

31 August 2021

Sandfire Delivers Record \$170.1m Net Annual Profit

132% Increase Driven by Strong Copper Price and Outstanding Operational Performance, Providing a Strong Platform for its Next Phase of Global Growth

Highlights

- Record sales revenue of \$813.0M (FY2020: \$656.8M): payable metal sales 65,689t Cu (FY2020: 69,593t Cu) and 37,394oz Au (FY2020: 40,004oz Au)
- Cash flow from operating activities of \$471.1M (FY2020: \$273.6M) – \$542.4M prior to payments for exploration and evaluation expenses (FY2020: \$331.0M).
- DeGrussa Operations segment EBITDA of \$549.8M (FY2020: \$414.4M).
- Depreciation and amortisation of \$179.8M (FY2020: \$201.4M).
- Profit before net finance and income tax expense of \$270.0M (FY2020: \$113.8M).
- Net profit after tax attributable to members of \$171.6M (FY2020: \$74.1M).
- Group net profit after income tax of \$170.1M (FY2020: \$72.3M).
- Basic earnings per share of 96.3cps (FY2020: 42.9cps).
- Record Final dividend of 26cps fully-franked (June 20: 14cps fully-franked), combined with 8cps Interim Dividend equates to a 35% payout of net profit after tax, and an increase of approximately 80% on the FY2020 dividend.
- Group cash at 30 June 2021 of \$573.7M (30 June 20: \$291.1M).
- Strong, debt-free balance sheet provides an excellent platform for Sandfire's new phase of global growth, with construction underway at the Motheo Copper Mine in Botswana.

Sandfire Resources Ltd (ASX: SFR; "Sandfire" or "the Company") is pleased to announce a record net profit after tax attributable to equity holders of \$171.6 million for the 12 months to 30 June 2021.

The standout result, which was driven by increased copper prices during the year and another consistent, strong and low-cost operational performance at the DeGrussa Operations in Western Australia, has put the Company in an exceptional position as it pivots to a new chapter of global growth.

The record financial result for FY2021 comes as Sandfire continues to deliver against all key elements of its Strategic Growth Plan. This includes construction of its new Motheo Copper Mine in Botswana and the wider exploration and development of its portfolio in the Doolgunna Region of WA, the Eastern states of Australia, the Kalahari Copper Belt, and the USA.

Sandfire posted its second-best performance in terms of physical production at the DeGrussa Operations for FY2021, with production of 70,845 tonnes of contained copper and 39,459 ounces of contained gold at a C1 cost of US\$0.82/lb (FY2020: 72,238t Cu and 42,263oz Au at a C1 cost of US\$0.72/lb).

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This saw the Company deliver record sales revenue of \$813.0 million (FY2020: \$656.8 million), underpinned by payable metal sales totalling 65,689 tonnes of copper (FY2020: 69,593t Cu) and 37,394 ounces of gold (FY2020: 40,004oz Au). This translated into a 33% increase in EBITDA from the DeGrussa Operations segment to \$549.8 million (FY2020: \$414.4 million).

The FY2021 net profit after income tax attributable to equity holders of \$171.6 million represented a 132% increase on last year (FY2020: \$74.1 million). The FY2021 net profit after income tax was \$170.1 million (FY2020: \$72.3 million). The current year net profit result includes depreciation and amortisation of \$179.8 million (FY2020: \$201.4 million).

The bottom-line result equates to earnings per share of 96.29cps (FY2020: 42.88cps) (basic and diluted) and allowed Sandfire to declare a record final fully-franked dividend of 26cps (30 June 2020: 14cps). Combined with the 8cps fully-franked interim dividend, this takes the full-year payout to 34cps (FY2020: 19cps, fully-franked). The full-year payout represents our consistent payout ratio of 35% of net profit after tax and a 5.2% dividend yield to Sandfire's last close price and continues Sandfire's sector leading capital returns over the last three-years.

Cash flow from operating activities was \$471.1 million (FY2020: \$273.6 million) and \$542.4 million prior to payments for exploration and evaluation expenses (FY2020: \$331.0 million).

The Group cash position at 30 June 2021 was \$573.7 million (FY2020: \$291.1 million) even after making significant investments in the Company's growth projects to support the execution of its Strategic Growth Plan.

