | 1,537,887 | 4.7 | 1.6 | 73,000 | 78,095 |
| | Milled | 1,563,757 | 4.8 | 1.6 | 75,693 | 81,079 |
| Production | | 300,447 | 23.6 | 4.1 | 70,845 | 39,459 |
| Concentrate sales | | 292,859 | 23.4 | 4.3 | 68,671 | 40,452 |

Note: Mining and production statistics are rounded to the nearest 0.1% Cu grade and 0.1 g/t Au grade. Errors may occur due to rounding.

Underground Mining

Production was sourced from the DeGrussa and Monty Mines with the mine remaining in balance between production and back-fill.

Mine production rates from DeGrussa were slightly lower than planned due to contractor equipment and manning constraints. Monty mine production rates continued to exceed forecast.

Processing

Mill throughput for the 2021 financial year was as planned at around 1.6Mtpa, and was supported by strong plant utilisation and recoveries throughout the period.

Sales & Marketing

A total of 292,859 tonnes of concentrate was sold for the year containing 68,671 tonnes of copper and 40,452 ounces of gold. Twenty-eight shipments were completed from Port Hedland and Geraldton during the year.

Directors’ Report

Operational and financial review (continued)

Australian Exploration

Doolgunna Exploration, Western Australia

Our Doolgunna exploration projects, which include 100% Sandfire tenure, Joint Venture and Farm in projects, cover an aggregate contiguous exploration area of 7,189km². This includes over 90km of strike extent in host VMS lithologies. Much of this stratigraphy is obscured beneath transported cover.

Sandfire continues to progress a dual track exploration programme across the Doolgunna Province. The Copper Exploration Pipeline continues to target potential extensions to the DeGrussa and Monty VMS systems and new VMS copper deposits, and the Gold Processing Pipeline will target gold mineralisation that could support the development of a gold processing train at the DeGrussa processing plant. Key components of the Company's exploration activities during the period were:

- Deep Diamond drilling at the Red Bore prospect to test the conceptual feeder structure corridor down plunge of the central high-grade shoot in the C5 Orebody at DeGrussa.
- Diamond and Reverse Circulation drilling at the Doolgunna Project to underpin resource definition and Scoping Studies for the Old Highway Gold Project.
- AC drilling at the Morck Well Project to delineate stratigraphy and provide high-quality litho-geochemical data across prospect areas.
- Lag sampling was completed at the Yerrida Project aimed at providing a first-pass overview of regolith geochemistry overlying the historically unexplored Killara Volcanics of the Yerrida Basin.
- AC drilling at the Cheroona Project to test the continuity of the Karalundi Formation stratigraphy in the south west of the basin.
- RC and AC drilling at the Springfield Project to test the host sediment package and anomalous VMS geochemistry identified from previous in-fill drilling and determine the potential for follow-up RC drilling.
- AC drilling at the Peak Hill Project to test prospective stratigraphy in the Bullgullan Bore prospect area and provide high-quality litho-geochemical data.
- Diamond drilling at the Enterprise Project to test geophysical targets at the Ruby Well Prospect and Vulcan West areas.

Eastern Australian Exploration

Sandfire has a number of exploration interests and Joint Ventures around Australia exploring for base and precious metals. The exploration programs are focused on prospective terranes with the potential for discovery of a significant new deposit that can be developed.

During the period the main activity focused on exploration within the Temora Project and at the Endeavor Joint Venture in the Cobar district of New South Wales, where Diamond Drilling was conducted to provide DHEM survey platforms targeting potential extensions to the Endeavor mine's mineralisation.

Further details of the Australian exploration projects can be found on the Company's website www.sandfire.com.au and in the Company's June 2021 Quarterly Report ASX announcement, dated 29 July 2021.

Directors’ Report

Operational and financial review (continued)

Motheo Copper Project, Botswana

Sandfire completed the acquisition of 100% of MOD Resources Ltd (ASX/LSE: MOD) on 23 October 2019, providing the Company with large land holding in the highly prospective Kalahari Copper Belt in Botswana, including the advanced T3 Copper-Silver Project.

Motheo Copper Mine Feasibility Study Optimisation

During the reporting period Sandfire completed the detailed optimisation studies relating to existing feasibility studies as well as a COVID-19 Impact Assessment for the Project. Following from this work Sandfire's Board approved the commercial development of the Motheo-T3 Copper-Silver Project in December 2020, marking a key step in its international growth and diversification strategy. The Final Investment Decision (FID) is based on the positive results of a Definitive Feasibility Study (DFS) on an initial Base Case 3.2Mtpa processing capacity and open pit development of the T3 Deposit.

As announced on 1 December 2020 the DFS outlined a robust initial 12.5-year operation, underpinned by an updated Ore Reserve of 39.9Mt at 0.9% Cu and 12.2g/t Ag for 360,000t of contained copper and 15.6Moz of contained silver, producing on average ~30kt of contained copper and 1.2Moz of contained silver per annum over the first 10 years of operations, with relatively low capital intensity and robust operating margins.

Based on a forecast copper price of US\$3.16/lb the Base Case 3.2Mtpa project is forecast to generate US\$664 million (A\$948 million) in pre-tax free cash-flow and US\$987 million (A\$1,410 million) in EBITDA, at a forecast all-in sustaining cost of US\$1.76/lb over its first 10 years of operations.

The DFS announced included a capital expenditure estimate of US\$259 million (A\$371 million) including mining pre-strip, process plant construction, site infrastructure development, tailings storage, owner's costs and contingency.

Reflecting its confidence in the future long-term growth of the Project, Sandfire's Board has also approved an additional upfront investment of US\$20 million (A\$28 million) to be made as part of the 3.2Mtpa Base Case development. This will facilitate the installation of additional processing capacity and infrastructure (including larger front-end crushing capacity, additional flotation and thickening capacity and an expanded accommodation facility), providing a clear pathway to rapidly expand the processing facility to a 5.2Mtpa production rate for the Motheo Production Hub to accommodate other ore sources including from the A4 Mineral Resource.

Motheo Copper Mine Mining Licence

The Mining Licence for the Motheo Copper Mine was granted for 15 years by the Government of Botswana in July 2021, representing the final major permitting milestone required for full-scale construction of the project to commence.

As part of the Mining Licence approval process, the Government of Botswana has a right to acquire up to a 15% fully contributing interest in the Motheo Copper Mine. The Government of Botswana has not yet notified Sandfire of its intention regarding the acquisition of an ownership stake.

Award of Mining Contract

The contract for open pit mining services of the T3 Deposit at the Motheo Copper Mine has been awarded to African Mining Services (AMS). AMS is a surface mining business of diversified global mining services group Perenti Global Ltd (ASX: PRN). AMS has been operating in Africa for over 30 years and Perenti already has a presence in Botswana through Barmenco, their underground mining division, at the large-scale Khoemacau Copper Mine located 100km north-east of Motheo.

The contract, which has an estimated value of US\$496 million (A\$648 million), is the largest single contract for the new Motheo Project.

Motheo Project Development

Pre-development activities commenced at the Motheo Copper Mine with fencing, a 15km access road and construction of a 200-person camp already well advanced.

Following the award of the Mining Licence in early July, Sandfire has mobilised additional personnel to site to commence construction of the process plant and other infrastructure. Orders have been placed for all key process equipment and long-lead items.

The detailed engineering design, being completed by Lycopodium, is due to be finished in October 2021. The Tailings Storage Facility (TSF) design is now complete and has been issued for tender to construction contractors.

Other key construction contracts awarded include, the 15km Access Road, 750-person Permanent Accommodation facility (Design and Construct) and the High Voltage Substation and Switching station (Design and Construct).

The debt funding process continues to advance with ITE and IESC reports issued, a shortlist of international banks selected and negotiation of final term sheets underway.

A4 Mineral Resource Update

Subsequent to the end of the reporting period, Sandfire reported an updated JORC 2012 Indicated and Inferred Mineral Resource Estimate (MRE) for the A4 Deposit, located 8km west of the Motheo Copper Mine, delivering a 34% increase in contained copper. The updated A4 MRE – which now totals 9.8Mt at 1.4% Cu and 21g/t Ag for 134,000t of contained copper and 6.6Moz of contained silver (using a 0.5% Cu cut-off) – represents a key potential source of satellite ore feed for Motheo.

Directors’ Report

Operational and financial review (continued)

Kalahari Exploration

The Company holds highly prospective licences in the Kalahari Copper Belt of Botswana and Namibia. Sandfire's 100% owned licences represent a rare belt-scale exploration opportunity globally, comprising an extensive and strategic position extending more than 300km along the centre of a major emerging sediment-hosted copper belt.

During the reporting period Sandfire undertook an expanded exploration program in the Kalahari Copper Belt, aimed at:

- Targeting high-grade satellite discoveries within the Motheo Expansion Project area with the potential to increase the scale of the Motheo Production Hub;
- Delineating additional Resources with the potential to extend mine life; and
- Targeting major new regional discoveries to unlock the copper belt’s broader potential.

Further details of these projects and activities can be found on the Company’s website www.sandfire.com.au and in the Company’s June 2021 Quarterly Report ASX announcement, dated 29 July 2021.

Black Butte Copper Project, Montana, USA

Sandfire holds an 87% interest, via North American-listed company Sandfire Resources America Inc. (TSX-V: SFR), in the high-grade Black Butte Copper Project, located in central Montana in the United States. This high-quality project, which is one of the world’s highest-grade undeveloped copper projects, has completed the final stage of permitting. The planned mine development will utilise best-practice technology and modern mining techniques to develop a wholly-underground mine with minimal surface footprint and minimising environmental impact.

Feasibility Study and maiden Ore Reserve

During the reporting period, the Feasibility Study for the Black Butte Johnny Lee Copper Project in Montana, USA was completed by the Company’s 87%-owned North American subsidiary, Sandfire Resources America Inc. (Sandfire America). The Feasibility Study outlines a maiden Ore Reserve for the cornerstone Johnny Lee Deposit which underpins an 8-year mine life at a mine production rate of 1.2Mtpa. Sandfire America has also completed an updated Mineral Resource for the nearby Lowry Deposit, located 3km south-east of the Johnny Lee Deposit.

Full details of the Feasibility Study, maiden Ore Reserve for the Johnny Lee Deposit and updated Mineral Resource for the Lowry Deposit are contained in Sandfire’s ASX announcement, dated 28 October 2020, titled “USA and Botswana Development Projects Update”.

Project Approvals

A Mine Operating Permit for the Johnny Lee deposit at the Black Butte Copper Project was issued in August 2020. A positive Preliminary Determination on the Project’s water right modification was received in March 2020. With these permits in place, Sandfire Resources America completed pre-construction earthworks to construct the mine portal pad and contact water pond between August and December 2020.

A legal challenge to the issuance of the Mine Operating Permit was filed in June 2020. Following the filing of various briefs on the matter by all parties, oral arguments were heard before the presiding Judge on July 16, 2021. The Judge will now consider the matter over the coming months. To date, plaintiffs have filed no Preliminary Injunction against the project.

For further details refer to the market releases of Sandfire Resources America Inc. available on the company’s website www.sandfireamerica.com.

Directors’ Report

Operational and financial review (continued)

Corporate Activities Review

Termination of Sams Creek Share Purchase Agreement

The Share Purchase Agreement (SPA) between Sandfire and Auris Minerals Ltd (ASX: AUR) under which Auris may acquire Sandfire's interest in the 1Moz Sams Creek Gold Project in New Zealand was terminated.

Completion of the SPA was subject to the satisfaction of a number of conditions precedent, including New Zealand regulatory approvals and an extension of EP 40 338 for four years being approved by New Zealand Petroleum and Minerals.

These approvals were not obtained by the stipulated date of 31 May 2021 and an extension could not be agreed. As a result, the SPA has been terminated and Sandfire retains 100 per cent ownership of the Sams Creek Gold Project.

Full details are included in the Company’s ASX Announcement, dated 1 June 2021, titled “Termination of Sams Creek Share Purchase Agreement”.

Acquisition of 85% interest in Red Bore Project

Sandfire entered into agreements to acquire an 85% Joint Venture interest in the Red Bore Copper Project (ML52/597), located adjacent to the Groups DeGrussa Copper-Gold Mine in Western Australia. The Red Bore Project comprises a 2km² granted Mining Licence, ML52/597, located approximately 1km east of the DeGrussa Copper-Gold Mine.

Full details are included in the Company’s ASX Announcement, dated 30 October 2020, titled “Acquisition of 85% Interest in Red Bore Project”.

Farm-in Agreement over Endeavor Base Metal Mine

Sandfire entered into a Farm-in Agreement with CBH Resources Ltd (CBH) during the period giving it the right to earn up to a 100% interest in the Endeavor Base Metal Mine and surrounding exploration tenements, located near Cobar in NSW.

The Farm-in represents a complementary strategic addition to Sandfire’s East Coast base metal exploration initiative, which already includes a large ground position in the Lachlan Fold Belt and Cobar Basin in NSW and an extensive portfolio in the Mt Isa region in Queensland.

Full details are included in the Company’s ASX Announcement, dated 27 October 2020, titled “Sandfire Enters Farm-In Over Endeavor Base Metal Mine and Exploration Package – Cobar, NSW”.

Sandfire Resources America Inc.

In December 2020 Sandfire participated in the Sandfire America rights offering and fully exercised its rights to purchase the pro rata of common shares offered under the rights offer, as well as subscribing for shortfall shares. The additional shareholding, comprising a total of 188,609,139 shares at a price of C\$0.15 per share, increased the Groups equity interest in Sandfire America from 85% to 87%. Total consideration for the purchase amounted to C\$28,291,371 (A\$29,423,095).

| | DeGrussa Operation \$000 | Black Butte Project \$000 | Motheo Project \$000 | Exploration and Other \$000 | Group \$000 |
|---|--------------------------------|---------------------------------|----------------------------|-----------------------------------|----------------|
| Year ended 30 June 2021 | | | | | |
| Revenue | 812,957 | - | - | - | 812,957 |
| EBITDA ^(a) | 549,784 | (10,812) | (17,910) | (71,236) | 449,826 |
| Profit before net finance and income tax | 377,442 | (11,127) | (18,439) | (77,883) | 269,993 |
| Profit before income tax | | | | | 260,990 |
| Net profit for the year | | | | | 170,082 |
| Net profit attributable to the equity holders of the parent | | | | | 171,641 |
| Basic and diluted earnings per share (cents) | | | | | 96.29 |

^(a) EBITDA is a non IFRS measure. This measure is presented to enable a better understanding of the operations of the Group and is reconciled to statutory net profit in Note 3 of the financial statements.

The DeGrussa Operation contributed profit before net finance and income tax of \$377.4 million (2020: \$216.5 million) from underground mining and concentrator operations.

Black Butte Project represents the Group's 87% interest in Sandfire Resources America Inc. (TSX-V: SFR) which contributed a loss before net finance and income tax of \$11.1 million (2020: \$15.9 million) from evaluation work on the Black Butte Copper project in USA.

Motheo Project represents the Group's activities within the Kalahari Copper Belt which includes the Motheo Copper mine and several resource expansion prospects. Motheo contributed a loss before net finance and income tax of \$18.4 million (2020: \$5.3 million) to the Group for the year.

Exploration and other segment resulted in a loss before net finance and income tax of \$77.9 million (2020: loss of \$81.5 million).

Dividends of \$39.2 million were declared during the year, comprising \$25.0 million in respect of the 2020 financial year. Subsequent to year end the Directors of the Company announced a final dividend on ordinary shares in respect of the 2021 financial year of 26 cents per share fully franked. Combined with the interim dividend of 8 cents per share represents 35% of the earnings per share for the full year. The final dividend has not been provided for in the consolidated Financial Statements for the year ended 30 June 2021.

Directors’ Report

Operational and financial review (continued)

| Revenue | 30 Jun 2021 \$000 | 30 Jun 2020 \$000 |
|--|----------------------|----------------------|
| Revenue | | |
| Value of metal payable sold ^ | 798,197 | 684,867 |
| Treatment and refining charges | (29,989) | (39,407) |
| Revenue from contracts with customers | 768,208 | 645,460 |
| Realised and unrealised QP price adjustment gain | 44,749 | 11,293 |
| Total Revenue | 812,957 | 656,753 |

^ Value of metal payable sold is a non IFRS measure. This measure is presented to enable a better understanding of the operations of the Group and is reconciled to total statutory revenue above.

| Revenue breakdown by commodity | 30 Jun 2021 % |
|--------------------------------|------------------|
| Revenue from sales of copper | 87.3 |
| Revenue from sales of gold | 11.4 |
| Revenue from sales of silver | 1.3 |
| | 100.0 |

Realised and unrealised price adjustment gain for the year of \$44.7 million were recorded as a result of a net increase in commodity prices during quotational sales periods (QP).

From time to time the Group utilises derivatives to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. The arrangements are generally considered to be economic hedges, however are not designated into a hedging relationship for accounting purposes. There were no hedging activities undertaken during the year.

DeGrussa Operations costs

| Degrussa Operations costs | 30 Jun 2021 \$000 | 30 Jun 2020 \$000 |
|---|----------------------|----------------------|
| Mine operations costs | 137,373 | 142,602 |
| Employee benefit expenses | 35,613 | 30,054 |
| Freight expenses | 50,452 | 45,397 |
| Changes in inventories of finished goods and work in progress | (2,505) | (8,641) |
| | 220,933 | 209,412 |

Royalties

Government royalties are levied at 5.0% for copper sold as concentrate and 2.5% for gold, plus native title payments. As production value is heavily weighted towards copper production, the combined government royalty rate approximates the 5% level (net of allowable deductions).

Exploration and evaluation

For the year ended 30 June 2021 the Group's Exploration and evaluation expenses across all segments was \$64.8 million (2020: \$49.6 million).

Exploration and evaluation expenditure comprises expenditure on the Group's projects, including:

- a) Near-mine and the Greater Doolgunna regional exploration, which include a number of joint venture earn-in arrangements;
- b) Exploration activities within the Kalahari Copper Belt, in Botswana and Namibia;
- c) Expenditure arising on the consolidation of the Group's controlled entities from the Group's investment in Sandfire Resources America Inc; and
- d) Other Australian and international exploration projects.

Depreciation and amortisation

| | Carrying value June 2021 \$000 | Carrying value June 2020 \$000 | Depreciation and amortisation during the year \$000 |
|--|--------------------------------------|--------------------------------------|--|
| Mine properties | 260,999 | 169,939 | 119,773 |
| Plant and equipment, including assets under construction | 75,000 | 105,345 | 45,382 |
| Right of use assets - AASB 16 Leases | 11,962 | 12,834 | 14,678 |
| | 347,961 | 288,188 | 179,833 |

Directors’ Report

Operational and financial review (continued)

Income tax expense

Income tax expense of \$90.9 million for the year consists of current and deferred tax expense and is based on the taxable income of the Group entities, adjusted for temporary differences between tax and accounting treatments. Cash tax payments during the year amounted to \$40.4 million.

Financial Position

Net assets of the Group have increased by \$160.4 million to \$910.6 million during the reporting period.

Cash balance

Group cash on hand was \$573.7 million as at 30 June 2021 (the Company \$556.0 million).

Trade and other receivables

Trade and other receivables include remaining funds to be received from the sale of concentrate subject to provisional pricing and quotational periods at the time of sale.

Inventories

Current inventories have increased \$0.2 million to \$53.9 million due to an increase in ore and concentrate stockpiles.

Financial investments

Financial investments represents the Group's investments in various early stage mining and exploration companies. The fair value of the investments as at 30 June 2021 was \$86.7 million.

Mine properties

The Company invested a total of \$100.8 million in mine development activities during the year. Which included \$8.9 million related to the underground development of the Monty Copper-Gold Mine, a further \$37.8 million for underground mine development related to the DeGrussa Copper-Gold Mine and \$54.1 million for the Motheo Copper Mine.

Property, Plant and equipment, including assets under construction

The carrying value of property, plant and equipment (PPE), including assets under construction, has decreased by \$30.3 million to \$75.0 million at the end of the year, including depreciation for the year of \$45.4 million, offset by additions during the year.

Right-of-use (ROU) assets

The carrying value of right-of-use (ROU) has decreased by \$0.9 million to \$12.0 million at the end of the year, including depreciation for the year of \$14.7 million, offset by additions during the year.

Current and deferred tax liabilities

The estimated taxable profit on operations for the year exceeded tax instalments during the year resulting in the Group booking a current income tax payable of \$63.0 million at year-end. In addition, the Group has booked a net deferred tax liability position of \$9.6 million at balance date which predominantly relates to the differing tax depreciation and amortisation rates of mining assets and equipment compared to accounting rates.

Provisions

Total current and non-current provisions for the Group have increased by \$9.3 million to \$55.9 million as at 30 June 2021. The Group's provisions predominately relate to mine rehabilitation activities as well as some employee entitlements for long service and annual leave.

Cash Flows

Operating activities

Net cash inflow from operating activities was \$471.1 million for the year. Net cash inflow from operating activities prior to payments for exploration and evaluation activities was \$542.4 million for the year.

Investing activities

Net cash outflow from investing activities was \$133.8 million for the period. This included payments for property, plant and equipment of \$12.0 million, payments for mine development of \$100.8 million and payments for financial investments of \$17.8 million.

Financing activities

Net cash outflow from financing activities of \$51.6 million for the year included dividend payments of \$39.2 million and repayment of lease liabilities including interest under AASB 16 Leases of \$14.2 million.

Directors’ Report

Business risks and management

Sandfire’s business, operating and financial performance are subject to various risks and uncertainties, some of which are beyond Sandfire’s reasonable control. The identification and management of these risks is central to achieving the objectives and targets of our Strategic Growth Plan (refer to page 6).

Sandfire’s Risk Management Framework is applied across the Group and assists the Board and management to identify, assess, manage and monitor risks that may have a material impact on the Group. It protects us against potential negative impacts and enables us to take risk for strategic reward.

Under the framework, management is responsible for the day-to-day design and implementation of Sandfire’s risk management system. Risk management forms part of Sandfire’s line management and operational responsibilities and is integrated into the strategic and business planning processes.

Business risks are assessed on a regular basis, including consideration of potential new and emerging risks. Material risks are documented and monitored with the implementation of preventative and mitigating processes and controls. Mitigating processes and controls are designed to minimise the adverse impact on Sandfire should a risk or uncertainty materialise.

Material risks are regularly reported to the Board and its committees. The Risk Committee reviews and reports to the Board that Sandfire’s ongoing risk management program effectively identifies areas of potential risk and assists the Board in monitoring risks.

Further information on Sandfire’s approach to risk management is set out in the Company’s Corporate Governance Statement, which can be found on our website at <https://www.sandfire.com.au/site/about/corporate-governance>.

The matters which have the potential to impact Sandfire’s operating and/or financial results, and the performance and fulfilment of the strategic aspirations of the Group are set out below. The matters identified are not listed in order of importance and are not intended as an exhaustive list of all the risks and uncertainties associated with Sandfire’s business. Additional risks and uncertainties, including those not presently known to management and the Board, may adversely affect Sandfire’s business.

Information that could result in unreasonable prejudice to the Group has been excluded, including that which is confidential or commercially sensitive, except where disclosure is required pursuant to our continuous disclosure obligations.

COVID-19

The COVID-19 pandemic and its various management and operational challenges have tested Sandfire’s business, its people and culture.

As the COVID-19 pandemic continues to evolve, there are emerging risks and uncertainty that could adversely impact our business. These risks include, but are not limited to, interruptions to supply chains, travel restrictions and border closures, adverse impacts to our people’s health and wellbeing, material delays to project timelines and reduced demand for our copper in concentrate.

The Group will continue to monitor the effects of the pandemic and develop appropriate protocols, in line with formal guidance of health authorities, to limit the risk to our people and impacts on operations. Key measures implemented during the year include:

- Maintaining health and safety systems in line with formal guidance of State health authorities;
- Boosting workforce social distancing measures across transit and workplaces;
- Health screening introduced at airport for personnel travelling to site;
- Enhanced workforce communication and promotion of Sandfire’s health and wellbeing programs, including mental health;
- Extended sick and compassionate leave assistance to employees, including casuals;
- Consulting with and assisting our communities;
- Working with our contractors to provide assistance; and
- Maintaining critical payments to employees and contractors.

The DeGrussa Operations, which continue to operate at full capacity, have been well protected through this professional approach, assisted by its natural isolation in central Western Australia. The Company has been able to maintain critical consumables and spares, while preserving our supply chains, sales routes and customer contracts.

Financially, the Group has delivered continued profitability with copper production exceeding market guidance for FY2021. While the pandemic has required the Company to adjust some of its usual operating procedures, the direct impact to date has been limited to social distancing and additional risk mitigation strategies. The impact on operating costs has also been minimal.

In Botswana, there have been rising local transmission cases. As development of the Motheo Copper Mine continues, key measures implemented by the Company, in line with Government requirements, include:

- Mandatory testing for employees and contractors when returning from their breaks;
- Adherence to isolation protocols and physical distancing; and
- Increased cleaning and hygiene measures to mitigate the impacts to employees and contractors.

We also continue to provide local support, including assistance for the refurbishment of a local Ghanzi hospital and donation of funds to support the challenges and impacts of COVID-19 in the community.

In Montana, USA, Sandfire America has continued to adhere to strict COVID-19 protocols. The vaccine roll-out continues to progress well across Meagher County.

Directors’ Report

Business risks and management (continued)

Health, Safety and Sustainability Risks

Our people

The health, safety and wellbeing of our people remains our highest priority. There are numerous occupational health and safety risks associated with the Group’s exploration, development and mining activities including, but not limited to: handling explosives; underground operations subject to rockfall and water ingress; working in confined spaces; areas where heavy and light vehicles interact; manual handling; and operating at heights. Operating in a Fly-In-Fly-Out (FIFO) operation also introduces the risk that is inherent in air travel, as contractors and employees are required to regularly commute by aircraft, as well as industry specific physical and mental health considerations.

These risks may lead to serious injuries, regulatory investigations, restrictions and disruptions to operations and reputational damage. The Group applies its principal hazard management process to all activities to identify critical health and safety risks and manages these risks via the critical control verifications framework. As the Group’s exploration and mining activities expand, increased due diligence of health and safety risks will be managed through the integrated Health, Safety, Environment and Community (HSEC) Management System, and accompanying standards and safe work procedures.

Sandfire targets health and safety risks through active management and clear guidance and expectations of all personnel. We actively engage with all levels of staff, including contractors, and senior leadership so that our workforce is appropriately trained in the assessment of risks and hazards, and procedures required to operate safely.

Environmental

The Group is committed to minimising the impact of its operations on the environment, with an appropriate focus placed on ongoing monitoring of environmental matters and compliance with environmental regulations.

Mining and processing operations and development activities have inherent risks and liabilities associated with potential harm to the environment. Sandfire’s activities are therefore subject to extensive environmental law and regulation in the various jurisdictions in which it operates. Non-compliance with these laws might result in fines or requests for improvement actions from the regulator and reputational damage.

Sandfire’s operations may create a risk of exposure to hazardous materials. Sandfire uses hazardous material (for example, explosives at its DeGrussa Operations) and generates waste products that must be disposed of either through offsite facilities or onsite permitted landfills and waste management areas. Mining and ore refining processes also generate waste by-products such as tailings to be managed by the use of tailings storage facilities (TSF) and waste rock to be managed in waste rock facilities. Geochemical reactions within long-term waste rock or low-grade material storage stockpiles can also lead to the generation of acid and metalliferous drainage that requires active mitigation, design, testing and management.

Appropriate management of waste is a key consideration in Sandfire’s operations. Unmanaged, mining operations can impact flows and water quality in surface and ground water bodies and remedial measures may be required to prevent or minimise such impacts.

Sandfire manages one active TSF at the DeGrussa Operations. Commissioned in 2012, the downstream designed facility is located within an Integrated Waste Landform. Tailings are deposited into a circular impoundment with a composite liner comprising high density polyethylene and compacted clay. We are committed to responsible tailings management to minimise the risk of failures, maintain regional biodiversity values, protect groundwater, prevent uncontrolled releases and reduce long-term closure liabilities.

Our TSF is governed in accordance with our integrated HSEC Management System and specific operating procedures in line with regulatory approvals. The ongoing management controls include annual independent audits of the TSF conducted by specialist engineers and are undertaken in accordance with the Department of Mines, Industry Regulation and Safety and the Australian National Committee on Large Dams (ANCOLD) standards. The audits cover aspects of groundwater monitoring, geotechnical stability and tailings management practices.

