



SANDFIRE ANNOUNCES JUNE 2017 FINANCIAL RESULTS

Rising copper market, strong production and lower costs underpin 62% increase in annual net profit after tax, record final 13cps dividend and robust growth outlook

Highlights

- Sales revenue and price adjustment gains \$532.5M (FY16: \$485.8M): payable metal sales 62,663t Cu (FY16: 65,832t Cu) and 34,333oz Au (FY16: 33,302oz Au)
- Strong cash flow from operating activities of \$216.1M (FY16: \$133.9M) – \$248.3M prior to payments for exploration and evaluation expenses (FY16: \$166.5M)
- DeGrussa Mine segment earnings before net finance and income tax expense of \$158.5M (FY16: \$117.9M)
- Profit before net finance and income tax expense of \$114.2M (FY16: \$75.0M)
- Net profit after income tax of \$75.0M (FY16: \$46.4M)
- Net profit after income tax attributable to members of \$77.5M (FY16: \$48.0M)
- Earnings per share of 49.16cps (basic and diluted) (FY16: 30.54cps)
- Final dividend of 13cps fully-franked (FY16: 9cps fully-franked)
- Group cash and deposits of \$126.7M (FY16: \$66.2M); the \$50M balance of the DeGrussa Finance Facility was fully repaid on 31 January 2017

Sandfire Resources NL (ASX: SFR: "Sandfire") is pleased to report a 62% increase in net profit after tax attributable to members to **\$77.5 million** for the 12 months to 30 June 2017 (FY16: \$48.0 million).

The strong financial result was underpinned by another consistent operational performance, lower costs and a significantly improved copper price, which together allowed the Company to retire all of its debt, almost double its year-end cash position to \$126.7 million and declare a record final fully-franked dividend of 13c. The result equates to earnings per share of 49.16c (FY16: 30.54c) (basic and diluted).

The DeGrussa Copper-Gold Mine posted another strong production performance for FY2017 with copper production of 67,088 tonnes and gold production of 38,623 ounces, at a reduced C1 cash operating cost of US\$0.93/lb.

Sales revenue and positive copper price adjustment gains resulted in sales revenue of \$532.5 million (FY16: \$485.8 million), from payable metal sales totalling 62,663 tonnes of payable copper and 34,333 ounces of payable gold (FY16: 65,832 tonnes of payable copper and 33,302 ounces of payable gold).

The increase in revenue from copper and gold production stemmed from rising US Dollar copper prices, significant realised and unrealised quotational period (QP) gains totalling \$19.4 million and a reduction in DeGrussa Mine segment cash operating costs of \$14.0 million.

Profit before net finance expense and income tax expense was \$114.2 million (FY16: \$75.0 million). The DeGrussa Mine segment generated earnings before net finance and income tax expense of \$158.5 million (FY16: \$117.9 million), which included depreciation and amortisation charges of \$116.9 million (FY16: \$99.0 million).

Sandfire maintained its strong commitment to shareholder returns, with the strong financial result allowing it to declare a record final fully-franked dividend of 13cps, up by 44% from last year's final dividend of 9cps. Combined with the 5cps interim dividend, this takes the full-year payout to 18cps (FY16: 11cps).

The overall FY2017 payout ratio is based on ~35% of earnings per share, adjusted for the impact of the net loss from the Company's subsidiary and US copper developer, Tintina Resources Inc (TSX-V: TAU), which is developing the Black Butte copper deposit in central Montana, USA.

Cash flow from operating activities increased substantially to \$216.1 million (FY16: \$133.9 million) and to \$248.3 million prior to payments for exploration and evaluation expenses (FY16: \$166.5 million).

The continued strong cash-flow generation of the DeGrussa Mine segment allowed Sandfire to fully repay its outstanding bank debt during the year, with the \$50.0 million outstanding balance on the original \$380.0 million DeGrussa Finance Facility repaid on 31 January 2017, marking a significant milestone for the Company.

On a group-wide basis the cash generated by the DeGrussa Mine segment was deployed predominantly towards increased cash holdings, debt retirement and capital requirements - with \$51.8 million applied to finance facility repayments and interest, \$59.9 million to mine development and \$23.1 million for plant and equipment. The balance was applied to exploration and evaluation activities of \$32.2 million, with a further \$28.4 million in FY2017 interim and final dividends.

This information should be read in conjunction with Sandfire's audited consolidated 2017 Financial Report and accompanying notes.

Management Comment and Outlook

Sandfire's Managing Director, Mr Karl Simich, said the combination of a significantly improved copper price and another strong operating performance at the DeGrussa Copper-Gold Mine were the key drivers of the strong financial result for the year.

"This is Sandfire's fifth consecutive annual profit result, and it comes against the backdrop of a marked change in sentiment in the global copper market which puts Sandfire in a very strong position moving forward," Mr Simich said.

"It's worth noting that the Company has maintained an impressive record of profitability and returns to shareholders over the past two years despite lower commodity prices. The macro-environment has now shifted in our favour and we can look to the future with the tailwind of an improving copper market rather than the headwind of soft commodity markets.

"This turnaround was reflected in our financial result for the year, although I should also highlight our continued focus on cost-control, which saw a significant reduction in costs across our business during the year. Importantly, the strong cash generation from the DeGrussa operation – which enjoyed an overall operating cash margin prior to exploration of nearly 50 per cent – allowed us to retire all of our bank debt during the year while building our cash holdings – a significant milestone for the Company."

“We are pleased to be able to declare a record final dividend to shareholders in line with the increase in earnings, while at the same time aggressively pursuing value-accretive growth opportunities, both in Australia and abroad.

“Our first new mine development in the Doolgunna region, at Monty, is now well underway, having been permitted in record time, and is set to come on stream from the end of next year. At the same time, we are continuing to invest in a major exploration effort across our vast ground-holding, where we are confident of making new breakthroughs in the months ahead.

“We have more recently increased our ownership of the Black Butte copper project in central Montana, USA to 78.1% and this high-quality project has recently passed a critical permitting milestone with the Department of Environmental Quality in Montana declaring the project’s Mine Operating Permit application to be ‘complete and compliant’,” he said. “This means it can move ahead into the final stage of permitting, with the preparation of a detailed Environmental Impact Study.

“With many analysts predicting that the copper market will continue to go from strength to strength over the next few years, Sandfire is in a great position with a high grade, high quality operation at DeGrussa, a new ultra-high grade mine set to come on stream at Monty next year, unrivalled exploration upside in a world-class VMS district, and growth pipeline including the Black Butte deposit and other emerging opportunities in the East Coast of Australia.”

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