

## Motheo & MATSA achieve FY24 planned output & 2H24 return to profitability

<b>Company/ASX Code</b>	Sandfire Resources Limited/SFR
<b>AGM time and date</b>	1000hrs AWST Friday 15 November 2024
<b>Location</b>	Parmelia Hilton, Stirling Room, 14 Mill St Perth WA
<b>Registry</b>	Automic Group Pty Ltd
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Len Roy assisted Ian Berry
<b>Pre-AGM Meeting</b>	Yes with Ind NED Chairman John Richards, MD /CEO Brendan Harris & Company Secretary.

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
2.1	Re-election of Ind NED John Richards	For
2.2	Re-election of Ind NED Ms Sally Langer	For
3.	Approval of Remuneration Report	For
4.	Approval of grant of STI shares to CEO & MD	For
5.	Approval of Long-Term incentive grant of Performance Rights to CEO & MD	For
6.	Approval of increase to NED Fee Pool	For
7.	Conditional Board spill meeting	Against

### 2. Key FY24 outcomes

1. Total Recordable Injury Frequency (TRIF) safety metric achieved was 1.6. One of the best in the sector.
2. Total Copper equivalent (Cu eq) production from MATSA & Motheo 133.5kt. 47% increase on pcp.
3. Reported 40.1% increase in EBITDA to \$362.2m.
4. Underlying loss reduced to \$5.5m and statutory loss reduced to \$19.2m.
5. Reduced net debt by \$34m to \$396.1m and targeting net cash position FY25.
6. Addition to S&P/ASX100 effective 23 September 2024
7. Finalised detailed Motheo & MATSA exploration plans relevant to extending mine life.
8. Returned to profitability second half of FY24

## Financial highlights <sup>(i)</sup>

US\$000	FY24	FY23	Change
<b>Statutory financial measures</b>			
Sales revenue	935,188	803,974	131,214
Profit / (Loss) before tax and net finance expense	53,386	(5,289)	58,675
<b>Loss after tax</b>	<b>(19,071)</b>	<b>(53,661)</b>	<b>34,590</b>
Loss per share (US cents) <sup>(ii)</sup>	(3.80)	(11.81)	8.01
Ordinary dividends per share (US cents)	-	-	-
<b>Other financial measures (non-statutory)</b>			
Underlying Operations EBITDA	420,641	328,843	91,798
<b>Underlying EBITDA</b>	<b>362,197</b>	<b>258,505</b>	<b>103,692</b>
Underlying EBIT	58,637	(11,471)	70,108
<b>Underlying Earnings</b>	<b>(5,473)</b>	<b>(45,257)</b>	<b>39,784</b>
Underlying loss per share (US cents) <sup>(ii)</sup>	(1.20)	(10.36)	9.16

(i) A reconciliation of Underlying Earnings metrics to the statutory financial results in the Consolidated Income Statement is included in Note 3 Segment information to the financial statements, contained in the FY24 Annual Report.

(ii) Basic earnings per share is calculated as (loss)/profit after tax attributable to the equity holders of Sandfire Resources Ltd divided by the weighted average number of shares on issue for the period. Underlying loss per share is calculated as Underlying Earnings divided by the weighted average number of shares on issue for the period.

Source: Sandfire FY24 Financial Results Overview

## 3. Matters Considered

### Summarised Capital Management

Net debt of \$396M at 30 June 2024

- MATSA Facility A repaid
- MATSA Facility B \$313M outstanding
- Motheo Finance Facility \$187M outstanding
- \$200M Corporate Revolver Facility drawn to \$79M • Cash \$183M

Capital expenditure for FY25 will be increased by 4% including \$40m deferred from FY24 into FY25. No capital raising or dividend payment occurred in FY24.

Borrowing maturities are progressively spread out to 2028.

Shareholders who participated in the 2023 placement & share purchase plan (SPP) at \$4.30 ps will have noted current share price of \$10.44ps and FY24 TSR 48%.

We will seek update on the prioritised return to a net cash position (noting net debt excludes capitalised transaction costs, leases and revolving short-term working capital facilities) and dividend recommencement.

