



SANDFIRE ANNOUNCES JUNE 2016 FINANCIAL RESULTS

Record copper production, net cash positive, investing in exploration and growth

Highlights

- Sales revenue \$497.2M (FY15: \$548.6M): metal sales 68,653t Cu (FY15: 67,903t Cu) and 36,042oz Au (FY15: 37,194oz Au)
- Cash flow from operating activities of \$133.9M (FY15: \$224.0M)
- DeGrussa Mine segment earnings before net finance and income tax \$117.9M (FY15: \$165.3M)
- Profit before net finance and income tax of \$76.0M (FY15: \$119.7M)
- Net profit after income tax of \$46.4M (FY15: \$69.0M)
- Net profit after income tax attributable to members of \$48.0M (FY15: \$69.0M)
- Earnings per share of 30.54cps (basic and diluted) (FY15: 44.18cps)
- Final dividend of 9cps fully-franked (FY15: 10cps fully franked)
- Sandfire in net cash positive position with Group cash and deposits of \$66M (2015: \$107M) and total outstanding debt reduced to \$50M (2015: \$120M)

Sandfire Resources NL (ASX: SFR: "Sandfire") is pleased to report on another solid financial performance for FY 2016 underpinned by record copper production, low operating costs and continued strong cash-flow generation. This allowed Sandfire to further strengthen its balance sheet with the early retirement of debt, maintain its dividend stream to shareholders and continue to invest strongly in exploration and organic growth opportunities.

Sandfire posted a net profit after income tax attributable to members of **\$48.0 million** for the 12 months to 30 June 2016, which equates to earnings per share of 30.54c (basic and diluted).

This compares with a net profit attributable to members of \$69.0 million for the previous corresponding period, mainly reflecting the lower copper price which averaged US\$4892 per tonne for FY 2016 compared with US\$6379 per tonne the previous year. Declining US Dollar metal prices were partly offset by a lower Australian Dollar exchange rate.

The result was struck on sales revenue of \$497.2 million (FY2015: \$548.6 million), from metal sales totalling 68,653 tonnes of contained copper and 36,042 ounces of contained gold (FY2015: 67,903 tonnes of contained copper and 37,194 ounces of contained gold).

Sandfire maintained its strong commitment to shareholder returns, declaring a final fully-franked dividend of 9 cents per share which, combined with the interim dividend, takes the full-year payout to 11 cents per share.

Cash flow from operating activities was \$133.9 million (FY2015: \$224.0 million) while profit before net finance and income tax was \$76.0 million (FY2015: \$119.7 million) and pre-tax earnings were \$68.4 million (FY2015: \$104.8 million). The DeGrussa Mine segment generated earnings before net finance and income tax of \$117.9 million (FY2015: \$165.3 million) after depreciation and amortisation charges of \$99.4 million (FY2015: \$90.0 million).

The continued strong cash-flow generation of the DeGrussa Mine segment, notwithstanding the lower copper price environment, enabled Sandfire to fully repay its Amortising Facility with its financier, ANZ Banking Corporation, ahead of schedule with a \$20 million repayment at the end of the June 2016 Quarter.

This repayment reduced the Company's total outstanding debt to \$50 million as at 30 June 2016 (under its Revolver Facility). With \$66 million in Group cash holdings, Sandfire was in a net cash positive position at financial year-end. This is a significant milestone for Sandfire which sees the Company net debt-free for the first time since development of the DeGrussa Copper-Gold Project commenced in 2011.

Sandfire has now repaid a total of \$330 million against the original \$380 million project finance facility drawn to fund the construction and development of the DeGrussa Mine.

On a group-wide basis, the cash generated by the DeGrussa Mine segment was deployed predominantly towards debt retirement and capital requirements, with \$73.4 million applied to finance facility repayments and interest, \$69.6 million to mine development and \$15.3 million for plant and equipment.

The balance was applied to exploration and evaluation of \$32.6 million with \$14.2 million to be applied for the final dividend payment announced today.

This information should be read in conjunction with Sandfire's audited consolidated 2016 Financial Report and accompanying notes.

Management Comment and Outlook

Sandfire's Managing Director, Mr Karl Simich, said the Company had delivered another impressive operational and financial performance in 2016 with record production and continued low operating costs helping to offset continued weakness in the US Dollar copper price.

"This was our best operating full-year performance in almost all areas of our business since DeGrussa started commercial operations four years ago," he said. "Amongst the many highlights for the year, we shipped our 1 millionth tonne of copper concentrate and passed \$2 billion in product sales, all from a zero start four years ago – a tremendous result.

"We have posted another impressive year of solid, low-cost, high-margin production – and most importantly doing this while maintaining an excellent safety record. The strong cash generation from DeGrussa has continued to provide a strong foundation for Sandfire, enabling us to achieve our key corporate objectives.

"During the 2016 financial year, we were able to accelerate our debt reduction program – with the early repayment of the Amortising Facility putting us in a cash positive position for the first time in over five years – while also continuing to allocate cash in a balanced and considered manner across the other key areas of our business."

“This included ongoing mine capital development, which has seen all four VMS lenses at DeGrussa now on stream, a continued aggressive exploration and organic growth program and, of course, shareholder returns in the form of dividends.

“The discovery and resource drill-out of the new high-grade Monty discovery was without doubt one of the key highlights of the year, and we are continuing to work closely with our joint venture partner, Talisman Mining, to advance this high quality project towards development as rapidly as possible with a Feasibility Study and Mining Lease Application process underway.

“We have also continued to invest heavily in exploration, and we remain very enthusiastic about the opportunities currently in front of us. The Monty discovery has provided valuable insights to our geological team, and we are making the most of this pivotal breakthrough – which confirms that DeGrussa is an emerging VMS province which is still in the early stages of its discovery history.

“We have major exploration programs either currently underway or planned along the Monty corridor, at Homer, at the Homestead prospect, at the emerging Conductor 5 East area and elsewhere within our tenement holding.

“Looking to the year ahead, our production guidance remains consistent within a range of 65-68,000 tonnes of copper and 35-40,000oz of gold for FY 2016 at a C1 cash cost of US\$0.95-1.05/lb. And with underground development now tailing off progressively at DeGrussa over the next two years, we expect to see growing free cash-flows being generated.

“This will put us in a position of growing strength and flexibility, with the optionality to either eliminate our debt completely and deploy more cash to shareholder returns or, should an attractive growth opportunity present itself, move quickly to take advantage of it. We also have a number of high quality organic growth opportunities in front of us, such as Monty, and we intend to bring these to account as soon as we possibly can.”

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Forward-Looking Statements

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