



ASX/Media Release

27 July 2011

## PROJECT LOAN FACILITY FOR DEGRUSSA

### *OPEN PIT AND UNDERGROUND MINE DEVELOPMENT ADVANCING: FIRST ORE MINED*

Sandfire Resources NL (ASX: **SFR**; "Sandfire") is pleased to announce that, following receipt of a credit-approved term sheet from Australian and New Zealand Banking Group Limited ("ANZ"), due diligence processes have commenced towards finalisation of up to **\$360 million** of underwritten secured debt for its 100%-owned **DeGrussa Copper-Gold Project** in Western Australia.

On the strength of the robust Definitive Feasibility Study ("DFS") released last month, Sandfire's Board has resolved to debt fund the remaining capital cost of the DeGrussa Project, where mine development and construction is already well advanced and first gold laterite open pit ore was recently mined.

The announcement of the planned facility marks another key milestone in the execution of the DeGrussa Project development, which is on track to produce its first high-grade copper ore in Q1 of CY 2012 and first high-grade copper concentrate in Q4 of CY 2012.

#### Facility structure

A **\$75 million secured mine development facility** has been executed and, subject to satisfaction of conditions precedent, is available for draw-down to assist with the funding of long lead equipment and initial plant construction, ongoing open pit mining and underground development (commenced in Q2 of CY 2011). This facility is repayable by the end of December 2011, or otherwise to be refinanced by being rolled into up to **\$350 million of secured development and construction funding** (plant, equipment and infrastructure) along with a **\$10 million environmental bonding facility** (non cash-backed). The full facility is expected to be finalised and executed around the end of Q3 of CY 2011 following completion of independent due diligence on the DeGrussa Project and DFS.

The underwriting and syndication process will be led by ANZ, with ANZ retaining a cornerstone position in the facility.

DFS pre-production capital for the DeGrussa Project is estimated at \$384 million, comprising \$267 million for plant, equipment and infrastructure, \$44 million for open pit mining, \$56 million for underground mine development and \$17 million of other pre-production capital. Approximately \$300 million of this expenditure is planned to be incurred during the financial year ending June 2012.

