



## **SANDFIRE DELIVERS 66% INCREASE IN INTERIM NET PROFIT**

**Robust, low cost production and rising copper price drive record sales revenue, increased dividend and growing cash balance to fund growth initiatives**

### **Highlights**

- **Record sales revenue of \$296.2M (1HFY17: \$259.9M): metal sales 30,222t Cu, (1HFY17: 32,893t) and 18,504oz Au (1HFY17: 19,790oz)**
- **Cash flow from operating activities of \$106.3M (1HFY17: \$96.7M)**
- **DeGrussa Mine segment earnings before net finance and income tax \$105.4M (1HFY17: \$76.4M)**
- **Profit before net finance and income tax of \$84.2M, up 57% (1HFY17: \$53.7M)**
- **Profit after income tax of \$59.5M, up 66% (1HFY17: \$35.9M)**
- **Earnings per share of 37.7cps (basic and diluted) (1HFY17: 22.8cps)**
- **Interim dividend of 8.0cps (fully-franked) (1HFY17: 5.0cps fully-franked)**
- **Group cash of \$164.4M at 31 December 2017; no debt**

Sandfire Resources NL (ASX: SFR: "Sandfire") is pleased to report its financial results for the six month period ended 31 December 2017, underpinned by a rising copper price, reduced operating costs and another strong and consistent operational performance by its flagship 100%-owned DeGrussa Copper-Gold Mine in Western Australia.

The high grades and strong operating margins at DeGrussa, combined with Sandfire's debt-free balance sheet, enabled the Company to take full advantage of the rising copper price environment, posting a 66% increase in net profit after income tax to \$59.5 million (1HFY2017: \$35.9 million).

The bottom line result, which equates to earnings per share of 37.7 cents (basic and diluted), was struck on record sales revenue of \$296.2 million (1HFY2017: \$259.9 million). This result came from metal sales totalling 30,222 tonnes of contained copper (1HFY2017: 32,893 tonnes) and 18,504 ounces of gold (1HFY2017: 19,790oz).

The bottom line result was achieved after the impact of non-DeGrussa segments, including a loss from the exploration and evaluation segment of \$15.1 million and a loss from other activities of \$6.1 million.

Profit before net finance and income tax was \$84.2 million (1HFY2017: \$53.7 million), while pre-tax earnings were \$85.4 million (1HFY2017: \$52.9 million).

The strong financial performance reflected increased revenue from rising US Dollar copper prices, a combination of significant realised and unrealised price gains during QPs (quotational periods) and a reduction in DeGrussa Mine Segment cash operating costs of \$11.0 million.

The DeGrussa operation delivered another strong and consistent operational performance for the first-half, with production of 31,521 tonnes of copper and 18,799 ounces of gold at a C1 cash operating cost of US\$1.00/lb. The DeGrussa Mine segment generated earnings before net finance and income tax of \$105.4 million (1HFY2017: \$76.4 million) after depreciation and amortisation charges of \$65.7 million (1HFY2017: \$52.9 million).

Cash flow from operating activities was \$106.3 million (1HFY2017: \$96.7 million) after payments for exploration and evaluation totalling \$16.1 million (1HFY2017: \$16.2 million).

Sandfire maintained its strong commitment to shareholder returns during the half-year, declaring an increased interim fully franked dividend of 8 cents per share, up from 5 cents per share for the previous corresponding period.

Sandfire increased its ownership of the high-grade Black Butte Copper Project in Montana, USA, from 61% to 78% through the acquisition of Electrum Global Holdings L.P. shareholding (\$7.1 million). The Company also took up its rights under an entitlements issue contributing a further \$8.7 million to fund the advancement of studies and permitting. Sandfire Resources America Inc's (formerly Tintina Resources Inc) Black Butte Project is the Group's key offshore growth asset and comprises a high-grade copper Mineral Resource of 18Mt at 3.3% Cu, 14g/t Ag and 0.10% Co.

Sandfire has been debt-free since 31 January 2017, enabling the Company to deliver an increased Group cash balance as at 31 December 2017 of \$164.4 million. Group cash increased by \$37.7 million over the reporting period despite significant payments including income tax payments (\$39.2 million), final FY2017 dividend (\$20.5 million) and the development of the high-grade Monty copper-gold mine (\$14.4 million).

*This information should be read in conjunction with Sandfire's December 2017 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 reflected the Company's ability to maximise its leverage to the rising copper price thanks to the consistency and strength of its operations, underpinned by a debt-free balance sheet.

"This was a very positive result for Sandfire, with continued strong concentrate production from DeGrussa and increased US dollar copper prices delivering record sales revenue for the half-year and 66 per cent increase in bottom line earnings – a tremendous outcome for shareholders."

"Pleasingly, the outlook for copper remains very strong, indicating the potential for the robust cash generation for Sandfire to continue over the coming years as we deliver strong production from DeGrussa, while also preparing to bring the new high-grade Monty satellite mine on stream this year."

"The exceptional grade of the Monty deposit will have a material impact on our average throughput grades as we begin to blend ore from this new operation from early next financial year. This will help to drive a rising copper production profile over the next three years – at what is shaping up to be the perfect time in the copper price cycle."

"With mined copper grades continuing to decline globally and supply remaining vulnerable to disruptions, we expect the copper market to remain extremely tight over the coming years as the world economy continues to enjoy strong, synchronised growth for the first time in a decade."

“This is an exciting time to be bringing a new high-grade mine on stream at Monty. It’s also a great time to see our key offshore asset – the high-grade Black Butte copper project in Montana – now well into the final stage of permitting and on track to be completed later this year.”

“We are very excited about the opportunity to become a supplier of high-grade copper concentrate from a state-of-the-art mining operation in Montana at a time of unprecedented economic expansion and development in the United States.”

“Our strong, and growing, cash balance of \$164.4 million will also enable Sandfire to continue to maintain our commitment to aggressive exploration, both at Doolgunna and across our East Coast portfolio. It will also enable us to take advantage of high-quality acquisition and business development opportunities, as well as maintain returns to shareholders in the form of dividend payments.”

**ENDS**

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