## Key performance indicators

### Motheo FY24 Production & costs summary

FY24 Production	FY24 Costs
<ul style="list-style-type: none"><li>• 4.2Mtpa throughput</li><li>• 44.7kt CuEq<sup>1</sup></li><li>- Cu 41.2kt</li><li>- Ag 1.2Moz</li></ul>	<ul style="list-style-type: none"><li>• Underlying operating cost<sup>2</sup> \$175M</li><li>- \$42/t<sup>2</sup> of ore processed</li><li>- C1 \$1.70/lb<sup>6</sup></li><li>• Depreciation \$57M</li></ul>

Source: Sandfire FY24 Results Presentation

### MATSA FY24 Production & Costs

FY24 Production	FY24 Costs
<ul style="list-style-type: none"><li>• 4.7Mtpa mining rate</li><li>• 4.5Mtpa processing rate</li><li>• 88.8kt CuEq<sup>1</sup></li><li>- Cu 56.5kt</li><li>- Zn 82.8kt</li><li>- Pb 7.5kt</li><li>- Ag 2.5Moz</li></ul>	<ul style="list-style-type: none"><li>• Underlying operating cost<sup>2</sup> of \$326M</li><li>- \$72/t<sup>2</sup> ore processed</li><li>- C1 \$1.92/lb<sup>6</sup></li><li>• Depreciation of \$245M</li></ul>

Source: Sandfire FY24 Results Presentation

## Black Butte Montana. Continues in the development, Assessment & Derisking

Operating permit reinstalled February 2024.

Identified ore reserve 8.8Mt and Mineral Resource 13.6Mt.

Planned copper concentrate production about 30kt pa in early years. Investment decision within two years.

## Governance

The SFR AR includes Appendix 4G Key to Corporate Governance Disclosures and SFR states they comply with all relevant ASX Corporate Governance Council's 4<sup>th</sup> edition Principles & recommendations.

The SFR board is made up of 6 independent NEDs plus the MD/CEO. Three Ind NEDs are Female.

The four board committees are:

Audit & Finance, chaired by Ind NED Sally Langer

People & Performance, chaired by Ind NED Jennifer Morris

Risk & Sustainability, chaired by Ind NED Rob Edwards

Nominations, chaired by Ind NED & Company chairman John Richards

The company does not support political donations.

SFR report the FY24 Gender diversity as 40:40:20 Board : Senior Exec Team : Exec Leadership.

We have requested a more updated Skills Matrix clearly identifying relevant skills for each director.

## **Sustainability Reporting**

SFR's sustainability practices & reporting consider the significant transition from one successful underground mining operation in WA to, ownership and control of the MATSA underground mining operation in Southern Spain and open pit mining operation in Motheo Botswana.

Both Motheo & MATSA are now fully operational, exceeding original Cu Eq ore body outputs. Extensive adjacent mineral reserves & resources are being assessed to assist with Life of Mine sustainability.

The single mine sustainability reporting has been in accordance with UN SDGs & GRI Standards, and is being upgraded. Specifically, the 5 year goals & milestones data is undergoing update planned for completion FY25. For FY24, Deloitte conducted a limited independent Assurance engagement IAW ASAE issued by Australian Auditing & Assurance Standards Board and Auditing Standard ASQM1.

Renewable Energy made up 73% of FY24 electricity needs and TRIF safety performance in FY24 was 1.6. A new solar farm is planned for installation near the MATSA mining operation.

Baseline Scope 1 & 2 emissions are in place and a 35% target reduction is set for 2035.

The Climate Change chapter aligns with Taskforce on Climate Related Financial Disclosures recommendations.

## Remuneration Report

### Five Year Company Performance

Table 3 – Company performance

Measure	FY20	FY21	FY22	FY23	FY24
Net profit/(loss) (US\$'000)	47,557	127,428	109,432	(53,661)	(19,071)
Net profit/(loss) attributable to equity holders of the parent (US\$'000)	48,743	128,594	111,430	(51,576)	(17,348)
Underlying EBITDA (US\$'000) <sup>(a)</sup>			474,372	258,505	362,197
Underlying Earnings (US\$'000) <sup>(a)</sup>			138,832	(45,257)	(5,473)
Cash and cash equivalents at year end (US\$'000)	199,812	431,313	463,093	141,939	183,337
Secured bank loan balance at year end (US\$'000)	-	-	782,283	556,881	560,310
Net cash inflow from operating activities (US\$'000)	183,677	347,510	391,188	116,622	344,893
Basic earnings/(loss) per share (US cents)	28.79	72.14	32.05	(11.81)	(3.80)
ASX share price at the end of the year (A\$) <sup>(b)</sup>	5.07	6.83	4.45	5.90	8.73
Dividends per share (A\$ cents)	19	34	3	-	-

(a) EBITDA and Underlying Earnings provides insight into the Group's performance by excluding the impact of items that are not part of the Group's usual business activities. A reconciliation of these Underlying Earnings metrics to the statutory financial results in the Consolidated Income Statement is included in Note 3 Segment information to the financial statements.

