31 August 2021

ASX Limited
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

Lodgement of Annual Financial Report for the year ended 30 June 2021
Investor Conference Call and Webcast Details

I am pleased to attach the following items for immediate release to the market:

1. Annual Financial Report for the year ended 30 June 2021 and Appendix 4E;
2. ASX release on the Company's annual financial results;
3. June 2021 Full Year Financial Results Presentation; and
4. Appendix 3A.1 Notification of Dividend/Distribution.

In addition, a teleconference and live webcast on the Company's financial results for the year ended June 2021 will be held for the investment community at 10.00am (AWST) / 12.00pm (AEST) today.

The Annual Financial Report, accompanying announcement and slide presentation will be available via the ASX Company Announcements Platform (ASX Code: SFR) and Sandfire's website at www.sandfire.com.au.

A live webcast of the teleconference and synchronised slide presentation will also be available by clicking here.

Yours sincerely

Matthew Fitzgerald
Chief Financial Officer
and Company Secretary

Sandfire Resources Ltd
Level 2, 10 Kings Park Road
West Perth WA 6005
PO Box 1495
West Perth WA 6872
T: +61 8 6430 3800
F: +61 8 6430 3849
ABN 55 105 154 185
www.sandfire.com.au

Sandfire

ASX Release

ASX:SFR

31 August 2021

Appendix 4E
Financial year ended 30 June 2021

Results for announcement to the market	$'000	Up/Down	Movement
Revenue from ordinary activities	**812,957**	**Up**	24%
Profit from ordinary activities after tax attributable to members	**171,641**	**Up**	132%
Net profit for the period attributable to members	**171,641**	**Up**	132%

Dividend information	**Amount per share**	**Franked amount per share**
Interim dividend per share (cents per share)	8.0	8.0
Final dividend per share (cents per share)	26.0	26.0
Total dividends per share for the year	**34.0**	**34.0**
Final dividend dates		
Record date for determining entitlements to the final dividend	7 September 2021	
Payment date for the final dividend	22 September 2021	

Net tangible assets	2021	2020
Net tangible assets per ordinary security	$4.67	$3.18

Additional Appendix 4E disclosure requirements can be found in the Director's Report and the 30 June 2021 Financial Report.

This information should be read in conjunction with Sandfire's audited consolidated Financial Report, which is enclosed.

All comparisons reported above are to the year ended 30 June 2020.

For further information, please contact:
Sandfire Resources Ltd
Ben Crowley – Head of Investor Relations
Office: +61 8 6430 3800

Media Inquiries:
Read Corporate
Nicholas Read
Mobile: +61 419 929 046

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

Financial Report

For the year ended 30 June 2021

ASX Code: SFR

Sandfire Resources Ltd
Level 2, 10 Kings Park Road
West Perth WA 6005
PO Box 1495
West Perth WA 6872
T: +61 8 6430 3800
F: +61 8 6430 3849
ABN 55 105 154 185
www.sandfire.com.au

CONTENTS

ABN 55 105 154 185

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
Tel: +61 8 6430 3800
Fax: +61 8 6430 3849
Email: admin@sandfire.com.au
Web: www.sandfire.com.au

Share registry

Automic Group Limited
Level 2, 267 St Georges Terrace
Perth WA 6000
Tel: 1300 288 664 (within Australia)
+61 2 9698 5414
Fax: +61 2 8583 3040
Email: 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

ASX Code

Sandfire Resources Limited shares are listed on the Australian Stock Exchange (ASX).
Ordinary fully paid shares: SFR

Forward-Looking Statements

Certain statements made during or in connection with this report contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration and project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. There is continuing uncertainty as to the full impact of COVID-19 on Sandfire's business, the Australian economy, share markets and the economies in which Sandfire conducts business. Given the high degree of uncertainty surrounding the extent and duration of the COVID19 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.

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 *Independent Non-Executive Chairman*	Appointed 17 May 2010
Mr Karl Simich *Managing Director & Chief Executive Officer*	Appointed Director 27 September 2007 Managing Director and Chief Executive Officer since 1 July 2009
Mr Paul Hallam *Independent Non-Executive Director*	Appointed 21 May 2013
Dr Roric Smith *Independent Non-Executive Director*	Appointed 31 December 2016
Ms Sally Langer *Independent Non-Executive Director*	Appointed 1 July 2020
Ms Jennifer Morris OAM *Independent Non-Executive Director*	Appointed 1 January 2021
Mr John Richards *Independent Non-Executive Director*	Appointed 1 January 2021
Mr Robert Scott *Independent Non-Executive Director*	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, F.Fin
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 (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 oversite 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.
Other current listed company directorships	Non-Executive Director of Coda Minerals Ltd (since August 2019).
Former listed company directorships in last three years	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.
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.

