

ASX/Media Release

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SANDFIRE DECLARES MAIDEN DIVIDEND AND DELIVERS \$78.2M ANNUAL NET PROFIT

Strong financial and operational performance for 12 months to 30 June 2014

- Sales revenue of \$531.2M (FY2013: \$507.3M): metal sales 64,719t copper and 31,788oz gold
- Strong operating cash flow from operating activities of \$223.0M (FY2013: \$250.2M)
- DeGrussa Mine segment earnings before net finance and income tax of \$168.6M (FY2013: \$194.5M)
- Profit before net finance and income tax of \$125.6M (FY2013: \$142.1M)
- Net profit after income tax of \$78.2M (FY2013: \$88.0M)
- Earnings per share of 50.22cps (basic)
- Maiden final dividend of 10.0cps (unfranked)
- FY2015 production guidance of 65-70kt Cu, 35-40koz Au: C1 cash cost US\$1.15-1.25/lb

Sandfire Resources NL (ASX: **SFR**: "Sandfire") has announced a final unfranked dividend of 10 cents per share for the 2014 financial year, its maiden payout to shareholders, after announcing a net profit after income tax of \$78.2 million for the year ended 30 June 2014.

The result, which equates to earnings per share of 50.22 cents (basic), reflects another strong operational and financial performance by the Company's flagship DeGrussa Copper Mine in Western Australia. This has allowed Sandfire to aggressively reduce debt while funding major ongoing underground development, exploration, growth and business development initiatives.

The net profit for the year of \$78.2 million compares with a net profit of \$88.0 million for the previous corresponding period, reflecting the impact of the delayed June 2014 shipment completed in early July (\$18 million in revenue), lower prevailing copper prices compared with FY2013, as well as the completion of the DSO and gold oxide toll treatment campaigns in FY2013.

The result was achieved on sales revenue of \$531.2 million (FY2013: \$507.3 million), from metal sales totalling 64,719 tonnes of contained copper (FY2013: 62,154 tonnes) and 31,788oz of gold (FY2013: 41,725oz). This drove strong cash flow from operating activities of \$223.0 million (FY2013: \$250.2 million) after payments for exploration and evaluation totalling \$26.5 million.



Profit before net finance and income tax was \$125.6 million (FY2013: \$142.1 million) while pre-tax earnings were \$111.9 million (FY2013: \$125.7 million). The DeGrussa Mine segment generated earnings before net finance and income tax of \$168.6 million (FY2013: \$194.5 million) after depreciation and amortisation charges of \$94.3 million (FY2013: \$123.4 million).

The result also included \$5.4 million paid and accrued to Posco Australia (POSA) under its capped \$7.5 million product discount right (four shipments were completed to POSA's sales representative during the period). An income tax expense of \$33.8 million was booked on the profit result, however no tax was payable for the 2014 financial year.

On a group-wide basis, the cash generated by the DeGrussa Copper Mine was deployed predominantly towards debt retirement and capital requirements, with \$138.2 million applied to finance facility repayments and interest, \$77.9 million to mine development and \$16.7 million for plant and equipment. The balance was applied to exploration and evaluation expenditure, assets and investments of \$35.5 million and \$15.6 million for the final dividend payment.

As at 30 June 2014, Sandfire had cash of \$57.6 million (30 June 2013: \$77.1 million), having completed a total of \$125 million in finance facility repayments during the year (FY2013: \$95.0 million), reducing the outstanding balance on the DeGrussa finance facility to \$160 million as at 30 June 2014. A total of \$75.0 million of quarterly finance facility payments are scheduled for FY2015.

This information should be read in conjunction with Sandfire's audited consolidated 2014 Financial Report and accompanying notes.

Management Comment

Sandfire's Managing Director, Mr Karl Simich, said the Company was very pleased to be able to declare its maiden dividend payment to shareholders after posting a strong result for the 2014 financial year, capping another period of operational, financial and exploration success.

"Declaring our maiden dividend marks another big milestone in the Sandfire story, coming just over five years after the discovery of DeGrussa and less than a year after successfully completing the ramp-up of commercial production and attaining steady-state production," Mr Simich said.

"The DeGrussa Operation delivered an impressive year of strong, low-cost, high-margin production, with both the underground mine and Concentrator maintaining the nameplate 1.5Mtpa production rate, over 22km of underground development now completed and a strong and consistent outlook for FY2015.

"Our financial result for the year was very pleasing, particularly considering that the comparative result for FY2013 was influenced by a significant contribution of high-grade open pit DSO and oxide gold and aided by a higher average copper price," Mr Simich continued.

"The FY2014 result was also impacted by the delayed June 2014 shipment and payment of the accrued discount to POSCO under their capped \$7.5 million product discount.

"When these factors are taken into account, together with a lower copper price and persistently high Australian Dollar exchange rate, the FY2014 result was impressive and clearly reflects the financial strength of the DeGrussa Operation – which has been able to generate sufficient cash to aggressively pay down debt, fund mine development and underpin a substantial exploration and business development program, while at the same time allowing us to undertake external investments and pay a maiden dividend.

"On the exploration front at DeGrussa, we were able to continue to grow our high-grade underground resources during the year through successful underground drilling programs and we are about to commence a major new underground drilling push in the last quarter of this year targeting extensions to both the Conductor 4 and 5 lenses," Mr Simich said.

"We are also continuing to invest strongly in regional exploration, with a significant amount of activity currently underway under the Talisman joint venture to test for repeats of the DeGrussa VMS system along the broader 65km strike length of prospective mine corridor," he continued.

"There are also some exciting new drilling campaigns coming up on our own tenements to test VMS targets we have systematically worked up over the past year.

"Looking further afield, yesterday we announced another significant business development initiative through an agreement to acquire a cornerstone interest in Toronto-listed company Tintina Resources, giving us significant exposure to one of the highest grade undeveloped copper deposits in the USA containing a Mineral Resource of approximately 600,000 tonnes of copper. This follows our investment in WCB Resources, in which we hold a strategic 38% interest, which is about to start drilling on what could be a game-changing Tier-1 porphyry copper-gold target on Misima Island.

"This is an exciting time for Sandfire. Our engine room at DeGrussa is in great shape and continues to generate substantial amounts of cash, with a strong outlook for FY2015. We have reduced our debt by nearly 60 per cent in the past two years, with a further significant reduction forecast by the end of this financial year.

"Exploration is ramping up, both at the mine itself and regionally – and we are very confident of achieving both further additions to our existing resource inventory and making the key breakthrough regionally within the next 12 months. Finally, we now have a number of business development initiatives underway which could deliver us a very well-stocked organic growth pipeline for the future. And most importantly, our team has the focus and desire to execute all of these programs and deliver significant value for our shareholders."

ENDS

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