(b) The opening share price in FY20 was \$6.69.

Source: Sandfire FY24 Annual Report

The FY24 Remuneration Report is comprehensively covered in pages 70 - 95 of the Annual Report. Independent NED Jennifer Morris chairs the Rem Committee (People & Performance). The report addresses the challenging transitional circumstances involving closure of DeGrussa mine, acquiring & financing MATSA in Southern Spain, development of Motheo in the Kalahari Copper Belt of Botswana, relatively new chair plus surprise departure of founder & CEO 30 September 2022. Brendan Harris commenced 3 April 2023.

Having followed SFR through the above journey and considering what was in the best interests for shareholders going forward we also took into account the macro picture & decided to support the FY23 Rem Report. Some commercial proxy advisors allegedly recommended Against and the voting result was 35.44% Against.

All things considered, we feel SFR has managed to navigate the bumpy transition remarkably well.

See further comment under Item 3 Resolution 3 – Remuneration.

#### FY24 Statutory Remuneration for CEO Brendan Harris as tabled in the SFR Annual Report

All amounts A\$

Salary & Fees	STI Benefits & Allowances	STI Cash	Super	STI Shares	LTI Plan Rights	LTI Plan Options	Total	Performance Related %
1,172,601	47,428	291,600	27,399	291,600	3,549,990	96,671	5,477,289	77.0

Minimum shareholding requirements within prescribed 5 year term are as follows;  
Board Chair, NEDs, Other Execs 100% of fixed rem.  
CEO/MD 200% of fixed rem.

## Production Guidance

FY25 Guidance (FY24 actuals, CuEq restated on FY25 prices)	MATSA	Motheo	Corporate & Other	Group <sup>(i)</sup>
<b>Production</b>				
Ore processed (Mt)	4.6 (4.5)	5.2 (4.2)		9.8 (8.7)
Copper (kt contained)	56 (56.5)	53 (41.2)		109 (97.8)
Zinc (kt contained)	92 (82.8)	- (-)		92 (82.8)
Lead (kt contained)	10 (7.5)	- (-)		10 (7.5)
Silver (Moz contained)	2.8 (2.5)	2.0 (1.2)		4.8 (3.7)
Copper Equivalent <sup>(ii)</sup> (kt contained)	95 (91)	59 (45)		154 (136)
<b>Operating Cost</b>				
Underlying Operating Cost (\$M) <sup>(iii)</sup>	347 (326)	219 (175)		566 (501)
Underlying Operating Cost (\$/t) Processed <sup>(iii)</sup>	75 (72)	42 (42)		
Implied C1 Cost (\$/lb)	1.51 (1.92)	1.51 (1.70)		
D&A (\$M)	240 (245)	73 (57)		313 (302)
Corporate G&A (\$M)	- (-)	- (-)	34 (31)	34 (31)
Underlying Exploration & Evaluation (\$M) <sup>(iv)</sup>	10 (6)	14 (8)	16 (10)	40 (24)
<b>Capital Expenditure (\$M)</b>				
<b>Current Operations</b>				
Mine Development & Deferred Waste Stripping	79 (77)	56 (33)		135 (111)
Sustaining & Strategic	43 (36)	31 (25)		74 (61)
<b>Total Current Operations</b>	<b>122 (113)</b>	<b>87 (58)</b>		<b>209 (172)</b>
<b>Projects Under Construction &amp; Development</b>				
Motheo Development Capital – T3 & 3.2Mtpa	- (-)	- (8)		- (8)
Motheo Development Capital – A4 and 5.2Mtpa	- (-)	9 (30)		9 (30)
<b>Total Projects Under Construction &amp; Development</b>	<b>- (-)</b>	<b>9 (38)</b>		<b>9 (38)</b>
<b>Total Capital Expenditure</b>	<b>122 (113)</b>	<b>96 (97)</b>	<b>- (-)</b>	<b>218 (210)</b>

(i) Continuing operations

(ii) FY25 CuEq is calculated based on the average forward price for FY2025 as at 27 June 2024 in USD. Cu \$9,623/t, Zn \$2,948/t, Pb \$2,200/t, Ag \$30/oz. Comparisons between FY25 Guidance and FY24 CuEq are based on FY25 pricing assumptions.

