Sandfire

ASX Release

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Sandfire moving toward completion of the acquisition of the MATSA Mining Complex in Spain

Highlights

- Sandfire is progressing towards completion of the US$1,865M acquisition of 100% of the MATSA Mining Complex in Spain, as announced on 23 September 2021.
- Key Foreign Direct Investment approvals submitted to the Government of Spain; Competition Authority approval submission to follow early November 2021.
- Final US$200M deposit paid into escrow pending completion, following payment of the initial US$100M deposit on signing, which has also been transferred into escrow by the vendors.
- Key integration planning and workstream activities have commenced with the objective of ensuring an orderly and efficient transition of the MATSA Operations into Sandfire's global business.
- Sandfire Board approves execution of documentation for the US$650M MATSA Syndicated and Underwritten Debt Facility.
- A$200M Corporate Debt Facility with ANZ executed.
- DeGrussa Operations copper and gold hedging program initiated.
- Sale of Investment in Adriatic Metals Plc completed, realising aggregate gross proceeds of A$97M.
- A$1,248M equity raising completed – placement and accelerated non-renounceable entitlements offer.

Sandfire Resources Limited (**Sandfire**, **the Company** or **the Group**) is pleased to provide an update on its US$1,865M acquisition of 100% of the MATSA Mining Complex in Spain, as announced on 23 September 2021.

The acquisition delivers Sandfire the MATSA Mining Complex, which comprises three underground mining operations and a world-class 4.7Mtpa central processing facility with state-of-the-art infrastructure.

Sandfire is progressing key aspects of the acquisition as it moves towards settlement, expected in the coming months, once the small number of conditions precedent, including Foreign Investment Authority approval in relation to Foreign Direct Investment in Spain, are satisfied.

Foreign Investment Authority application submitted

Sandfire's application for Foreign Investment Authority approval in relation to Foreign Direct Investment for the acquisition of MATSA has been submitted to the Government of Spain. Competition Authority approval submission is expected to be formally lodged early November 2021.

Acquisition deposit payments

The second and final deposit of US$200M has been paid into the escrow account. This follows payment of the initial deposit of US$100M to the vendors on signing of the Sale and Purchase Agreement (SPA), which has also been transferred into the escrow account by the vendors pending settlement of the acquisition.

US$650M Syndicated and Underwritten Debt Facility and hedging

Facility documentation for the US$650M Syndicated and Underwritten Debt Facility with Citi, Macquarie, Natixis and Société Générale is in near-final agreed form and has been authorised for execution by the Group's wholly-owned Spanish subsidiary by the Sandfire Board. The facility is supported by the cash-flow and security of MATSA with no recourse to Sandfire.

Consistent with the terms of the Syndicated and Underwritten Debt Facility, and based on current strong market conditions, Sandfire intends to commence in the coming weeks a hedging program of between 30-40% of future copper and zinc concentrate production at MATSA, based on the bank funding model, on a 3-year basis utilising committed forward contracts.

Prior to completion of the acquisition, the MATSA hedges will be entered into by a wholly-owned subsidiary of Sandfire in Spain and will be partly secured against cash held in that subsidiary. On completion of the acquisition, the MATSA hedges will be transferred to MATSA and secured against MATSA and its cash-flows, excluding any contribution from the Group's DeGrussa Operations or other Group assets.

In the event that the MATSA acquisition were not to complete, hedge providers have the right to break the MATSA hedges. In that event, Sandfire would be required to cash settle the committed MATSA hedges based on the prevailing commodity forward prices at that time, which may result in either a benefit or a cost to Sandfire.

A$200M Corporate Debt Facility and hedging

Sandfire has executed facility documentation and intends to draw down a A$200M corporate debt facility with Australia and New Zealand Banking Group Limited (ANZ), repayable by bullet repayment on 30 September 2022. The ANZ Corporate Debt Facility is supported by the DeGrussa Operations cash-flows. The facility is secured by Sandfire's DeGrussa Operations as well as corporate security with increasing minimum quarterly cash holdings until repayment.

