28 February 2023

December 2022 Half Year Financial Results

Strong operational performance and sales revenue underpins 40% Operations EBITDA margin, with the half-year marking a key transition period for Sandfire as a global copper miner.

Highlights

- Record sales revenue of $431.7M (Dec 21: $311.8M): payable metal sales of 46,005t Cu (Dec 21: 32,422t Cu), 32,813t Zn (Dec 21: Nil), 4,125t Pb (Dec 21: Nil), 11,785oz Au (Dec 21: 14,462oz), and 870koz Ag (Dec 21: 95koz).
- Group EBITDA of $135.9M (Dec 21: $161.6M):
  - MATSA segment EBITDA of $89.0M (Dec 21: Nil)
  - DeGrussa segment EBITDA of $80.3M (Dec 21: $203.9M).
- Cash flow from operating activities prior to payments for exploration and evaluation activities and tax of $68.2M (Dec 21: $193.1M).
- Group loss before net finance and income tax expense of $1.9M (Dec 21 profit: $85.2M).
- Net loss after tax attributable to equity holders of $27.1M (Dec 21 profit: $55.2M).
- Group cash at 31 December 2022 of $263.7M. Net debt of $378.3M (excluding capitalised transaction costs).

Sandfire Resources Ltd (**Sandfire** or **the Company**) is pleased to report its financial results for the six-month period ended 31 December 2022.

The Company delivered a strong operating performance during what was a transitional period for Sandfire, with a focus on continued optimisation of the MATSA Copper Operations in Spain, the wind-down of the DeGrussa Copper Mine in Western Australia and the final stages of construction at the Motheo Copper Mine in Botswana, now on the cusp of commissioning.

The Group posted record sales revenue of $431.7 million for the period (Dec 21: $311.8 million) driven by the inclusion of sales from MATSA, offset by decreased production and sales from DeGrussa with the processing of ROM sulphide ore completed in October 2022.

Payable metal sales for the reporting period totalled 46,005 tonnes of copper (Dec 21: 32,422t), 32,813 tonnes of zinc (Dec 21: nil), 4,125 tonnes of lead (Dec 21: nil), 11,785 ounces of gold (Dec 21: 14,462oz), and 870k ounces of silver (Dec 21: 95koz).

Metal prices were generally slightly weaker during the period, with an average received copper price of US$8,098 per tonne and zinc price of US$2,987 per tonne inclusive of hedging throughout the reporting period. This compares with an average received copper price of US$9,600-US$10,600 for the prior corresponding period.

The revenue result facilitated a Group EBITDA of $135.9M (Dec 21: $161.6M) with increased depreciation and amortisation following the MATSA acquisition resulting in a net loss after tax attributable to equity holders of $27.1M (Dec 21: $55.2M).

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Operating costs during the period were impacted by rising inflation and input costs, including elevated European energy costs at MATSA. Since their peaks in the September 2022 Quarter, energy costs have tracked downwards, while the recent increase in the copper price has improved margins into the March 2023 Quarter.

Group depreciation and amortisation charges for the period increased by $61.4 million to $137.8 million (Dec 21: $76.4 million), primarily due to capitalised costs relating to the acquisition of MATSA.

MATSA delivered a positive operational performance for the six-month period, with production of 26,435 tonnes of contained copper, 39,290 tonnes of contained zinc, 4,398 tonnes of contained lead and 1.2 million ounces of contained silver, underpinning EBITDA of $89.0 million for the MATSA segment.

Following the completion of underground mining in October 2022, the DeGrussa Copper Operations transitioned to processing transitional stockpiles and mineralised waste stockpiles during the half-year. This led to production of 21,652 tonnes of contained copper and 12,777 ounces of contained gold for the period and an EBITDA contribution of $80.3 million for the DeGrussa segment.

The Group cash position at 31 December 2022 was $263.7 million (Jun 22: $463.1 million), after making significant investments in the Company's growth projects and payment of the Group's finance facilities.

Net cash outflow from operating activities was $6.8 million for the period, impacted by $30.1 million of tax payments relating to the 2022 financial year, $17.7 million of payments for exploration and evaluation and $16.1 million of payments relating to DeGrussa wind down expenditure. Prior to these impacts, cash flow from operating activities was $57.1 million.

Net cash flows from operating activities have also been impacted by an increase in receivables from customers, with $32.3 million owing at the end of the period (Jun 22: payable of $50.5 million).

Net cash outflow from investing activities was $134.4 million for the period including payments for property, plant and equipment and mine development of $162.2 million, of which $114.2 million relates to project development at the Motheo Copper Mine.

Net cash outflow from financing activities of $47.1 million included $248.9 million in debt repayments relating to the MATSA Syndicated Project Debt Facility ($118.0 million) and the A$200.0 million ANZ Corporate Facility ($130.9 million) offset by proceeds from the A$200.0 million ($134.9 million) equity raise and $110.0 million in drawdowns under the Motheo Project Finance Facility.

Subsequent to the end of the reporting period, the MATSA Syndicated Project Debt Facility balance was reduced to $452.0 million following the 31 January 2023 scheduled repayment of $80.0 million.

While the Group continues to execute its international growth program, finance the development of the Motheo Copper Mine in Botswana and repay debt facilities relating to its MATSA acquisition, the Company has not declared an interim dividend payment for the half-year ended 31 December 2022.

Management Comment and Outlook

Sandfire's Acting CEO, Mr Jason Grace, said: 'The Company made substantial progress with its portfolio transformation during the half-year reporting period with ongoing optimisation at MATSA, the wind-down at DeGrussa and the new Motheo mine in Botswana now poised to start production.

'With one mine winding down in Australia, a new mine ramping up in Botswana and MATSA now a mainstay of our operations, Sandfire begins 2023 as a very different looking company to the one that investors have come to know over the past decade,' Mr Grace said.

'Operationally, the half-year saw a strong across-the-board operational performance with our now-diversified portfolio driving increased metal production and record revenue of $431.7 million. This allowed the Company to generate a robust Group EBITDA of $135.9 million, with roughly equal contributions from MATSA and the tail-end of the DeGrussa Operation.

'The combination of rising inflation and input costs – notably the spike in European energy costs during the half-year – together with slightly weaker metal prices and a significant increase in depreciation and amortisation charges due to the capitalisation of the MATSA acquisition, resulted in a net loss after tax for the period.

'However, with production guidance maintained at 83-91kt of copper and 78-83kt of zinc for FY2023, energy costs easing in Europe and a strengthened copper price since the start of the year, the second half of FY2023 has started on a positive note with improved margins seen in the March 2023 Quarter.

'The recently completed successful capital raising has also allowed us to further strengthen and de-risk our balance sheet, with net debt of $378 million at the end of the reporting period, while also providing a strong platform to support our longer-term growth strategy.

'I would like to take this opportunity to congratulate our team in Botswana for the execution and delivery of the Motheo Copper Project on schedule. We recently hosted a group of investors to site to see this impressive new facility, and we are now preparing for the start of production in the coming weeks.

'This will mark a very exciting milestone for Sandfire – being our first mine in Africa – and together, with production from our cornerstone MATSA Copper Operations in Spain, puts us in a great position to capitalise on the strong copper price and the increased demand for copper as the world's decarbonisation efforts continue to gather speed.'

- ENDS -

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This announcement is authorised for release by Sandfire's Acting CEO, Mr Jason Grace, and the Board of Directors.

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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.

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