The Group is required to close its operations and rehabilitate the land affected by the DeGrussa Operations at the conclusion of mining and processing activities. Actual closure costs in the future may be higher than currently estimated. Current estimates of these costs are reflected in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* as provisions in the Financial Statements. Management seeks external assistance and review, where appropriate, to estimate these future costs.

Sandfire complies with the National Greenhouse and Energy Reporting Act 2007 (Cth), under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the year ended 30 June 2021 and future periods. Sandfire is committed to proactively managing energy use efficiency and reducing greenhouse gas emissions wherever practical and is guided by internal policy and guidelines.

Maintenance of Stakeholder Engagement & Good Title

Sandfire is committed to delivering a lasting, positive contribution to the communities where we operate. We recognise community endorsement of our activities is fundamental to the success of our business.

Loss of stakeholder support could result in loss of social licence to operate, impacting on current operations or delaying project approval or delivery. The Group has processes to manage and actively engage with its stakeholders to ensure that we deliver long-term benefits to local communities and to identify, and reduce, potential adverse impacts.

The Group manages and relies on maintenance of good title over the approvals, permits and licenses which allow it to operate. Loss of good title or access due to challenges instituted by issuers of authorisations, permits or licenses, such as government authorities or landowners may result in disruptions to operating performance. In Australia, the Group actively engages with local communities and has compensation agreements in place with Indigenous Peoples affected by its activities.

Directors’ Report

Business risks and management (continued)

Operational Risks

Operational disruptions and natural hazards

The DeGrussa Operations located in Western Australia is the Group’s sole operating project and profitable operating segment and exposes the Group to concentration risk.

The Group’s operations are subject to uncertainty with respect to (without limitation): ore tonnes, mined grade, ground conditions, metallurgical recovery or unanticipated metallurgical issues (which may affect extraction costs), infill resource drilling, mill performance, failure of tailings facilities, transportation and logistics issues, the level of experience of the workforce, regulatory changes, safety related incidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, natural events such as storms, floods or bushfires.

The Group mitigates these risks by employing appropriately qualified technical personnel and experienced managers that utilise formalised operating practices, processes and procedures. Continual monitoring of the underground environment is undertaken to identify change that may require action and the Group engages specialist consultants when technical issues are identified outside available internal skills and experience.

The Sandfire maintenance and processing teams have developed robust procedures and practices to ensure they are operating the DeGrussa processing plant with minimal disruption and at high throughput levels.

Reliance on contractors

As is common in the mining industry, many of the Group’s activities are conducted using contractors. The Group’s operational and financial results are impacted by the performance of contractors, their efficiency, costs and associated risks.

The Group engages with reputable contractors who have the technical and financial capability to execute required contract work and actively manages its contractors, working within relevant agreements. Embedded performance structures in contracts ensure that the Group appropriately mitigates risks of non-performance by contractors, while maintaining shareholder value.

Strategic Risks

Exploration, project evaluation and project development

Sandfire’s business, operating and financial performance and ability to achieve its strategic initiatives are impacted by the Group’s ability to discover new mineral prospects and to deliver development projects safely, on time and within capital estimates.

Sandfire’s ability to sustain or increase its current level of production in the future is in part dependent on the success of its exploration, acquisition activities in replacing copper and gold reserves depleted by production, the development of new projects and the expansion of existing operations.

Exploration activities are speculative in nature and often require substantial expenditure on exploration surveys, drilling and sampling as a basis on which to establish the presence, extent and estimated grade (metal content) of mineralised material.

The risks to project development include environmental considerations, land access, regulatory approvals, capital overruns, construction and commissioning disputes and complexity and depth of ore bodies. Project delays could negatively impact the Group’s financial position and global production pipeline planning.

The Group actively manages key deliverables and mitigates potential risks and uncertainties through strategic planning, scoping and feasibility studies, independent reviews, budgeting, forecasting and stakeholder engagement.

Once mineralisation is discovered it may take several years to determine whether adequate Ore Reserves and/or Mineral Resources exist to support a development decision and to obtain necessary ore body knowledge to assess the technical and economic viability of mining projects. During that time the economic viability of the project may change due to fluctuations in factors that affect both revenue and costs, including metal prices, foreign exchange rates, the required return on capital, regulatory requirements, tax regimes and future cost of development and mining operations.

Sandfire evaluates potential acquisition and development opportunities for mineral deposits, exploration or development properties and operating mines. Sandfire’s decision to acquire or develop these properties is based on a variety of factors, including historical operating results, estimates and assumptions regarding the extent and quality of mineralisation, resources and reserves, assessment of the potential for further discoveries or growth in resources and reserves, development and capital costs, cash and other operating costs, expected future commodity prices, projected economic returns, fiscal and regulatory frameworks and land acquisitions, evaluations of existing or potential liabilities associated with the relevant assets and how these factors may change in future. These factors are uncertain and could have an impact on revenue, cash and other operating results, as well as the process used to estimate Mineral Resources and Ore Reserves.

Directors’ Report

Business risks and management (continued)

Mineral Resources, Ore Reserve and Mine Life

The estimation of the Group’s Mineral Resources and Ore Reserves involve subjective judgements regarding a number of factors (but not limited to) analysis of drilling results, associated geological and geotechnical interpretations, metallurgical performance evaluation, mining assessment, operating cost and business assumptions as well as a reliance on commodity price assumptions. As a result, the assessment of Mineral Resources and Ore Reserves involve areas of significant estimation and judgement. The ultimate level of recovery of minerals and commercial viability of deposits cannot be guaranteed.

The mine life of the Group’s operations is based on the Mineral Resources and Ore Reserves estimate which heavily dictates the financial and operational performance of the Group. As at the date of this report, the DeGrussa Operation’s mine life based on the most recent Ore Reserve, extends into September 2022.

The Group’s Ore Reserves and Mineral Resources estimates are reported in accordance with the 2012 Joint Ore Reserve Committee (JORC) Code and estimated by Competent Persons as defined by the JORC Code. The Group employs Competent Persons to complete Group estimates and in certain circumstances, independent Competent Persons are also used to compile or verify estimates for the Group.

External Risks

Climate Change

Sandfire’s social licence to operate, financial performance and support for project development may potentially be impacted by the Company’s ability to prepare for and adapt to the physical impacts of climate change (both acute and chronic) and associated risks with transitioning to a low emission economy.

Sandfire recognises the transition to a low emission economy will require extensive changes to policy, legal, technology and markets, and the rate at which this will happen is uncertain. This presents both risks and opportunities for Sandfire. Our assessment of transition risks has identified policy uncertainty and legal developments, shifting demand for products, the rate of technology uptake, increased stakeholder activism and increased cost of inputs and raw materials, as having the potential to impact the business.

Sandfire’s operating sites are vulnerable to the physical impacts of climate change (both acute and chronic) and we have sought to identify risks that relate to physical climate impacts. Extreme weather events (bushfires, flooding and cyclones etc.) have the potential to damage infrastructure, disrupt operations and delay delivery of products to market. Longer term shifts in climate patterns, such as drought, can lead to conflict over access to natural resources.

‘Embracing a low emission future’ is a key priority of our Sustainability Strategy. Our objectives are to: ensure Sandfire is resilient to the impacts of climate change; reduce our carbon footprint; participate in collective action to build the resilience of Sandfire’s host communities; provide public disclosure in accordance with best practice standards; and leverage the opportunity in the transition to a low emission economy.

The key initiative of Sandfire’s emissions reduction efforts is the adoption of renewable energy at its operations. For FY2021, the DeGrussa Solar Facility provided on average 16.8% of the overall power usage for the DeGrussa Operations. Due to the success of the DeGrussa Solar Facility, commissioned in 2016, renewable energy is a consideration for all new project developments. Sandfire undertook a solar feasibility study in FY2021 to evaluate the economics of a 12MW to 15MWp solar PV, in combination with a 2-4MW Li-ion battery storage system, for our Motheo Copper Mine in Botswana.

Sandfire continues to enhance its approach to understand the transitional and physical threats from climate change at its current and planned operating sites as well as those which may impact the security of its supply chain. In FY2022, Sandfire will use climate change scenario analysis to further identify opportunities and threats to our operations and development pipeline.

The Group is committed to full and transparent reporting on climate change risks and opportunities in our annual reporting. Sandfire discloses details of our climate change risks and opportunities and their management in accordance with the recommendations of the Task Force on Climate-Related Disclosures. Further detail is provided in our Sustainability Report.

Directors’ Report

Business risks and management (continued)

Fluctuations in commodity prices and foreign exchange currency

The Group’s revenues and cash flows are largely derived from the sale of copper and gold. For the 2021 financial year, DeGrussa derived approximately 87% of revenue from the sale of copper contained within concentrate. The financial performance of Sandfire is exposed to fluctuations in the market price of these commodities.

Fluctuations in metal prices can occur due to numerous factors beyond Sandfire’s control, including macroeconomic and geopolitical factors (such as financial and banking stability, global and regional political events and policies, changes in inflationary expectations, interest rates and global economic growth expectations), speculative positions taken by investors or traders and changes in supply and demand for copper and gold. Material and/or prolonged declines in the market price of copper could have a material adverse effect on the Group’s business, results of operations and financial position.

The Group is an Australian business that reports in Australian dollars. However, Sandfire’s revenue is derived from the sale of commodities that are priced in US dollars. Though the majority of costs, as they relate to the DeGrussa Operations, are primarily denominated in Australian dollars, Sandfire has exposure to other foreign currencies through its projects in Botswana, including the Motheo Copper Mine development, and the Black Butte Copper Project in Montana, USA. The impact of exposure to movements in foreign exchange rates (particularly, USD:AUD) cannot be predicted reliably.

The Group does not have an active financial hedging policy to mitigate currency or commodity risks, though has sporadically entered into derivative financial instruments with various counterparties, principally investment grade credit rated financial institutions, in order to reduce exposure to fluctuations in copper price. Historically, the hedges have been in the form of quotational period (QP) hedging via copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. There were no hedging activities undertaken during the 2021 financial year.

Sandfire’s high copper grade ore and low production cost profile at the DeGrussa Operation, relative to global copper producers, provides resilience to reduced commodity prices and an ability to maximise margins during high commodity price periods.

Environmental regulation and performance

The Group is committed to minimising the impact of its operations on the environment, with an appropriate focus placed on ongoing monitoring of environmental matters and compliance with environmental regulations. The Group holds environmental licenses and is subject to environmental regulation in respect of its activities in both Australia and overseas. The Board is responsible for monitoring environmental exposures and compliance with these regulations and is committed to achieving a high standard of environmental performance.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements. Compliance with the environmental regulations is managed through the integrated HSEC Management System, supported by policies and operational management plans, standard work practices and guidelines.

During the financial year, Sandfire has submitted numerous environmental reports and statements to regulators detailing Sandfire’s environmental performance and level of compliance with relevant instruments. These include Annual Environmental Reports and Annual Aquifer Review Reports submitted to the Department of Water and Environmental Regulation, Annual Environmental Reports and Annual Exploration Reports submitted to the Department of Mines, Industry Regulation and Safety (DMIRS) and a National Pollutant Inventory Report to the Department of Water and Environmental Regulation. Sandfire actively manages water use to ensure efficiencies are recognised and implemented where practical.

Sandfire complies with the National Greenhouse and Energy Reporting Act 2007 (Cth), under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the year ended 30 June 2021 and future periods. Sandfire is committed to proactively managing energy use and reducing greenhouse gas emissions wherever practical and is guided by internal guidelines.

Sandfire responsibly and safely manages tailings and has an established management system, to assess, monitor and mitigate risks accordingly. Sandfire manages one active, downstream designed Tailings Storage Facility (TSF) at the DeGrussa Operations. Annual independent geotechnical audits are undertaken in accordance with DMIRS and ANCOLD guidelines. The most recent review was completed in December 2020 and found that the TSF is managed in accordance with the approved design and complies with environmental regulatory approvals.

There have been no significant known breaches of the Group’s license conditions or any environmental regulations to which it is subject during the financial year.

Significant changes in the state of affairs

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year, other than those described in this report under ‘Operational and financial review’.

Directors’ Report

Significant events after the balance date

Dividends

Subsequent to year-end the Directors of the Company announced a fully franked final dividend on ordinary shares in respect of the 2021 financial year of 26 cents per share. The total amount of the dividend is \$46.3 million based on the shares outstanding as at 30 June 2021. The dividend has not been provided for in the 30 June 2021 Financial Statements.

Likely developments and expected results

The Group will continue to monitor developments and impacts from the COVID-19 pandemic to our operations and business practices. Further comments on likely developments and expected results of operations of the Group are included in this financial report under ‘Operational and financial review’.

Share options

Unissued shares under option

During the year, the Company issued 3,843,327 unlisted Zero Exercise Price Options (ZEPOs) expiring 17 July 2026 to executives and senior managers. Each ZEPO constitutes a right to receive one ordinary share in the capital of Sandfire, subject to meeting certain performance conditions.

Indemnification and insurance of Directors, Officers and Auditors

Indemnification

The Company indemnifies each of its Directors and Officers, including the Company Secretary, to the maximum extent permitted by the Corporations Act from liability to third parties and in defending legal and administrative proceedings and applications for such proceedings, except where the liability arises out of conduct involving lack of good faith.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of a conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavour to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal. The Directors of the Company are not aware of any such proceedings or claim brought against Sandfire Resources Limited as at the date of this report.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). However, the indemnity does not apply to any loss in respect of any matters which are finally determined to have resulted from Ernst & Young’s negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of financial year.

Insurance premiums

The Company has paid insurance premiums in respect of Directors’ and Officers’ liability and legal expenses insurance contracts for current and former Directors, Executive Officers and Secretaries. The Directors have not included details of the premium paid in respect of the Directors’ and Officers’ liability and legal expenses’ insurance contracts, as such disclosure is prohibited under the terms of the contract.

Rounding

The amounts contained in this financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Non-audit services

The following non-audit services were provided to the Group by the Company’s auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.


Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

| in \$ | 2021 |
|-------------------------|--------|
| Taxation services | 13,562 |
| Other advisory services | 51,073 |
| | 64,635 |

Directors’ Report

Auditor’s Independence Declaration

The Directors received the following declaration from the auditor of Sandfire Resources Limited.



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor’s independence declaration to the directors of Sandfire Resources Limited

As lead auditor for the audit of the financial report of Sandfire Resources Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sandfire Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young



Philip Teale
Partner
30 August 2021

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Directors’ Report

Letter from the Chair of the People and Performance Committee

Dear Shareholders,

On behalf of the Board of Directors of Sandfire Resources Ltd, I am pleased to provide you with the Remuneration Report for the year ended 30 June 2021, for which we will seek your approval at the next annual general meeting.

FY2021 performance

Sandfire has delivered an outstanding year as our leadership team has progressed against the objectives of our Strategic Growth Plan. With a successful first year of execution, we are confident that Sandfire is well-positioned to deliver on the objectives of our transformational Strategic Growth Plan.

The DeGrussa Operations in Western Australia achieved above-guidance copper production (70,845t), gold production at the upper end of guidance (39,459oz), and cost performance at the lower end of guidance (US\$0.82/lb). This performance by our entire team, led by our Executives, resulted in record financial performance across several key metrics, including sales revenue (\$813.0 million), operating cash flows (\$471.1 million) and net profit (\$170.1 million). Our operational and financial performance has generated long-term shareholder value and has been well received by the market, with the Company achieving a total shareholder return of 54.7% for FY2021.

The Company's operational and financial performance has been coupled with key milestone achievements across our development pipeline in FY2021. These include the release of the T3 Deposit definitive feasibility study, receipt of the mining license for the Motheo Copper Mine and release of the maiden and then updated Mineral Resource for the A4 Deposit.

Aligned to our Sustainability Strategy, it is also pleasing that we delivered on a majority of our FY2021 ESG actions and targets. We believe that non-financial performance is connected to long term value creation and will continue to refine our approach to ESG, as we embed our sustainability practices into our global operations.

Our people and management of COVID-19

The safety of our people is always our primary concern and is a key measure of performance for everyone at Sandfire. We continue to reduce our total recordable injury frequency rate per million hours worked (TRIFR), achieving 4.0 in FY2021 compared to 5.8 in FY2020 and 6.2 in FY2019.

The COVID-19 pandemic has created significant uncertainty and it is pleasing to note that the Company's performance has remained strong throughout this challenging period. Our staff have dealt professionally with the direct and indirect risks, impacts and challenges that this unprecedented pandemic has brought and this response has ensured that our employees remained healthy and had limited disruption to work.


Further information on our FY2021 performance can be found in the Operational and Financial Review in the Directors' Report and in Section 4.1 of the Remuneration Report.

Enhanced Remuneration Framework

As foreshadowed in our FY2020 Remuneration Report, Sandfire enhanced its remuneration framework in FY2021. The changes introduced were designed to balance the progression of the long-term Strategic Growth Plan elements that will deliver value to all shareholders with the ongoing performance required to deliver on the annual plan. The following is a summary of the key changes implemented during the year, which are described in detail within this Remuneration Report.

STI Plan

- Alignment of STI performance period with the financial year
- Revision of STI Plan measures, to be equally weighted between individual and Group-wide KPIs, with an increased focus on production, cost of production, financial and ESG performance.
- Introduction of a deferral component, such that half of Executives' annual STI opportunity is deferred into equity that vests after 12 months.


 Strong FY21 production and cost performance

Contained Copper

70,845t

at C1 cash operating cost US\$0.82/lb

Contained Gold
39,459oz

 Leading to record profitability

FY21 Net Profit

\$170.1M

▲ 135% from FY20

Cashflow from Operating Activities
\$471.1M (FY20: \$273.6M)

 Continued Shareholder Returns

DPS

34c

FY21 Interim and final dividend declared

Closing cash position
of \$573.7M (FY20: \$291.1M)

Directors’ Report

Letter from the Chair of the People and Performance Committee (continued)

LTI Plan

- Allocation of four years of awards into a single grant to tie Executives' awards to the four-year strategic performance cycle of the Group and create a strong retention mechanism (previous LTI awards had a three-year performance period).
- Introduction of a mix of operational, growth and market measures, including production scale, ore reserves, absolute and relative total shareholder return aligned to Sandfire's Strategic Growth Plan.
- Introduction of a performance gateway, such that the production scale measure must be achieved for any LTI award to vest.
- Introduction of a deferral mechanism for TSR-based measures, such that those components may only vest after five years, subject to meeting the performance conditions.

First strike at the 2020 AGM

At the 2020 AGM, whilst the majority of shareholder votes were cast in favour (70.63%) of the adoption of the FY2020 Remuneration Report, there were 29.37% of votes cast against, constituting a ‘first strike’ under the *Corporations Act 2001*. The Board is disappointed at this result and has endeavoured to understand any shareholders' and stakeholders' concerns. This has involved engaging with our major shareholders and proxy advisors, whose feedback we have taken onboard. Our response to the strike is detailed in section 2.3 of the Remuneration Report. We continue to believe the revised and enhanced remuneration framework remains fit for purpose given that it directly aligns with and supports execution of the Strategic Growth Plan, and we have provided more explanation of how the revised STI and LTI Plans work and align with our strategy.

Remuneration outcomes in FY2021

We continue to ensure that remuneration outcomes reflect the performance of the Group and are aligned to shareholder's experience over short and long term timeframes. The key remuneration outcomes for FY2021 included:

- **Executive fixed remuneration**
 - The Executives' total fixed remuneration per annum was not changed in FY2021. Managing Director and CEO, Karl Simich's, total fixed remuneration is unchanged since 2014.
- **Executive incentives**
 - Short-term incentives (STI): In light of Sandfire’s strong operational, financial and strategic performance during FY2021, the Board awarded 90.6%, 89.4% and 93.4% of the maximum annual STI opportunity to Karl Simich, Jason Grace and Matthew Fitzgerald, respectively. In line with the new STI plan, half of their awards were deferred for 12 months.
 - Long-term incentives (LTI): Independent assessment of the three-year performance period 1 July 2018 to 30 June 2021 established that Sandfire achieved a total shareholder return (TSR) of negative 16.43%, resulting in relative performance against the ASX200 Resources Index at the 39th percentile. This performance resulted in 0% of the three-year FY2019 LTI award to vest. The past three years have seen 0% of LTI awards vest, with the Board electing not to apply any upward discretion.
- **Board and Committee fees**
 - Following a market benchmarking exercise, the Board resolved to increase annual base fees for NEDs from \$110,000 to \$136,000 and annual committee chair fees from \$20,000 to \$26,000 for FY2021.

The Board remains committed to a remuneration framework that supports the Company's strategic objectives, effectively aligns performance and reward outcomes and motivates Executives to pursue the long-term growth of the Company.

We value our shareholders' support and will continue to regularly engage with and provide ongoing updates to our shareholders regarding the appropriateness of our remuneration policies and objectives.

On behalf of the Board, I invite you to review the full report and thank you for your ongoing support of Sandfire.

Yours sincerely,

Sally Langer

Sally Langer
Chair of the People and Performance Committee

Directors’ Report

Remuneration report (audited)

1. Remuneration report overview

The Directors of Sandfire Resources Ltd present the Remuneration Report (**the Report**) for the Company and its controlled entities for the year ended 30 June 2021. This Report for the Group forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for Sandfire's key management personnel (**KMP**) and include:

- the Company's Non-Executive Directors (**NEDs**); and
- the Group's Executive Directors and Senior Executives (collectively the **Executives**).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group and their movements during FY2021.

| Name | Position | Term as KMP |
|--------------------------------|---|--|
| Non-Executive Directors | | |
| Derek La Ferla | Independent Non-Executive Chairman | Full financial year |
| Paul Hallam | Independent NED | Full financial year |
| Roric Smith | Independent NED | Full financial year |
| Sally Langer | Independent NED | Full financial year |
| Jennifer Morris | Independent NED | Appointed 1 January 2021 |
| John Richards | Independent NED | Appointed 1 January 2021 |
| Robert Scott | Independent NED | Ceased as a Director on 31 December 2020 |
| Executive Director | | |
| Karl Simich | Managing Director and Chief Executive Officer | Full financial year |
| Senior Executives | | |
| Jason Grace | Chief Operating Officer | Full financial year |
| Matthew Fitzgerald | Chief Financial Officer and Company Secretary | Full financial year |

2. How remuneration is governed

2.1 Remuneration decision making

Figure 1 presents the Group's remuneration decision making framework during FY2021.

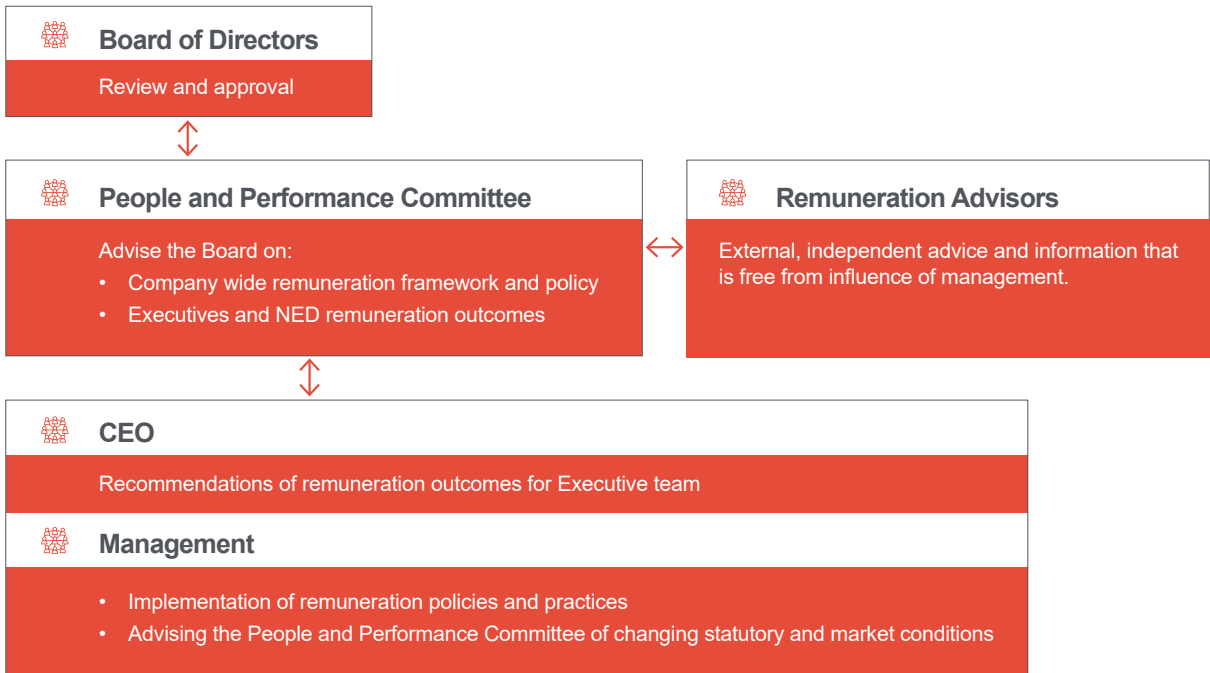


Figure 1: Sandfire's Remuneration Governance Framework.

Directors’ Report

Remuneration report (continued)

The People and Performance Committee (**Committee**) consists solely of Independent NEDs and operates under a Board-approved Charter. Non-committee members, including the CEO, only attend meetings of the Committee at the invitation of the Committee Chair as appropriate, and do no vote on matters before the Committee.

The Committee provides assistance and recommendations to the Board to ensure that it can fulfill its responsibilities. This includes ensuring remuneration decisions are appropriate from the perspectives of business performance, executive performance, governance, disclosure, reward levels and market conditions. Specifically, the Committee determines the performance targets, extent of the Executives' achievements and the remuneration outcomes.

In fulfilling its role, the Committee is specifically concerned with ensuring that Sandfire's remuneration framework will:

- Motivate the Executives to pursue the long-term growth and success of Sandfire;
- Retain our high-calibre Executive team through the execution of the Strategic Growth Plan;
- Establish a strong alignment between pay and performance;
- Support equity and fairness across all levels of the organisation; and
- Support Sandfire's purpose and values and incentivise for behaviours within the Company's risk profile.

More details on the Company's governance framework including Board committee structures and related committee charters are available on the Governance page of the Company's website at www.sandfire.com.au.

2.2 Alignment of the Remuneration Framework to the Strategic Growth Plan

On 1 July 2020, Sandfire announced details of a Board Succession Plan, senior management restructure and other corporate and strategic organisational changes designed to ensure the Company is appropriately structured and resourced for its next growth phase. The changes followed a detailed strategic and structural review that confirmed Sandfire's key growth objectives as it makes the transition from a single-mine company towards the Strategic Vision 'to build an international diversified and sustainable mining company'.

The key elements of the Strategic Growth Plan, detailed in Figure 2, recognise the Company's international expansion plans, while also renewing its efforts to deliver both organic and inorganic growth opportunities. This strategy is targeted at delivering sustainable returns to our shareholders over the long term as the organisation moves beyond the life of mine of the DeGrussa asset.

| | | | | | |
|-----------------------|---|---|--|---|--|
| Strategic Imperatives |  SI 1 Execute Delivery |  SI 2 Build a Sustainable Production Pipeline |  SI 3 Accelerate Discovery |  SI 4 Align and Empower Our People |  SI 5 Optimise Capital Strategy and Engagement |
| | Maximise the value of DeGrussa and proceed to production in Botswana. | Build a sustainable production pipeline through the near-term acquisition of an operating asset, development studies and ongoing strategic investments. | Continue to build and leverage our exploration capability to maximise chances of success. | Ensure all parts of the business are aligned with long-term strategic outcomes. | Position the capital structure to support the strategy and ensure investors and stakeholders are suitably engaged. |
| | <ul style="list-style-type: none">• Safely deliver against the DeGrussa Mine Plan.• T3 in production early CY2023 at 30kt Cu pa.• A4 Deposit brought into production realising the Motheo Production Hub Concept. | <ul style="list-style-type: none">• Build a development pipeline to support pathway to 150kt Cu pa equivalent production by 2025.• Define Ore Reserves for Lowry and Old Highway.• Optimise Black Butte Copper Project. | <ul style="list-style-type: none">• Identification of new resources to replace depletion of current production and support production growth target to 150kt Cu equivalent pa. | <ul style="list-style-type: none">• Teams and individuals aligned to strategy.• High performing and engaged workforce in the continued success and growth of the business.• Values driven workforce.• Global operating model embedded. | <ul style="list-style-type: none">• Maintain flexibility to enable the support of future growth plans.• Appropriate funding mix by project.• Minimised secured corporate debt.• Engaged investors and stakeholders. |

Figure 2: Sandfire's Strategic Growth Plan.

