



DECEMBER 2019 HALF YEAR FINANCIAL RESULTS

Increasing copper-gold production drives solid interim profit, enabling further investment in long-term growth projects

Highlights

- **Sales revenue of \$313.1M (1HFY18: \$272.3M): payable metal sales 33,616t Cu (1HFY18: 32,715t) and 18,252oz Au (1HFY18: 20,721oz)**
- **Cash flow from operating activities of \$109.1M (1HFY18: \$97.5M) – \$140.3M prior to payments for exploration and evaluation expenses (1HFY18: \$121.9M)**
- **DeGrussa Operations segment earnings before net finance and income tax expense of \$91.4M (1HFY18: \$101.7M)**
- **Profit before net finance and income tax expense of \$50.0M (1HFY18: \$70.1M)**
- **Net profit attributable to members of \$34.2M (1HFY18: \$49.6M)**
- **Earnings per share of 20.6cps (basic and diluted) (1HFY18: 31.1cps)**
- **Interim dividend of 5.0cps fully-franked (1HFY18: 7.0cps fully-franked)**
- **Group cash of \$201.7M at 31 December 2019**

Sandfire Resources Ltd (ASX: SFR; “Sandfire” or “the Company”) is pleased to report its financial results for the six month period ended 31 December 2019. The Company delivered another strong operational and financial performance underpinned by robust production and cost management at its DeGrussa Operations in Western Australia.

This allowed the Company to maintain strong revenues and operating cash flows, to post a net profit after income tax of \$33.3 million (1HFY18: \$48.3 million). The interim profit translates to earnings per share of 20.6 cents (basic and diluted).

Total revenue of \$313.1 million (1HFY18: \$272.3 million) was underpinned by payable metal sales totalling 33,616 tonnes of contained copper (1HFY18: 32,715t) and 18,252 ounces of contained gold (1HFY18: 20,721oz).

The half-year results included production from the new satellite Monty Copper-Gold Mine, resulting in an additional amortisation expense of \$34.2 million driven by the amortisation of the Monty Copper-Gold Mine purchase price, following the acquisition of Talisman Mining’s 30% interest in the project in 2018, as well as amortisation of the decline and mine development. There was also increased investment in exploration and evaluation expenditure of \$6.2 million during the period, including exploration at the newly acquired Tshukudu Project in Botswana following its acquisition from MOD Resources Ltd (MOD) in October 2019.

The strong financial performance was achieved despite weakness in the US Dollar copper price during the reporting period, offset by a fall in the USD: AUD exchange rate and a stronger gold price.

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The DeGrussa Operations delivered another strong operational performance for the period, with production of 34,988 tonnes of contained copper (1HFY18: 34,813t) and 19,370 ounces of contained gold (1HFY18: 21,567oz), towards FY2020 guidance of 70-72kt of contained copper and 38-40koz of contained gold.

As a result, the DeGrussa Operations segment generated earnings before net finance and income tax expense of \$91.4 million (1HFY18: \$101.7 million), which included depreciation and amortisation charges of \$90.1 million (1HFY18: \$61.6 million).

Cash flow from operating activities was \$109.1 million (1HFY18: \$97.5 million) and \$140.3 million prior to payments for exploration and evaluation expenses (1HFY18: \$121.9 million).

The Company maintained its strong commitment to shareholder returns during the half-year, declaring an interim fully-franked dividend of 5 cents per share.

The Group cash position at 31 December 2019 was \$201.7 million after making significant investments in long-term growth and diversification projects. This included \$44.6 million for the cash component of the acquisition of MOD (giving Sandfire 100% ownership of the T3 Copper-Silver Project and adding a new growth platform for the Company in Botswana, southern Africa) and \$23.1 million on further investments in early stage, high-quality base metals exploration and development assets through the Company's Sandfire Ventures program. The Company also paid \$40.0 million in income tax payments and \$28.5 million in dividend payments during the reporting period.

This information should be read in conjunction with Sandfire's December 2019 Half-Year Financial Report and accompanying notes.

Management Comment and Outlook

Sandfire's Managing Director, Mr Karl Simich, said the first-half of the 2020 financial year marked the beginning of an exciting new growth chapter as the Company began its transformation from a single-mine company into a diversified and sustainable global metals company operating across multiple jurisdictions.

"Underpinned by another solid operational and financial performance at DeGrussa, we took some important long-term growth steps during this period with the completion of the MOD acquisition, continued progress with the permitting and Feasibility Study for the Black Butte Copper Project in Montana, USA and the commencement of a major new exploration campaign in Botswana.

"At the operational level, the DeGrussa Operation posted another strong set of numbers despite what continues to be a relatively muted global environment for base metals. Another impressive production performance once again drove strong sales revenue, low unit operating costs, robust operating cash flows and strong bottom line earnings – helping us to maintain a period-end cash position of \$201.7 million.

"It is important to note that this was after making significant investments in our long-term growth pipeline, including \$44.6 million on the cash component of the MOD acquisition and \$23.1 million on further investments in high-quality base metal opportunities, while also paying out \$28.5 million in dividends and \$40.0 million in income tax.

"With a debt-free balance sheet we remain in an excellent position to fund the next stage of our growth and diversification. The key focus in the short term is completing the optimisation of the Feasibility Study and permitting for the T3 development project in Botswana, which we expect to be our first new base metal operation outside of DeGrussa. Project funding discussions are underway and we remain on track to make a decision to mine by mid calendar year 2020.

“Meanwhile, our expanded exploration campaign in Botswana has also paid early dividends, with an exciting new copper discovery at the A4 Dome, located just 8km from T3, rapidly taking shape and five diamond rigs currently focused on delineating this zone.

“The delineation of additional resources within close proximity of our proposed first production hub in Botswana would stand us in excellent stead as we begin to unlock the potential of this belt-scale exploration opportunity. I am optimistic about the outlook for this project given that we effectively control the 200km long centre of an emerging sediment-hosted copper province.

“Turning to the macro picture, there is no doubt that 2020 has seen a number of new challenges emerge in commodity markets due to the impact of the coronavirus and potential impact on metals demand and global logistics and trade. Notwithstanding the short-term impacts, which will continue to play out over the next few weeks and months, we remain positive about the medium-term outlook for copper, which remains fundamental as an essential ingredient for a sustainable, low-carbon future.

“Sandfire is getting on with the job of advancing our new mid-tier projects in Botswana and the USA towards development, exploring vigorously for new deposits in Botswana and Australia, and increasing our exposure to high-quality assets around the world.

“I am pleased to say that the second half of the financial year is off to a strong start and we are on track to achieve FY2020 guidance of 70-72kt of contained copper and 38-40koz of contained gold with C1 costs of ~US\$0.90/lb.”

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Forward-Looking Statements

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