



SANDFIRE ANNOUNCES HALF YEAR FINANCIAL RESULTS

Strong production, lower unit costs drive solid interim profit; Robust outlook as Sandfire remains on track for upper end of FY19 copper and gold guidance

Highlights

- **Total revenue of \$272.3M (1HFY18: \$277.4M) from value of payable metal sold of \$303.5M after treatment and refining charges and price adjustment losses – payable metal sales 32,715t Cu (1HFY18: 30,222t) and 20,721oz Au (1HFY18: 18,504oz)**
- **Cash flow from operating activities of \$97.5M (1HFY18: \$106.3M) – \$121.9M prior to payments for exploration and evaluation expenses (1HFY18: \$122.4M)**
- **DeGrussa Operations segment earnings before net finance and income tax of \$101.7M (1HFY18: \$105.4M)**
- **Profit before net finance and income tax of \$70.1M (1HFY18: \$84.2M) – profit before income tax expense of \$73.1M (1HFY18: \$85.4M)**
- **Profit after income tax of \$48.3M (1HFY18: \$59.5M)**
- **Earnings per share of 31.1cps (basic and diluted) (1HFY18: 37.7cps)**
- **Interim dividend of 7.0cps (fully-franked) (1HFY18: 8.0cps fully-franked)**
- **Group cash of \$179.0M at 31 December 2018**

Sandfire Resources NL (ASX: SFR; “Sandfire”) is pleased to report its financial results for the six month period ended 31 December 2018, with the Company delivering another strong operational and financial performance underpinned by robust, consistent production and reduced unit operating costs at its flagship 100%-owned DeGrussa Copper-Gold Mine in Western Australia.

This allowed the Company to maintain strong revenues and operating cash flows, and post a solid net profit after income tax of \$48.3 million. The bottom-line result compares with a net profit of \$59.5 million for the previous corresponding period. The interim profit translates to earnings per share of 31.1 cents (basic and diluted).

Total revenue was \$272.3 million (1HFY18: \$277.4 million) from value of metal payable sold of \$303.5 million. The headline revenue figure is presented net of treatment and refining charges as well as price adjustment gains/losses. This result came from payable metal sales totalling 32,715 tonnes of contained copper (1HFY18: 30,222t) and 20,721 ounces of contained gold (1HFY18: 18,504oz).

The bottom-line result was achieved after the impact of non-DeGrussa segments, including increased exploration and evaluation expenditure (E&E). Higher E&E costs were driven by increased exploration activities at the Greater Doolgunna Project and evaluation costs associated with the Feasibility Study (FS) and Environmental Impact Statement (EIS) approvals process for Sandfire’s 86%-owned Black Butte Copper Project in the USA, a key part of the Group’s global growth pipeline.

Profit before net finance and income tax was \$70.1 million (1HFY18: \$84.2 million), while pre-tax earnings were \$73.1 million (1HFY18: \$85.4 million).

The strong financial performance was achieved despite a pull-back in US Dollar copper prices during the reporting period partly offset by weakness in the USD:AUD exchange rate and a stronger gold price.

The DeGrussa operation delivered another strong and consistent operational performance for the first-half, with production of 34,813 tonnes of contained copper (1HFY18: 31,512t) and 21,567 ounces of contained gold (1HFY18: 18,799oz).

As a result of the impressive production and cost performance, the DeGrussa Operations segment generated earnings before net finance and income tax of \$101.7 million, only marginally below the \$105.4 million generated for the previous corresponding period despite the impact of lower copper prices. This was after depreciation and amortisation charges of \$61.6 million (1HFY18: \$65.7 million).

Cash flow from operating activities was \$97.5 million (1HFY18: \$106.3 million) after payments for exploration and evaluation totalling \$24.4 million (1HFY18: \$16.1 million).

Sandfire maintained its strong commitment to shareholder returns during the half-year, declaring an interim fully-franked dividend of 7 cents per share, compared with 8 cents per share for the previous corresponding period.

Sandfire further increased its ownership of the high-grade Black Butte Copper Project in Montana, USA, during the reporting period from 78% to 86% by participating in the rights offering undertaken by Sandfire Resources America Inc. The funds raised continue to underpin the Black Butte FS and the final stage of permitting, with a draft EIS expected in late Q3 FY2019.

Group cash as at 31 December 2018 was \$179.0 million. This was despite cash outlays of \$72.0 million for the acquisition of Talisman Mining Ltd's 30% interest in the Springfield Joint Venture (giving Sandfire 100% ownership of the high-grade Monty Copper-Gold Mine), \$51.0 million in income tax payments, \$30.0 million in dividend payments (final FY2018 dividend), and payments for mine property and development costs associated with the Monty Copper-Gold Mine in preparation for first stoping activity from Q1 FY2019 onwards.

This information should be read in conjunction with Sandfire's December 2018 Half-Year Financial Report and accompanying notes.

Management Comment and Outlook

Sandfire's Managing Director, Mr Karl Simich, said the strong first-half financial performance clearly demonstrated the strength, resilience and quality of the Company's flagship DeGrussa Copper-Gold Mine in Western Australia.

"The DeGrussa Operation has once again enabled us to post an impressive set of financial numbers even while global markets were impacted during the second half of last year by a series of events which destabilised commodity markets and significantly impacted equity values, we were able to deliver what ranks as one of our best-ever combined operational and financial performances on a pound-for-pound basis – a very pleasing result," he said.

"The combination of continued strong concentrate production from DeGrussa helped to propel strong sales revenue, coupled with a significant reduction in unit operating costs, strong operating cash-flows, and robust bottom line earnings.

"This combination of factors allowed us to continue to grow our cash holdings, which moved to \$179 million at the December 31 balance date with ongoing significant investment during the period in our growth pipeline.

“The Group cash position at the end of the period was after outlaying \$72 million to move to 100% ownership of the Springfield Project, \$51 million in income tax payments, \$30 million in dividend payments to our shareholders and significant further investment in exploration and development, including development of the Monty mine.

“With a debt-free balance sheet we remain in an unparalleled position to continue to harvest cash while at the same time investing in the future growth of our business through exploration, new project development and potentially taking advantage of M&A opportunities where these make sense and are value-accretive for our shareholders.

“After what was a bumpy second half to last year for commodity markets, we remain extremely upbeat about the outlook for copper – a view which has recently been endorsed by some of the world’s biggest investment banks.

“With production now ramping up from our new ultra-high-grade Monty satellite mine, Sandfire is in an outstanding position to take full advantage from this scenario – with an expected +20% rising grade profile from a blend of Monty and DeGrussa ore expected to drive higher production over the next three years.

“At the same time, we also have a new high-quality offshore asset in the shape of the high-grade Black Butte Copper Project in Montana in the final stages of permitting and with a Feasibility Study well underway. We are very excited about the opportunity to become a supplier of quality copper concentrate from the new mining operation in Montana at this point in the copper cycle.

“Our strong, and growing, cash balance will also allow us to maintain our aggressive exploration commitment, both at Doolgunna and across our East Coast portfolio – to achieve further exploration success over the coming 12 months.”

ENDS

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Forward-Looking Statements

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