Directors (continued)

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.
Jennifer Morris OAM, age 48	**Independent Non-Executive Director**
Qualifications	B.Arts, MAICD, Finance for Executives (INSEAD)
Experience	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. 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. 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).
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.

Directors (continued)

John Richards, age 60	**Independent Non-Executive Director**
Qualifications	B.Econ (Hons)
Experience	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. 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). He holds a Bachelor of Economics (Honours) from the University of Queensland.
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 years	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.

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 as at the date this report are set out below.

Audit	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.

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.

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.

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 7,189km^2. 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.

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 Barminco, 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).

Operational and financial review (continued)

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.

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.

Operational and financial review (continued)

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.

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 2km^2 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).

Operational and financial review (continued)

Year ended 30 June 2021	DeGrussa Operation $000	Black Butte Project $000	Motheo Project $000	Exploration and Other $'000	Group $000
Revenue	812,957	-	-	-	812,957
EBITDA^	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

^ 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.

Revenue

Revenue	30 Jun 2021 $000	30 Jun 2020 $000
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.

Operational and financial review (continued)

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**

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.

Operational and financial review (continued)

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.

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 28).

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.

Business risks and management (continued)

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.

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.

Business risks and management (continued)

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.

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.

Business risks and management (continued)

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.

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.

Business risks and management (continued)

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.

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'.

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

Auditor's Independence Declaration

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

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

PT:DA:SANDFIRE:011

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**)

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 gatweay, 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 39^{th} 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,

SLanger

Sally Langer
Chair of the People and Performance Committee

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.

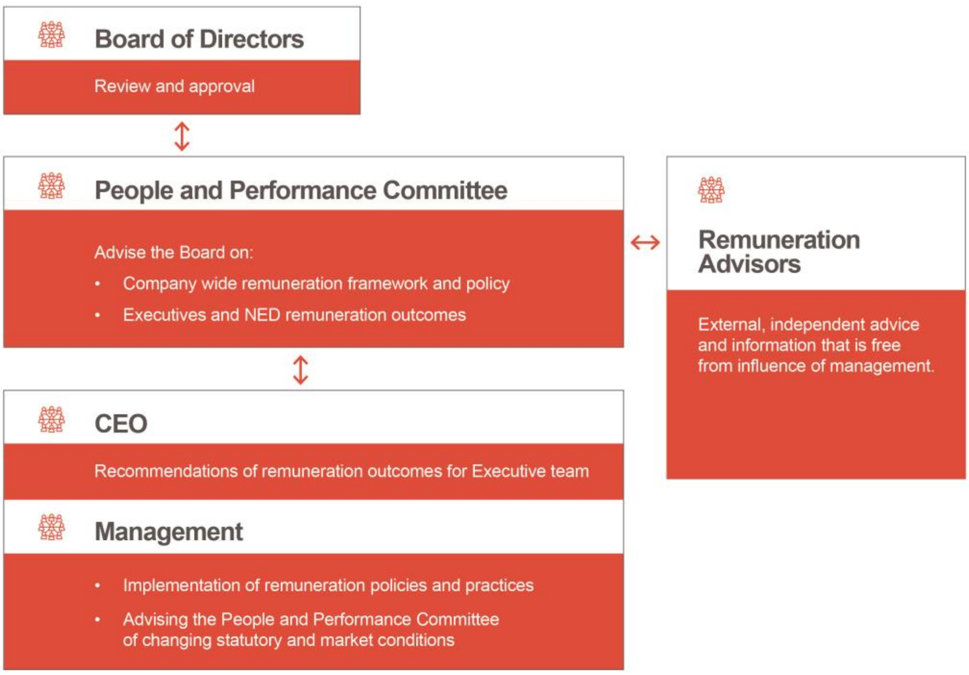

Figure 1: Sandfire's Remuneration Governance Framework.

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.

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.

Remuneration report (continued)

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.

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	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. 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. 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. 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.
Pay-for-performance in relation to FY2020 STI outcomes	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. With regard to financial performance in FY2020: • 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). 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. 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. 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. Refer to Sections 3.4 and 4.3 of the Remuneration Report for further information on the FY2021 STI Plan.

Remuneration report (continued)

CEO fixed remuneration is well above the market median	The Board considers many factors when determining the level of fixed remuneration for the CEO, including: • 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. 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. The CEO's fixed remuneration has not been increased since FY2014 and has remain unchanged in FY2021. Refer to Section 3.2 of the Remuneration Report for further information on remuneration benchmarking.

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 below.

