



DIRECT SHIPPING ORE SALES CONTRACT SIGNED WITH CHINA'S YUNNAN COPPER

SECOND SALES CONTRACT COMPLETES OFF-TAKE FOR HIGH-GRADE DSO

Sandfire Resources NL (ASX: **SFR**; "Sandfire") is pleased to advise that it has entered into a product sales agreement with Yunnan Copper Corporation Ltd for the remaining high-grade Direct Shipping Ore (DSO) to be produced from its 100%-owned DeGrussa Copper-Gold Project in Western Australia.

The contract is for the purchase of a minimum of 70,000 dry metric tonnes (dmt) of DSO between April 2012 and March 2013, representing the remaining 50 per cent of DSO production. This is the second product sales agreement to be concluded by Sandfire, following the DSO sales contract signed with MRI Trading AG in early November 2011.

The DSO will be produced as part of an initial open pit mining operation which is well advanced and on track to extract first chalcocite DSO in March 2012. The open pit will extract an estimated 143,000t of DSO reserves grading 25.6% copper and 2.5g/t gold containing approximately 37,000t of copper.

Yunnan Copper will purchase the DSO on a CIF (Cost, Insurance and Freight) basis with the remaining commercial terms of the contract being confidential. The first shipment under the contract is scheduled for the second Quarter of 2012.

Yunnan Copper was originally established in 1958 in Kunming, Yunnan Province as a copper smelter. Today it is the third largest copper producer in China. Aluminium Corp of China (Chinalco), the world's second-largest alumina producer and largest aluminium producer in China, holds a controlling stake in Yunnan Copper.

Sandfire's Managing Director, Mr Karl Simich, said he was pleased to have commenced a relationship with one of China's leading copper producers for the sale of DSO which completes off-take arrangements for DSO production from the DeGrussa Project.

"This builds on the strong relationships and strategic partnerships we already have in place globally and ensures that we have comprehensive off-take arrangements in place to cover the entire output of high-grade direct shipping ore that will be produced during 2012 and into early 2013," Mr Simich said.

"We look forward to working closely with Yunnan Copper Corporation. This will give Sandfire and the DeGrussa Project valuable exposure in the world's most dynamic and fastest growing economy."

"We are continuing discussions with several parties regarding the sale of concentrate from the underground operation and look forward to concluding suitable sales agreements in 2012."

"I would like to take this opportunity to thank everyone within the Sandfire team for the diligent and focused way they have gone about their business this year, ensuring that 2012 will be the most important year in our history – the year of delivery and production."



Project Development Update

Construction and mine development activities at DeGrussa continue to make excellent progress, with the overall Project Master Schedule indicating 53 per cent completion at the end of November 2011.

The Stage 1 open pit remains ahead of the DFS schedule, with total material moved now past 50 percent. The open pit is on track to achieve first chalcocite DSO in March 2012. In addition, a high-grade parcel of potentially direct shippable oxide ore was mined during November and delivered to the DSO pad. The Evans Decline had advanced over 800m from the portal by the end of November, with first ore on track to be mined in March 2012. Total underground development has passed the 1km mark.

Construction of the 1.5Mtpa DeGrussa Concentrator was 25 per cent complete at the end of November with construction of major concrete foundations for the SAG mill and crushed ore bin completed. Concrete foundations for the crusher pocket, ball mill and thickeners were well advanced, with six construction work fronts now established. The construction program remains on schedule for feeding first ore into the SAG mill in Q3 2012.

The sealed access road is complete and all office buildings are now on site and installed. All permanent Accommodation Village rooms are on site and in the final phase of installation. The Next G mobile phone service has been successfully commissioned and construction of the Aerodrome is well advanced.

ENDS

For further information contact:

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Karl Simich – Managing Director/CEO

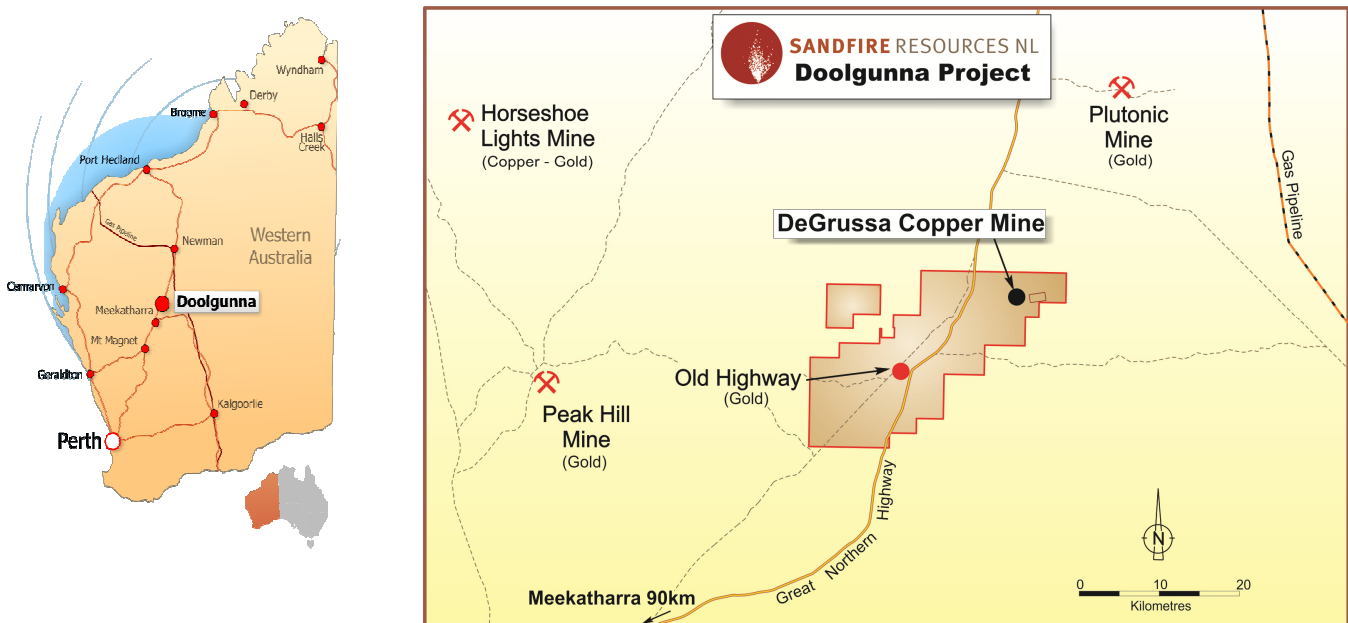
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Figure 1 – DeGrussa Copper Mine location



Forward-Looking Statements

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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.