This included payments of \$43.5 million for Motheo capital expenditure, \$79.8 million for exploration and evaluation expenses, up from \$65.1 million in FY2020. The Company also paid \$40.4 million in income tax payments and \$39.2 million in dividend payments during the reporting period. Sandfire has an income tax payment of an estimated \$57 million due in December 2021 (\$6 million paid in July 2021).

Management Comment and Outlook

Commenting on the FY2021 results, Sandfire's Managing Director, Mr Karl Simich, said: "This exemplary set of financial results marks the culmination of what has been a standout year of delivery, achievement and growth for our business.

"Another disciplined and focused performance at our high-margin DeGrussa Operations in Western Australia allowed us to reap the full benefits of a rising copper price, which hit decade-long highs during the year and was reflected in record sales revenue of \$813.0 million – which in turn flowed through to surging cash flow from operations and a remarkable EBITDA contribution from the DeGrussa Operations Segment of \$549.8 million.

"The incredible performance of our WA operations allowed us to post a record net profit after tax of \$170.1 million and reward our shareholders by declaring a record final dividend of 26cps, taking the full-year payout to 34cps, an increase of nearly 80% on FY2020's dividend.

"Our year-end group cash position almost doubled to \$573.7 million, after once again making substantial investments in exploration and our future growth pipeline during the year.

"Our strong cash position and debt-free balance sheet represents a fantastic springboard for Sandfire as we move ahead with the execution of our Strategic Growth Plan, having significantly expanded the depth and capability of our organisation and senior leadership team during the year and embarked on the development of a major new copper mine at Motheo in Botswana.

“The implementation of our Strategy occurred against the backdrop of the ever-present threat of the COVID-19 pandemic, which continues to pose significant challenges – and I would like to acknowledge the continued vigilance and focus of our senior leadership team as we execute the next stage of our growth against this backdrop.

“Looking to the year ahead, production is set to continue at full pace at DeGrussa through until the September 2022 quarter with production guidance for FY2022 of 64 – 68,000 tonnes of copper and 30 – 34,000 ounces of gold at a C1 cost of US\$1.00 – 1.10 per pound. This will ensure we can continue to take full advantage of the strong copper price environment, with no significant tailing off or ramp-down as is typically seen at the end of the life of many mines.

“A major focus for us will be the continued development of the new Motheo Copper Mine in Botswana, where construction is rapidly ramping up following the grant of the Mining Licence in July.”

“In parallel, we are looking forward to the completion of a maiden Ore Reserve for the A4 satellite, which will underpin a Pre-Feasibility Study and our near-term pathway to expand to a 5.2Mtpa Hub concept.

“On the exploration front, we are ramping up our efforts globally with a budget of \$50 million for FY2022. This includes \$16 million allocated to our ‘dual-track’ copper and gold exploration strategy in the Doolgunna Region, an increased \$14 million budget allocated to Eastern Australia and \$19 million allocated to a greatly expanded exploration push across the Kalahari Copper Belt in Botswana and Namibia.

“In WA, resource expansion drilling at the Old Highway gold deposit has been delivering some exceptional results, and we are looking forward to announcing a maiden JORC Mineral Resource later this year in conjunction with a Feasibility Study on future gold production. Exploration is also underway within an extended search space targeting new VMS copper-gold discoveries at depth.

“On other fronts, we are progressing a very encouraging near-mine exploration program at the Black Butte copper project in Montana, continuing to enhance the Black Butte Feasibility Study against the backdrop of improved copper prices and maintaining a very focused Business Development program.

“As the world continues to embrace multiple strategies to decarbonise and switch to green energy solutions, demand for copper is widely expected to grow exponentially – with some commentators even predicting a new copper super-cycle.

“With a strong production base, a robust balance sheet and a world-class team of mining and exploration professionals driving the execution of its growth strategy, Sandfire is well placed to capitalise on this environment. We are looking to the year ahead, and the longer-term future, with great excitement.”

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This announcement is authorised for release by Sandfire’s Managing Director and CEO, Karl Simich.

Forward-Looking Statements

Certain statements made during or in connection with this release contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration and project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct.

There is continuing uncertainty as to the full impact of COVID-19 on Sandfire's business, the Australian economy, share markets and the economies in which Sandfire conducts business. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not currently possible to assess the full impact of COVID-19 on Sandfire's business or the price of Sandfire securities.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management.

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