Remuneration report (continued)

Fixed Remuneration

Base salary plus superannuation reviewed annually by the Board using market benchmarking data provided by independent remuneration advisors. Set taking into account:

- 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.

Variable Remuneration - STI Plan

1 Year Performance Period with 1 year deferral for 50% of the STI opportunity

FY 2021 | FY 2022

The performance conditions for the STI Plan relate to key short-term targets that are aligned to Sandfire's Strategic Growth Plan.

Cash and Deferred Equity		
Strategic Imperatives	**Group KPIs – 50%**	**Individual KPIs – 50%**
	Group performance objectives and	CEO's individual performance objectives and outcomes
SI 1 Execute Delivery	HSEC (TRIFR) 7.5% HSEC (ESG Scorecard) 7.5% Production 20% Cost of Production 15%	Strategic Objectives 10%
SI 2 Build a Sustainable Production Pipeline		Strategic Objectives 10%
SI 3 Accelerate Discovery		Strategic Objectives 10%
SI 4 Align and Empower Our People		Strategic Objectives 10%
SI 5 Optimise Capital Strategy and Engagement		Strategic Objectives 10%

Variable Remuneration - LTI Plan

4 Year Performance Period with 1 year deferral for the market related measures of the LTI opportunity

FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025

The performance conditions for the LTI Plan are a mix of operational, growth and market financial measures that are aligned to Sandfire's Strategic Growth Plan and long-term shareholder interests.

Equity with a deferral component			
Production Scale – 25%	**Ore Reserves – 25%**	**ATSR – 25%**	**RTSR – 25%**
Production Scale carries a minimum performance threshold as a gateway to the other performance measures.	Replacement and growth of Ore Reserves is a crucial component of Sandire's sustainable operating strategy as it nears the end of the currently known Ore Reserves at DeGrussa.	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) do not come at the expense of longer term shareholder returns.	

Figure 3: Sandfire's Executive remuneration framework

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.

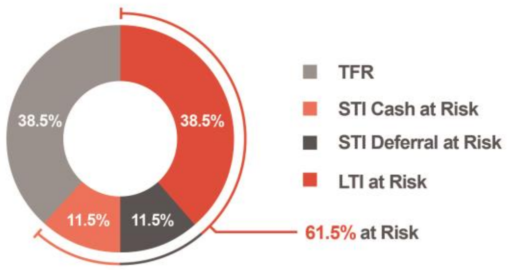

Figure 4: Sandfire's FY2021 Executive remuneration mix

Remuneration report (continued)

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.

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. 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.
Cost of production	15%	
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.

Remuneration report (continued)

Is there a gateway?	Yes. Participants will not qualify for a STI award unless all the qualification criteria are met. 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.
Is there a deferral mechanism and why?	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). 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. 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.
What happens to STI awards when an Executive ceases employment?	If the Executive's employment is terminated for cause, no STI will be paid. 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.
How are dividends treated during the deferral period?	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.
Are there malus or clawback provisions?	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. 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.

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?	The Board believes that the LTI Plan can: • 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?	Executives and selected senior managers who are responsible for setting the strategic direction for projects and functions of the Group.
How is the award delivered?	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.
How often are awards made and was an award made in FY2021?	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. The performance period for the FY2021 LTI award is 1 July 2020 to 30 June 2024. The grant to the CEO was made following shareholder approval at the Company's 2020 AGM. 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.
What is the quantum of the award and what allocation methodology is used?	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. The maximum LTI opportunity for Executives is 100% of TFR.

Remuneration report (continued)

What is the expiry date for the ZEPOs?	ZEPOs will expire six years from the grant date, which for the FY2021 offer to Executives means an Expiry Date of 17 July 2026.
What are the performance conditions, and what is their link to Sandfire's strategy?	**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. **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: **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); Relative Total Shareholder Return (RTSR) — 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.
How is Ore Reserves performance measured?	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: • 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?	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. 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: • 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

Remuneration report (continued)

What is ATSR and how is it measured?

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.

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.

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.

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

The Company will engage an independent advisor to calculate the ATSR of the Company to ensure an objective assessment.

What is RTSR and how is it measured?

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.

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.

The comparator group for Sandfire constitutes companies in the ASX200 Resources Index (ASX:XJR).

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.

RTSR of Sandfire relative to comparator group	Percentage of ZEPOs that vest
Less than 50^{th} percentile	Nil
At the 50^{th} percentile	50% vest
50^{th} to 75^{th} percentile	Pro rata between 50% and 100% vest
Greater than 75^{th} percentile	100% vest

The Company will engage an independent advisor to calculate the RTSR ranking to ensure an objective assessment.