Sandfire has extended copper and gold forward contracts to include future production from the DeGrussa Operations into CY2022. The key objective of the program is to provide a high degree of support for the delivery of ongoing strong cash flows from DeGrussa as Sandfire executes its international expansion, deploys capital to the MATSA acquisition and continues to fund its growth pipeline.

DeGrussa copper hedging has been extended beyond current QP periods, with 35,000t of copper production from November 2021 to May 2022 currently hedged under committed swaps at an average price of ~US$4.30/lb.

20,000oz of gold production, contained within copper concentrate produced at DeGrussa, from November 2021 to September 2022 has been hedged under committed swaps at an average price of US$1,800/oz.

Both the copper and gold hedges will be financially settled.

Sale of Investment in Adriatic Metals Plc

As announced on 14 October 2021, Sandfire has completed the sale of its 16.2% holding in Adriatic Metals Plc (ASX: ADT; Adriatic). Sandfire realised gross proceeds of A$97 million (A$2.80/share) against a total cumulative historical cost of A$32 million (A$0.93/share). The proceeds from the sale have strengthened Sandfire's balance sheet as it embarks on the next chapter of its growth as an international diversified and sustainable mining company.

The decision to divest the holding reflects Sandfire's changing strategic priorities in light of the transformational acquisition of MATSA and its strong global development pipeline, including the new Motheo Copper Mine being constructed in Botswana.

As the Adriatic shareholding was not held for trading, the difference between the consideration received and the fair value on Balance Sheet as at 30 June 2021 ($82M) is expected to flow through Other Comprehensive Income and Balances Sheet reserves at the completion of the sale.

MATSA Integration

Key integration planning and workstream activities have commenced with the objective of ensuring an orderly and efficient transition of the MATSA Operations into Sandfire's global business at completion.

Leveraging off the extensive understanding and materials obtained during the due diligence process, Sandfire has either already appointed or has access to key external advisors and consultants in Australia and Spain who will work alongside its strong in-house team to oversee and deliver a successful operational and corporate integration of the two businesses.

Sandfire will not exercise operational control at MATSA until all conditions precedent are met and the transaction has successfully completed.

Debt Finance Facilities – Summary of Key Terms

US$650M Syndicated & Underwritten Debt Facility	
Facility	Amortising Syndicated Term Loan
Purpose	Acquisition of MATSA
Maturity	5 years from Financial Close
Repayment	Sculpted semi-annual repayments based on MATSA cashflow expected to commence around October 2022, with usual cash sweep provisions
Hedging	30-40% of copper and zinc concentrate production (bank funding model) to be hedged for the first three years
Terms	Customary terms for a facility of this nature

A$200M ANZ Corporate Debt Facility	
Facility	Term Loan
Purpose	Acquisition of MATSA
Maturity	30 September 2022
Repayment	Bullet repayment at maturity, supported by a building minimum cash holding from DeGrussa cash flows
Terms	Customary terms for a facility of this nature

Management Comment

Karl Simich, Sandfire's Managing Director and CEO, said:

"With the A$1.248 billion equity raising successfully completed, the US$650 million Syndicated Debt Facility approved, the US$200 million Corporate Debt Facility executed and the second and final US$200 million deposit paid and locked away in an escrow account, we are steadily checking the boxes towards completion of this transformational acquisition.

"We have also been able to take advantage of strong copper pricing at the moment to lock away hedges covering production from DeGrussa into next calendar year. This secures our cash-flows over the next 12 months to support and underpin our international expansion strategy and puts us in a very strong position as we move towards the completion of the MATSA transaction.

"The recently completed sale of our investment in Adriatic Metals has also delivered a further boost to our balance sheet and working capital position – a pleasing result as we advance to the next stage of our global growth strategy. Integration workstreams for the MATSA acquisition are also already well underway and we are very much looking forward to accelerating these programs in the coming weeks and months as we move closer towards settlement of the transaction."

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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.

Forward-Looking Statements

Certain statements made during or in connection with this release contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration and project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct.

There is continuing uncertainty as to the full impact of COVID-19 on Sandfire's business, the Australian economy, share markets and the economies in which Sandfire conducts business. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not currently possible to assess the full impact of COVID-19 on Sandfire's business or the price of Sandfire securities.

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

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