



## SANDFIRE DELIVERS RECORD \$123M NET PROFIT\*

Strong production, low costs and high copper price drives 59% increase in net profit, surge in year-end cash to \$243m and record 19cps final dividend

### Highlights

- Record sales revenue and price adjustment gains \$606.7M (FY17: \$532.5M): payable metal sales 62,918t Cu (FY17: 62,663t Cu) and 38,510oz Au (FY17: 34,333oz Au)
- Strong cash flow from operating activities of \$245.0M (FY17: \$216.1M) – \$284.6M prior to payments for exploration and evaluation expenses (FY17: \$248.3M)
- DeGrussa Mine segment earnings before net finance and income tax expense of \$226.3M (FY17: \$158.5M)
- Profit before net finance and income tax expense of \$173.8M (FY17: \$114.2M)
- Net profit after income tax of \$120.8M (FY17: \$75.0M)
- Net profit after income tax attributable to members of \$123.0M (FY17: \$77.5M)
- Earnings per share of 77.85cps (FY17: 49.16cps) (basic and diluted)
- Final dividend of 19cps fully-franked (FY17: 13cps fully-franked); FY18 dividends 27cps fully franked (FY17: 18cps fully franked)
- Group cash and deposits of \$243.4M (FY17: \$126.7M)

\* Net profit refers to the Net profit attributable to the equity holders of the parent.

### Outlook – key upcoming milestones:

- Start of geophysics, Aircore and RC drill programs at new Alchemy Farm-in (Sept)
- Step-out RC drilling and down-hole geophysics at Morck Well East JV (Sept-Oct)
- Completion of acquisition of 100% of Springfield Project (Dec Quarter)
- First development ore at Monty Copper-Gold Mine (late Dec Quarter)
- Progress completion of EIS at Black Butte Copper Project (Dec Quarter)

Sandfire Resources NL (ASX: SFR: “Sandfire”) is pleased to announce a **59% increase** in net annual profit after tax attributable to members for the 12 months to 30 June 2018 to **\$123.0 million**. The record result reflects the combination of a strong operational performance, a high copper price and robust margins at its flagship DeGrussa Copper-Gold Mine in Western Australia.

The outstanding performance – Sandfire’s best-ever financial result in six years of operations at DeGrussa – has allowed it to almost double its year-end Group cash position to **\$243.3 million** (FY2017: \$126.7 million), declare a record final fully-franked dividend of **19cps** (FY17: 13cps fully-franked), and maintain strong forward growth momentum through new project development activities in Australia and the USA and a continued expansive commitment to exploration.

The record result was underpinned by strong FY2018 production from DeGrussa of 64,918 tonnes of copper and 39,273 ounces of gold at a C1 cost of US\$0.93/lb.

Sales revenue and positive copper price adjustment gains resulted in record sales revenue of \$606.7 million (FY17: \$532.5 million) from payable metal sales totalling 60,247 tonnes of payable copper and 35,692 ounces of payable gold (FY17: 62,663 tonnes of payable copper and 34,333 ounces of payable gold).

The revenue increase of \$74.2 million for the year, representing an increase of 14%, was driven by strong copper markets, which also contributed to net positive quotational period (QP) price adjustments of \$10.5 million over the year.

Profit before net finance expense and income tax expense was \$173.8 million (FY17: \$114.2 million). The DeGrussa Mine segment generated earnings before net finance and income tax expense of \$226.3 million (FY17: \$158.5 million), which included depreciation and amortisation charges of \$129.8 million (FY17: \$116.9 million).

The bottom line result equates to earnings per share of 77.85cps (FY17: 49.16cps) (basic and diluted) and allowed Sandfire to declare a record final fully-franked dividend of 19cps, up 46% from last year's final dividend of 13cps. Combined with the 8cps fully-franked interim dividend, this takes the full-year payout to 27cps (FY17: 18cps), which equates to ~35% of earnings for the full year.

Cash flow from operating activities increased to \$245.0 million (FY17: \$216.1 million) and to \$284.6 million prior to payments for exploration and evaluation expenses (FY17: \$248.3 million).

Sandfire finished the year with Group cash of \$243.4 million (up from \$126.7 million at 30 June 2017), after making dividend payments of \$33.2 million, income tax payments of \$61.3 million and internally funding our 70% share of the new Monty Copper-Gold Mine development. The Company remains debt-free after repaying its principal debt facility in the prior period.

*This information should be read in conjunction with Sandfire's audited consolidated 2018 Financial Report and accompanying notes.*

## **Management Comment and Outlook**

Sandfire's Managing Director, Mr Karl Simich, said the outstanding financial result capped a year which, by almost every measure, was the Group's strongest so far.

"The combination of strong production, lower operating costs and a significantly improved copper price translated into impressive results at every level of our business – highlighted by record revenues, record cash-flows and exceptional operating margins," he said. "This provided the backdrop to a surge in cash and deposits to \$243 million at year-end and, pleasingly, the declaration of a record 19c final dividend, taking our total payout for the year to 27c.

"This continues our track record of maintaining a strong commitment to maximising returns to shareholders via dividends without compromising our continued investment in growing our business through exploration, new mine development and building our portfolio of strategic investments in high quality resource assets globally.

"Looking ahead, the continued strength and low cost base of the DeGrussa operation – supported by our strong balance sheet and growing cash balance – once again puts us in a very strong position moving forward, notwithstanding the recent retracement in the copper price from its highs earlier this year.

"Copper production for FY19 is forecast at 63-67,000t and gold production at 37-40,000oz at a C1 cash cost of US\$1.00-1.05/lb, and we have made a strong start with production for the September quarter," Mr Simich continued.

“We remain very positive on the broader outlook for copper given the metal’s supply and demand fundamentals and the underlying strength of demand from the Chinese economy. We believe the metal will also receive strong support from a generally stronger outlook for the global economy, major new infrastructure initiatives across Asia and the rapid rise of new sources of demand from the electric vehicle and energy storage sectors.

“Over the next 3-6 months, Sandfire is embarking on an important period of transformation as we bring our first new satellite mine on stream at DeGrussa and move towards the start of development of the Black Butte copper project in Montana, USA.

“We are on track to intersect first ore at the new Monty satellite mine towards the end of the calendar year – with the ramp-up of production at Monty set to make an important contribution to our rising high-grade production profile over the next three years. We also expect to complete the acquisition of 100% of the Springfield Project following approvals, including the Monty mine, during the December quarter.

“In the USA, the EIS on the Black Butte Project is now in its final stages and, having just returned from a visit to the US, I am pleased to report that our team is in full swing with work on the Definitive Feasibility Study for this exciting new project.

“Back home, our exploration team is about to kick off the first exploration program on the recently announced Alchemy Farm-in, following our acquisition of Independence Group’s farm-in rights over their base metal prospective tenements. We are excited about the opportunities presented by this strategically located ground, which lies directly along strike from the DeGrussa mine and plant.

“We are also about to undertake step-out RC drilling combined with down-hole geophysics at the Morck Well East Project, where we intersected massive sulphides in Aircore drilling earlier this year. Recent drilling has confirmed the presence of the prospective volcanic sequence along this corridor, and we continue to see a huge amount of prospectivity which we hope will lead us towards the next discovery.”

**ENDS**

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**Forward-Looking Statements**

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