Informed by the strategic review process, external independent advice and its own deliberations, the Board undertook a review of the remuneration framework to ensure that it remains fit for purpose given the evolving nature and global diversification objectives of the business. The enhanced remuneration framework, which was announced to the market in July 2020, is designed to support the execution of the Strategic Growth Plan. The framework links the remuneration outcomes for Executives to the achievement of the key objectives and targets of the Strategic Growth Plan to drive long-term value creation for shareholders.

The Board recognises that the development and implementation of a sustainable production profile across the Group's global asset portfolio requires a long-term horizon, driven by both short and medium-term project review, planning and execution activities. The revised remuneration framework aligns both STI and LTI to a set of clearly defined objectives and project development milestones appropriate for the nature, scale and growth plans of the business.

Directors’ Report

Remuneration report (continued)

2.3 2020 AGM Vote Results and Board Response to ‘First Strike’

At the 2020 AGM, whilst the majority of shareholder votes were cast in favour (70.63%) of the adoption of the FY2020 Remuneration Report, there were 29.37% of votes cast against, constituting a ‘first strike’ under the *Corporations Act 2001*. Irrespective of this vote result, three of the four major proxy advisors recommended shareholders vote in favour of the adoption of the FY2020 Remuneration Report.

The Board takes shareholder feedback seriously and has spent significant time throughout FY2021 engaging with shareholders and proxy advisors to further understand the reasons for the strike and reflecting on the feedback received to ensure that all items of concern have been considered, and where deemed appropriate, addressed. The key areas of concern that have been identified by our shareholders and our response to these are detailed below.

| Concern Raised | Board's Response |
|---|--|
| Allocating four years' annual LTI grants into the FY2021 LTI grant, including quantum | <p>Given the transformational impact the execution of the Strategic Growth Plan will have on the Company over the next four years, the Board sought to ensure that Executives will be focused on a single set of consistent LTI measures that are explicitly linked to the Strategic Growth Plan over its four-year performance cycle. The Board intends for this structure to serve as a strong motivational and retention tool for the Executives who will be rewarded based on how effective they are at executing the Strategic Growth Plan.</p> <p>The Board considers the annualised quantum of the LTI award (100% of total fixed remuneration (TFR) on a face value basis) to be appropriate. According to benchmarking data provided by our independent remuneration advisor, 100% of TFR is the most common targeted LTI award value amongst our peer group.</p> <p>In contrast to the three-year performance cycle of previously made annual LTI grants, the FY2021 LTI grant has a four-year performance period, and the vested awards that relate to market-based performance measures (Absolute and Relative TSR) will be deferred for an additional 12 months from vesting date to reinforce alignment and accountability.</p> <p>It is the current intention of the Board for the LTI Plan to revert to an annual LTI grant cycle corresponding with the completion of the transformational four year performance period.</p> |
| Pay-for-performance in relation to FY2020 STI outcomes | <p>For FY2020, the performance conditions that determined STI outcomes were weighted towards growth, exploration, people and culture. The outcome for the STIs reflected the achievement of strategic objectives set by the Board that will deliver long term value creation for the Company and our shareholders by re-positioning these key platforms for future change and long term sustainable business growth.</p> <p>With regard to financial performance in FY2020:</p> <ul style="list-style-type: none">• Sandfire achieved record production, with copper production in line with guidance and gold production above guidance.• Cost performance was well below guidance.• The Company achieved record revenue and strong cash generation in FY2020.• Although statutory NPAT was down from FY2019, this was largely attributable to non-cash impairment charges (primarily relating to the carrying value of oxide stockpiles and early-stage resource prospects) and increased depreciation and amortisation expenses (primarily in relation to mine properties). <p>For the FY2021 STI Plan, the Board placed an increased focus on production and costs (70% of Group-wide KPIs) as these indicators represent the key drivers for strong financial performance and profitability and are under the direct influence of the Executives. The Board recognises that the near-term focus of maximising value from the DeGrussa Operations as it nears end-of-mine life is crucial to position the business to meet future capital requirements and deliver on the growth and funding objectives of the Strategic Growth Plan.</p> <p>With a focus on safety, the FY2021 STI Plan also includes health, safety, environment and community (HSEC) performance measures (30% of Group-wide KPIs) aligned to Sandfire's Sustainability Strategy, reflecting the continued focus on sustainable business practices.</p> <p>FY2021 Group and Executive performance has been strong across a number of operational and project development areas. Shareholders have seen period on period growth in value and delivery of an extended and de-risked production profile in the Group's emerging international operations. These short-term achievements are well aligned to deliver long-term shareholder value outcomes.</p> <p>Refer to Sections 3.4 and 4.3 of the Remuneration Report for further information on the FY2021 STI Plan.</p> |
| CEO fixed remuneration is well above the market median | <p>The Board considers many factors when determining the level of fixed remuneration for the CEO, including:</p> <ul style="list-style-type: none">• The complexity of the CEO role, noting the increased complexity of running a multinational business including expansion in Botswana and initiatives in the USA;.• The skills, experience and period service of the CEO, who has led significant growth and delivered shareholder returns over his 14-year tenure; and• The market pay levels for comparable roles. <p>The CEO continues to lead Sandfire through the current transitional period from a single-mine company to an international multi-asset base and precious metals producer.</p> <p>The CEO's fixed remuneration has not been increased since FY2014 and has remain unchanged in FY2021.</p> <p>Refer to Section 3.2 of the Remuneration Report for further information on remuneration benchmarking.</p> |

Directors’ Report

Remuneration report (continued)

2.4 Remuneration advisors

The Committee has access to adequate resources to perform its duties and responsibilities, including the authority to seek and consider advice from independent remuneration professionals to ensure that they have all of the relevant information at their disposal to determine KMP remuneration.

The Committee has established protocols to ensure that if remuneration recommendations, as defined by the *Corporations Act 2001*, are made by independent remuneration advisors they are free from bias and undue influence by members of the KMP to whom the recommendations relate. The Committee directly engages the remuneration consultants (without management involvement) and receives all reports directly from the remuneration consultants.

During FY2021, the Committee engaged the services of BDO Reward to provide market data to the Company and undertake a market benchmarking review of KMP remuneration. The remuneration data was provided to the Committee as input into decision making and did not include making a remuneration recommendation. The Committee considered the market data and benchmarking review, along with other factors, in making its remuneration decisions.

The Committee also engaged The Reward Practice for services to determine the level of relative total shareholder return (TSR) performance against the selected comparator group with respect to the Company's Performance Rights issued under the Long-Term Incentive (LTI) Plan.

The services provided by BDO and The Reward Practice during FY2021 did not incorporate providing the Committee with any remuneration recommendations as defined by the *Corporations Act 2001*.

2.5 Securities Trading Policy

Sandfire's Securities Trading Policy provides clear guidance on how Company securities may be dealt with and applies to the NEDs, Executives and all other personnel of the Company including employees and contractors.

The Securities Trading Policy details acceptable and unacceptable periods for trading in Company securities including the consequences of breaching the policy. The policy also sets out a specific governance approach for how Directors and Executives can deal in Company securities.

The policy can be found on the Governance page of the Company's website at www.sandfire.com.au.

2.6 Minimum shareholding requirements

In July 2021, the Company introduced a minimum shareholding requirement for Non-Executive Directors to further strengthen the alignment of the interests of NEDs with those of shareholders. The policy requires NEDs to hold Sandfire shares to the value of at least 100% of the annual NED base fee. The period for NEDs to obtain the minimum shareholding requirement is the earlier of five years from the policy adoption date, or their appointment date.

As at the date of this report, the Company does not have a minimum shareholding requirement for Executive KMP. The Committee reviews the position relating to minimum shareholding annually and if considered appropriate will introduce a formal policy and targets.

3. Executive remuneration policy and practices

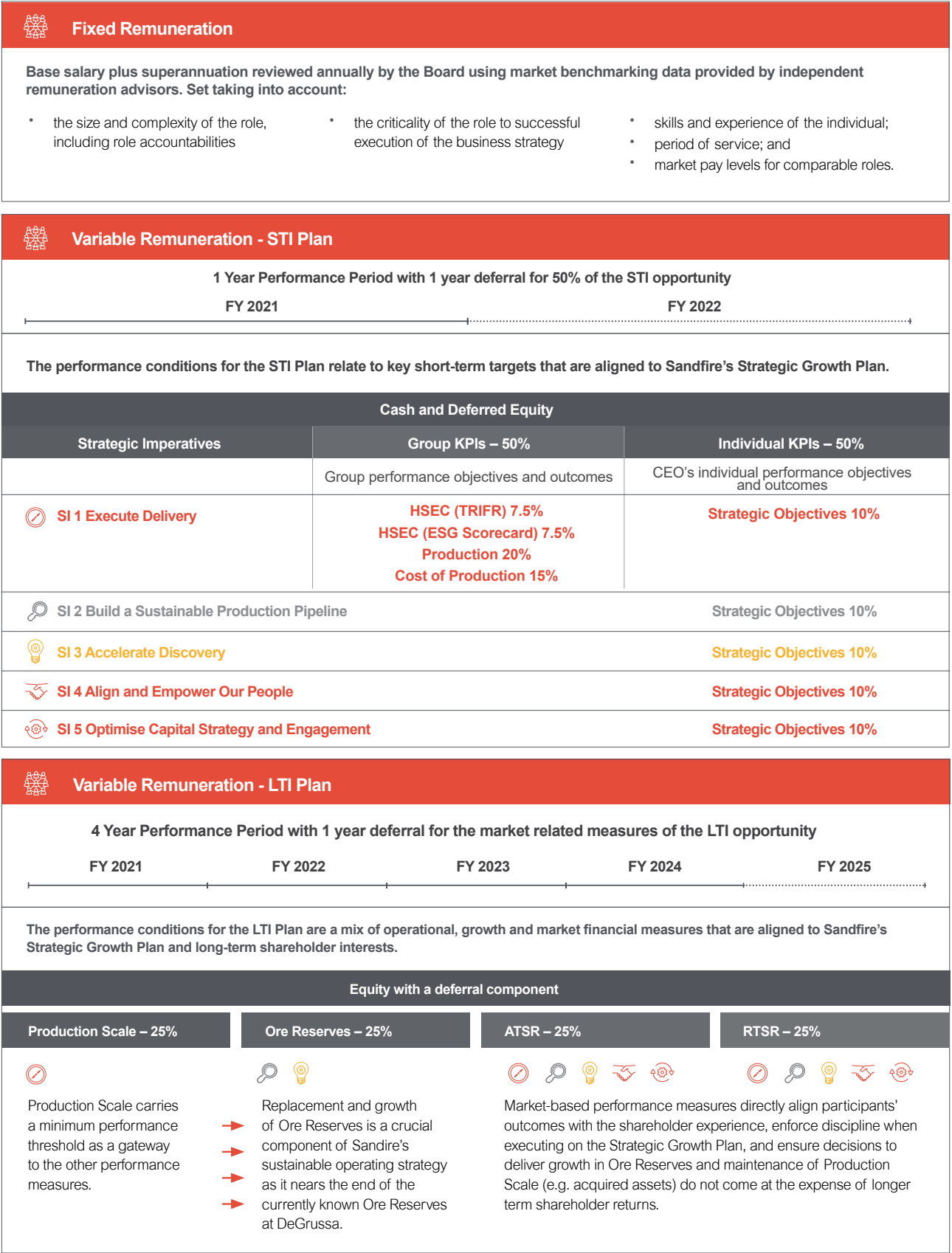
Sandfire's Board is committed to delivering remuneration strategy outcomes that:

- Motivate the Executives to pursue the long-term growth and success of the Company and Group;
- Establish a strong alignment between pay and performance;
- Attract, motivate and retain high performing Executives; and
- Reflect our business performance and sustainability.

The remuneration strategy identifies and rewards high performers and recognises the contribution that each Executive makes to the continued growth and success of the Group. The elements of the Executive remuneration framework and its connection to Sandfire's Strategic Growth Plan are summarised in Figure 3.

Directors’ Report

Remuneration report (continued)



Directors’ Report

Remuneration report (continued)

3.1 FY2021 Executive remuneration mix

Figure 4 shows the remuneration mix for stretch performance when maximum at risk remuneration is earned for both the CEO and his direct reports in FY2021.

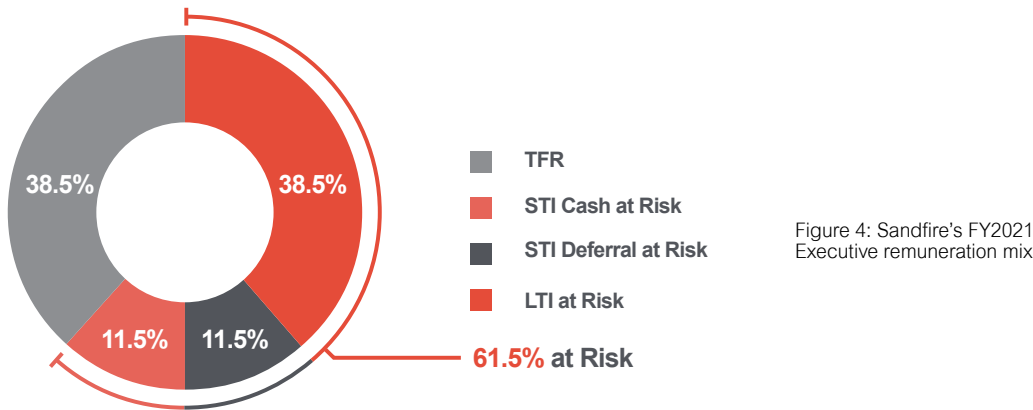


Figure 4: Sandfire's FY2021 Executive remuneration mix

3.2 Remuneration benchmarking and market positioning

Sandfire has adopted a market positioning strategy to support fair and equitable outcomes between employees.

When determining the relevant market for each role, Sandfire considers the companies from which it sources talent, and to whom it could potentially lose talent. From time to time, the Committee engages independent remuneration advisors to provide remuneration advice, including benchmarking data, as input into setting remuneration for Executives.

Executive remuneration packages are benchmarked against comparable roles at a bespoke peer group. The Board periodically reviews the peer group and may consider revising its composition as the Group's operations evolve in line with the Strategic Growth Plan.

The peer group used in FY2020 and FY2021 is detailed below. Companies within the peer group are all ASX-listed; are in the Mining and Metals sector with at least one producing asset; and have similar market capitalisation, revenues, assets and number of employees at the time of benchmarking. These characteristics give rise to similar risks and market conditions as Sandfire.

| | | | | |
|-------------------------------------|---------------------------|------------------------|---------------------|------------------------|
| Champion Iron Ltd | Lynas Corporation Ltd | Mount Gibson Iron Ltd | Orocobre Limited | OZ Minerals Ltd |
| Perseus Minerals Ltd | Pilbara Minerals Ltd | Ramelius Resources Ltd | Regis Resources Ltd | Resolute Mining Ltd |
| Saracen Mineral Holdings Limited(a) | Silver Lake Resources Ltd | St Barbara Ltd | Western Areas Ltd | Westgold Resources Ltd |

(a) Saracen Mineral Holdings Limited was excluded from the FY2021 benchmarking process because it merged with Northern Star Resources Limited in FY2021.

The Board has set the total remuneration opportunity (TRO), which includes TFR, STI opportunity and LTI opportunity, for Executives (other than the CEO) at the 75th percentile of the peer group. For the CEO, the Board has set the TRO at the 85th percentile of the peer group. In setting the CEO's TRO, the Board takes into account that during the CEO's 14-year tenure, Sandfire has grown from a pre-revenue exploration company with a market capitalisation of less than \$30 million to a producer with a market capitalisation exceeding \$1 billion and is transitioning to an international multi-asset base and precious metals producer.

3.3 Total Fixed Remuneration (TFR)

TFR acts as a base-level reward and includes cash, compulsory superannuation and any salary-sacrificed items (including FBT if applicable). TFR levels for the Executives are reviewed annually by the Board using market benchmarking data provided by independent remuneration advisors. The Board considers variations to the benchmark based on:

- the size and complexity of the role, including role accountabilities;
- the criticality of the role to successful execution of the business strategy;
- skills and experience of the individual;
- period of service; and
- market pay levels for comparable roles.

Directors’ Report

Remuneration report (continued)

3.4 Short Term Incentive (STI) Plan: Key questions and answers on how it works

| | |
|---|---|
| Why does the Board consider a STI Plan is appropriate? | The purpose of the STI Plan is to make a proportion of the total remuneration package subject to meeting various short-term targets linked to Sandfire's Strategic Growth Plan, thereby strengthening the link between pay and performance. The STI Plan is designed to focus and motivate Executives to meet or exceed business optimisation and business value creation objectives that are beyond the standard expected in the normal course of employment. |
| How is it paid? | STI awards for Executives are paid part in cash (50%) with a portion deferred in shares (50%) according to the extent of achievement of the applicable performance measures. |
| What is the performance period and how much can the Executive earn? | STI awards are assessed over a 12-month performance period aligned with the Company's financial year. The maximum STI opportunity for Executives is 60% of TFR. STI award potentials are pro-rated for the period of service and the actual outcome depends on the extent of achievement of the applicable performance measure. |
| How is performance assessed and what are the performance measures? | Performance measures include Group and individual KPIs (50% each). KPIs include financial and non-financial measures that align with the Group's Strategic Growth Plan and the Group's core values. The Board, with the assistance of the People and Performance Committee (Committee), sets and assesses the KPIs applicable for the Group and the CEO. The outcome of the assessment determines the STI amount payable to the CEO. The CEO sets and assesses the individual KPIs for the other Executives. The Committee reviews the outcome of the assessment. |

The KPIs generally have a range of pre-determined performance levels, which are detailed below.

| Performance Level | % Outcome | Description of Performance Level |
|-------------------|-----------|--|
| Threshold | 50% | Represents the minimum level of performance required for an STI award to be paid. Performance below this level results in a nil outcome. |
| Target | 75% | Represents the achievement of planned performance, set at a challenging level. |
| Stretch | 100% | Represents exceptional performance, set at a stretch level. |

The Group-wide KPI areas for FY2021, their weightings and link to strategy are listed below.

| Group KPI Area | Weighted opportunity (% of STI) | Rationale why chosen and link to strategy |
|--------------------|---------------------------------|---|
| Production* | 20% | Critical to the execution of Sandfire's Strategic Growth Plan is the strategic imperative to "Execute Delivery" and strong production and cost control are the key drivers for short-term financial performance. |
| Cost of production | 15% | Maximising the value of our existing DeGrussa Operations and strong financial performance will facilitate the achievement of the medium and longer term growth goals of our strategy. |
| HSEC | 15% | Health, Safety, Environment and Community (HSEC). With a focus on safety and aligned to the FY2021 Actions and Targets of our Sustainability Strategy, the HSEC KPI area supports the responsible achievement of our strategic imperatives. We believe that non-financial performance is connected to long term value creation and this is best effected when sustainability is embedded throughout our business. |

50%

*Gold production represents approximately 11% of revenue from the DeGrussa Operations. Accordingly, assessment of production results is weighted proportionately towards copper production.

The remaining 50% of the STI opportunity relates to performance against individual Executive KPIs. The individual KPIs are specific to the key tasks, functions and targets appropriate to assess the performance of the Executive in the areas they control and influence. While assessing individual performance, individual KPIs remain tied to Group strategy and objectives that drive the success of the Group.

Refer to section 4.3 for further detail of the Group and individual CEO KPIs for FY2021, including relative commentary on the performance assessment and achievements.

Directors’ Report

Remuneration report (continued)

| | |
|---|---|
| Is there a gateway? | <p>Yes. Participants will not qualify for a STI award unless all the qualification criteria are met.</p> <p>The first criteria relates to a minimum performance level of threshold for the Group KPIs. The second qualification criteria is individual performance. Unless the participant meets threshold level as per their individual performance scorecard, regardless of Group performance, no incentive will be paid. The last qualification criteria is service. Participants must be employed by Sandfire at the time the incentive is to be paid.</p> |
| Is there a deferral mechanism and why? | <p>Yes. Half of any STI award is deferred into ordinary shares in the Company (deferred STI award), with the number of shares to be allocated equal to 50% of the STI award, divided by the face value of Sandfire shares, calculated as the 5-day volume-weighted average price (VWAP) up to and including the end of the performance period (represented by 30 June 2021 for the FY2021 STI award).</p> <p>The shares vest 12 months from the grant date (deferral period), subject to the recipient's continued employment and any exercise in Board discretion to reduce outcomes as necessary.</p> <p>Deferral mechanisms allow the impact of decisions made in any one year to play out in future years and provide the Board an opportunity to reinforce accountability for those decisions through remuneration reductions if necessary.</p> |
| What happens to STI awards when an Executive ceases employment? | <p>If the Executive's employment is terminated for cause, no STI will be paid.</p> <p>If the Executive resigns before the end of the performance period, the STI may be granted on a pro-rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the Executive.</p> |
| How are dividends treated during the deferral period? | <p>No dividends will be paid to holders of deferred equity awards during the deferral period. A cash payment equivalent to dividends paid by Sandfire during the deferral period will be made to Executives for deferred equity awards that vest as an alignment tool between Executives and shareholders. No cash payment will be made in respect of dividends on deferred equity awards which do not vest.</p> |
| Are there malus or clawback provisions? | <p>Yes. 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> <p>The Board also has discretion, where appropriate, to reduce the amount of the STI otherwise payable, including deferred STI, taking into consideration the interests of the Group and its shareholders. In the event of a critical or serious safety or environmental incident, the Board will assess all available information relating to the incident and apply discretion where appropriate.</p> |

3.5 Long Term Incentive (LTI) Plan: Key questions and answers on how it works

| | |
|--|--|
| Why does the Board consider the LTI Plan is appropriate? | <p>The Board believes that the LTI Plan can:</p> <ul style="list-style-type: none">• Focus and motivate Executives to achieve outcomes that are aligned to optimising shareholder value;• Ensure that decisions and planning have regard to Sandfire's Strategic Growth Plan and the Group's long-term performance;• Be consistent with remuneration governance guidelines;• Be consistent and competitive with current practices of comparable companies; and• Create an immediate ownership mindset among the Executive participants, linking a substantial portion of the potential reward to Sandfire's share price and returns to shareholders. |
| Who is eligible? | <p>Executives and selected senior managers who are responsible for setting the strategic direction for projects and functions of the Group.</p> |
| How is the award delivered? | <p>The LTI award for FY2021 is in the form of Zero Exercise Price Options (ZEPOs) over ordinary shares in the Company for no consideration. The ZEPOs carry neither rights to dividends nor voting.</p> |
| How often are awards made and was an award made in FY2021? | <p>The FY2021 LTI allocation represents a four-year LTI opportunity to tie Executives' awards to the strategic performance cycle of the Group and create a strong retention mechanism.</p> <p>The performance period for the FY2021 LTI award is 1 July 2020 to 30 June 2024.</p> <p>The grant to the CEO was made following shareholder approval at the Company's 2020 AGM.</p> <p>It is the current intention of the Board for the LTI Plan to revert to an annual LTI grant cycle corresponding with the completion of the transformational four year performance period.</p> |

Directors’ Report

Remuneration report (continued)

| What is the quantum of the award and what allocation methodology is used? | <p>The quantum of ZEPOs granted to an Executive is determined by the Executive's TFR; the applicable multiplier (i.e. percentage of TFR); and the face value of Sandfire shares, calculated as the 30-day volume weighted average price (VWAP) up to and including 30 June 2020.</p> <p>The maximum LTI opportunity for Executives is 100% of TFR.</p> | | | | | | | | | |
|---|--|---------|---|--------------|---|------------------|--|--|---|--|
| What is the expiry date for the ZEPOs? | <p>ZEPOs will expire six years from the grant date, which for the FY2021 offer to Executives means an Expiry Date of 17 July 2026.</p> | | | | | | | | | |
| What are the performance conditions, and what is their link to Sandfire's strategy? | <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 – The performance conditions for the FY2021 LTI award are a mix of operational, growth and market financial measures that are aligned with Sandfire's Strategic Growth Plan and long term shareholder interests. Each measure carries an equal weighting (25%) of the grant and include:</p> <table><tr><th>Measure</th><th>Rationale why chosen and link to strategy</th></tr><tr><td>Ore Reserves</td><td>Replacement and growth of Ore Reserves is a crucial component of Sandfire's sustainable operating strategy as it nears the end of the currently known Ore Reserves at DeGrussa. The replacement of Ore Reserves is critical for Sandfire to maintain a sufficient Production Scale in future years. This measure directly aligns with the “Build a Sustainable Production Pipeline” and “Accelerate Discovery” strategic imperatives in Sandfire's Strategic Growth Plan.</td></tr><tr><td>Production Scale</td><td>Critical to the execution of Sandfire's strategy is to “Execute Delivery” of existing operating mines and bring new mines into production over time. Sandfire needs to maintain a sufficient Production Scale in order to meet the future capital requirements of the Strategic Growth Plan to develop new operating assets.</td></tr><tr><td>Absolute Total Shareholder Return (ATSR)</td><td rowspan="2">Market-based performance measures directly align participants' outcomes with the shareholder experience, enforce discipline when executing on the Strategic Growth Plan, and ensure decisions to deliver growth in Ore Reserves and maintenance of Production Scale (e.g. acquired assets, etc.) do not come at the expense of longer term shareholder returns. A mix of absolute and relative returns is appropriate to test the return to shareholders in a competitive operating and capital market.</td></tr><tr><td>Relative Total Shareholder Return (RTSR)</td></tr></table> | Measure | Rationale why chosen and link to strategy | Ore Reserves | Replacement and growth of Ore Reserves is a crucial component of Sandfire's sustainable operating strategy as it nears the end of the currently known Ore Reserves at DeGrussa. The replacement of Ore Reserves is critical for Sandfire to maintain a sufficient Production Scale in future years. This measure directly aligns with the “Build a Sustainable Production Pipeline” and “Accelerate Discovery” strategic imperatives in Sandfire's Strategic Growth Plan. | Production Scale | Critical to the execution of Sandfire's strategy is to “Execute Delivery” of existing operating mines and bring new mines into production over time. Sandfire needs to maintain a sufficient Production Scale in order to meet the future capital requirements of the Strategic Growth Plan to develop new operating assets. | Absolute Total Shareholder Return (ATSR) | Market-based performance measures directly align participants' outcomes with the shareholder experience, enforce discipline when executing on the Strategic Growth Plan, and ensure decisions to deliver growth in Ore Reserves and maintenance of Production Scale (e.g. acquired assets, etc.) do not come at the expense of longer term shareholder returns. A mix of absolute and relative returns is appropriate to test the return to shareholders in a competitive operating and capital market. | Relative Total Shareholder Return (RTSR) |
| Measure | Rationale why chosen and link to strategy | | | | | | | | | |
| Ore Reserves | Replacement and growth of Ore Reserves is a crucial component of Sandfire's sustainable operating strategy as it nears the end of the currently known Ore Reserves at DeGrussa. The replacement of Ore Reserves is critical for Sandfire to maintain a sufficient Production Scale in future years. This measure directly aligns with the “Build a Sustainable Production Pipeline” and “Accelerate Discovery” strategic imperatives in Sandfire's Strategic Growth Plan. | | | | | | | | | |
| Production Scale | Critical to the execution of Sandfire's strategy is to “Execute Delivery” of existing operating mines and bring new mines into production over time. Sandfire needs to maintain a sufficient Production Scale in order to meet the future capital requirements of the Strategic Growth Plan to develop new operating assets. | | | | | | | | | |
| Absolute Total Shareholder Return (ATSR) | Market-based performance measures directly align participants' outcomes with the shareholder experience, enforce discipline when executing on the Strategic Growth Plan, and ensure decisions to deliver growth in Ore Reserves and maintenance of Production Scale (e.g. acquired assets, etc.) do not come at the expense of longer term shareholder returns. A mix of absolute and relative returns is appropriate to test the return to shareholders in a competitive operating and capital market. | | | | | | | | | |
| Relative Total Shareholder Return (RTSR) | | | | | | | | | | |
| How is Ore Reserves performance measured? | <p>Delivery of Ore Reserves over the performance period. 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 | | | | | | | | | |
| What is Production Scale and how is it measured? | <p>Production Scale is the forecast annual copper equivalent metal production rate, measured in tonnes and assessed at the end of the performance period. The Production Scale measure supports the achievement of a sustainable production profile and represents the Group's future production profile detailed in the strategic planning report.</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 | | | | | | | | | |