(iii) MATSA: Includes costs related to mining, processing, general and administration and transport, and excludes shipping costs which are offset against sales revenue for statutory reporting purposes. Motheo: Includes costs related to mining, processing, general and administration, transport (including shipping) and royalties. Underlying operating costs displayed above exclude changes in finished goods inventories.

(iv) Includes exploration outside the mine halo and does not include infill and resource drilling.

Source: Sandfire FY24 Annual Report

## 4. Rationale for Voting Intentions

### Item 2.1 Re-elect John Richards as director

Mr Richards is an economist and was appointed as an independent NED January 2021 and chairman April 2022. He chairs the Nominations committee and is a member of the People & Performance committee. Mr Richards has a 40-year career as a global executive in the resources industry and has had high level involvement in mining M & A transactions on a global scale. He has held strategy & business development positions with investment banks & private equity groups. We observed how he successfully led the company through a bumpy period & support the resolution.

## **Item 2.2 Re-election of Ms Sally Langer as director**

Ms Langer, B.Com, CA, GAICD, has more than 25 years in professional services. Sally was appointed as an independent NED July 2020 and chairs the Audit & Finance Committee. She is a member of the People & performance committee & Nomination committee.

She was founder & Managing Partner of Derwent Executive, management consulting & recruitment. Former director of International Recruitment firm Michael Page and a CA at Arthur Andersen. We support the resolution.

## **Item 3 Approval of Remuneration Report**

Following the FY23 First Strike the committee set about addressing the external concerns.

SFR actioned the following:

Cash earnings had 3 short term targets to address the circumstances at the time. Now removed from FY25 LTI plan & future plans.

Lack of TSR measures. Now amended with RTSR & comparator groups. 80% weighting from FY25, split 40% copper peer group and 40% S&P/ASX200. FY24, SFR was 7<sup>th</sup> in the S&P/ASX 200 Resources RTSR comparator group.

Lack of STI equity deferral. SFR has introduced a two year equity deferral effective FY25. CEO award will be 50% deferral and KMP award will involve 33% deferral.

Level of NED fee pool. In response SFR had not increased fee pool in FY24. However, Resolution 6 seeks approval for an increase effective FY commencing July 1 '24.

The LTI FY21 performance period was 4 years, however, going forward it has been reduced to 3 years.

## **Resolution 4 Approval of grant of STI shares to CEO & MD Brendan Harris**

Pursuant to ASX Listing Rule 10.14, SFR is seeking shareholder approval for the grant of 32,986 fully paid ordinary shares to Mr Harris as the equity component of his STI award for FY24

The key terms & details of the FY24 STI award are included in the Explanatory Notes.

For open proxies, we will support this resolution.

## **Resolution 5 Approval of grant of LTI Performance Rights to CEO & MD Brendan Harris**

Pursuant to ASX Listing Rule 10.14, SFR is seeking shareholder approval for the grant of 169,683 performance rights as his annual long term incentive grant for the year ending 30 June 2025 on terms detailed in the Explanatory Notes. We support the resolution.

## **Resolution 6 Approval for increase to NED Fee Pool**

SFR is seeking approval to increase the Fee Pool amount from \$1,500,000 to \$2,000,000 effective on or after 1 July 2024.

Considering the \$1,500,000 was approved by shareholders at the 2021 AGM, and, for the board to have forward planning flexibility towards optimum skills mix, we support the resolution.

## **Resolution 7 Conditional Board Spill Meeting**

If passed, this resolution only becomes effective if at least 25% of the votes for Resolution one – Remuneration- are cast against Resolution one.

Resolution 7 will not be effective if less than 25% of the votes for Resolution one are against. ASA believes substantial disruption and operational consequences would arise following implementation of a Spill under this resolution. The consequences would be counter productive to addressing the strategic task of return to profitability & reduction of debt. The 2H FY24 financial performance has been a positive step.

ASA is supporting Resolution 3 and we do not support Resolution 7.

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