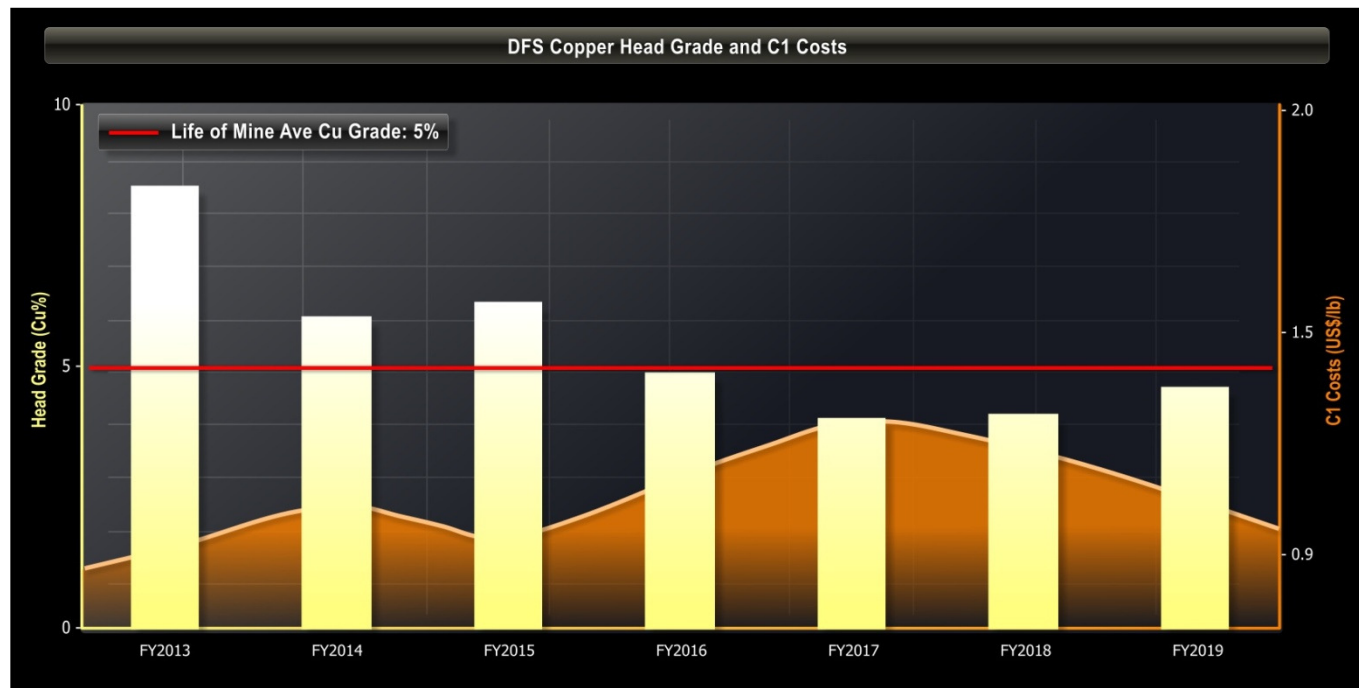
#### Cash position and security

The debt facility is complemented by Sandfire's strong cash position following the \$103 million capital raising it completed at the end of last year. As at 30 June 2011, Sandfire retained \$74 million in cash having expended in excess of \$50 million on mine development and pre-construction activities during Q1 and Q2 of CY2011.



The finance facilities are secured by a fixed and floating charge over the assets of the Company, including the DeGrussa Project and the broader Doolgunna Project and a mining mortgage over the Project tenements. Sandfire intends to continue to fund its extensive Australia-wide annual exploration budget of \$20-30 million from existing cash reserves.

The facility will be supported by the robust early cash flows that the Project is expected to generate, including the high-grade Direct Shipping Ore (DSO) to be mined in the open pit (cash receipts expected to flow from Q2 CY2012 onwards) and above life-of-mine average head grades for FY2013 to 2015.



There is no compulsory hedging required as part of the debt facilities. The Company will continue to consider and if warranted develop its hedging policies in line with the outcomes of the DFS.

### Development update

Development activities at DeGrussa are well advanced with the underground portal established, the Evans Decline advanced +150m and mining of oxide gold material from the open pit underway.



Sandfire's Managing Director, Mr Karl Simich, said the Company was pleased to have delivered the next key item in the project delivery timetable.

"Thanks to our strong working capital position, we commenced mining and underground development almost three months ago," he said. "With the \$75 million mine development facility completed and documentation well advanced on the overall senior debt facility, construction and development is proceeding at full pace and we are firmly on track to start generating cash flow early next year.

"I would like to take this opportunity to thank ANZ for their support and to congratulate our team for the efficient manner in which they have negotiated this debt facility, which is supported by the robust nature of the DeGrussa Project," he added.

**ENDS**

For further information contact:

Sandfire Resources NL

**Karl Simich – Managing Director/CEO**

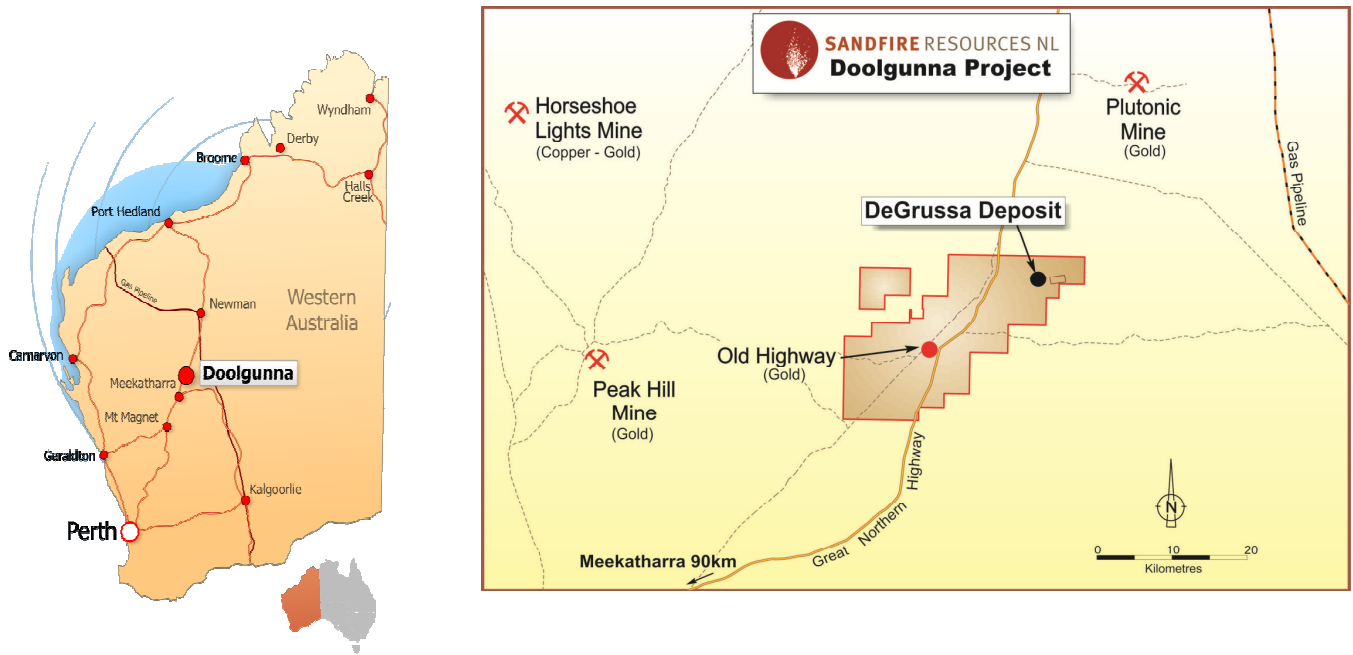
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Figure 1 – DeGrussa Copper-Gold Project location



**Appendix 1 – DeGrussa Copper-Gold Project – March 2011 JORC Resource Statement**

| Zone                      | Resource Category | Tonnes (Mt)  | Copper (%) | Gold (g/t) | Contained Copper (t) | Contained Gold (oz) | Competent Person |
|---------------------------|-------------------|--------------|------------|------------|----------------------|---------------------|------------------|
| Gold Laterite             | <i>Measured</i>   | 0.14         | -          | 1.5        | -                    | 7,000               | 1                |
|                           | <i>Indicated</i>  | 1.41         | 1.4        | 0.4        | 20,000               | 19,000              | 1                |
| Copper Oxides             | <i>Measured</i>   | 2.17         | 1.1        | 0.5        | 24,000               | 37,000              | 1                |
|                           | <i>Indicated</i>  | 1.41         | 1.4        | 0.4        | 20,000               | 19,000              | 1                |
| Supergene Chalcocite      | <i>Indicated</i>  | 0.25         | 17.6       | 2.6        | 43,000               | 20,000              | 2                |
|                           | <i>Inferred</i>   | 0.19         | 4.4        | 1.2        | 8,000                | 7,000               | 1                |
| Primary Massive Sulphides | <i>Indicated</i>  | 7.80         | 5.8        | 2.0        | 456,000              | 502,000             | 1                |
|                           | <i>Inferred</i>   | 2.32         | 4.3        | 2.0        | 100,000              | 149,000             | 1                |
| <b>Total</b>              |                   | <b>14.33</b> | <b>4.6</b> | <b>1.6</b> | <b>652,000</b>       | <b>742,000</b>      |                  |

Note: Refer to the Competent Person's Statements – Mineral Resources below.