Directors’ Report

Remuneration report (continued)

| What is ATSR and how is it measured? | <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><tr><th>ATSR of Sandfire</th><th>Percentage of ZEPOs that vest</th></tr><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></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 | | |
|--|--|---|-------------------------------|---------------------------|-----|------------------------|------------------------------------|-------------------------|------------------------------------|------------------------------|-----------|
| 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 | | | | | | | | | | |
| What is RTSR and how is it measured? | <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><tr><th>RTSR of Sandfire relative to comparator group</th><th>Percentage of ZEPOs that vest</th></tr><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></table> <p>The Company will engage an independent advisor to calculate the RTSR ranking of the Company to ensure an objective assessment.</p> | RTSR of Sandfire relative to comparator group | Percentage of ZEPOs that vest | Less than 50th percentile | Nil | At the 50th percentile | 50% vest | 50th to 75th percentile | Pro rata between 50% and 100% vest | Greater than 75th percentile | 100% vest |
| RTSR of Sandfire relative to comparator group | Percentage of ZEPOs that vest | | | | | | | | | | |
| Less than 50th percentile | Nil | | | | | | | | | | |
| At the 50th percentile | 50% vest | | | | | | | | | | |
| 50th to 75th percentile | Pro rata between 50% and 100% vest | | | | | | | | | | |
| Greater than 75th percentile | 100% vest | | | | | | | | | | |
| Why is the ASX200 Resources Index an appropriate comparator group? | <p>The Board considers the ASX200 Resources Index to be an appropriate comparator group against which Sandfire's performance can be appropriately benchmarked. Benchmarking against comparable companies within the index minimises the impact of fluctuations in commodity price to illustrate how effective management have been in creating value from the Group's assets. Constituents of the ASX200 may be subject to corporate transactions (e.g. mergers and acquisitions) during the performance period and as such may result in a change to the number of companies evaluated at the vesting date.</p> | | | | | | | | | | |
| Is there a gateway? | <p>Yes. This is based on a minimum performance level to be achieved for the Production Scale performance condition. If the minimum (threshold) Production Scale target is not met, then regardless of the performance in respect of the other tranches (Ore Reserves, ATSR and RTSR), no LTI incentive tranches will vest.</p> <p>The Board believes this overriding performance condition is crucial to ensure that Sandfire maintains a sufficient scale post current DeGrussa Operations such that the Company can fund future growth opportunities whilst minimising the need to raise additional equity capital. In addition, production scale reduces the cost of debt and brings the opportunity for access to international capital markets should the need arise.</p> | | | | | | | | | | |
| Is there a deferral mechanism and why? | <p>Yes, ZEPOs relating to the market-based performance measures (ATSR and RTSR) are subject to a service-based deferral period of 12 months from the applicable vesting date (deferral period).</p> <p>Deferral mechanisms allow the impact of decisions made in any one year to play out in future years and provide an opportunity for the Board to reinforce accountability for those decisions through remuneration reductions if necessary.</p> | | | | | | | | | | |
| How is performance assessed? | <p>The Company will engage an independent advisor to report on the market performance conditions (ATSR and RTSR).</p> <p>With regards to the non-market measures, this will be reviewed by the Board.</p> | | | | | | | | | | |
| How are dividends treated during the performance period and deferral period? | <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.</p> <p>No cash payment will be made in respect of dividends on awards which do not vest.</p> | | | | | | | | | | |

Directors’ Report

Remuneration report (continued)

| | |
|---|---|
| What happens to ZEPOs when an Executive ceases employment? | <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> |
| What happens in the event of a change of control? | <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> |
| Are there malus or clawback provisions? | <p>Yes. 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> <p>The Board also has discretion, where appropriate, to reduce the amount of the LTI otherwise payable, including deferred LTI, taking into consideration the interests of the Group and its shareholders. In the event of a critical or serious safety or environmental incident, the Board will assess all available information relating to the incident and apply discretion where appropriate.</p> |
| Why does the Board consider Board discretion to be appropriate? | <p>The Board acknowledges that formulaic incentive awards and selected performance measures are unable to provide the right remuneration result in every situation, leading to occasions where the incentive does not reflect true performance. It is at this point that discretion becomes necessary, such that the Board can adjust outcomes up or down as warranted.</p> <p>The Board has not applied upward discretion to any incentive awards in the past. This is clearly reflected in recent times with the FY2019, FY2020 and FY2021 LTI outcomes, of which 0% vested.</p> <p>The Board will continue to ensure discretion is only applied in a manner that aligns Executive rewards from incentive plans to shareholder value creation.</p> |

4. Executive remuneration outcomes in FY2021

4.1 Company performance

FY2021 Operational and financial performance

Group performance was strong for FY2021. Driven by operating excellence and cost control programs, Sandfire's DeGrussa Operations in Western Australia, continue to operate at full capacity, with mining, processing and concentrate sales in line with, or exceeding, market guidance.

| | | |
|--|---|---|
| FY2021 Copper Production above guidance 70,845t | FY2021 Gold Production at the upper end of guidance 39,459oz | FY2021 Cost performance at the lower end of guidance US\$0.82/lb |
|--|---|---|

The strong operating performance led to record financial results and increased returns to shareholders during FY2021.

| | | | |
|---|---|--|---|
| Record Sales Revenue of \$813.0 million | Record Net Profit result of \$170.1 million | Record Operating Cash Flows of \$471.1 million | Total Shareholder Return (TSR) for FY2021 of 54.7% |
|---|---|--|---|

This success has positioned the business for future growth through the progression of important production pipeline assets including release of the T3 Deposit definitive feasibility study (DFS), release of the maiden and then upgraded A4 Deposit Mineral Resource and receipt of the mining license for the Motheo Copper Mine.

Further pleasing results have also been achieved in safety performance and assurance, with the Group's TRIFR as at 30 June 2021 reducing to 4.0 from 5.8 at 30 June 2020. The talent pool of the Group has been enhanced with a number of quality senior management appointments as the Group builds its capability to execute on its international growth strategy. The health and wellbeing, and community programs, as the Group has expanded its international reach and profile.

Directors’ Report

Remuneration report (continued)

A summary of Sandfire's business performance as measured by a range of financial and other indicators, including disclosure required by the *Corporations Act 2001*, is outlined in the table below.

Table 1 – Company performance^(a)

| Measure | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 | 30 Jun 20 | 30 Jun 21 |
|--|-----------|-----------|-----------|-----------|-----------|
| Net profit (\$'000) | 75,016 | 120,753 | 104,013 | 72,286 | 170,082 |
| Net profit attributable to equity holders of the parent (\$'000) | 77,510 | 123,024 | 106,456 | 74,054 | 171,641 |
| Cash and cash equivalents at year end (\$'000) | 126,743 | 243,367 | 247,449 | 291,142 | 573,708 |
| Secured bank loan balance at year end (\$'000) | - | - | - | - | - |
| Net cash inflow from operating activities (\$'000) | 216,138 | 244,965 | 210,420 | 273,592 | 471,050 |
| Basic earnings per share (cents) | 49.16 | 77.85 | 65.23 | 42.88 | 96.29 |
| ASX share price at the end of the year (\$) | 5.65 | 9.16 | 6.69 | 5.07 | 6.83 |
| Dividends per share (cents) | 18 | 27 | 23 | 19 | 34 |

(a) The comparative information for FY2017 to FY2018 has not been restated following the adoption of AASB 15 and AASB 9 in prior years and the adoption of AASB 16 in FY2020 and continues to be reported under the previous accounting policies.

COVID-19 Business response

The global COVID-19 pandemic and its various management and operational challenges have tested the Company's business, its people and culture, and it is pleasing to note that the Company's performance during FY2021 has remained strong and resilient throughout this challenging period. The Group has dealt professionally with the direct and indirect risks, impacts and challenges that the pandemic has brought.

The Board has recognised and understands the importance of applying discretion where appropriate in these times, particularly to the outcomes of incentive awards, whilst ensuring that performance is acknowledged and Sandfire is able to retain key employees. Upon review, taking into consideration all of the factors as detailed above, the Board determined that no discretion needed to be applied to any form of remuneration for FY2021 as a result of COVID-19.

4.2 Fixed remuneration outcome

There was no change to Executive fixed remuneration during FY2021 based on the remuneration benchmarking methodology outlined in section 3.2 and section 3.3 of the Remuneration Report.

The TFR for the CEO of \$1,100,000 per annum has not changed since the 2014 financial year.

4.3 STI performance and outcomes

As discussed elsewhere in the Remuneration Report, FY2021 was the first year for Executives to deliver on the objectives of the Strategic Growth Plan, during which the Executives laid a solid foundation to transform the business. Highlighted accomplishments include the release of the T3 Deposit definitive feasibility study, receipt of the mining license for the Motheo Copper Mine and release of the maiden and then updated Mineral Resource for the A4 Deposit, whilst at the same time maintaining high production and disciplined cost control from the DeGrussa Operations.

The Group-wide KPIs for the Executives and illustrative Individual KPIs for the CEO in FY2021, with commentary on achievements, are provided in Tables 2 and 3, respectively. The STI award percentages and payments to Executives are presented in Table 4.

Directors’ Report

Remuneration report (continued)

Table 2 – Linking reward and performance (Group performance objectives and outcomes)

| KPI Area | Measure | Weighting (% of STI) | Threshold | Target | Stretch | Achievement | Outcome (% of STI) |
|--------------------|---|----------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------|
| HSEC | Group TRIFR at financial year end | 7.5% | TRIFR < 7.0 | TRIFR < 5.8 | TRIFR < 4.5 | TRIFR 4.0 at 30 June 2021 Stretch | 7.5% |
| | ESG Scorecard FY2021 Actions and Targets ^(a) | 7.5% | > 50% achievement | > 70% achievement | > 90% achievement | 72% achievement Target | 5.6% |
| Production | Tonnes of contained copper and ounces of gold produced | 20% | > 67,000t Cu > 36,000oz Au | > 68,500t Cu > 38,000oz Au | > 70,000t Cu > 40,000oz Au | 70,845t Cu 39,459oz Au Stretch | 20% |
| Cost of Production | C1 Costs measured in \$US/lb | 15% | < US\$0.95/lb | < US\$0.925/lb | < US\$0.90/lb | US\$0.82/lb Stretch | 15% |
| Total | | 50% | | | | | 48.1% |

(a) The Company's ESG Scorecard corresponds to the FY2021 Actions and Targets (Targets) disclosed in Sandfire's 2020 Annual and Sustainability Report (pages 34 to 35). The assessment is performed against 18 of the Targets and excludes measures relating to TRIFR and serious safety incidents, as these measures are already reflected in the STI. The Targets are aligned to the six priorities of our Sustainability Strategy and represent a key component of our goal to embed responsible and sustainable practices in our operations. More information relating to our ESG initiatives and achievements against the FY2021 Actions and Targets will be available in Sandfire's 2021 Annual and Sustainability Report.

As disclosed in Section 3.4 of the Remuneration Report, individual KPIs for the CEO relate directly to Sandfire's Strategic Imperatives. Table 3 includes the main KPIs and commentary on achievements for the CEO and is illustrative and at summary level.

Table 3 – Linking reward and performance (CEO's individual performance objectives and outcomes)

| Strategic Imperative | Weighting (% of STI) | KPI | Achievement | Outcome (% of STI) |
|--|----------------------|--|---|--------------------|
| SI1 Execute Delivery | 10% | Delivery of T3 Deposit definitive feasibility study (DFS) to a final investment decision. Delivery of A4 Deposit Mineral Resource. | Completion and delivery of DFS for the T3 Deposit, leading to approval for development of the Motheo Copper Mine. Completion of A4 Deposit drill out to Mineral Resource standard, leading to potential expansion of Motheo Copper Mine. | 10% |
| SI2 Build a sustainable production pipeline | 10% | Lead a business development team to deliver project opportunities consistent with Sandfire's strategic criteria and capable of board endorsement. Deliver DeGrussa Operations gold transition strategy to extend the production life of DeGrussa. | Delivered two aligned business development opportunities to the Board for investment decision. DeGrussa Operations gold transition strategy progressed during FY2021, including assessment of Old Highway. | 7.5% |
| SI3 Accelerate Discovery | 10% | Discovery of economic resources. | Systematic approach applied, balancing the capital requirement for development of the Motheo Copper Mine with exploration priorities, including the Group's exploration strategy in the Kalahari Copper-Belt. | 7.5% |
| SI4 Align and empower our people | 10% | Achieve employee engagement score > 4.5 across 10 measures = Stretch Achieve employee engagement score > 4.0 = Target Achieve employee engagement score > 3.2 (intervention point) = Threshold | Achieved employee engagement score across 10 measures of 4.1 with no areas identified below the intervention point. Led key improvements across workforce on strategy, given the changes in the business and emerging international expansion. | 8.7% |
| SI5 Optimise capital strategy and engagement | 10% | Improve on FY2020 Operating Cash Flow to drive future growth and minimise investment risk. Delivery of refined sales strategy to execute sales outside of the key historical Chinese market. | Cash flow from operations increased to \$471.1 million in FY2021 (FY2020: \$273.6 million). Dealing with various challenges faced by the business with the inability to deliver copper concentrate to key customers in China. Developed alternate strategies and managed risk. | 8.8% |
| Total | | 50% | | 42.5% |

* These business development opportunities are commercial in confidence.

Directors’ Report

Remuneration report (continued)

Table 4 – STI award for Executives in FY2021

| | Maximum potential value of award \$ | STI outcome (50% Cash) \$ | STI outcome (50% Deferred Shares) \$ | Percentage of maximum grant awarded | Percentage of maximum grant forfeited |
|--------------------|---|---------------------------------|--|---|---|
| Karl Simich | 660,000 | 299,062 | 299,063 | 90.6% | 9.4% |
| Jason Grace | 360,000 | 160,875 | 160,875 | 89.4% | 10.6% |
| Matthew Fitzgerald | 339,000 | 158,383 | 158,384 | 93.4% | 6.6% |

4.4 Testing of LTI performance rights granted in FY2019

The table below shows the performance of Sandfire against the LTI performance hurdles for the FY2019 LTI performance rights which were tested during FY2021. Vesting was based on Sandfire's RTSR against a comparator group comprising of constituents of the ASX200 Resources Index (ASX:XJR). The vesting schedule was: 50% vesting at the 51st percentile with straight line vesting up to 100% vesting at the 75th percentile.

Sandfire's TSR over the performance period was negative 16.43%. **Accordingly, the performance hurdle was not achieved resulting in nil vesting of the award as shown in Table 5.**

Volatility in global markets can result in situations where threshold performance measures are not achieved and the Board retains the ability to apply discretion to awards at all times. No such discretion has been applied to the LTI award in FY2021. **The past three years have seen 0% of LTI awards vest, with the Board electing not to apply any upward discretion. With the identified transformational stage of Sandfire, the structure of future awards from FY2021 has been amended to create stronger alignment with long-term value creation for both the Company and shareholders.**

Table 5 – Testing of LTI performance rights granted in FY2019

| Performance hurdle | Performance period | Percentile ranking | % of Rights vested | % of Rights lapsed |
|--|-----------------------------|--------------------|--------------------|--------------------|
| RTSR to constituents of ASX200 Resources Index (ASX:XJR) | 1 July 2018 to 30 June 2021 | 39 th | Nil | 100 |

Full details of the FY2019 LTI Plan are disclosed in the Company's 2020 Remuneration Report and the details of Rights held by Executives are set out in Table 13 and 14 of the 2021 Remuneration Report.

5. Executive contracts

Remuneration arrangements for Executives are formalised in employment agreements or service contracts (contract). The following table outlines the key terms of the contracts with Executives.

Table 6 – Executive key contract provisions

| Name | Term of contract | Notice period from the Company ^(a) | Notice period from the Executive | Treatment of STI and LTI on cessation |
|--------------------|--|---|----------------------------------|--|
| Karl Simich | Rolling service contract with Resource Development Company Pty Ltd | 12 months | 6 months | Refer to section 3 of the Remuneration Report for the treatment of STIs and LTIs on cessation of employment. |
| Jason Grace | Ongoing employment agreement | 6 months | 3 months | Refer to section 3 of the Remuneration Report for the treatment of STIs and LTIs on cessation of employment. |
| Matthew Fitzgerald | Ongoing employment agreement | 6 months | 6 months | Refer to section 3 of the Remuneration Report for the treatment of STIs and LTIs on cessation of employment. |

(a) The Company may make payment in lieu of notice and must pay statutory entitlements together with superannuation benefits. No notice period or payment in lieu of notice applies if termination was due to serious misconduct.

Termination payments

The Company did not make any termination payments to KMP during FY2021. All contractual termination benefits comply with the provisions of the *Corporations Act 2001*.

Directors’ Report

Remuneration report (continued)

6. Executive remuneration tables

6.1 Executive cash value of remuneration realised in FY2021

The actual remuneration earned during the year in accordance with the *Corporations Act 2001* and accounting standards is outlined in section 6.2 of the Remuneration Report. The cash value of remuneration realised by Executive KMP in FY2021 is set out below. This information is considered to be relevant as it provides shareholders with a view of the 'take home pay' received by Executive KMP in FY2021 and may differ from the remuneration disclosure in the statutory remuneration table.

Table 7 – Executive cash value of remuneration realised in FY2021

| | Salary and fees ^(a) (\$) | Benefits and allowances ^(b) (\$) | Cash STI ^(c) (\$) | LTI Plan rights ^(d) (\$) | Long service leave ^(e) (\$) | Total actual remuneration (\$) |
|--------------------|--|--|---------------------------------|--|---|-----------------------------------|
| Karl Simich | 1,100,000 | 10,000 | 299,062 | - | - | 1,409,062 |
| Jason Grace | 600,000 | - | 160,875 | - | - | 760,875 |
| Matthew Fitzgerald | 565,000 | - | 158,383 | - | 135,826 | 859,209 |

(a) Salary and fees comprise base salary and superannuation entitlements. It reflects the total of "Salary and fees" and "Superannuation" in the statutory remuneration table.

(b) Benefits and allowances include the value of motor vehicle insurance provided to Mr Simich. It reflects the same figure that is disclosed in the statutory remuneration table under "Benefits and allowances".

(c) Cash STI represents the cash component of the FY2021 STI award to Executives. It reflects the same figure that is disclosed in the statutory remuneration table under "Cash STI". As FY2021 was the first year for which there was a deferral component to the STI Plan, no value for the STI deferral was realised by the Executives in FY2021.

(d) No LTI Plan awards granted to Executives in prior years vested during the current financial year. This differs from the amount disclosed in the statutory remuneration table under "Share-based payments", which includes the fair value of LTI grants which may or may not vest in future years.

(e) Relates to the payment of accrued long-service leave benefits to the Executive. This differs to the amount disclosed in the statutory remuneration table under "Long service leave", which includes the value of the movement in the long service leave provision relating to KMP.

6.2 Statutory Executive remuneration in FY2021

Table 8 sets out Executive remuneration calculated in accordance with statutory accounting requirements.

Table 8 – Statutory Executive remuneration

| | Financial year | Short-term benefits | | | Long-term benefits | Post employment | | Share-based payments | | | | Performance related % | |
|--------------------|----------------|---------------------|-----------------------------|-------------|--------------------|--------------------|----------------|----------------------|--------------------|---------------------|----------------------|-----------------------|-------|
| | | Salary and fees | Benefits and allowances (a) | Cash STI(b) | | Long service leave | Superannuation | Deferred STI(c) | LTI Plan rights(d) | LTI Plan options(e) | Termination payments | | Total |
| | | | | | | | | | | | | | |
| Current Executives | | | | | | | | | | | | | |
| Karl Simich | 2021 | 1,100,000 | 10,000 | 299,062 | - | - | 149,532 | 270,967 | 495,139 | - | 2,324,700 | 52.25 | |
| | 2020 | 1,100,000 | 5,052 | 545,490 | - | - | - | 532,668 | - | - | 2,183,210 | 49.38 | |
| Jason Grace | 2021 | 575,000 | - | 160,875 | - | 25,000 | 80,438 | 66,006 | 510,695 | - | 1,418,014 | 57.69 | |
| | 2020 | 447,610 | - | 171,714 | - | 17,021 | - | 50,816 | - | - | 687,161 | 32.38 | |
| Matthew Fitzgerald | 2021 | 543,306 | - | 158,383 | 13,852 | 21,694 | 79,192 | 101,491 | 480,905 | - | 1,398,823 | 58.62 | |
| | 2020 | 497,319 | - | 281,043 | 30,779 | 21,003 | - | 164,318 | - | - | 994,462 | 44.78 | |
| Former Executives | | | | | | | | | | | | | |
| Richard Beazley | 2020 | 111,725 | - | - | - | - | - | - | - | - | 111,725 | - | |
| Robert Klug | 2020 | 249,598 | - | 110,279 | 25,731 | 15,752 | - | 110,488 | - | 372,461 | 884,309 | 24.96 | |
| Total | 2021 | 2,218,306 | 10,000 | 618,320 | 13,852 | 46,694 | 309,162 | 438,464 | 1,486,739 | - | 5,141,537 | 55.48 | |
| | 2020 | 2,406,252 | 5,052 | 1,108,526 | 56,510 | 53,776 | - | 858,290 | - | 372,461 | 4,860,867 | 40.46 | |

- (a) Benefits and allowances include the value of motor vehicle insurance provided to Mr Simich under the Group's motor vehicle insurance policy, approved as part of Mr Simich's remuneration. The motor vehicle insurance cover provides insurance for privately owned vehicles and Mr Simich has agreed to indemnify the Company for any loss, including premium adjustments and deductibles that may be incurred in connection with providing the insurance.
- (b) Relates to the cash component of the FY2021 STI award based on achievement of KPIs in accordance with the STI Plan.
- (c) Relates to the deferred equity component of the FY2021 STI award based on achievement of KPIs in accordance with the STI Plan. The values disclosed represent the portion of the award expensed in FY2021 based on period of service measured over the performance period.
- (d) The fair value of Rights is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive.
- (e) The fair value of Options is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive.

Remuneration report (continued)

7. Non-Executive Director remuneration

7.1 NED remuneration policy and fee structure

Sandfire's NED remuneration policy is designed to attract and retain suitably skilled Directors who can discharge the roles and responsibilities required in terms of good governance, oversight, independence and objectivity. The Board seeks to attract Directors with different skills, experience, expertise and diversity.

Under the Company's Constitution and the ASX Listing Rules, the total annual fee pool for NEDs is determined by shareholders. The current maximum aggregate NED fee pool of \$1,000,000 per annum was approved by shareholders at the 2019 AGM. Within this aggregate amount, NED fees are reviewed annually by the People and Performance Committee and set by the Board.

The Committee reviews NED fees against comparable companies within the broader general industry and taking into account recommendations from independent remuneration advisors. Sandfire has set the benchmark for NED fees at the 75th percentile of the defined market.

The Committee reviewed NED fees during the year and found that base NED fees and committee fees were lower than the benchmark. As a result, the Committee increased the base NED fees and committee chair fees from FY2021.

The table below summarises the annual Board and committee fees payable to NEDs (inclusive of superannuation).

Table 9 – NED fee structure

| | Role | FY2021 | FY2020 | | Role | FY2021 | FY2020 |
|------------|--------|-----------|-----------|----------------|--------|----------|----------|
| | | | | | | | |
| Board fees | Chair | \$220,000 | \$220,000 | Committee fees | Chair | \$26,000 | \$20,000 |
| | Member | \$136,000 | \$110,000 | | Member | Nil | Nil |

The payment of Chair committee fees recognises the additional time commitment required by NEDs who serve in those positions. The Chairman of the Board does not receive additional fees for being a member of any Board committee. NEDs do not receive retirement or termination benefits and do not participate in any incentive plans.

7.2 Total fees paid to NEDs

Table 10 – Statutory NED remuneration

| | Financial year | Short-term benefits | | Post-employment | Total \$ |
|--------------------------------|----------------|---------------------|-----------------------|-------------------|----------|
| | | Salary and fees \$ | Other \$ | Superannuation \$ | |
| Current Directors | | | | | |
| Derek La Ferla | 2021 | 200,913 | - | 19,087 | 220,000 |
| | 2020 | 200,913 | - | 19,087 | 220,000 |
| Paul Hallam | 2021 | 134,988 | - | 12,824 | 147,812 |
| | 2020 | 118,721 | - | 11,279 | 130,000 |
| Roric Smith | 2021 | 147,945 | ^(a) 36,000 | 14,055 | 198,000 |
| | 2020 | 100,457 | 14,000 | 9,543 | 124,000 |
| Sally Langer ^(b) | 2021 | 137,158 | - | 13,030 | 150,188 |
| John Richards ^(c) | 2021 | 73,973 | - | 7,027 | 81,000 |
| Jennifer Morris ^(d) | 2021 | 62,100 | - | 5,900 | 68,000 |
| Previous Directors | | | | | |
| Robert Scott ^(e) | 2021 | 73,973 | - | 7,027 | 81,000 |
| | 2020 | 124,361 | - | 5,639 | 130,000 |
| Maree Arnason ^(f) | 2020 | 118,721 | - | 11,279 | 130,000 |
| Total | 2021 | 831,050 | 36,000 | 78,950 | 946,000 |
| | 2020 | 663,173 | 14,000 | 56,827 | 734,000 |

- (a) Represents fees paid to a related entity for work beyond services as a NED.
- (b) Ms Langer was appointed as Independent NED on 1 July 2020.
- (c) Mr Richards was appointed as Independent NED on 1 January 2021.
- (d) Ms Morris was appointed as Independent NED on 1 January 2021.
- (e) Mr Scott resigned as Independent NED on 31 December 2021.
- (f) Ms Arnason resigned as Independent Non-Executive Director on 30 June 2020.

Directors’ Report

Remuneration report (continued)

8. Equity instrument reporting

8.1 Options holdings of Executives

The table below discloses the movements in Options held by Executives issued under the LTI Plan (refer section 3).

Table 11 – Options Holdings - LTI Plan

| | Balance at 1 Jul 20 | ^(a) Granted as remuneration | Vested | Lapsed | Balance at 30 Jun 21 | Unvested | Value of unvested Options ^(b) |
|--------------------|------------------------|---|--------|--------|-------------------------|----------|--|
| Karl Simich | - | 927,703 | - | - | 927,703 | 927,703 | \$3,286,391 |
| Jason Grace | - | 506,020 | - | - | 506,020 | 506,020 | \$2,306,186 |
| Matthew Fitzgerald | - | 476,502 | - | - | 476,502 | 476,502 | \$2,171,660 |

- (a) Options were granted to Mr Simich on the approval of shareholders received at the Company's 2020 AGM.
- (b) This is based on the fair value, at grant date, of Options that have yet to vest. The fair value of Options is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive. Refer to Note 27 to the Financial Statements for details relating to the valuation of Options.

The Options 'on foot' are disclosed in the table below. Should the Options not vest, the award will expire.

Table 12 – Details of Options ‘on foot’ – LTI Plan

| | Grant date | Number of Options | Fair value ^(a) | Performance and service period ^(b) | Vesting Outcome |
|--------------------|-------------|----------------------|------------------------------|--|------------------|
| Karl Simich | 27 Nov 2020 | 927,703 | \$3.54 | 1 Jul 2020 to 30 Jun 2024 | To be determined |
| Jason Grace | 17 Jul 2020 | 506,020 | \$4.56 | 1 Jul 2020 to 30 Jun 2024 | To be determined |
| Matthew Fitzgerald | 17 Jul 2020 | 476,502 | \$4.56 | 1 Jul 2020 to 30 Jun 2024 | To be determined |

- (a) The fair value of Options is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive. The fair value disclosed is the weighted average exercise price at grant date.
- (b) Options relating to the market-based performance measures (ATSR and RTSR) are subject to a service-based deferral period of 12 months from the end of the performance period. Refer to section 3 of the Remuneration Report for details.

8.2 Rights holdings of Executives

The table below discloses the movements in Rights held by Executives issued under the LTI Plan (refer section 3).