Why is the ASX200 Resources Index an appropriate comparator group?

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.

Is there a gateway?

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.

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.

Is there a deferral mechanism and why?

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).

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.

How is performance assessed?

The Company will engage an independent advisor to report on the market performance conditions (ATSR and RTSR).

With regards to the non-market measures, this will be reviewed by the Board.

How are dividends treated during the performance period and deferral period?

No dividends are paid on ZEPOs prior to vesting. For any ZEPOs that ultimately vest, a cash payment equivalent to dividends paid by Sandfire during the period between grant of the awards and vesting and during the deferral period will be made.

No cash payment will be made in respect of dividends on awards which do not vest.

Remuneration report (continued)

What happens to ZEPOs when an Executive ceases employment?	If the Executive's employment is terminated for cause, or due to resignation, all unvested ZEPOs will lapse, unless otherwise determined by the Board. 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.
What happens in the event of a change of control?	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.
Are there malus or clawback provisions?	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. 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.
Why does the Board consider Board discretion to be appropriate?	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. 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. The Board will continue to ensure discretion is only applied in a manner that aligns Executive rewards from incentive plans to shareholder value creation.

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.

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.

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 $471.0 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.

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	39th	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	

(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*.

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.

Remuneration report (continued)

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

		Short-term benefits			Long-term benefits	Post employment	Share-based payments					
	Financial year	Salary and fees $	Benefits and allowances (a) $	Cash STI (b) $	Long service leave $	Super-annuation $	Deferred STI (c) $	LTI Plan rights (d) $	LTI Plan options (e) $	Term-ination payments $	Total $	Performance related %
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.

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.

Remuneration report (continued)

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
	NED	$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

		Short-term benefits		Post-employment	
	Financial year	**Salary and fees $**	**Other $**	**Superannuation $**	**Total $**
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.

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 Rights(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.

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	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.

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 *Tongaat Pty Ltd*	Lease of corporate office parking premises	(a)	9,600	-
Karl Simich *Resource Development Company Pty Ltd*	Lease of corporate office parking premises	(a)	9,300	-
Karl Simich *Resource Development Company Pty Ltd*	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

Financial Statements

For the year ended 30 June 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.

	2021 $000	2020 $000
Net profit for the year	**170,082**	**72,286**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net of tax	287	(13,383)
Items not to be reclassified to profit or loss in subsequent periods:		
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.

Index – 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.

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.

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.

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**

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

30 June 2021	Australia $000	Botswana and Namibia $000	United States of America $000	Group $000
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

30 June 2020	Australia $000	Botswana and Namibia $000	United States of America $000	Group $000
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%).

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).

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.

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**

7 Income tax (continued)

Recognised tax assets and liabilities

in $000	2021 Current tax receivable / (payable)	2021 Deferred income tax	2020 Current tax receivable / (payable)	2020 Deferred income tax
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.

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.

7 Income tax (continued)

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.

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.

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**

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.

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
	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.

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.

13 Financial risk management objectives and policies (continued)

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

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.

13 Financial risk management objectives and policies (continued)

	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.

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.

14 Fair value measurement (continued)

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.

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

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

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.

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.

2021	Mine Properties $000	Plant and equipment $000	Right of use asset $000	Assets under construction $000	Total $000
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

2020	Mine Properties $000	Plant and equipment $000	Right-of-use asset $000	Assets under construction $000	Total $000
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

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.

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

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.

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	% equity interest 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.

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		
Items not to be reclassified to profit or loss in subsequent periods:		
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

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

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..

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
KMP and their Director related entity	**Transaction**	**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

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.

(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.

27 Share-based payments (continued)

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

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.

	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

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.

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
Fees for other services		
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:		
Fees for auditing the financial reports of any controlled entities	167,335	178,141
Other services in relation to the entity and any other entity in the consolidated group:		
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**

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

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.

Building a better working world

1. Valuation of trade receivables

Why significant	How our audit addressed the key audit matter
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. 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. 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.	In completing our audit procedure, we: ► 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
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. 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. 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.	In completing our audit procedure, we: ► 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.

Building a better working world

3. Transfer of exploration and evaluation assets to mine properties

Why significant	How our audit addressed the key audit matter
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"). This was a key audit matter due to the judgement and estimation involved in both: ► Determining whether the exploration and evaluation project was technically feasible and commercially viable; and ► Assessing the Projects' carrying value for impairment prior being reclassified to mine properties, as required by Australian Accounting Standards. 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. 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.	In completing our audit procedure, we: ► 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.

Building a better working world

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.

Building a better working world

- 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

Ernst & Young

Philip Teale
Partner
Perth
30 August 2021

PT:DA:SANDFIRE:010