- 1 Competent Person for these zones of resource was Diederik Speijers of McDonald Speijers
- 2 Competent Person for these zones of resource was David Slater of Coffey Mining

**Appendix 2 – DeGrussa Copper-Gold Project – March 2011 JORC Ore Reserve Statement**

| Deposit                | Reserve Category | Mining Method         | Tonnes (Mt) | Copper (%) | Gold (g/t) | Contained Copper (t) | Contained Gold (oz) |
|------------------------|------------------|-----------------------|-------------|------------|------------|----------------------|---------------------|
| DeGrussa               | <i>Probable</i>  | <i>Open Pit - DSO</i> | 0.14        | 25.6       | 2.5        | 37,000               | 12,000              |
| DeGrussa/C1/Chalcocite | <i>Probable</i>  | <i>Open Pit</i>       | 0.23        | 6.1        | 2.4        | 14,000               | 17,000              |
| DeGrussa               | <i>Probable</i>  | <i>Underground</i>    | 1.50        | 6.6        | 1.9        | 99,000               | 90,000              |
| Conductor 1            | <i>Probable</i>  | <i>Underground</i>    | 5.76        | 4.9        | 1.8        | 283,000              | 337,000             |
| Conductor 4            | <i>Probable</i>  | <i>Underground</i>    | 0.76        | 4.4        | 1.2        | 33,000               | 30,000              |
| <b>Total</b>           | <i>Probable</i>  |                       | <b>8.39</b> | <b>5.6</b> | <b>1.8</b> | <b>465,000</b>       | <b>485,000</b>      |

**Note 1** A cut-off grade of 8.5% Cu is applied on the Chalcocite to provide a targeted 26% Cu direct sale product (Achieved 25.6% Cu after dilution). All other material within the defined deposit boundaries has been included in the reporting of Ore Reserves with any sub-economic grade material being treated as internal diluents. These Ore Reserves include an overall assumption of 2.5% mining dilution at nil grade for all grade categories along with an assumed 2.5% mining loss of ore tonnes when mined. Calculations rounded to the nearest 10,000 tonnes; 0.1% Cu grade, 0.1 g/t Au grade; 1,000 tonnes Cu metal and 1,000 ounces Au metal. Errors of rounding may occur. These Ore Reserves occur within an open pit design containing 26Mt of total material, resulting in a waste to ore strip ratio of 70:1.

**Note 2** Mining recovery factor of 95% applied to diluted stoping blocks, with cut-off grade of 1.5% Cu and minimum stope size of 2,000t. Calculations rounded to the nearest 1,000t, 0.1%, 0.1g/t and 1,000 ounces; errors of rounding may occur.; assumes commodity prices of US\$7,673/t for copper and US\$1,300/oz for gold with a USD/AUD exchange rate of \$0.86; assumes 91% metallurgical recovery rate. Note: Refer to the Competent Person's Statement – Ore Reserves at the end of this release.

**Competent Person's Statement – Mineral Resources**

The information in this report that relates to Mineral Resources (except the Indicated Resource of Supergene Chalcocite) is based on information compiled by Diederik Speijers who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Speijers is a permanent employee of McDonald Speijers and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Speijers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Competent Person's Statement – Mineral Resources**

The information in this report that relates to the Indicated Resource of Supergene Chalcocite is based on information compiled by David Slater who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Slater is a permanent employee of Coffey Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Slater consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Competent Person's Statement – Open Pit Ore Reserves**

The information in this report that relates to Open Pit Ore Reserves is based on information compiled by Quinton de Klerk of Cube Consulting, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr de Klerk has sufficient experience which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr de Klerk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Competent Person's Statement – Underground Ore Reserves**

The information in this report that relates to Underground Ore Reserves is based on information compiled by Shane McLeay of Entech Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr McLeay has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr McLeay consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Forward-Looking Statements**

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Sandfire's Mineral Resources and Reserves, exploration operations, 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. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Sandfire undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.

**Exploration and Resource Targets**

Any discussion in relation to the potential quantity and grade of Exploration Targets for the DeGrussa Project is only conceptual in nature. While Sandfire is confident that it will report additional JORC compliant resources for the DeGrussa Project, there has been insufficient exploration to define mineral resources in addition to the current JORC compliant resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.