Table 13 – Rights Holdings - LTI Plan

| | Balance at 1 Jul 20 | Granted as remuneration | Vested | Lapsed ^(a) | Balance at 30 Jun 21 | Unvested | Value of unvested Options ^(b) |
|--------------------|------------------------|----------------------------|--------|-----------------------|-------------------------|----------|--|
| Karl Simich | 477,714 | - | - | (196,198) | 281,516 | 281,516 | \$721,210 |
| Jason Grace | 53,957 | - | - | - | 53,957 | 53,957 | \$198,562 |
| Matthew Fitzgerald | 119,970 | - | - | (48,278) | 71,692 | 71,692 | \$313,599 |

- (a) This relates to the LTI Plan award made to Executives with a performance period 1 July 2017 to 30 June 2020. Sandfire achieved a TSR of negative 6.78%, placing it 20th out of 31 companies in the comparator group, resulting in 0% of the award vesting.
- (b) This is based on the fair value, at grant date, of Rights that have yet to vest. The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive.

Directors’ Report

Remuneration report (continued)

The Rights 'on foot' are disclosed in the table below. Should the Rights not vest, the award will expire.

Table 14 – Details of Rights ‘on foot’ – LTI Plan

| | Grant date | Number of Rights | Fair value of Right ^(a) | Performance and service period ^(b) | Vesting Outcome |
|--------------------|-------------|---------------------|---------------------------------------|--|--------------------------|
| Karl Simich | 27 Nov 2019 | 164,866 | \$2.45 | 1 Jul 2019 to 30 Jun 2022 | To be determined |
| | 29 Nov 2018 | 116,650 | \$2.72 | 1 Jul 2018 to 30 Jun 2021 | ^(b) 0% vested |
| Jason Grace | 28 Jun 2019 | 53,957 | \$3.68 | 1 Jul 2019 to 30 Jun 2022 | To be determined |
| Matthew Fitzgerald | 28 Jun 2019 | 42,414 | \$3.68 | 1 Jul 2019 to 30 Jun 2022 | To be determined |
| | 29 Jun 2018 | 29,278 | \$5.38 | 1 Jul 2018 to 30 Jun 2021 | ^(b) 0% vested |

- (a) The fair value of Rights is calculated at the date of grant using the Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The fair value is not related to or indicative of the benefit (if any) that the individual Executive may in fact receive.
- (b) For the LTI Plan award made to Executives with a performance period 1 July 2018 to 30 June 2021, Sandfire achieved a TSR of negative 16.43%, placing it 21st out of 34 companies in the comparator group, resulting in 0% of the award vesting subsequent to year end. Refer to section 4.4 of the Remuneration Report for details.

8.3 Shareholdings of KMP

The following table discloses the movements in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties.

Table 15 – Shareholdings of KMP

| | Balance at 1 Jul 20 or date becoming a KMP | Purchases | Received on the vesting of Rights / Options | Net other movements | Balance at 30 Jun 21 or date ceasing to be a KMP |
|--------------------------------|---|-----------|--|------------------------|---|
| Non-Executive Directors | | | | | |
| Derek La Ferla | 21,668 | - | - | - | 21,668 |
| Paul Hallam | 10,000 | - | - | - | 10,000 |
| Sally Langer | - | 3,580 | - | - | 3,580 |
| John Richards | 20,000 | - | - | - | 20,000 |
| Jennifer Morris | - | 1,754 | - | - | 1,754 |
| Robert Scott ^(a) | 5,000 | - | - | - | 5,000 |
| Executives | | | | | |
| Karl Simich | 4,900,051 | - | - | - | 4,900,051 |

- (a) Mr Scott ceased to be a KMP on 31 December 2020.

Directors’ Report

Remuneration report (continued)

9. Other transactions and balances with KMP and their related parties

Certain KMP or their related parties hold positions in other entities that result in them having control or significant influence of those entities. The transactions with related parties are made on terms no worse than those that prevail in arm’s length transactions. There have been no guarantees provided or received for any related party receivables or payables. The Board reviews and approves all transactions with related parties. Board members who are a party to the transaction are excluded from the review and approval process.

Table 15 – Other transactions with KMP and their related entities

| KMP and their Director related entity | Transaction | Note | Transaction value 30 Jun 2021 \$ | Balance outstanding 30 Jun 2021 \$ |
|--|--|------|--|--|
| Karl Simich <i>Tongaat Pty Ltd</i> | Lease of corporate office parking premises | (a) | 9,600 | - |
| Karl Simich <i>Resource Development Company Pty Ltd</i> | Lease of corporate office parking premises | (a) | 9,300 | - |
| Karl Simich <i>Resource Development Company Pty Ltd</i> | Corporate administrative, clerical and accounting services | (b) | 741,682 | 131,236 |
| | | | 760,582 | 131,236 |

- (a) The Company leases parking bays located in West Perth from Tongaat Pty Ltd and Resource Development Company Pty Ltd. The parking bays are provided for the benefit of Sandfire staff and are leased on independently assessed market rates.
- (b) The Company’s related party transactions with Resource Development Company Pty Ltd (RDC) relate to the provision of staff to Sandfire for corporate administrative, clerical and accounting services. The RDC staff are not contracted on a full-time basis by the Company and are considered essential by Sandfire as they have serviced the Company for a number of years. The provision of services to Sandfire are carried out at cost, with no profit margin applicable. The director of these private companies, as such, does not profit from any arrangement with the Company.

Signed in accordance with a resolution of the Directors.



Derek La Ferla
Non-Executive Chairman



Karl Simich
Managing Director and Chief Executive Officer

West Perth, 30 August 2021

Consolidated Income Statement

For the year ended 30 June 2021

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|----------------|---------------|
| Revenue | 4 | 812,957 | 656,753 |
| Other gains / (losses) | | (1,585) | 338 |
| Changes in inventories of finished goods and work in progress | | 2,505 | 8,641 |
| Mine operations costs | | (137,373) | (142,602) |
| Employee benefit expenses | 5 | (60,800) | (48,146) |
| Freight expenses | | (50,452) | (45,397) |
| Royalties expenses | | (42,240) | (32,959) |
| Exploration and evaluation expenses | | (64,808) | (49,566) |
| Administrative expenses | | (8,378) | (8,231) |
| Impairment expenses | 20 | - | (23,575) |
| Depreciation and amortisation expenses | 19 | (179,833) | (201,435) |
| Profit before net finance expense and income tax expense | | 269,993 | 113,821 |
| Finance income | 6 | 1,648 | 2,905 |
| Finance expense | 6 | (10,651) | (5,583) |
| Net finance (expense) / income | | (9,003) | (2,678) |
| Profit before income tax expense | | 260,990 | 111,143 |
| Income tax expense | 7 | (90,908) | (38,857) |
| Net profit for the year | | 170,082 | 72,286 |
| Attributable to: | | | |
| Equity holders of the parent | | 171,641 | 74,054 |
| Non-controlling interests | | (1,559) | (1,768) |
| | | 170,082 | 72,286 |
| Earnings per share (EPS): | | | |
| Basic EPS attributable to ordinary equity holders (cents) | 8 | 96.29 | 42.88 |
| Diluted EPS attributable to ordinary equity holders (cents) | 8 | 96.29 | 42.88 |

The consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

For the year ended 30 June 2021

| | 2021 \$000 | 2020 \$000 |
|--|----------------|---------------|
| Net profit for the year | 170,082 | 72,286 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations, net of tax | 287 | (13,383) |
| <i>Items not to be reclassified to profit or loss in subsequent periods:</i> | | |
| Changes in fair value of equity investments carried at fair value through other comprehensive income, net of tax | 23,848 | 2,842 |
| Other comprehensive income for the year, net of tax | 24,135 | (10,541) |
| Total comprehensive income for the year, net of tax | 194,217 | 61,745 |
| Attributable to: | | |
| Equity holders of the parent | 195,877 | 63,470 |
| Non-controlling interests | (1,660) | (1,725) |
| | 194,217 | 61,745 |

The consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2021

| | Note | 2021 \$000 | 2020 \$000 |
|--|------|------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | 9 | 573,708 | 291,142 |
| Trade and other receivables | 16 | 26,210 | 26,628 |
| Inventories | 17 | 53,866 | 53,695 |
| Income tax receivable | 7 | - | 16,347 |
| Other current assets | | 2,136 | 5,314 |
| Total current assets | | 655,920 | 393,126 |
| Financial investments | 14 | 86,683 | 42,014 |
| Receivables | | 892 | 251 |
| Exploration and evaluation assets | 18 | 66,481 | 170,504 |
| Property, plant and equipment | 19 | 347,961 | 288,118 |
| Total non-current assets | | 502,017 | 500,887 |
| TOTAL ASSETS | | 1,157,937 | 894,013 |
| LIABILITIES | | | |
| Trade and other payables | 10 | 72,629 | 55,011 |
| Deferred revenue | 4 | 32,522 | - |
| Lease liabilities | 12 | 10,952 | 10,047 |
| Income tax payable | 7 | 63,004 | - |
| Provisions | 28 | 8,040 | 7,151 |
| Total current liabilities | | 187,147 | 72,209 |
| Trade and other payables | 10 | 994 | 1,563 |
| Lease liabilities | 12 | 1,798 | 2,443 |
| Provisions | 28 | 47,874 | 39,447 |
| Deferred tax liabilities | 7 | 9,548 | 28,131 |
| Total non-current liabilities | | 60,214 | 71,584 |
| TOTAL LIABILITIES | | 247,361 | 143,793 |
| NET ASSETS | | 910,576 | 750,220 |
| EQUITY | | | |
| Issued capital | 11 | 363,064 | 363,064 |
| Reserves | 11 | 16,886 | (8,641) |
| Retained profits | | 527,022 | 394,596 |
| Equity attributable to equity holders of the parent | | 906,972 | 749,019 |
| Non-Controlling interest | | 3,604 | 1,201 |
| TOTAL EQUITY | | 910,576 | 750,220 |

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

| | Note | Issued capital \$000 | Foreign currency translation reserve \$000 | Retained profits \$000 | Other reserves* \$000 | Total \$000 | Non-controlling Interest \$000 | Total equity \$000 |
|---|------|-------------------------|---|---------------------------|--------------------------|----------------|-----------------------------------|-----------------------|
| At 1 July 2020 | | 363,064 | (12,839) | 394,596 | 4,198 | 749,019 | 1,201 | 750,220 |
| Profit for the year | | - | - | 171,641 | - | 171,641 | (1,559) | 170,082 |
| Other comprehensive income | | - | 388 | - | 23,848 | 24,236 | (101) | 24,135 |
| Total comprehensive income for the period | | - | 388 | 171,641 | 23,848 | 195,877 | (1,660) | 194,217 |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Issue of shares, net of transaction costs and tax | | - | - | - | - | - | - | - |
| Share based payments | | - | - | - | 3,570 | 3,570 | - | 3,570 |
| Dividends | 15 | - | - | (39,215) | - | (39,215) | - | (39,215) |
| Share issue in controlled entity | | - | - | - | (2,279) | (2,279) | 4,063 | 1,784 |
| At 30 June 2021 | | 363,064 | (12,451) | 527,022 | 29,337 | 906,972 | 3,604 | 910,576 |

* Other reserves consists of share-based payments reserve; fair value reserve and equity reserve.

| | Note | Issued capital \$000 | Foreign currency translation reserve \$000 | Retained profits \$000 | Other reserves* \$000 | Total \$000 | Non-controlling Interest \$000 | Total equity \$000 |
|---|------|-------------------------|---|---------------------------|--------------------------|----------------|-----------------------------------|-----------------------|
| At 1 July 2019 | | 242,535 | 587 | 357,928 | 244 | 601,294 | 2,883 | 604,177 |
| Profit for the year | | - | - | 74,054 | - | 74,054 | (1,768) | 72,286 |
| Other comprehensive income | | - | (13,426) | - | 2,842 | (10,584) | 43 | (10,541) |
| Total comprehensive income for the period | | - | (13,426) | 74,054 | 2,842 | 63,470 | (1,725) | 61,745 |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Issue of shares, net of transaction costs and tax | | 120,529 | - | - | - | 120,529 | - | 120,529 |
| Share based payments | | - | - | - | 1,175 | 1,175 | 6 | 1,181 |
| Dividends | 15 | - | - | (37,386) | - | (37,386) | - | (37,386) |
| Rights issue in controlled entity | | - | - | - | (63) | (63) | 37 | (26) |
| At 30 June 2020 | | 363,064 | (12,839) | 394,596 | 4,198 | 749,019 | 1,201 | 750,220 |

* Other reserves consists of share-based payments reserve; fair value reserve and capital reserve.

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

| | Note | 2021 \$000 | 2020 \$000 |
|---|----------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 851,273 | 644,360 |
| Cash paid to suppliers and employees | | (270,516) | (256,127) |
| Income tax paid | | (40,361) | (60,691) |
| Payments for exploration and evaluation | | (71,379) | (57,417) |
| Interest received | | 2,033 | 3,467 |
| Net cash inflow from operating activities | 9 | 471,050 | 273,592 |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation assets | | (8,398) | (7,720) |
| Proceeds from sale of property, plant and equipment | | 29 | 157 |
| Payments for plant and equipment, including assets under construction | | (12,037) | (8,451) |
| Payments for mine properties | | (100,794) | (98,023) |
| Payments for investments | | (17,809) | (24,275) |
| Proceeds from sale of investments | | 5,379 | 4,133 |
| Net cash paid to acquire MOD Resources Ltd | | - | (44,603) |
| Security deposits and bonds | | (120) | (9) |
| Net cash outflow from investing activities | | (133,750) | (178,791) |
| Cash flows from financing activities | | | |
| Net Proceeds from share issue in controlled entity | | 1,846 | - |
| Proceeds from exercise of options | | - | 381 |
| Repayment of lease liabilities principal | | (13,585) | (13,765) |
| Interest and financing costs | | (635) | (985) |
| Other | | - | 588 |
| Cash dividends paid to equity holders | | (39,215) | (37,386) |
| Net cash outflow from financing activities | | (51,589) | (51,167) |
| Net increase in cash and cash equivalents | | 285,711 | 43,634 |
| Net foreign exchange differences | | (3,145) | 59 |
| Cash and cash equivalents at the beginning of the period | | 291,142 | 247,449 |
| Cash and cash equivalents at the end of the period | 9 | 573,708 | 291,142 |

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Index – notes to the Consolidated Financial Statements

| Corporate information and basis of preparation | | Page |
|--|---|------|
| 1. | Corporate information | 125 |
| 2. | Basis of preparation | 125 |
| Segment information | | |
| 3. | Segment information | 128 |
| Results for the year | | |
| 4. | Revenue | 130 |
| 5. | Expenses | 131 |
| 6. | Finance income and finance expense | 132 |
| 7. | Income tax | 132 |
| 8. | Earnings per share (EPS) | 135 |
| Capital and debt structure | | |
| 9. | Cash and cash equivalents | 136 |
| 10. | Trade and other payables | 137 |
| 11. | Issued capital and reserves | 137 |
| 12. | Lease liabilities | 138 |
| 13. | Financial risk management objectives and policies | 139 |
| 14. | Fair value measurement | 141 |
| 15. | Dividends paid and proposed | 142 |
| Invested capital | | |
| 16. | Trade and other receivables | 143 |
| 17. | Inventories | 143 |
| 18. | Exploration and evaluation assets | 144 |
| 19. | Property, plant and equipment | 145 |
| 20. | Impairment of non-financial assets | 147 |
| 21. | Commitments | 148 |
| Group structure and related party information | | |
| 22. | Information relating to Sandfire Resources Limited (the Parent) | 149 |
| 23. | Information relating to subsidiaries | 149 |
| 24. | Acquisition of MOD Resources Limited | 149 |
| 25. | Deed of Cross Guarantee | 150 |
| 26. | Related party disclosures | 152 |
| Other notes | | |
| 27. | Share-based payments | 153 |
| 28. | Provisions | 156 |
| 29. | Significant events after the reporting date | 157 |
| 30. | Accounting standards and interpretations issued but not yet effective | 157 |
| 31. | Auditor remuneration | 157 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Corporate information and basis of preparation

1 Corporate information

Sandfire Resources Limited is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The consolidated financial statements of Sandfire Resources Limited incorporate Sandfire Resources Limited (the Parent) as well as its subsidiaries (collectively, the Group) as outlined in Note 23. The financial statements of the Group for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 30 August 2021.

The nature of the Group's operations and principal activities are described in the Directors' report. Information on the Group's structure is provided in Note 23. Information on other related party relationships of the Group is provided in Note 26.

2 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with IFRS as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for trade receivables, cash-settled share-based payments and equity investments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2020. The adoption of these standards and amendments did not result in a material adjustment to the amounts or disclosures in the current or prior year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Key estimates and judgements

The preparation of the Group's consolidated financial statement requires management to make judgments in the process of applying the Group's accounting policies and estimates that effect the reported amounts of revenue, expenses, assets and liabilities. Judgements and estimates which are material to the financial report are found in the following notes.

| Note | | Key estimate or judgement |
|---------|------------------------------------|---|
| Note 4 | Revenue | • Price adjustment for estimate of concentrate specifications. |
| | | • Fair value of receivables is based on the closing forward LME metal price |
| Note 7 | Income tax | • The recognition of deferred tax asset depends on the probability of future taxable profits. |
| Note 14 | Fair value measurement | • Where the fair value of an instrument is not determinable with reference to active market prices, an alternative valuation technique is used to estimate the fair value of the instrument. |
| Note 18 | Exploration and evaluation assets | • The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely from either future exploitation or sale. |
| | | • An exploration and evaluation asset shall be reclassified to mine properties when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and a decision has been made to develop and extract the resource. |
| Note 20 | Impairment of non-financial assets | • The recoverable amount of Mine Properties is dependent on the Group's estimate of ore reserves that can be commercially extracted. |
| Note 28 | Provisions | • Rehabilitation, restoration and dismantling provisions are reassessed at the end of each reporting period. The estimated costs include judgement regarding the Group's expectation of the level of rehabilitation activities that will be undertaken, technological changes, regulatory obligations, cost inflation and discount rates. |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)

(b) Basis of consolidation and business combinations

The consolidated financial statements comprise of the financial statements of Sandfire Resources Limited and its subsidiaries it controls (as outlined in Note 23).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The income statement and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *AASB 9 Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

(c) Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The functional currency of Sandfire Resources Limited is Australian dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

2 Basis of preparation (continued)

(c) Foreign currencies (continued)

Group companies

On consolidation, the assets and liabilities of any foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions or the average exchange rates over the reporting period. The exchange differences arising on translation for consolidation purposes are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(d) Goods and services taxes (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(e) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant in understanding the financial statements are provided throughout the notes to the financial statements.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Segment Information

This section contains information which will help users understand how the Group's operating segments are organised, with each segment representing a strategic business.

3 Segment information

An operating segment is a component of the Group that engage in business activities from which it may earn revenue and incur expenditure and about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Makers (CODM) in deciding how to allocate resources and in assessing performance.

The operating segments reported including comparatives have been updated in the current financial year in accordance with current segment information provided to the CODM, being the executive management team and the Board of Directors.

| Segment name | Description |
|-----------------------|--|
| DeGrussa Operation | This segment consists of both the DeGrussa and Monty Copper-Gold Mines located in the Bryah Basin mineral province of Western Australia. The mines generate revenue from the sale and shipment of copper-gold concentrate to customers in Asia and Europe. |
| Motheo Project | This segment consists of the Group's exploration, evaluation and development activities in Botswana and Namibia within the Kalahari Copper Belt. This includes the advanced T3 Copper-Silver Project. |
| Black Butte Project | This segment consists of the evaluation activities for the Black Butte Copper Project located in central Montana in the United States of America, held through the Group's 87% interest in Sandfire Resources America Inc. (TSX-V: SFR). |
| Exploration and Other | This segment includes the Group's exploration and evaluation activity including both regional and Doolgunna based exploration activities and the Group's corporate expenses that are unable to be directly attributed to an operating segment. |

Segment information that is evaluated by the executive management team and is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

Segment results

| Income statement for the year ended 30 June 2021 | DeGrussa Operation \$000 | Motheo Project \$000 | Black Butte Project \$000 | Exploration and Other \$'000 | Group \$000 |
|--|--------------------------|----------------------|---------------------------|------------------------------|-------------|
| Revenue | 812,957 | - | - | - | 812,957 |
| Other gains / (losses) | - | - | - | (1,585) | (1,585) |
| Changes in inventories | 2,505 | - | - | - | 2,505 |
| Mine operations costs | (137,373) | - | - | - | (137,373) |
| Employee benefit expenses | (35,613) | (2,524) | (491) | (22,172) | (60,800) |
| Freight expenses | (50,452) | - | - | - | (50,452) |
| Royalties expense | (42,240) | - | - | - | (42,240) |
| Exploration and evaluation expenses | - | (14,582) | (8,803) | (41,423) | (64,808) |
| Administrative expenses | - | (804) | (1,518) | (6,056) | (8,378) |
| EBITDA | 549,784 | (17,910) | (10,812) | (71,236) | 449,826 |
| Depreciation and amortisation expenses | (172,342) | (529) | (315) | (6,647) | (179,833) |
| Segment result (EBIT) | 377,442 | (18,439) | (11,127) | (77,883) | 269,993 |
| Finance income | | | | | 1,648 |
| Finance expense | | | | | (10,651) |
| Profit before income tax | | | | | 260,990 |
| Income tax expense | | | | | (90,908) |
| Net profit for the year | | | | | 170,082 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

3 Segment information (continued)

| Income statement for the year ended 30 June 2020 | DeGrussa Operation \$000 | Motheo Project \$000 | Black Butte Project \$000 | Exploration and Other \$'000 | Group \$000 |
|--|--------------------------|----------------------|---------------------------|------------------------------|-------------|
| Revenue | 656,753 | - | - | - | 656,753 |
| Other gains / (losses) | - | - | 588 | (250) | 338 |
| Changes in inventories | 8,641 | - | - | - | 8,641 |
| Mine operations costs | (142,602) | - | - | - | (142,602) |
| Employee benefit expenses | (30,054) | (826) | (548) | (16,718) | (48,146) |
| Freight expenses | (45,397) | - | - | - | (45,397) |
| Royalties expense | (32,959) | - | - | - | (32,959) |
| Exploration and evaluation expenses | - | (3,550) | (13,857) | (32,159) | (49,566) |
| Administrative expenses | - | (876) | (1,835) | (5,520) | (8,231) |
| Impairment expense | - | - | - | (23,575) | (23,575) |
| EBITDA | 414,382 | (5,252) | (15,652) | (78,222) | 315,256 |
| Depreciation and amortisation expenses | (197,865) | (50) | (268) | (3,252) | (201,435) |
| Segment result (EBIT) | 216,517 | (5,302) | (15,920) | (81,474) | 113,821 |
| Finance income | | | | | 2,905 |
| Finance expense | | | | | (5,583) |
| Profit before income tax | | | | | 111,143 |
| Income tax expense | | | | | (38,857) |
| Net profit for the year | | | | | 72,286 |

Adjustments and eliminations

Finance income, finance costs and taxes are not allocated to individual segments as they are managed on a Group basis.

Revenue

Revenue includes the gross revenue adjusted for both the realised and unrealised price adjustments during the quotational period as well as treatment and refining charges charged by the customer.

Segment assets and liabilities

The Group does not separately report assets or liabilities for its operating segments to the CODM.

Geographical information on non-current assets

| | Australia \$000 | Botswana and Namibia \$000 | United States of America \$000 | Group \$000 |
|-----------------------------------|-----------------|----------------------------|--------------------------------|-------------|
| 30 June 2021 | | | | |
| Exploration and evaluation assets | 4,050 | 47,564 | 14,867 | 66,481 |
| Property, plant and equipment | 169,985 | 167,617 | 10,359 | 347,961 |
| Total Non-Current Assets | 174,035 | 215,181 | 25,226 | 414,442 |

| | Australia \$000 | Botswana and Namibia \$000 | United States of America \$000 | Group \$000 |
|-----------------------------------|-----------------|----------------------------|--------------------------------|-------------|
| 30 June 2020 | | | | |
| Exploration and evaluation assets | 5,331 | 150,678 | 14,495 | 170,504 |
| Property, plant and equipment | 283,849 | 1,754 | 2,515 | 288,118 |
| Total Non-Current Assets | 289,180 | 152,432 | 17,010 | 458,622 |

Geographical information on sales and customers

The Group's revenue (refer to Note 4 for details) arise from sales to customers in Asia and Europe. In 2021, the majority of the product was sent to China for processing (32%) and the remainder to the Philippines (21%), Japan (18%), Korea (11%) and Europe (18%). During 2020, the majority of the product was sent to China for processing (93%) and the remainder to the Philippines (3.5%) and Japan (3.5%). The geographical information is based on the location of the customer's operations.

Five customers (2020: Three customers) individually accounted for more than ten percent of total revenue during the year. Sales revenue from these major customers ranged from 10% to 31% of total revenue, in combination contributing approximately 90% of total revenue (2020: 83%).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Results for the year

This section focuses on the results and performance of the Group. It includes information on profitability and the resultant return to shareholders via earnings per share.

4 Revenue

| | 2021 \$000 | 2020 \$000 |
|--|---------------|---------------|
| Revenue from contracts with customers | | |
| Revenue from sale of concentrate | 750,910 | 633,229 |
| Revenue from shipping services | 17,298 | 12,231 |
| Total revenue from contracts with customers | 768,208 | 645,460 |
| Realised and unrealised fair value movements on receivables subject to QP adjustment | 44,749 | 11,293 |
| Total Revenue | 812,957 | 656,753 |

Deferred revenue

Deferred revenue at 30 June 2021 of \$32.5 million (2020: nil) relates to consideration received for a shipment which departed in early July 2021. Revenue from this sale has not been recognised in the 30 June 2021 Financial Statements.

Recognition and measurement

The Group's principal revenue is from the sale of metal concentrate. The Group also earns revenue from the provision of shipping services in relation to the concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer and at the amount that reflects the consideration to which the Group expects to receive in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Concentrate sales

Each shipment of metal concentrate under a master services agreement is determined to be a contract with a customer. Revenue from metal concentrate sales is recognised when control of the concentrate passes to the customer, which is generally determined when title passes together with significant risks and rewards of ownership, which for CIF shipments of concentrate represents the bill of lading date.

The Group's sales of metal concentrate allow for price adjustments based on the market price of contained metal at the end of the relevant quotational period (QP) stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price therefore occur based on movements in market prices of the contained metal up until the end of the QP. The period between provisional invoicing and the end of the QP is generally between one to three months.

Revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of QP, being the forward price at the date the revenue is recognised net of the customer's treatment and refining charges. For provisional pricing arrangements, any future changes that occur over the QP are embedded within the trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables are measured at fair value through profit or loss. Subsequent changes in the fair value of provisionally priced trade receivable in the line item realised and unrealised fair value movements on receivables subject to QP adjustment, presented separately from revenue from contracts with customers. Changes in fair value over the term of the provisionally priced trade receivable are estimated by reference to updated forward market prices for the contained metal as well as taking into account relevant other fair value considerations including interest rate and credit risk adjustments.

Shipping services

Most of the Group's concentrate sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight/shipping services after the date that the Group transfers control of the metal concentrate to its customers. The Group, therefore, has a separate performance obligation for freight/shipping services which are provided solely to facilitate the sale of the concentrate it produces.

For CIF arrangements, the transaction price (as determined above) is allocated to the metal concentrate and freight/shipping services using the relative stand-alone selling price method. Shipping services revenue is generally recognised over the period of time in which the shipping services are being provided.

Deferred revenue

Deferred revenue is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Deferred revenue is recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

4 Revenue (continued)

Key estimates and judgements – Revenue

Under the sales contracts, adjustments are made to the transaction price for variations in assay and weight between the time of dispatch of the metal concentrate and time of final settlement. The Group estimates the amount of consideration receivable using the expected value approach based on internal assays. Management consider that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur due to a variation in assay and weight.

The transaction price for metal concentrate is based on the prevailing forward metal price on the London Metals Exchange (LME) at the time of shipment to the customer. The customer makes a provisional payment to the Group against a provisional invoice for the contained copper and precious metal credits (for gold and silver) in the shipment. Final settlement of the sales transaction is based on the average LME metal price over a subsequent pricing period as specified by the terms of the sales contract.

