



## **SANDFIRE ANNOUNCES FIRST-HALF FINANCIAL RESULTS**

**Strong production, reduced operating costs and improved copper prices allow Sandfire to increase dividend and retire remaining debt**

### **Highlights**

- **Sales revenue \$248.0M (1HFY16: \$228.3M): metal sales 32,893t Cu, (1HFY16: 30,454t) and 19,790oz Au (1HFY16: 14,467oz)**
- **Cash flow from operating activities of \$96.7M (1HFY16: \$47.6M)**
- **DeGrussa Mine segment earnings before net finance and income tax \$76.4M (1HFY16: \$50.2M)**
- **Profit before net finance and income tax of \$53.7M (1HFY16: \$26.0M)**
- **Interim profit after income tax of \$35.9M (1HFY16: \$15.7M)**
- **Earnings per share of 22.8cps (basic and diluted) (1HFY16: 10.0cps)**
- **Interim dividend of 5.0cps (fully-franked) (1HFY16: 2.0cps fully-franked)**
- **Group cash of \$107.1M at 31 December 2016; finance facility balance \$50.0M fully repaid on 31 January 2017**

Sandfire Resources NL (ASX: SFR: "Sandfire") is pleased to report its financial results for the six months to 31 December 2016, underpinned by a combination of higher copper prices, reduced operating costs and another strong and consistent production performance by its flagship 100%-owned DeGrussa Copper-Gold Mine in Western Australia.

The Company posted an interim net profit after income tax of \$35.9 million, representing a significant improvement on the \$15.7 million profit recorded for the previous corresponding half.

The bottom line result, which equates to earnings per share of 22.8 cents (basic and diluted), was struck on increased sales revenue of \$248.0 million (1HFY2016: \$228.3 million), from metal sales totalling 32,893 tonnes of contained copper (1HFY2016: 30,454 tonnes) and 19,790 ounces of gold (1HFY2016: 14,467oz).

The strong financial performance reflected a combination of significant realised and unrealised QP, QP hedging and finance income gains arising from the increases in the US Dollar copper price, and a reduction in cash operating costs across its operations.

The bottom line result was also achieved after exploration and evaluation expenditure and net loss from the Company's investment in Tintina Resources and the Monty Feasibility Study (Springfield JV).

Sandfire maintained its strong commitment to shareholder returns, declaring an increased interim fully franked dividend of 5 cents per share, up from 2 cents for the previous corresponding period. This equates to a payout ratio based on ~20% of earnings per share adjusted for the impact of the net loss from Tintina and the Springfield JV.

The DeGrussa operation delivered another strong and consistent operational performance for the first-half, with production of 33,740 tonnes of copper and 19,914 ounces of gold at a C1 cash operating cost of US\$0.92/lb.

Cash flow from operating activities doubled to \$96.7 million (1HFY2016: \$47.6 million) after payments for exploration and evaluation totalling \$16.2 million (1HFY2016: \$18.6 million).

Profit before net finance and income tax was \$53.7 million (1HFY2016: \$26.0 million), while pre-tax earnings were \$52.9 million (1HFY2016: \$23.0 million). The DeGrussa Mine segment generated earnings before net finance and income tax of \$76.4 million (1HFY2016: \$50.2 million) after depreciation and amortisation charges of \$52.9 million (1HFY2016: \$44.7 million).

The strong cash flows generated by the DeGrussa Mine segment in an improved pricing environment enabled Sandfire to fully repay the outstanding \$50 million balance of its Revolver Facility ahead of schedule on 31 January 2017, leaving the Company debt-free.

As at 31 December 2016, Sandfire had Group cash of \$107.1 million with an outstanding finance facility balance of \$50 million at the end of the period.

*This information should be read in conjunction with Sandfire's December 2016 Half-Year Financial Report and accompanying notes.*

## **Management Comment and Outlook**

Sandfire's Managing Director, Mr Karl Simich, said the Company's operational consistency and low-cost, high-grade production platform at DeGrussa had enabled it to take full advantage of improved market conditions and commodity prices during the first half of the 2017 financial year.

"We are delighted to report a significant improvement in our bottom line earnings, driven by stronger revenues and operating cash-flows which were a direct flow-through result of the uplift in copper prices," Mr Simich said.

"One of the key attributes of Sandfire and the DeGrussa operation has been its ability to withstand lower commodity prices. However, there were clear signs of an improvement in commodity markets during the first half, and the copper price has also now begun to respond to a combination of recent supply disruptions and strong underlying demand from China.

"Our relentless focus on operational efficiency and controlling costs wherever possible paid off during the first half, with a significant reduction in operating costs achieved across our operations.

"The increased operating cash-flows from the DeGrussa Mine segment allowed us to repay our debt faster, with the final repayment of the original \$380 million DeGrussa Project Facility marking a milestone for the Company and putting us in a great position for the future.

"With an ungeared balance sheet and a strong and consistent production outlook for the rest of this financial year and beyond, Sandfire is well placed to invest in the future growth of the business, to deliver solid returns to our shareholders and to execute our long-term growth strategy. We believe that this balanced, measured and considered approach will continue to serve us well into the future.

"With underground development now essentially complete at DeGrussa, our most immediate priority is to deliver the Feasibility Study on the high-grade Monty satellite deposit and to bring this high quality asset into production as quickly as possible."

“In addition, we will continue to invest strongly in aggressive exploration activities across our extensive and high quality land-holding at Doolgunna, where we are continuing to identify exciting new exploration opportunities and work hard to unlock the next discovery opportunity. We are also looking forward to a lot more activity with our East Coast base metal exploration initiative over the coming months as we drill test targets.

“In the USA, we are working hard with our colleagues at Tintina Resources to advance the high-quality Black Butte copper project in Montana, which is one of the highest grade copper deposits currently being permitted anywhere in the world,” Mr Simich added. “We are looking forward to advancing this project to the next stage and laying the foundations for what we have no doubt can be a world-class copper project drawing on the world’s best environmental and mining practices.”

**ENDS**

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