

## **SANDFIRE DECLARES INTERIM DIVIDEND FOLLOWING \$30.6M FIRST-HALF NET PROFIT**

Strong second half outlook driven by mine grade, plant and recovery improvements

- Sales revenue of \$264.2M (1HFY14: \$249.6M): metal sales 32,500t copper and 18,330oz gold
- Strong cash flow from operating activities of \$100.3M (1HFY14: \$114.8M) – \$112.8M prior to payments for exploration and evaluation expenses
- DeGrussa Mine segment earnings before net finance and income tax of \$68.1M (1HFY14: \$77.4M)
- Profit before net finance and income tax of \$50.3M (1HFY14: \$55.9M)
- Interim profit after income tax of \$30.6M (1HFY14: \$33.5M) – no tax payable for 1HFY15
- Earnings per share of 19.62cps (basic and diluted)
- Interim dividend of 3.0cps (unfranked)
- Cash of \$45.8M at 31 December 2014; finance facility balance reduced to \$130.0M

Sandfire Resources NL (ASX: **SFR**: “Sandfire”) has declared an interim unfranked dividend of 3 cents per share – its second successive payout to shareholders – after posting a first half net profit after income tax of \$30.6 million for the six months ended 31 December 2014.

The result, which equates to earnings per share of 19.62 cents (basic and diluted), reflects another strong operational and financial performance by the Company’s flagship DeGrussa Copper Mine in Western Australia. This has allowed Sandfire to further aggressively reduce debt while at the same time funding major ongoing underground development, exploration, growth and business development initiatives.

The interim profit for the half year of \$30.6 million compares with a net profit of \$33.5 million for the previous corresponding period, reflecting lower prevailing copper prices. The result was achieved on sales revenue of \$264.2 million (1HFY2014: \$249.6 million), from metal sales totalling 32,500 tonnes of contained copper (1HFY2014: 30,098 tonnes) and 18,330oz of gold (1HFY2014: 14,437oz).

This drove strong cash flow from operating activities of \$100.3 million (1HFY2014: \$114.8 million) after payments for exploration and evaluation totalling \$12.5 million.



Profit before net finance and income tax was \$50.3 million (1HFY2014: \$55.9 million) while pre-tax earnings were \$44.9 million (1HFY2014: \$47.8 million). The DeGrussa Mine segment generated earnings before net finance and income tax of \$68.1 million (1HFY2014: \$77.4 million) after depreciation and amortisation charges of \$41.8 million (1HFY2014: \$45.1 million).

The result also included an expense of \$7.7 million for rectification works associated with water ingress into the Conductor 4/5 Decline, including holding costs for affected mining operations. An income tax expense of \$14.3 million was booked on the profit result, however no tax was payable for the period. Tax payments are expected to commence in the March or June Quarter of 2015.

On a group-wide basis, the cash generated by the DeGrussa Copper Mine was deployed predominantly towards debt retirement and capital requirements, with \$33.8 million applied to finance facility repayments and interest, \$31.2 million to mine development and \$17.2 million for plant and equipment.

The expenditure on plant and equipment included approximately \$14 million for a series of key process plant enhancements at the DeGrussa Concentrator, including the installation of a new Pebble Crusher, SAG Mill Classification Screen and Column Flotation Cell designed to further improve plant efficiency and increase copper recoveries by over 1% to the targeted level of +90% in 2HFY2015.

The balance was applied to exploration and evaluation expenditure, assets and investments of \$28.4 million (including a \$15.9 million investment in Tintina Resources). \$4.7 million will be applied for the interim dividend payment announced today.

As at 31 December 2014, Sandfire had cash of \$45.8 million, having completed a total of \$30 million in finance facility repayments during the period, reducing the outstanding balance on the DeGrussa finance facility to \$130 million as at 31 December 2014. A total of \$45.0 million of quarterly finance facility payments are scheduled for 2HFY2015.

This information should be read in conjunction with Sandfire's auditor reviewed consolidated December 2014 Half-Year Financial Report and accompanying notes.

### **Management Comment and Outlook**

Sandfire's Managing Director, Mr Karl Simich, said the DeGrussa Copper Mine delivered another pleasing and consistent operational and financial performance in the first half, providing a strong platform for future growth while also enabling the Company to return cash to shareholders.

"The outstanding cash generation power of DeGrussa has enabled us to further reduce our debt, fund aggressive mine development and undertake a significant near-mine and regional exploration program, while at the same time expanding our business development portfolio with our investment in Tintina Resources and declare an interim dividend," Mr Simich said.

"The financial results were particularly pleasing given the reporting period was impacted by a temporary suspension of mining activities while we addressed water ingress issues in the C4/C5 decline," he continued. "Mine production is now running at or above targeted levels of over 1.5Mtpa, run-of-mine stocks have been fully replenished and now stand at around 50,000 tonnes grading 6% copper and the outlook for the second half of the financial year is very encouraging.

"All elements of the recently installed process plant improvement projects have now been commissioned with optimisation underway. The results have been immediate and pleasing, and are reflected in improved grind optimisation, a lift in copper recoveries and reduced operating costs. The column flotation cell in particular has delivered some positive early results, suggesting that the original recovery improvement target of around 1 per cent may be exceeded.

"With mine grades on target to achieve guidance of around 4.9% Cu for the second half, we anticipate copper production for the second half to be around 4,000 tonnes higher than the first half – equivalent to additional revenue of around A\$30 million at current spot prices," Mr Simich said.

“It is also important to note that Sandfire’s financial performance remains linked directly to the Australian Dollar copper and gold price, both of which remain robust,” Mr Simich said. “In addition, our operations stand to benefit from any further decline in the Australian currency against the US Dollar, as our operating costs are denominated in Australian Dollars, as well as any reductions in diesel prices.

“Looking to the future, the Company is in a strong position in several respects. The DeGrussa Copper Mine continues to perform strongly. The first development ore in the Conductor 4 deposit was recently intersected, heralding the beginning of a new chapter in the underground operation and the development program is on target for first stope ore to be achieved from early FY2016.

“On the exploration front, our major underground exploration program is continuing targeting near-mine and lateral extensions and potential new discoveries. In addition, the Company has further expanded its footprint in the emerging Bryah Basin VMS district, with Sandfire’s aggregate contiguous exploration area now covering 1,700 square kilometres, including over 65km of strike extent in VMS lithologies. This makes Sandfire the dominant player in the belt with the only operating concentrator and a \$20 million annual commitment to exploration.

“Extensive programs of geophysics, Aircore, RAB, RC and diamond drilling are currently underway across multiple target areas, with over 57,000m of drilling completed in 1H FY2015, and a further 50 to 60,000m of drilling budgeted for 2H FY2015.

“Outside of the DeGrussa/Doolgunna area, we are also pursuing a number of growth opportunities within an emerging pipeline of international assets, including exploration targeting a potential Tier-1 porphyry copper discovery in PNG through our investment in WCB Resources, as well as progressing an advanced high-grade copper project in the United States through our investment in Tintina Resources.”

## ENDS

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