The period commencing on the date of shipment to the end of the pricing period is known as the Quotational Period (QP). The QP historically reflects the average time to elapse (generally one to three months) between the date of shipment and the date of processing by the smelter at final destination. This pricing methodology is standard within the industry and represents an embedded derivative under *AASB 9 Financial Instruments*. Accordingly subsequent changes in fair value of the receivable is recognised within realised and unrealised price adjustments in the income statement in each period until final settlement. A key input into the fair value determination of the receivable at the balance date is the closing forward LME metal price on the final day of the month. The revaluation of the receivable is performed up until the final invoice is received. For the year ended 30 June 2021 a favourable \$44,749,000 (2020: favourable \$11,293,000) mark-to-market adjustment to profit or loss was recognised.

5 Expenses

Profit before income tax includes the following expenses:

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|---------------|---------------|
| Employee benefits expense | | | |
| Wages and salaries | | 53,446 | 45,948 |
| Defined contribution superannuation expense | | 3,789 | 3,379 |
| Employee share-based payments | 27 | 3,570 | 1,181 |
| Other employee benefits expense | | 3,215 | 3,265 |
| | | 64,020 | 53,773 |
| Less employee benefits expense capitalised to mine properties | | (3,220) | (3,945) |
| Less employee benefits expense capitalised to exploration and evaluation assets | | - | (1,682) |
| Total employee benefit expense | | 60,800 | 48,146 |

Recognition and measurement

Employee benefits

Wages, salaries and defined contribution superannuation expense are recognised as and when employees render their services. Expenses for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

Refer to Note 28 for the accounting policy relating to short-term and long-term employee benefits.

Employee share-based payments

The accounting policy, key estimates and judgements relating to employee share-based payments is set out in Note 27.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

6 Finance income and finance expense

| | 2021 \$000 | 2020 \$000 |
|---|-----------------|----------------|
| Finance income | | |
| Interest on bank deposits calculated using the effective interest rate method | 1,648 | 2,905 |
| Total finance income | 1,648 | 2,905 |
| Finance expense | | |
| Interest charges | (18) | (125) |
| Interest on lease liabilities | (644) | (985) |
| Net foreign exchange loss | (9,348) | (3,640) |
| Unwinding of discount on provisions | (356) | (517) |
| Facility fees and charges | (285) | (316) |
| Total finance expense | (10,651) | (5,583) |

Recognition and measurement

Interest income is recognised as interest accrues using the effective interest method.

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts is reported in finance costs.

7 Income tax

| | 2021 \$000 | 2020 \$000 |
|--|---------------|---------------|
| Components of income tax are: | | |
| Current income tax | | |
| Current year income tax expense | 120,777 | 47,280 |
| Over provision for prior year | (1,065) | (3,787) |
| Deferred income tax | | |
| Origination and reversal of temporary differences | (29,501) | (7,082) |
| Under provision for prior year | 697 | 2,446 |
| Income tax expense in the income statement | 90,908 | 38,857 |
| Deferred income tax related to items credited directly to equity | | |
| Financial assets carried at fair value through other comprehensive income | 10,220 | 1,218 |
| Share issue costs | - | (1) |
| Reconciliation of income tax expense to pre-tax profit | | |
| Profit before income tax | 260,990 | 111,143 |
| Income tax expense at the Australian tax rate of 30% (2020: 30%) | 78,297 | 33,343 |
| Increase (decrease) in income tax due to: | | |
| Non-deductible expenses | 2,245 | 1,825 |
| Foreign tax losses and deductible temporary differences not recognised | 6,923 | 5,452 |
| Movement in unrecognised temporary differences with respect to investments | - | (563) |
| Over provision for prior year | (369) | (1,341) |
| Tax rate differential on foreign income | 1,835 | 825 |
| Recognition of previously unrecognised prior year capital losses | (104) | (684) |
| Other assessable income | 2,081 | - |
| Income tax expense | 90,908 | 38,857 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

7 Income tax (continued)

Recognised tax assets and liabilities

| | 2021 | | 2020 | |
|------------------------|--|------------------------|--|------------------------|
| | Current tax receivable / (payable) | Deferred income tax | Current tax receivable / (payable) | Deferred income tax |
| in \$000 | | | | |
| Opening balance | 16,347 | (28,131) | (833) | (35,604) |
| Charged to income | (119,712) | 28,804 | (43,511) | 4,637 |
| Charged to equity | - | (10,221) | - | (1,217) |
| Other payments | 40,361 | - | 60,691 | - |
| Acquisitions/disposals | - | - | - | 4,053 |
| Closing balance | (63,004) | (9,548) | 16,347 | (28,131) |

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Deferred income tax at 30 June relates to the following: | | |
| Deferred tax liabilities | | |
| Investments | 13,945 | 4,104 |
| Mine properties | 16,464 | 30,069 |
| Plant and equipment including assets under construction | 6,337 | 13,871 |
| Inventory | 3,368 | - |
| Other | 428 | - |
| Gross deferred tax liabilities | 40,542 | 48,044 |
| Set-off of deferred tax assets | (30,994) | (19,913) |
| Net deferred tax liability | 9,548 | 28,131 |
| Deferred tax assets | | |
| Employee benefits provision | 1,413 | 1,231 |
| Inventories | - | 627 |
| Other payables and accruals | 2,507 | 2,071 |
| Rehabilitation, restoration and dismantling provision | 12,099 | 11,649 |
| Share issue costs reflected in equity | 51 | 101 |
| Capital losses | 3,660 | 3,537 |
| Deferred revenue | 9,757 | - |
| Other | 1,507 | 697 |
| Gross deferred tax assets | 30,994 | 19,913 |
| Set-off against deferred tax liabilities | (30,994) | (19,913) |
| Net deferred tax assets | - | - |

Recognition and measurement

Current income tax

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from, or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates tax positions taken with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

7 Income tax (continued)

Deferred tax

Deferred tax is provided for using the balance sheet full liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Except as noted below, deferred income tax is recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is not recognised in the following situations:

- (a) Where temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised in equity is recognised in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The temporary differences associated with investments in subsidiaries, for which a deferred income tax liability has not been recognised, aggregate to \$49.5 million (2020: \$50.9 million).

Key estimates and assumptions – Income tax

Judgement is required to determine whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the timing and generation of sufficient future taxable profits in the same taxing jurisdiction to offset future expenditure such as rehabilitation costs. Judgements are also required about the application of income tax legislation.

Determining if there will be future taxable profits depend on management’s estimates of the timing and quantum of future cash flows, which in turn depend on estimates of future production, sales volumes, exploration discoveries, economics commodity prices, operating costs, rehabilitation costs, capital expenditure, dividends and other capital management transactions.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to income tax expense within the income statement.

A deferred tax asset has been recognised in the statement of financial position of \$12,099,000 (2020: \$11,649,000), in relation to future rehabilitation obligations within Australia, the recoverability and recognition of this deferred tax asset is reliant on the Group having future taxable profits within Australia during the same period as the Group incurs the rehabilitation expenditure.

The Group has unrecognised temporary differences and carry forward losses for which no deferred tax asset is recognised on the balance sheet of A\$154,419,000 (2020: A\$129,022,000) that have not been recognised as the statutory requirements for recognising those deferred tax assets have not been met.

Tax Consolidation

Sandfire Resources Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2017. Sandfire Resources Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

8 Earnings per share (EPS)

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Net profit attributable to equity holders of the parent | 171,641 | 74,054 |

| | 2021 Number | 2020 Number |
|--|----------------|----------------|
| Weighted average ordinary shares adjusted for the effect of dilution | 178,251,333 | 172,716,417 |

Basic EPS amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June 2021 there were 602,114 performance rights and 3,511,279 zero exercise price options on issue which are contingently issuable shares and not included in diluted earnings per share.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Capital and debt structure

This section contains information which will help users understand the management of the Group's capital and debt structure.

9 Cash and cash equivalents

| | 2021 \$000 | 2020 \$000 |
|--------------------------|---------------|---------------|
| Cash at bank and on hand | 572,937 | 200,550 |
| Short-term deposits | 771 | 90,592 |
| | 573,708 | 291,142 |

Recognition and measurement

Cash and cash equivalents in the consolidated balance sheet and consolidated statement of cash flows comprise of cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash with insignificant risk of change in value. Short-term deposits are usually between one to three months depending on the short term cash flow requirements of the Group.

Cash flow information

A reconciliation between cash and cash equivalents and net cash inflow from operating activities is as follows:

| | 2021 \$000 | 2020 \$000 |
|--|----------------|----------------|
| Cash and cash equivalents in the statement of cash flows | 573,708 | 291,142 |
| Reconciliation of net profit after tax to net cash flows from operations: | | |
| Profit for the period | 170,082 | 72,286 |
| Adjustments for: | | |
| Net loss / (gain) on sale of assets | 156 | (50) |
| Depreciation and amortisation included in the income statement | 179,833 | 201,435 |
| Share based payments expense | 3,570 | 1,181 |
| Unrealised QP price adjustments and foreign currency adjustments | 22,444 | (16,067) |
| Impairment expense | - | 23,575 |
| Other non-cash items | 10,139 | 3,488 |
| Change in assets and liabilities: | | |
| (Increase) / decrease in trade and other receivables | (8,886) | 5,979 |
| Increase in inventories | (2,974) | (9,492) |
| Increase in income tax receivable | - | (17,612) |
| Decrease in income tax payable | 79,351 | - |
| Increase in trade and other payables | 11,139 | 11,579 |
| Increase in deferred revenue | 32,522 | - |
| Increase / (decrease) in deferred tax liabilities | (28,856) | (4,205) |
| Increase in provisions | 2,530 | 1,495 |
| Net cash inflow from operating activities | 471,050 | 273,592 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

10 Trade and other payables

| | 2021 \$000 | 2020 \$000 |
|--------------------------|---------------|---------------|
| Current | | |
| Trade and other payables | 72,629 | 55,011 |
| Non-current | | |
| Other payables | 994 | 1,563 |

Recognition and measurement

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are generally unsecured and are usually paid within 60 days of recognition. They are initially measured at fair value and subsequently carried at amortised cost. The carrying value of these payables approximates their fair value.

11 Issued capital and reserves

Issued ordinary shares

| | 2021 Number | 2021 \$000 | 2020 Number | 2020 \$000 |
|---|----------------|---------------|----------------|---------------|
| Movement in ordinary shares on issue | | | | |
| On issue at 1 July | 178,251,333 | 363,064 | 159,558,793 | 242,535 |
| Issue of shares, net of transaction costs and tax | - | - | 18,692,540 | 120,529 |
| On issue at 30 June | 178,251,333 | 363,064 | 178,251,333 | 363,064 |

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets. Ordinary shares have no par value.

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder's value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to any interest-bearing loans and borrowings that form part of its capital structure requirements. There have been no breaches in the financial covenants of any interest bearing liabilities during the current financial year or prior financial years. The Group is not subject to externally imposed capital requirements.

The Group manages and makes adjustments to its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may for example return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies and processes for managing capital, during the years ended 30 June 2021 and 2020.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

11 Issued capital and reserves (continued)

Nature and purpose of reserves

Share-based payments reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 27 for details.

Foreign currency translation reserve

Exchange differences arising on the translation of entities with a functional currency differing from the Group's presentation currency, are taken to the foreign currency translation reserve (FCTR).

Fair value reserve

The fair value reserve represents the changes in fair value of investments where an irrevocable election has been made at initial acquisition to present fair value movements in other comprehensive income (OCI).

Capital reserve

The capital reserve represents gains or losses that are not recycled into the income statement, including the residual difference between the consideration paid to acquire a non-controlling interests share in a subsidiary and the non-controlling share of the subsidiaries assets and liabilities.

12 Lease liabilities

| | 2021 \$000 | 2020 \$000 |
|-------------|---------------|---------------|
| Current | 10,952 | 10,047 |
| Non-current | 1,798 | 2,443 |
| Total | 12,750 | 12,490 |

Recognition and measurement

Lease liabilities

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between one and ten years, while motor vehicles and other equipment generally have lease terms between one and five years.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 30 June 2021 lease liabilities have a remaining lease term of two years or less and were determined using an effective interest rate of 5%. The undiscounted cash-flows over the remaining lease term are \$12.7 million.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

During the year, the Group incurred short-term lease expenses of \$2.9 million and productivity-based (variable) lease payments of \$24.8 million, these amounts were not required to be included in the measurement of the lease liability and were recognised in the income statement.

Finance facilities

The Group has a registered fixed and floating charge over assets, including the DeGrussa Operation and the broader Doolgunna Project with a financial institution.

Bond Facility

The bond facility is drawn in the form of bank guarantees to the relevant government agencies for environmental restoration and property managers for security deposits and does not involve the provision of funds. As at 30 June 2021, the Company has drawn \$10,000 of the \$100,000 facility limit.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

13 Financial risk management objectives and policies

This note presents information about the Group's financial assets and financial liabilities, its exposure to financial risks, as well as objectives, policies and processes for measuring and managing these risks.

During the current reporting period, the Group's principal financial liabilities were lease liabilities as well as trade and other payables. The Group did not have any external borrowings at year end or throughout the year. The Group's principal financial assets comprise equity investments, trade and other receivables and cash and short-term deposits.

The Group's activities expose it primarily to the following financial risks:

- Market risk including interest rate risk, foreign currency exchange risk and commodity price risk;
- Credit risk; and
- Liquidity risk.

Primary responsibility for the identification and control of these financial risks rests with the Group's senior management. The Group's senior management is supported by both the Audit Committee and Risk Committee under the authority of the Board. The committees provide assurance to the Board that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group uses different methods to measure and manage different types of risks to which it is exposed.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprise three types of risk: interest rate risk, currency risk and other price risk, such as commodity price risk. The Group's principal financial instruments affected by market risk include financial liabilities, trade receivables, cash and short-term deposits.

The sensitivity analysis in the following sections relate to the position as at 30 June 2021 and 2020.

Interest rate risk management and sensitivity analysis

Interest rate risk is the risk that the fair value of future cash flows of an interest bearing financial instrument will fluctuate because of changes in market interest rates.

The Group did not have any external borrowings during the year. Cash and cash equivalents are exposed to changes in interest rates, the effect of a reasonably possible change in interest rates at balance date would not have a significant impact on the Group's after tax profit or equity.

Foreign currency risk and sensitivity analysis

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's foreign currency cash holdings and receivables from sale of metal concentrate products denominated in US dollars, and the Group's net investments in foreign subsidiaries. The Group did not use any form of derivatives to hedge its exposure to foreign currency risk during the financial year ended 30 June 2021.

The carrying amount of the Group's financial assets by its currency risk exposure as at 30 June 2021 is listed below.

| | Denominated in US\$ presented in AU\$000 | | Other currencies presented in AU\$000 | | Total in AU\$000 | |
|-----------------------------|---|---------------|--|---------------|---------------------|---------------|
| | 2021 \$000 | 2020 \$000 | 2021 \$000 | 2020 \$000 | 2021 \$000 | 2020 \$000 |
| Cash and cash equivalents | 48,951 | 20,699 | 3,967 | 291 | 52,918 | 20,990 |
| Trade and other receivables | 15,620 | 22,424 | 3,166 | - | 18,786 | 22,424 |
| Trade and other payables | (10,050) | (375) | (3,306) | (215) | (13,356) | (590) |
| Total | 54,521 | 42,748 | 3,827 | 76 | 58,348 | 42,824 |

The following tables demonstrate the sensitivity of the exposure at the balance sheet date to a reasonably possible change in USD/AUD exchange rate, with all other variables held constant. The impact on the Group's profit before tax and equity is due to changes in the fair value of monetary assets and liabilities.

| | Effect on profit before tax | |
|---------------------------------|-----------------------------|---------------|
| | 2021 \$000 | 2020 \$000 |
| 5% increase (2020: 5% increase) | (731) | (1,068) |
| 5% decrease (2020: 5% decrease) | 808 | 1,180 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

13 Financial risk management objectives and policies (continued)

Commodity price risk and sensitivity analysis

The Group is exposed to commodity price volatility on the sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges, specifically the London Metal Exchange (LME). The Group aims to realise average copper prices, which are materially consistent with the prevailing average market prices for the same period.

In order to reduce the exposure to fluctuations in copper price during the Quotational Period (QP), the Group may from time to time enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, in the form of copper swaps to either fix the price of sales at the time of shipment or to reduce the length of the QP, therefore reducing the short and medium term exposure to the market price of metal for completed or imminent shipments. These hedges are generally considered to be economic hedges however for accounting purposes, the Group may not designate these into a hedging relationship for hedge accounting.

No derivative hedging instruments were entered into during the year ended 30 June 2021 (2020: Nil).

The following table demonstrates the sensitivity to the exposure at the balance sheet date of a reasonably possible change in commodity prices from the 30 June 2021 London Metals Exchange (LME) forward curve, with all other variables held constant.

| | Effect on profit before tax | |
|-----------------------------------|-----------------------------|---------------|
| | 2021 \$000 | 2020 \$000 |
| 10% increase (2020: 10% increase) | 16,060 | 10,791 |
| 10% decrease (2020: 10% decrease) | (16,060) | (10,791) |

The impact on the Group's profit before tax and equity is due to changes in the fair value of the gross value of provisionally priced sales contracts outstanding at year end totaling \$166,366,127 (2020: \$95,405,000). The sensitivity analysis does not include the impact of the movement in commodity prices on the total sales for the year.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities with trade receivables and from its financing activities, including deposits with financial institutions. At the reporting date, the carrying amount of the Group's financial assets represents the maximum credit exposure.

The credit risk on cash and cash equivalents is managed by restricting dealing and holding of funds to banks which are assigned high credit ratings by international credit rating agencies. The Group's cash and cash equivalents as at 30 June 2021 are predominately held with two financial institutions with a credit rating of AA- or higher with Standard & Poor's. As short-term deposits have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using life time expected credit losses. In this regard, the Group has concluded that the probability of default on the term deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the short-term deposits.

Credit risk in trade receivables is managed by the Group undertaking a regular risk assessment process including assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. As there are a relatively small number of transactions, they are closely monitored to ensure payments are made on time. Credit risk arising from sales to customers is managed by contracts that stipulate either an upfront payment, or a provisional payment of at least 90 per cent of the estimated value of the sale payable promptly after vessel loading supported by a letter of credit arrangements with approved financial institutions. The balance outstanding is received within 60-120 days of the vessel arriving at the port of discharge. The Group does not have any significant receivables which are past due or impaired at the reporting date and it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by conducting regular reviews of the timing of cash flows in order to ensure sufficient funds are available to meet these obligations.

The Group does not have any bank debt and the Group's liquidity risk exposure only relates to trade and other payables as detailed in Note 10 and lease liabilities in Note 12. All current trade payables will be repaid within one year from the reporting date.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

14 Fair value measurement

The following table shows the fair values of financial instruments, other than cash and cash equivalents, including their levels in the fair value measurement hierarchy as at 30 June 2021.

| | Note | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
|--|------|------------------|------------------|------------------|----------------|
| Financial assets | | | | | |
| Trade receivables at fair value through profit and loss | (i) | - | 15,354 | - | 15,354 |
| Financial assets at fair value though other comprehensive income | (ii) | 86,143 | - | 540 | 86,683 |
| | | 86,143 | 15,354 | 540 | 102,037 |

- (i) Trade receivables relate to concentrate sale contracts still subject to price adjustments where the final consideration to be received will be determined based on prevailing London Metals Exchange (LME) metal prices at the final settlement date. Receivables still subject to price adjustments at balance date are fair valued by estimating the present value of the final settlement price using the LME forward metals prices at balance date. The fair value takes into account relevant other fair value considerations including any relevant credit risk.
- (ii) Equity instruments designated at fair value through OCI include investments in equity shares of non-listed companies. As of 30 June 2021, the majority (95%) relates to an investment in equity shares of a listed company. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

The fair value of the financial instruments as at 30 June 2020 are summarised in the table below.

| | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
|--|------------------|------------------|------------------|----------------|
| Financial assets | | | | |
| Trade receivables at fair value through profit and loss | - | 22,424 | - | 22,424 |
| Financial assets at fair value though other comprehensive income | 41,349 | - | 665 | 42,014 |
| | 41,349 | 22,424 | 665 | 64,438 |

The carrying amount of all financial assets and all financial liabilities other than lease liabilities, recognised in the balance sheet approximates their fair value.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value hierarchy

All assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 30 June 2021 or the comparative period ended 30 June 2020.

Key estimates and assumptions – Fair value measurement

When the fair values of assets or liabilities are recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

15 Dividends paid and proposed

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|---------------|---------------|
| Cash dividends on ordinary shares declared and paid: | | | |
| Final franked dividend for 2020: 14 cents per share (2019: 16 cents) | | 24,955 | 28,485 |
| Interim franked dividend for 2021: 8 cents per share (2020: 5 cents) | | 14,260 | 8,901 |
| | | 39,215 | 37,386 |
| Proposed dividends on ordinary shares: | | | |
| Final cash dividend for 2021: 26 cents per share (2020: 14 cents per share) | (i) | 46,345 | 24,955 |

(i) Subsequent to year end, the Board resolved to pay a franked dividend of 26 cents per share to be paid on 22 September 2021. The expected financial impact of the dividend is based on the ordinary shares outstanding at 30 June 2021 and has not been recognised in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial statements.

Franking credit balance

| | 2021 \$000 | 2020 \$000 |
|--|---------------|---------------|
| The amount of franking credits available for the subsequent financial year are: | | |
| Franking account balance at the end of the financial year at 30% (2020: 30%) | 216,250 | 193,542 |
| Estimated franking debits that will arise from the payment of dividends as at the end of the financial year | (19,862) | (10,695) |
| Estimated franking credits that will arise from the payment (refund) of income tax as at the end of the financial year | 63,004 | (16,347) |
| | 259,392 | 166,500 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Invested capital

This section provides information on how the Group invests and manages its capital.

16 Trade and other receivables

| | 2021 \$000 | 2020 \$000 |
|-------------------|---------------|---------------|
| Current | | |
| Trade receivables | 15,354 | 22,567 |
| Other receivables | 10,856 | 4,061 |
| | 26,210 | 26,628 |

Recognition and measurement

Receivables are classified at initial recognition, and subsequently measured at amortised cost or fair value through profit or loss. The classification of receivables at initial recognition depends on the receivable's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables the Group initially measures a receivable at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price determined in accordance with the accounting policy for revenue.

In order for a receivable to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Trade receivables are subject to provisional pricing and are exposed to the commodity price risk which causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements in fair value being recognised in the comprehensive income statement.

There are no contract assets, for which consideration is conditional that have been recognised from contracts with customers.

Other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

The Group recognises an allowance for estimated credit losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment. As at 30 June 2021 no allowance for ECLs has been recognised as it is expected that all receivable amounts will be received in full when due. No impairment expense was recognised in relation to receivables for the 2021 and 2020 financial years.

Refer to Note 13 on credit risk of trade receivables to understand how the Group manages the credit risk and measures credit quality of trade receivables that are neither past due nor impaired.

17 Inventories

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Current | | |
| Concentrate – at cost | 34,360 | 21,862 |
| Ore stockpiles – at cost | 12,628 | 22,620 |
| Stores and consumables – at cost | 12,402 | 12,119 |
| | 59,390 | 56,601 |
| Allowance for obsolete stock – stores and consumables | (5,524) | (2,906) |
| | 53,866 | 53,695 |
| | | |
| Cost of goods sold | 391,870 | 399,973 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

17 Inventories (continued)

Recognition and measurement

Stores and consumables, ore and concentrate are stated at the lower of cost and net realisable value. Costs are capitalised to ore inventory once commercial production commences which is generally once stoping activities start.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs include direct materials, direct labour and a proportion of variable and fixed overhead expenditure which is directly related to the production of inventories to the point of sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stores and consumables, and ore inventories expected to be processed or sold within twelve months after the balance sheet date, are classified as current assets.

Net Realisable Value Adjustment / Impairment

During the year ended 30 June 2020, the Group decided to no longer pursue development and processing of the DeGrussa Oxide stockpile following further evaluation work and higher prioritisation of other Group projects. This resulted in the conclusion that the carrying amount of the DeGrussa Oxide stockpile was not recoverable resulting in an \$11.7 million write-off of the non-current inventory balance, as well as the capitalised study costs presented within Mine Properties.

The Group's policy for the impairment of non-financial assets is disclosed in Note 20, along with a summary of the impairments/write-offs recognised in the period.

18 Exploration and evaluation assets

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|---------------|---------------|
| Reconciliation | | | |
| At 1 July | | 170,504 | 25,975 |
| Assets acquired as part of the acquisition of MOD Resources Limited | | - | 159,148 |
| Other expenditure and exploration tenements acquired | | 9,191 | 8,659 |
| Transfer to mine properties | | (109,497) | - |
| Impairment | 20 | - | (9,648) |
| Exchange differences | | (3,717) | (13,630) |
| At 30 June | | 66,481 | 170,504 |

Recognition and measurement

Exploration and evaluation expenditure includes pre-licence costs, costs associated with exploring, investigating, examining and evaluating an area of mineralisation, and assessing the technical feasibility and commercial viability of extracting the mineral resource from that area. Other than acquisition costs, exploration and evaluation expenditure incurred on licenses where the commercial viability of extracting the mineral resource has not yet been established is generally expensed when incurred. Once the commercial viability of extracting the mineral resource are demonstrable (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation costs incurred. The recoverability of the exploration and evaluation assets is dependent on the successful development and commercial exploration, or alternatively, sale of the respective area of interest.

Exploration and evaluation assets are assessed for impairment if:

- insufficient data exists to determine commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An exploration and evaluation asset shall be reclassified to mine properties when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and a decision has been made to develop and extract the resource. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss shall be recognised, before reclassification to mine properties. No amortisation is charged during the exploration and evaluation phase.

Key estimates and assumptions – Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires significant judgment to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

18 Exploration and evaluation assets (continued)

Transfer to mine properties

During the year ended 30 June 2021, the Group transferred exploration and evaluation assets of \$109.5 million associated with the Motheo T3 Project to mine properties. The Motheo T3 Project exploration and evaluation assets were reclassified to mine properties as the technical feasibility and commercial viability of extracting the mineral resource is demonstrable and a decision has been made to develop and extract the resource. Prior to reclassification to mine properties, the Motheo T3 Project exploration and evaluation assets were assessed for impairment using a discounted cashflow model which factored in outcomes from recent feasibility studies, with no impairment loss recognised.

Impairment

During the year ended 30 June 2020, the Group recognised an impairment write-down of \$9.6 million in relation to the carrying value of Australian regional resources prospects. The impairment was triggered by the limited planned level of future activities on the prospects along with resource estimates not being considered commercially viable. The carrying value of these early stage prospects was written-down to nil.

19 Property, plant and equipment

Reconciliation of the carrying amounts for each class of property, plant and equipment is set out below.

| | Mine Properties \$000 | Plant and equipment \$000 | Right-of-use asset \$000 | Assets under construction \$000 | Total \$000 |
|--|-----------------------------|---------------------------------|--------------------------------|---------------------------------------|----------------|
| 2021 | | | | | |
| Opening net carrying amount | 169,939 | 104,361 | 12,834 | 984 | 288,118 |
| Additions | 95,193 | 4,228 | 13,802 | 9,441 | 122,664 |
| Transfers | - | 2,839 | - | (2,839) | - |
| Transfer from exploration and evaluation | 109,497 | - | - | - | 109,497 |
| Depreciation and amortisation | (119,773) | (45,382) | (14,678) | - | (179,833) |
| Movement in the rehabilitation and restoration asset | 2,370 | 1,362 | - | - | 3,732 |
| Foreign exchange movements | 3,773 | 6 | 4 | - | 3,783 |
| Closing net carrying amount | 260,999 | 67,414 | 11,962 | 7,586 | 347,961 |
| At 30 June 2021 | | | | | |
| Gross carrying amount – at cost | 1,079,762 | 399,807 | 22,796 | 7,586 | 1,509,951 |
| Accumulated depreciation | (818,763) | (332,393) | (10,834) | - | (1,161,990) |
| Net carrying amount | 260,999 | 67,414 | 11,962 | 7,586 | 347,961 |

| | Mine Properties \$000 | Plant and equipment \$000 | Right-of-use asset \$000 | Assets under construction \$000 | Total \$000 |
|--|-----------------------------|---------------------------------|--------------------------------|---------------------------------------|----------------|
| 2020 | | | | | |
| Opening net carrying amount | 230,571 | 131,327 | - | 4,593 | 366,491 |
| Adoption of AASB 16 Leases | - | (465) | 25,421 | - | 24,956 |
| Additions | 81,169 | 2,450 | 903 | 7,192 | 91,714 |
| Transfers | - | 10,801 | - | (10,801) | - |
| Impairment | (2,229) | - | - | - | (2,229) |
| Depreciation and amortisation | (144,060) | (43,879) | (13,496) | - | (201,435) |
| Movement in the rehabilitation and restoration asset | 4,488 | 4,394 | - | - | 8,882 |
| Foreign exchange movements | - | (267) | 6 | - | (261) |
| Closing net carrying amount | 169,939 | 104,361 | 12,834 | 984 | 288,118 |
| At 30 June 2020 | | | | | |
| Gross carrying amount – at cost | 868,929 | 394,903 | 26,324 | 984 | 1,291,140 |
| Accumulated depreciation | (698,990) | (290,542) | (13,490) | - | (1,003,022) |
| Net carrying amount | 169,939 | 104,361 | 12,834 | 984 | 288,118 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

19 Property, plant and equipment (continued)

Recognition and measurement

Mine properties

Mine property and development assets include costs incurred in accessing the ore body and costs to develop the mine to the production phase, once the technical feasibility and commercial viability of a mining operation has been established. At this stage, exploration and evaluation assets are reclassified to mine properties.

Mine property and development assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses recognised. The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the estimate of the rehabilitation costs, and for qualifying assets (where relevant), borrowing costs. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

Plant and equipment

Plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning, restoration and dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 28 Provisions for further information about the recognised decommissioning provision.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Depreciation

The depreciation methods adopted by the Group are shown in table below:

| Category | Depreciation method |
|---------------------|--|
| Mine properties | Units of ore extracted basis over the life of mine |
| Plant and equipment | Straight line over the life of the mine/asset (2 - 5 years) |
| Right-of-use assets | Straight line over the shorter of the lease term and life of the asset |

The estimation of the useful lives of assets has been based on historical experience, lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate.

Impairment

The Group's policy for the impairment of non-financial assets is disclosed in Note 20.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

20 Impairment of non-financial assets

Testing for impairment

The Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Key estimates and assumptions – Ore Reserve and Mineral Resource

The recoverable amount of property, plant and equipment including mine development is dependent on the Group's estimate of the Ore Reserve that can be economically and legally extracted. The Group estimates its Ore Reserve and Mineral Resource based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of Ore Reserves is based on factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body and removal of waste material. Changes in these estimates may impact upon the carrying value of mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, inventory as well as depreciation and amortisation charges during the period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses for continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment and write-down calculations

The Group continued to study and evaluate options for the various projects within the Group, including the DeGrussa Oxide stockpile and regional exploration prospects. During the year ended 30 June 2020, assessments completed resulted in the conclusion that the carrying amount for both the DeGrussa Oxide stockpile and regional exploration prospects were not recoverable therefore the carrying amounts for these assets was written-down.

The resulting impairment losses and net realisable value adjustments to inventory recognised during the period are below. There were no other indicators of impairment to require the Group to estimate any other asset or CGU's recoverable amount.

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Impairment losses / write-downs | | |
| Write-down of Inventories – Oxide Stockpile | - | 11,698 |
| Impairment of Exploration and Evaluation assets | - | 9,648 |
| Impairment of Mine Properties – Oxide Stockpile | - | 2,229 |
| Total | - | 23,575 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

21 Commitments

Group resource property commitments

Sandfire Resources America Inc.- Black Butte Copper Leases and Water Use Agreement

The Company's subsidiary Sandfire Resources America Inc., through its wholly-owned subsidiary Tintina Montana Inc., has entered into a number mining leases and surface use and water lease agreements (collectively, the "Black Butte Agreements") with the owners of the Black Butte Copper-Cobalt-Silver property in central Montana, United States.

The Black Butte Agreements provide Tintina, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities.

Future minimum payments due under the Black Butte Agreements as at 30 June are as follows:

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Within one year | 668 | 725 |
| After one year but not more than five years | 2,723 | 2,950 |
| More than five years | 10,005 | 11,752 |
| Total payments | 13,396 | 15,427 |

Contractual commitments

The Group has entered into a number of key contracts as part of its operations. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2021 amount to approximately \$97,144,000 (undiscounted) (2020: \$18,745,000).

Royalties

Motheo Copper Mine

As announced on 23 October 2019, Sandfire completed the acquisition of MOD Resources Limited (MOD) by way of a scheme of arrangement. As part of the acquisition of MOD, a royalty equal to 2% of net smelter returns (gross revenue less certain allowable deductions) from the T3 Project is payable until the total amount of royalty paid reaches US\$2 million. First production from the T3 Project is expected in 2023. The T3 Project royalty is not recognised as a liability at 30 June 2021 as payment remains wholly within the control of the Group.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Group structure and related party information

This section provides information on the Group's structure as well as related party transactions.

22 Information relating to Sandfire Resources Limited (the Parent)

The consolidated financial statements of the Group include:

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Current assets | 633,852 | 371,093 |
| Total assets | 1,254,308 | 959,149 |
| Current liabilities | 169,877 | 52,599 |
| Total liabilities | 227,966 | 124,491 |
| Issued capital | 363,064 | 363,064 |
| Retained earnings | 420,466 | 362,452 |
| Share based payment reserve | 4,427 | 2,161 |
| Profit or loss of the Parent entity | 206,027 | 97,229 |
| Total comprehensive income of the Parent entity | 229,875 | 100,071 |

23 Information relating to subsidiaries

The consolidated financial statements of the Group include:

| Name | Note | Country of incorporation | % equity interest | |
|--|-------|--------------------------|-------------------|--------|
| | | | 2021 | 2020 |
| Sandfire Resources America Inc. | (i) | Canada | 86.90 | 85.27 |
| Sandfire BC Holdings (Australia) Pty Ltd | | Australia | 100.00 | 100.00 |
| Sandfire BC Holdings Inc. | | Canada | 100.00 | 100.00 |
| Sandfire (RMP) Pty Ltd | | Australia | 100.00 | 100.00 |
| Sandfire (RMP) Inc. | | U.S.A. | 100.00 | 100.00 |
| SFR Copper & Gold Peru S.A. | (iii) | Peru | - | 100.00 |
| EMEA (BIH) Pty Ltd | | Australia | 100.00 | 100.00 |
| Triassic Resources d.o.o. | | Bosnia and Herzegovina | 100.00 | 100.00 |
| Sandfire Australia Holdings Pty Ltd | (ii) | Australia | 100.00 | - |
| Sandfire Australia Pty Ltd | (ii) | Australia | 100.00 | - |
| Sandfire Resources Botswana Pty Ltd | | Australia | 100.00 | 100.00 |
| Metal Capital Limited | | United Kingdom | 100.00 | 100.00 |
| Metal Capital Exploration Limited | | United Kingdom | 100.00 | 100.00 |
| MOD Resources (Botswana) Pty Ltd | | Australia | 100.00 | 100.00 |
| MOD Resources (NZ) Pty Ltd | | Australia | 100.00 | 100.00 |
| Tshukudu Metals Botswana (Pty) Ltd | | Botswana | 100.00 | 100.00 |
| Tshukudu Exploration (Pty) Ltd | | Botswana | 100.00 | 100.00 |
| MOD Resources Botswana (Pty) Ltd | | Botswana | 100.00 | 100.00 |
| Sams Creek Gold Ltd | | New Zealand | 100.00 | 100.00 |
| Trans Kalahari Copper Namibia (Pty) Ltd | | Namibia | 100.00 | 100.00 |

(i) Changes in ownership in Sandfire Resources America Inc. due to the rights issue within Sandfire Resources America Inc.

(ii) The wholly owned subsidiaries were formed and incorporated in the current financial year.

(iii) The wholly owned subsidiary was liquidated in the current financial year.

24 Acquisition of MOD Resources Limited

As announced on 23 October 2019, Sandfire completed the acquisition of MOD Resources Limited (MOD) by way of a scheme of arrangement. The acquisition of MOD was accounted for as an asset acquisition and in accordance with the requirements of AASB 2 Share-based payments resulting in the recognition at fair value of the identifiable assets and liabilities acquired.

Details of this acquisition were disclosed in note 24 of the Group's annual financial statements for the year ended 30 June 2020.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

25 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to the Company and all its Australian subsidiaries from the *Corporations Act 2001* requirements for the preparation, audit and lodgment of their financial report.

As a condition of the Corporations Instrument, the Company and all its Australian subsidiaries ("Closed Group" (Refer to Note 23)), entered into a Deed of Cross Guarantee ("Deed") on 17 April 2020.

The effect of the Deed is that the Company has guaranteed to pay any deficiency in the event of winding up of an Australian subsidiary within the Closed Group or if they do not meet their obligations under the terms of loans or other liabilities subject to the guarantee. The Australian subsidiaries have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of loans or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and consolidated balance sheet of the Closed Group are set out below.

| Consolidated Statement of Comprehensive Income – Closed Group entities | 2021 \$000 | 2020 \$000 |
|--|---------------|---------------|
| Revenue | 812,957 | 656,753 |
| Other gains / (losses) | 5,346 | (251) |
| Changes in inventories of finished goods and work in progress | 2,505 | 8,641 |
| Mine operations costs | (137,373) | (142,602) |
| Employee benefit expenses | (57,785) | (46,772) |
| Freight expenses | (50,452) | (45,397) |
| Royalties expenses | (42,240) | (32,959) |
| Exploration and evaluation expenses | (42,157) | (33,300) |
| Administrative expenses | (6,024) | (6,130) |
| Impairment expenses | - | (23,575) |
| Depreciation and amortisation expenses | (178,968) | (201,167) |
| Profit before net finance expense and income tax expense | 305,809 | 133,241 |
| Finance income | 1,996 | 2,954 |
| Finance expense | (10,585) | (5,358) |
| Net finance income | (8,589) | (2,404) |
| Profit before income tax expense | 297,220 | 130,837 |
| Income tax expense | (90,908) | (38,857) |
| Net profit for the year | 206,312 | 91,980 |
| Other comprehensive income | | |
| <i>Items not to be reclassified to profit or loss in subsequent periods:</i> | | |
| Changes in fair value of equity investments carried at fair value through other comprehensive income, net of tax | 23,848 | 2,842 |
| Other comprehensive income for the year, net of tax | 23,848 | 2,842 |
| Total comprehensive income for the year, net of tax | 230,160 | 94,822 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

25 Deed of Cross Guarantee (continued)

| Consolidated Balance Sheet – Closed Group entities | 2021 \$000 | 2020 \$000 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | 555,981 | 290,292 |
| Trade and other receivables | 22,538 | 26,301 |
| Inventories | 53,866 | 53,695 |
| Income tax receivable | - | 16,347 |
| Other current assets | 1,474 | 1,113 |
| Total current assets | 633,859 | 387,748 |
| Financial investments | 86,683 | 42,014 |
| Receivables | 125,229 | 54,198 |
| Investment in subsidiaries | 145,558 | 260,346 |
| Exploration and evaluation assets | 4,151 | 5,431 |
| Property, plant and equipment | 169,985 | 283,869 |
| Total non-current assets | 531,606 | 645,858 |
| TOTAL ASSETS | 1,165,465 | 1,033,606 |
| LIABILITIES | | |
| Trade and other payables | 55,667 | 51,883 |
| Deferred revenue | 32,523 | - |
| Lease liabilities | 10,832 | 10,011 |
| Income tax payable | 63,004 | - |
| Provisions | 7,849 | 7,065 |
| Total current liabilities | 169,875 | 68,959 |
| Trade and other payables | 1,482 | 1,563 |
| Lease liabilities | 1,512 | 2,313 |
| Provisions | 45,260 | 39,447 |
| Deferred tax liabilities | 9,548 | 28,131 |
| Total non-current liabilities | 57,802 | 71,454 |
| TOTAL LIABILITIES | 227,677 | 140,413 |
| NET ASSETS | 937,788 | 893,193 |
| EQUITY | | |
| Issued capital | 363,064 | 363,064 |
| Reserves | 33,084 | 38,948 |
| Retained profits | 541,640 | 491,181 |
| TOTAL EQUITY | 937,788 | 893,193 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

26 Related party disclosures

As at, and throughout the financial year ended 30 June 2021, the ultimate parent entity of the Group was Sandfire Resources Limited.

Information in relation to interest in other entities is set out in Note 23 to the consolidated financial statements.

Compensation of key management personnel of the Group

| | 2021 \$ | 2020 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 2,846,626 | 3,519,830 |
| Long-term employee benefits | 13,852 | 56,510 |
| Post-employment benefits | 46,694 | 53,776 |
| Share-based payments | 2,234,365 | 858,290 |
| Termination benefits | - | 372,461 |
| Total compensation | 5,141,537 | 4,860,867 |

The amounts disclosed in the table represent the amount expensed during the reporting period related to KMP and Directors.

Transactions with KMP

Certain KMP or their related parties hold positions in other entities that result in them having control or significant influence of those entities. The transactions with related parties are made on terms no worse than those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. The Board reviews and approves all transactions with related parties. Board members who are a party to the transaction are excluded from the review and approval process.

| KMP and their Director related entity | Transaction | Transactions value year ended 30 June | | Balance outstanding as at 30 June | |
|--|--|--|------------|--------------------------------------|------------|
| | | 2021 \$ | 2020 \$ | 2021 \$ | 2020 \$ |
| Karl Simich – Tongaat Pty Ltd | Lease of corporate office parking premises | 9,600 | 9,600 | - | - |
| Karl Simich – Resource Development Company Pty Ltd | Lease of corporate office parking premises | 9,300 | 9,300 | - | - |
| Karl Simich – Resource Development Company Pty Ltd | Corporate administrative and accounting services | 741,682 | 724,588 | 131,236 | 54,989 |
| | | 760,582 | 743,488 | 131,236 | 54,989 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Other notes

27 Share-based payments

The expense recognised during the current and previous financial year relating to share-based payments are:

| | Note | 2021 \$000 | 2020 \$000 |
|--|-------------|---------------|---------------|
| Expense arising from equity-settled share-based payments – SFR ^A | 27(i), (ii) | 3,557 | 1,141 |
| Expense arising from equity-settled share-based payments – SFRA ^B | | 13 | 40 |
| Total expense arising from share-based payment transactions | | 3,570 | 1,181 |

A Long-term Incentive Plan.

B Relates to Sandfire America employee share-based payment plans. Detailed disclosure of the plan has not been made as the amount is not considered material for the Group.

Recognition and measurement

Equity-settled transactions

The Group provides benefits to its employees and contractors (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised, together with a corresponding increase in the share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

27 Share-based payments (continued)

(i) Long-term Incentive Plan (LTI Plan)

Listed below are the terms and conditions of issues made by the Group during the previous financial year.

| Issue date | Number | Fair value^ | Expected Vesting date | Performance period |
|-------------------|---------|-------------|-----------------------|--------------------|
| FY2020 | | | | |
| 29 November 2019 | 164,866 | \$2.45 | 31 Aug 2022 | 3 years |
| 23 September 2019 | 53,956 | \$3.68 | 31 Aug 2022 | 2.8 years |

^ Represents the fair value per right at grant date.

Under the LTI Plan, awards are made to executives and other management personnel (collectively referred to as senior management) who have an impact on the Group's performance. LTI awards are delivered in the form of performance rights over ordinary shares in the Company for no consideration, which vest over a service period of 3 years subject to meeting performance measures, with no opportunity to retest. Performance rights granted under the LTI Plan are not entitled to dividends nor do they have voting rights. Refer to the Group's Remuneration Report for further details on the plan.

Pricing model

The following table lists the assumptions used in determining the fair value of performance rights granted during the previous financial year.

| | Issue date | |
|----------------------------------|------------|-----------|
| | 29 Nov 19 | 23 Sep 19 |
| Fair value at measurement date | \$2.45 | \$3.68 |
| Underlying share price for issue | \$5.65 | \$6.69 |
| Dividend yield | 4.90% | 5.20% |
| Expected volatility | 35.00% | 35.00% |
| Risk-free rate | 0.7% | 1.0% |
| Expected life (years) | 2.6 | 3.0 |

The fair value of performance rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the rights were granted. The model simulates the TSR and compares it against the comparator group constituting companies in the S&P/ASX200 Resources Index (ASX: XJR). It takes into account historical and expected dividends, and the share price fluctuation covariance of the Company and the comparator group to predict the distribution of relative share performance.

Movements in LTI Plan during the year

The movement in the number of performance rights during the year is set out below.

| | 2021 Number | 2020 Number |
|---|----------------|----------------|
| Opening balance | 977,869 | 1,169,046 |
| Rights granted during the year | - | 218,823 |
| Rights vested and exercised during the year | - | - |
| Rights lapsed or forfeited during the year | (375,755) | (410,000) |
| Closing balance | 602,114 | 977,869 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

27 Share-based payments (continued)

(ii) Long-term Incentive Option Plan (ZEPO Plan)

Listed below are the terms and conditions of issues made by the Group during the current financial year.

| Issue date | Number | WAEP value^ | Expected Vesting date | Performance period |
|------------------|-----------|-------------|-----------------------|--------------------|
| FY2021 | | | | |
| 17 July 2020 | 2,556,096 | \$4.56 | 30 Jun 2025 | 3.95 |
| 27 November 2020 | 927,703 | \$3.54 | 30 Jun 2025 | 3.59 |
| 23 March 2021 | 135,668 | \$4.62 | 30 Jun 2025 | 3.27 |
| 03 May 2021 | 108,857 | \$5.40 | 30 Jun 2025 | 3.16 |
| 31 May 2021 | 115,003 | \$5.76 | 30 Jun 2025 | 3.08 |

^ Represents the weighted average exercise price (WAEP) at grant date.

The LTI award for FY2021 is in the form of Zero Exercise Price Options (ZEPOs) over ordinary shares in the Company for no consideration. The ZEPOs carry neither rights to dividends nor voting. Under the ZEPO Plan, awards are made to executives and other management personnel (collectively referred to as senior management) who have an impact on the Group's performance. To the extent that the applicable vesting conditions are satisfied at the end of the performance period, LTI awards are delivered by vesting of all or a portion of ZEPOs which may be exercised thereafter in return for allocation of fully paid ordinary shares. Refer to the Group's Remuneration Report for further details on the plan.

Pricing model

The following table lists the assumptions used in determining the fair value of performance rights granted during the current financial year.

| | Issue date | | | | |
|----------------------------------|------------|-----------|-----------|----------|-----------|
| | 17 Jul 20 | 27 Nov 20 | 23 Mar 21 | 3 May 21 | 31 May 21 |
| WAEP at measurement date | \$4.56 | \$3.54 | \$4.62 | \$5.40 | \$5.76 |
| Underlying share price for issue | \$5.45 | \$4.44 | \$5.66 | \$6.64 | \$7.10 |
| Dividend yield | 2.68% | 3.79% | 3.36% | 3.28% | 3.20% |
| Expected volatility | 37.50% | 38.00% | 40.00% | 40.00% | 40.00% |
| Risk-free rate | 0.41% | 0.19% | 0.11% | 0.29% | 0.28% |
| Expected life (years) | 4.95 | 4.59 | 4.27 | 4.16 | 4.08 |

The fair value of ZEPOs granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the rights were granted. The model simulates the TSR and compares it against the comparator group constituting companies in the S&P/ASX200 Resources Index (ASX: XJR). It takes into account historical and expected dividends, and the share price fluctuation covariance of the Company and the comparator group to predict the distribution of relative share performance.

Movements in ZEPO Plan during the year

The movement in the number of performance rights during the year is set out below.

| Issue date | 2021 Number |
|---|----------------|
| Opening balance | - |
| Rights granted during the year | 3,843,327 |
| Rights vested and exercised during the year | - |
| Rights lapsed or forfeited during the year | (332,048) |
| Closing balance | 3,511,279 |

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

28 Provisions

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Current | | |
| Employee benefits | 8,040 | 7,151 |
| Non-current | | |
| Employee benefits | 4,930 | 618 |
| Rehabilitation, restoration and dismantling | 42,944 | 38,829 |
| | 47,874 | 39,447 |

The movement in the rehabilitation, restoration and dismantling provision during the financial year is set out below.

| | 2021 \$000 |
|---|---------------|
| At 1 July 2020 | 38,829 |
| Arising during the year | 4,661 |
| Unwinding of discount | 356 |
| Inflation and discount rate adjustments | (902) |
| At 30 June 2021 | 42,944 |

Recognition and measurement

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value of the provision reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the unwinding of the discounting on the provision is recognised as a finance cost.

Rehabilitation, restoration and dismantling

The Group recognises a provision for the estimate of the future costs of restoration activities on a discounted basis at the time of exploration or mining disturbance. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related assets to the extent that it was incurred by the development/construction of the asset. Rehabilitation and restoration obligations arising from the Group's exploration activities are recognised immediately in the income statement.

If a change to the estimated provision results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the related asset, the Group considers whether this is an indication of impairment of the asset. If the revised assets, net of rehabilitation provisions, exceed the recoverable amount, that portion of the increase to the provision is charged directly to the income statement.

Key estimates and assumptions – Rehabilitation provisions

The Group assesses its rehabilitation, restoration and dismantling (rehabilitation) provision at each reporting date. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, timing and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs.

The discount rate used in the calculation of the provision is derived from an average of the 5 and 10 year government bond rate, which is currently the estimated time period when majority of the future rehabilitation costs will be incurred, and as at 30 June 2021 equalled 1.13% (2020: 0.64%). The rehabilitation costs are expected to be incurred up to 2039.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

28 Provisions (continued)

Employee Benefits

(i) Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and other short-term benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future expected wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

29 Significant events after the reporting date

Dividends

Subsequent to year end the Directors of the Company announced a fully franked final dividend on ordinary shares in respect of the 2021 financial year of 26 cents per share. The total amount of the dividend is \$46.3 million based on the shares outstanding as at 30 June 2021. The dividend has not been provided for in the 30 June 2021 Financial Statements.

Mining Licence for Motheo Copper Mine

Subsequent to year end the Mining Licence has been granted for the Motheo Copper Mine in Botswana. As part of the Mining Licence approval process, the Government of Botswana has a right to acquire up to a 15% fully contributing interest in the T3-Motheo Project. The Government of Botswana has not yet notified Sandfire of its intention regarding the acquisition of an ownership stake.

30 Accounting standards and interpretations issued but not yet effective

The standards and interpretations that have been issued or amended but not yet effective and have not been early adopted by the Group for the annual reporting period ended 30 June 2021, have been assessed and are not expected to have an impact on its disclosures, financial position or performance of the Group when applied. The Group intends to adopt these standards when they become effective.

31 Auditor remuneration

The auditor of Sandfire Resources Limited is Ernst & Young (EY) Australia.

| | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Amounts received or due and receivable by EY (Australia) for: | | |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the financial reports of any controlled entities | 330,281 | 323,785 |
| <i>Fees for other services</i> | | |
| Taxation services | 13,562 | 84,803 |
| Other advisory services | 8,240 | 5,903 |
| Total Fees to EY (Australia) | 352,083 | 414,491 |
| Amounts received or due and receivable by related practices of EY for: | | |
| for auditing the financial reports of any controlled entities | 167,335 | 178,141 |
| <i>Other services in relation to the entity and any other entity in the consolidated group:</i> | | |
| Other advisory services | 42,833 | - |
| Total fees to overseas member firms of EY (Australia) | 210,168 | 178,141 |
| Total auditor's remuneration | 562,251 | 592,632 |

Consolidated Financial Statements

Directors' Declaration

In accordance with a resolution of the Directors of Sandfire Resources Limited, I state that:

- 1. In the opinion of the Directors:
 - a) the financial statements and notes of Sandfire Resources Limited for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
 - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - d) as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in Note 25 will be able to meet any liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.
- 2. This declaration has been made after receiving the declarations required to be made to the Directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2021.

On behalf of the Board



Derek La Ferla
Non-Executive Chairman



Karl Simich
Managing Director and Chief Executive Officer

West Perth, 30 August 2021

Consolidated Financial Statements

Independent Auditor's Report



Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Sandfire Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Sandfire Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



1. Valuation of trade receivables

| Why significant | How our audit addressed the key audit matter |
|---|---|
| <p>As disclosed in Note 16 of the financial report, copper concentrate sales are subject to a quotational pricing period at 30 June 2021. During the quotational pricing period, the consideration from the sale of copper concentrate is adjusted for changes in the commodity prices, with the final consideration determined based on the prevailing commodity price at the end of the quotational pricing period.</p> <p>As revenue is recognised prior to the completion of the quotational pricing period, trade receivables are subject to quotational pricing adjustments and are required to be measured at fair value through profit or loss under Australian Accounting Standards.</p> <p>In determining the fair value of trade receivables, a key input is the expected commodity prices at the completion of the quotational pricing period, which is based on market forward prices. Given changes in market forward prices can significantly impact the fair value of trade receivables and the unrealised price adjustment, being a gain or loss, recognised in the consolidated income statement, this was considered a key audit matter.</p> | <p>In completing our audit procedure, we:</p> <ul style="list-style-type: none">Assessed the methodologies, inputs and assumptions used by the Group in determining the fair value of trade receivables subject to quotational pricing.Compared observable inputs in the Group's valuation model, such as quoted prices, to externally available market data.Recalculated the fair value measurement of trade receivables still subject to quotational pricing adjustments as at 30 June 2021, using 30 June 2021 market forward prices.Evaluated the adequacy of the disclosures within the financial report. |

2. Recognition and measurement of rehabilitation, restoration and dismantling provisions

| Why significant | How our audit addressed the key audit matter |
|---|--|
| <p>As disclosed in Note 28 of the financial report, the Group has rehabilitation, restoration and dismantling provisions of \$42.9 million at 30 June 2021.</p> <p>The calculation of these provisions was considered a key audit matter because it requires judgement in estimating the costs to undertake required rehabilitation, restoration and dismantling activities, the timing as to when these costs will be incurred and the determination of an appropriate rate to inflate and discount these costs to present value.</p> <p>The Group reviews the underlying costs used to calculate the rehabilitation, restoration and dismantling provisions on a semi-annual basis, using external experts. This review incorporates the identification of any new rehabilitation, restoration and dismantling obligations that have arisen, an assessment of the underlining cost assumptions used, effects of any changes in local regulations, and the expected method and timing of restoration and rehabilitation.</p> | <p>In completing our audit procedure, we:</p> <ul style="list-style-type: none">Involved our environmental specialists to evaluate the reasonableness of the cost estimates used to calculate the rehabilitation, restoration and dismantling provisions and consider the completeness of the rehabilitation, restoration and dismantling activities identified by the Group's external expert.Considered the qualifications, competence and objectivity of the external expert the Group engaged who produced the cost estimates.Considered the timing of the Group's proposed rehabilitation, restoration and dismantling activities for consistency with the Group's legal and/or constructive obligations under its environmental authorities and mining licences and the useful lives of its associated mining operations.Assessed the mathematical accuracy of the calculations and the appropriateness of the inflation and discount rates.Evaluated the adequacy of the disclosures within the financial report. |



3. Transfer of exploration and evaluation assets to mine properties

| Why significant | How our audit addressed the key audit matter |
|--|---|
| <p>As disclosed in Note 18 of the financial report, the Group transferred \$109.5 million of exploration and evaluation assets to mine properties in respect of the T3 Motheo Copper-Silver Project ("the Project").</p> <p>This was a key audit matter due to the judgement and estimation involved in both:</p> <ul style="list-style-type: none">Determining whether the exploration and evaluation project was technically feasible and commercially viable; andAssessing the Projects' carrying value for impairment prior being reclassified to mine properties, as required by Australian Accounting Standards. <p>Determining whether an exploration and evaluation project is technically feasible and commercially viable involves a number of considerations such as assessing whether sufficient work has been undertaken in understanding the geological and metallurgical nature of the ore body, the likelihood of obtaining approvals to mine the project area and whether the project is commercially feasible.</p> <p>The determination of a project's recoverable amount to assess the carrying value of the project for impairment involves estimation of future copper prices, discount rates, exchange rates and operating and capital costs.</p> | <p>In completing our audit procedure, we:</p> <ul style="list-style-type: none">Considered the outcomes of the latest feasibility study to assess whether it supported the Project's technical and commercial viabilities.Considered the current licensing status of the project areas and likelihood of being granted required approvals.Considered whether the Group had committed to developing the project.Assessed whether the impairment valuation methodology applied by the Group met the requirements of Australian Accounting Standards.Tested the mathematical accuracy of the impairment model.Assessed the reasonableness of management's key forecast assumptions, including copper prices, discount rates, and operating and capital costs, used in the impairment test.Assessed the conclusions in the projects technical reports provided by external experts and considered the qualifications, competence and objectivity of those experts.Performed a sensitivity analysis on key assumptions such as discount rates and forecasted copper prices used in the impairment test.Assessed whether all the costs relating to the project areas have been appropriately transferred to mine properties.Evaluated the adequacy of the disclosures within the financial report. |

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Consolidated Financial Statements

Independent Auditor's Report



If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Consolidated Financial Statements

Independent Auditor's Report



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report


Opinion on the Remuneration Report

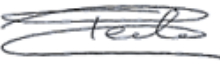
We have audited the Remuneration Report in the directors’ report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sandfire Resources Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


Ernst & Young


Philip Teale
Partner
Perth
30 August 2021

Shareholder and Investor Information

The shareholder information set out below is current as at 10 September 2021.

Australian Securities Exchange listing

Sandfire shares are listed on the Australian Securities Exchange (ASX). The Company is listed as Sandfire Resources Ltd with an ASX code of SFR.

Issued Capital

Share capital comprised 178,251,333 fully paid ordinary shares and the Company had 10,678 holders of ordinary fully paid shares.

Distribution of shareholders

| Range | Total holders | Number of shares | Percentage of issued capital |
|--------------------|---------------|------------------|------------------------------|
| 1 – 1,000 | 5,356 | 2,340,733 | 1.31 |
| 1,001 – 5,000 | 3,839 | 9,744,660 | 5.47 |
| 5,001 – 10,000 | 895 | 6,758,082 | 3.79 |
| 10,001 – 100,000 | 531 | 12,698,760 | 7.12 |
| 100,001 – and over | 57 | 146,709,098 | 82.31 |

The number of Sandfire shareholders holding less than a marketable parcel (\$500) based on the market price of \$6.32 was 613.

Twenty largest holders of ordinary fully paid shares (as named on the Register of Shareholders)

| Holder name | Number of shares | Percentage held |
|---|------------------|-----------------|
| 1 HSBC Custody Nominees Australia Ltd | 72,772,481 | 40.83 |
| 2 Citicorp Nominees Pty Ltd | 20,791,409 | 11.66 |
| 3 J P Morgan Nominees Australia Pty Ltd | 18,495,842 | 10.38 |
| 4 National Nominees Ltd | 4,700,407 | 2.64 |
| 5 Metal Tiger PLC | 3,971,357 | 2.23 |
| 6 BNP Paribas Nominees Pty Ltd | 1,790,087 | 1.00 |
| 7 Tongaat Pty Ltd | 1,758,215 | 0.99 |
| 8 BNP Paribas Noms Pty Ltd | 1,748,847 | 0.98 |
| 9 Resource Development Company Pty Ltd | 1,486,786 | 0.83 |
| 10 BNP Paribas Nominees Pty Ltd | 1,442,152 | 0.81 |
| 11 Woodross Nominees Pty Ltd | 1,353,159 | 0.76 |
| 12 Merrill Lynch (Australia) Nominees Pty Ltd | 1,292,171 | 0.72 |
| 13 CS Third Nominees Pty Ltd | 1,141,492 | 0.64 |
| 14 First Samuel Ltd | 1,052,855 | 0.59 |
| 15 Kape Securities Pty Ltd | 954,750 | 0.54 |
| 16 Ms Bo Xu | 800,000 | 0.45 |
| 17 Brispot Nominees Pty Ltd | 702,592 | 0.39 |
| 18 HSBC Custody Nominees (Australia) Ltd | 689,388 | 0.39 |
| 19 Citicorp Nominees Pty Ltd <Colonial First State Inv Acc> | 654,521 | 0.37 |
| 20 HSBC Custody Nominees (Australia) Ltd | 632,139 | 0.35 |
| Total | 138,230,650 | 77.55 |

Substantial shareholders in Sandfire Resources Ltd

The Company has received the following notices of substantial shareholding (Notice).

| Substantial shareholder | Date received | Relevant interest per the Notice (number of shares) |
|-------------------------|------------------|---|
| Vanguard Group Inc. | 8 September 2021 | 8,941,199 |
| FMR LLC | 12 July 2021 | 8,939,733 |
| Dimensional Entities | 27 February 2020 | 8,998,600 |

Other securities on issue

| Class of security | Number | Holders |
|---|-----------|---------|
| Performance rights vesting not earlier than 1 July 2021 | 376,572 | 5 |
| Zero exercise price options expiring 17 July 2026 | 3,576,336 | 14 |

Voting rights

The voting rights of security holders of the Company are set out in the Company's Constitution and, in summary, each member has one vote for each fully paid share held by the member in the Company. Holders of performance rights and zero exercise price options do not have voting rights.

On-market buy back

The Company does not have a current buy-back plan.

Key shareholder information

To assist those considering an investment in the Company, the Sandfire website contains key shareholder information. The site contains information on Sandfire's operations, ASX releases and financial and quarterly reports. It also contains a facility for shareholders and investors to direct inquiries to the Company, and to elect to receive communications from Sandfire via email.

Dividends

Sandfire's Board of Directors typically makes a determination on dividend payments twice each year. Dividend payments are credited directly into any nominated bank, building society or credit union account in Australia. Sandfire does not operate a dividend reinvestment plan (DRP).

Share registry information

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry:

Automic Group Ltd

Level 2, 267 St Georges Terrace
Perth WA 6000

T: 1300 288 664 (within Australia)
+61 2 9698 5414 (outside Australia)

F: +61 2 8583 3040

E: hello@automicgroup.com.au

W: www.automicgroup.com.au

Visit the Automic website to access a wide variety of holding information, change your personal details and download forms. You can:

- check your current and previous holding balances
- elect to receive financial reports electronically
- update your address details
- update your bank details
- confirm whether you have lodged your Tax File Number (TFN)
- enter your email address
- download a variety of instruction forms

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN).

GRI Content Index

| GRI Standard | Disclosure | Reference or response | Omissions | Reason for omissions | Assured (y/n) | Reference (page) |
|------------------------------|--|--|-----------|----------------------|---------------|------------------|
| GRI 102: General Disclosures | | | | | | |
| 102-1 | Name of the organisation | Sandfire Resources Ltd | | | Y | 3 |
| 102-2 | Primary brands, products and services | Exploration and mining company extracting precious metals. See About Sandfire. | | | Y | 3 |
| 102-3 | Location of headquarters | https://www.sandfire.com.au/site/contact/contact-us | | | Y | |
| 102-4 | Location of operations | https://www.sandfire.com.au/site/Business/our-business | | | Y | |
| 102-5 | Ownership and legal form | Annual Report: About Sandfire | | | Y | 3 |
| 102-6 | Markets served | Annual Report: Our Value Chain and About Sandfire | | | Y | 5 & 8 |
| 102-7 | Scale of the organisation | Annual Report: About Sandfire | | | Y | 3 |
| 102-8 | Information on employees and other workers | Data Tables | | | Y | |
| 102-9 | Supply chain | Annual Report: Value Chain | | | Y | 5 |
| 102-10 | Significant changes to the organisation and its supply chain | Annual Report: Our Supply Chain | | | Y | 5 |
| 102-11 | Adoption of the precautionary approach | Refer to our initiatives within each of our material topics. | | | Y | |
| 102-12 | External initiatives | Reporting | | | Y | 44 |
| 102-13 | Memberships of associations | Sandfire is an active member of the Association of Mining and Exploration Companies (AMEC) and has representatives on the Environment and Water Committee, the Safety Committee and the Aboriginal Affairs Committee. | | | Y | |
| | | Our Managing Director and Chief Executive Officer, Karl Simich, is a member of the Board of the International Copper Association Australia (ICAA), the peak body for the copper industry in Australia. The ICAA represents some of the country's most influential companies in mining, manufacturing, production, and recycling. | | | | |
| | | The Chair of our Board, Derek La Ferla is a fellow of the Australian Institute of Company Directors (AICD) and member of the AICD National Board. | | | | |
| 102-14 | Statement from senior decision maker | Chairman's Message and Message from the Managing Director and CEO | | | Y | 12 - 15 |
| 102-16 | Values, code of conduct and code of ethics | Annual Report: Our Strategy | | | Y | 7 |
| | | https://www.sandfire.com.au/site/About/our-purpose-vision-and-values | | | | |
| 102-18 | Governance structure | https://www.sandfire.com.au/site/About/corporate-governance | | | Y | |
| 102-40 | Stakeholder groups engaged | Stakeholder Groups | | | Y | |
| 102-41 | Collective bargaining agreements | All employees are employed on individual contracts in line with national Employment Standards. Sandfire has no collective bargaining agreements | | | Y | |

GRI Content Index

| GRI Standard | Disclosure | Reference or response | Omissions | Reason for omissions | Assured (y/n) | Reference (page) |
|--|--|---|--|----------------------|---------------|------------------|
| GRI 102: General Disclosures (continued) | | | | | | |
| 102-42 | Identifying and selecting stakeholder groups | Stakeholders are identified as all people and organisations we require interaction with throughout the life of our operations | | | Y | |
| | | | | | | |
| 102-43 | Approach to stakeholder engagement | Thriving Communities: Community engagement | | | Y | 55 |
| 102-44 | Key topics and concerns raised | Stakeholder Groups | | | Y | |
| 102-45 | Entities included in the consolidated financial statements | Financial Report | | | Y | 149 |
| 102-46 | Defining report content and topic boundaries | Reporting | | | Y | 44 |
| 102-47 | List of material topics | Reporting: FY2021 material topics | | | Y | 45 |
| 102-48 | Restatements of information | Reporting | | | Y | 44 |
| 102-49 | Changes in reporting | Reporting: Reporting boundaries | | | Y | 44 |
| 102-50 | Reporting period | 1 July 2020 – 30 June 2021 | | | Y | |
| 102-51 | Date of most recent previous report | 02-October-2020 | | | Y | |
| 102-52 | Reporting cycle | Annual | | | Y | |
| 102-53 | Contact point for questions | Sustainability@sandfire.com.au | | | Y | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | This report has been prepared in accordance with the GRI Standards: Core Option | | | Y | |
| 102-55 | GRI content index | GRI Content Index | | | Y | 166 – 169 |
| 102-56 | External assurance | Assurance Statement | | | Y | 70 – 71 |
| Material Topic - The Mining Lifecycle | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | The Mining Lifecycle | | Y | 46 |
| | 103-2 | The management approach and its components | The Mining Lifecycle: Governance framework | | Y | 46 |
| | 103-3 | Evaluation of the management approach | The Mining Lifecycle: Transition management | | Y | 46 |
| GRI 307: Environmental Compliance | 307-1 | Non-compliance with environmental laws and regulations | The Mining Lifecycle: Operation | | Y | 48 |
| GRI Sector Disclosure | MM10 | Number and percentage of operations with closure plans | The Mining Lifecycle: Mine closure planning | | Y | 48 |
| Material Topic – Operating Responsibly | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Operating Responsibly | | Y | 49 |
| | 103-2 | The management approach and its components | Operating Responsibly: Governance framework | | Y | 49 |
| | 103-3 | Evaluation of the management approach | Operating Responsibly: Anti-bribery and corruption | | Y | 49 |
| GRI 406: Non-discrimination | 406-1 | Incidents of discrimination and corrective actions taken | Data tables | | Y | |
| GRI 414: Supplier Social Assessment | 414-1 | New suppliers that were screened using social criteria | Data tables | | Y | |

GRI Content Index

| GRI Standard | | Disclosure | Reference or response | Omissions | Reason for omissions | Assured (y/n) | Reference (page) |
|---|--------|---|---|-------------------------------|---|---------------|------------------|
| Material Topic – Safety, Health and Wellbeing | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Safety, Health and Wellbeing | | | Y | 52 |
| | 103-2 | The management approach and its components | Safety, Health and Wellbeing: Governance framework | | | Y | 53 |
| | 103-3 | Evaluation of the management approach | Safety, Health and Wellbeing: Governance framework | | | Y | 53 |
| GRI 403: Occupational Health and Safety | 403-8 | Workers covered by an occupational health and safety management system | Safety, Health and Wellbeing: Governance framework | | | Y | 53 |
| | 403-9 | Work-related injuries | Data tables | | | Y | |
| | 403-10 | Work-related ill-health | Data Tables | | | Y | |
| GRI 404: Training and Education | 404-1 | Average hours of training per year per employee | Data tables | | | Y | |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | https://www.sandfire.com.au/site/careers/careers-overview | Transition assistance program | Not implemented at time of verification | Y | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | Data Tables | | | Y | |
| Material Topic – Thriving Communities | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Thriving Communities | | | Y | |
| | 103-2 | The management approach and its components | Thriving Communities: Governance framework | | | Y | |
| | 103-3 | Evaluation of the management approach | Thriving Communities: Governance framework | | | Y | |
| GRI 202: Market Presence | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | Data Tables | Management approach | Not presented in disclosure | N | |
| | 202-2 | Proportion of senior management hired from the local community | Data Tables | Management approach | Not presented in disclosure | N | |
| GRI 413: Local Communities | 413-1 | Operations with local community engagement, impact assessments, and development programs | Thriving Communities | | | Y | 55 |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | DeGrussa Copper-Gold Mine (Australia) and Motheo Copper-Silver Mine in construction (Botswana) | | | Y | 55 |
| GRI 204: Procurement Practices | 204-1 | Proportion of spending on local suppliers | Thriving Communities: Economic contribution | | | Y | 56 |
| GRI 201: Economic Performance | 201-1 | Direct economic value generated and distributed | Thriving Communities: Economic contribution | | | Y | 56 |
| Material Topic – Indigenous Peoples | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Indigenous Peoples | | | Y | 58 |
| | 103-2 | The management approach and its components | Indigenous Peoples: Governance framework | | | Y | 58 |
| | 103-3 | Evaluation of the management approach | Indigenous Peoples | | | Y | 58 |
| GRI 411: Rights of Indigenous People | 411-1 | Incidents of violations involving rights of Indigenous peoples | Indigenous Peoples: Australia | | | Y | 58 |
| Sector Specific Disclosure | MM5 | Total number of operations taking place in or adjacent to Indigenous people's territories | Indigenous Peoples: Australia | | | Y | 58 |

GRI Content Index

| GRI Standard | | Disclosure | Reference or response | Omissions | Reason for omissions | Assured (y/n) | Reference (page) |
|--|-------|---|---|----------------|---|---------------|------------------|
| Material Topic - Water | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Water | | | Y | 60 |
| | 103-2 | The management approach and its components | Water: Governance framework | | | Y | 60 |
| | 103-3 | Evaluation of the management approach | Water | | | Y | 60 |
| GRI 303: Water and Effluents | 303-3 | Water withdrawal | Water: Australia performance | | | Y | 61 |
| | 303-4 | Water discharge | Water: Australia performance | | | Y | 61 |
| | 303-5 | Water consumption | Water: Australia performance | | | Y | 61 |
| Material Topic - Climate Change | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Climate Change | | | Y | 63 |
| | 103-2 | The management approach and its components | Climate Change: Governance framework | | | Y | 64 |
| | 103-3 | Evaluation of the management approach | Climate Change: Strategy | | | Y | 64 |
| GRI 302: Energy | 302-1 | Energy consumption within the organisation | Data tables | | | Y | |
| | 302-3 | Energy intensity | Data tables | | | Y | |
| | 302-4 | Reduction of energy consumption | Data tables | | | Y | |
| GRI 305: Emissions | 305-1 | Direct (scope 1) GHG emissions | Data tables | | | Y | |
| | 305-2 | Indirect (scope 2) GHG emissions | Data tables | | | Y | |
| | 305-4 | GHG emissions intensity | Data tables | | | Y | |
| GRI 201: Economic Performance | 305-5 | Reduction of GHG emissions | Data tables | | | Y | |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | Climate Change: Risk | iii, iv, and v | Information was not available at the time of verification | Y | 64 |
| Material Topic – Tailings and Waste | | | | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topic and its Boundaries | Tailings and Waste | | | Y | 68 |
| | 103-2 | The management approach and its components | Tailings and Waste: Governance framework | | | Y | 68 |
| | 103-3 | Evaluation of the management approach | Tailings and Waste: Governance framework | | | Y | 68 |
| GRI 306: Waste | 306-2 | Waste by type and disposal method | Data Tables | | | Y | |
| | 306-3 | Total weight of tailings generated in metric tons, and a breakdown of this total by composition | Data Tables | | | Y | |
| GRI Sector Disclosure | MM3 | Total amounts of overburden, rock, tailings, and sludges and their associated risks | Data Tables | | | Y | |
| Other | | | | | | | |
| GRI 405: Diversity and Equal Opportunity | 405-1 | Diversity of governance bodies and employees | See Corporate Governance Statement Data Tables | | | Y | |
| GRI 401: Employment | 401-1 | New employee hires and employee turnover | Data Tables | | | Y | |

TCFD Content Index

| Governance Disclose the organisation's governance around climate-related risks and opportunities. | | |
|---|--|---|
| Recommended Disclosure | References | Next Steps |
| a) Describe the Board's oversight of climate-related risks and opportunities. | Climate Change: Governance | Publication of our Climate Change Policy in FY2022. |
| b) Describe the management's role in assessing and managing climate-related risks and opportunities. | Climate Change: Governance | Development of our Climate Change Strategy and emission reduction plan. |
| | | |
| Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material. | | |
| Recommended Disclosure | References | Next Steps |
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | Climate Change: Risk | Undertaking scenario analysis and an enterprise risk assessment in FY2022. |
| b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. | Not available | Undertaking scenario analysis in FY2022. |
| c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario. | Not available | Development of our Climate Change Strategy in FY2022. |
| | | |
| Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks. | | |
| Recommended Disclosure | References | Next Steps |
| a) Describe the organisation's processes for identifying and assessing climate-related risks. | Climate Change: Risk | Conducting an enterprise climate change risk assessment. |
| b) Describe the organisation's processes for managing climate-related risks. | Climate Change: Risk | Conducting an enterprise climate change risk assessment. |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. | Climate Change: Risk | Disclosure will be provided in our FY2022 reporting. |
| | | |
| Metrics and targets Disclose the metrics and targets used to assess and manage climate-related risks and opportunities where such information is material. | | |
| Recommended Disclosure | References | Next Steps |
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | Climate Change: Metrics | Metrics will be identified through Climate Change Strategy development and enterprise climate change risk assessment. |
| b) Disclose Scope 1, Scope 2, and, if applicable, Scope 3, greenhouse gas (GHG) emissions, and related risks. | Climate Change: Energy and emissions | Conduct materiality assessment of Scope 3 emissions. |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | Climate Change: Metrics Our Approach to Sustainability: Sustainability Strategy | Targets will be disclosed in our annual reporting. |

SASB Content Index

| Topic | Code | Accounting Metric | Reference |
|---|--------------|--|--|
| GHG Emissions | EM-33-110a.1 | Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations. | Data tables |
| | EM-33-110a.2 | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets. | Climate Change |
| Air Quality | EM-MM-120a.1 | Air emissions of the following pollutants: (1) CO, (2) NOx (excluding NO2), (3) SOx, (4) particulate matter (PM10), (5) mercury (hg), (6) lead (Pb), and (7) volatile organic compounds (VOCs). | Annual National Pollutant Inventory reporting to the Department of Agriculture, Water and Environment |
| Energy Management | EM-MM-130a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable | Data tables |
| Water Management | EM-MM-140a.1 | (1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress. | Water: Australia Performance Data tables |
| | EM-MM-140a.2 | Number of incidents of non-compliance associated with water quality permits, standards, and regulations. | No incidents of non-compliance occurred in FY2021. |
| Waste & Hazard Materials Management | EM-MM-150a.1 | Total weight of tailings waste, percentage recycled. | Data tables |
| | EM-MM-150a.2 | Total eight of mineral processing waste, percentage recycled. | Data tables |
| | EM-MM-150a.3 | Number of tailings impoundments, broken down by MSHA hazard potential. | Tailings and Waste Facilities are classified under the ANCOLD Guidelines and Global Industry Standard on Tailings Management. |
| Biodiversity Impacts | EM-MM-160a.1 | Description of environmental management policies and practices for active sites. | Website |
| | EM-MM-160a.2 | Percentage of mine sites where acid rock drainage is: (1) predicted to occur, (2) actively mitigated, and (3) under treatment or remediation. | Tailings and Waste PAF material is managed in accordance with our standards. |
| | EM-MM-160a.3 | Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat. | Data unavailable |
| Security, Human Rights & Rights of Indigenous Peoples | EM-MM-210a.1 | Percentage of (1) proved and (2) probable reserves in or near areas of conflict. | Not applicable |
| | EM-MM-210a.2 | Percentage of (1) proved or (2) probable reserves in or near indigenous land. | Indigenous Peoples |
| | EM-MM-210a.3 | Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict. | Operating Responsibly: Modern Slavery Indigenous Peoples Sandfire does not operate in areas of conflict. |
| Labor Relations | EM-MM-310a.1 | Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees. | All employees are employed on individual contracts in line with national Employment Standards. Sandfire has no collective bargaining agreements. |
| | EM-MM-310a.2 | Number and duration of strikes and lockouts. | No strikes or lockouts occurred in FY2021. |
| Workforce Health & Safety | EM-MM-320a.1 | (1) MSHA all-incidence rate, (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees and (b) contract employees. | Data tables (4) Data unavailable |
| Business Ethics & Transparency | EM-MM-510a.1 | Description of the management system for prevention of corruption and bribery throughout the value chain. | Operating Responsibly |
| | EM-MM-310a.2 | Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index. | Our operations are not based in countries that have the 20 lowest rankings according to the latest Corruption Perception Index. |

Glossary of Terms

| Term | Definition |
|---------------------------------|---|
| AC | air core usually in the context of drilling or drill holes |
| Ag | silver |
| Au | gold |
| BCM | bulk cubic metres |
| Co | cobalt |
| Cu | copper |
| CuEq | copper equivalent |
| DHEM | down hole electromagnetic surveys |
| EM | electromagnetic |
| EM conductors | electromagnetic conductors returned from EM surveys |
| Employees | People directly employed by Sandfire wherever they are located in the world. |
| FLEM | fixed-loop electromagnetic |
| g | metric gram |
| GJ | Gigajoules |
| g/t | metric gram per metric tonne |
| Greater Perth | Greater Perth is the statistical area of Perth's Greater Capital City. This statistical area extends along Western Australia's coastline from Two Rocks to Coolup and inland to Wooroloo. |
| Human rights | The human rights most relevant for our operations are related to workplace safety, labour conditions, and the rights of Native Title groups and communities where we have an impact. |
| Integrated waste landform (IWL) | The waste rock dump and the tailing storage facility are one facility known as an integrated waste landform. The waste rock dump surrounds the tailings storage facility. |
| km | kilometres |
| koz | thousand ounces |
| kt | thousand metric tonnes |
| ktpa | thousand metric tonnes per annum |
| Lost time injury (LTI) | An injury which results in the person being declared (by a medical practitioner) as being unfit to perform their normal duties for a shift, after the shift in which the injuries were sustained. |
| Midwest economic region | The Midwest economic region spans around 478,000 square kilometres across the centre of Western Australia from Green Head to Kalbarri and over 800km inland to Wiluna in the Gibson Desert. |
| ML | Megalitres |
| MLEM | moving-loop electromagnetic surveys |
| Modern slavery | Modern slavery includes serious human exploitation such as human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour, and deceptive recruiting for labour or services. |
| Moz | million ounces |

Glossary of Terms

| Term | Definition |
|----------------------------------|---|
| Mt | million metric tonnes |
| Mtpa | million metric tonnes per annum |
| Native title | The communal, group or individual rights and interests of Aboriginal peoples and Torres Strait Islanders in relation to land and waters, possessed under traditional law and custom, by which those people have a connection with an area which is recognised under Australian law. |
| Native title claimant group | Indigenous parties who declare they hold rights and interests in an area of land and/ or water according to their traditional laws and customs and are seeking a decision from the Court that native title exists, so their rights and interests are recognised by the common law of Australia. |
| Native title determination group | Indigenous party whose right to native title has been established by an Australian court or other recognised body. |
| Ni | nickel |
| oz | ounce |
| Permanent contractor | Contractors with a fixed term contract. |
| Principal hazard | Hazards that have a potentially fatal risk. |
| RC | reverse circulation drilling |
| Recordable injury | The combination of fatalities, lost time injuries, restricted work injuries and medically treated injuries. |
| Significant near miss | An unplanned event that did not result in significant injury, illness or damage, but had the potential to do so. |
| t | metric tonnes |
| Tailings | Tailings are finely ground rock and mineral waste products of mineral processing operations. |
| Tailings storage facility (TSF) | Purpose built retaining embankment to store tailings for the life of mine. |
| TRIFR | Total number of recordable injuries (for the 12 month period/total hours worked for the 12 month period) multiplied by 1,000,000 hours. |
| VTEM | airborne versatile electromagnetic surveys |
| Waste Rock | Waste rock is material that contains minerals in concentrations considered too low to be extracted at a profit. |
| Whistle-blower | A whistle-blower is someone who discloses reportable conduct to people that have the power to take corrective action. |
| Workforce | All employees and contractors working on any Sandfire operation in the world. |
| Zn | zinc |

Cautionary Notes and Disclaimers

Forward-Looking Statements

Certain statements made within this Report contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Ore 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.

Such forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect” and “intend” and statements that an event or result “may”, “will”, “should”, “could”, or “might” occur or to be achieved and any other similar expressions. In providing the forward-looking information in this report, Sandfire has made numerous assumptions which management believes are reasonable as at the date they are made. 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. No representation, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement.

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.

Motheo Expansion Case

The Expansion Case to 5.2Mtpa referred to in this Report, where it relates to A4 and other prospects, is based on the T3 Mineral Resource Estimate and Ore Reserve, the 3.2Mtpa Definitive Feasibility Study completed in December 2020, A4 Mineral Resource Estimate and Ore Reserve and the 5.2Mtpa Pre-Feasibility Study. The 5.2Mtpa Pre-Feasibility Study has been completed to an overall level of accuracy of ±15-25% and is based on material assumptions outlined in the Company's ASX announcement, titled 'Maiden Ore Reserve for A4 Deposit and PFS confirms 5.2Mtpa Motheo Copper Project' (release date: 22 September 2021).

Exploration and Resource Targets

Any discussion in relation to the potential quantity and grade of Exploration Targets is only conceptual in nature. While Sandfire is continuing exploration programs aimed at reporting additional JORC compliant resources for the Company's projects, there has been insufficient exploration to define mineral resources in addition to the current JORC compliant Mineral Resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

Corporate Information

Directors

| | |
|-----------------|---|
| Derek La Ferla | Independent Non-Executive Chairman |
| Karl Simich | Managing Director and Chief Executive Officer |
| Paul Hallam | Independent Non-Executive Director |
| Roric Smith | Independent Non-Executive Director |
| Sally Langer | Independent Non-Executive Director |
| Jennifer Morris | Independent Non-Executive Director |
| John Richards | Independent Non-Executive Director |

Company Secretary

Matthew Fitzgerald Chief Financial Officer and Company Secretary

Registered Office and Principal Place of Business

Level 2, 10 Kings Park Road
West Perth WA 6005

T: +61 8 6430 3800
F: +61 8 6430 3849
E: admin@sandfire.com.au
W: www.sandfire.com.au

Share Registry

Automic Group Limited
Level 2, 267 St Georges Terrace
Perth WA 6000

T: 1300 288 664 (within Australia)
+61 2 9698 5414
F: +61 2 8583 3040
E: hello@automicgroup.com.au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia

Home Exchange

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

ABN

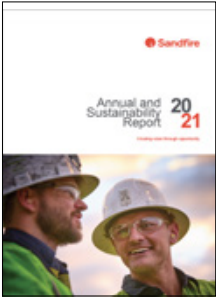
55 105 154 185

ASX Code

Sandfire Resources Limited shares are listed on the Australian Stock Exchange (ASX).

Ordinary fully paid shares: SFR

Sandfire produces a range of publications, which can be downloaded or viewed at our website.



Annual and Sustainability Report



Corporate Governance Statement



Modern Slavery Statement

Stay up to date with the latest news @ www.sandfire.com.au

in www.linkedin.com/company/sandfire-resources/

f www.facebook.com/SandfireResourcesLtd/

t twitter.com/SandfireResLtd/

Sandfire has delivered an outstanding year as our leadership team has progressed against the objectives of our Strategic Growth Plan.

sandfire.com.au





sandfire.com.au



Printed on 100% Recycled Paper