



ASX/Media Release

29 September 2011

DEGRUSSA PROJECT LOAN FACILITY EXECUTED

PLANT CONSTRUCTION COMMENCES

Sandfire Resources NL (ASX: **SFR**; “Sandfire”) is pleased to advise that final documentation for a \$390 million fully underwritten and secured project financing facility has been executed (Facility B). Facility B is the main facility for construction and development of the company’s DeGrussa Project and follows the Definitive Feasibility Study (DFS) completed in June 2011. Funds will be available for drawdown following satisfaction of conditions precedent.

The first draw-down of funding under the previously announced \$75 million mine development facility (Facility A) occurred on 6 September, with a total of \$30 million drawn down to date. Repayment of this facility is planned to coincide with the first drawdown of Facility B.

The full \$390 million facility, which includes \$10 million relating to environmental bonding, is designed to underpin the plant and infrastructure construction phase. The underwriting and syndication process for this facility will be led by Australia and New Zealand Banking Group Limited (“ANZ”), with ANZ retaining a cornerstone position. The total amount of Facility B has been increased from the \$360 million proposed facility previously announced to factor in additional contingencies for potential capital cost overruns and slowing of the development timelines as recommended by the financier’s independent technical expert. Sandfire confirms that plant construction, open pit and underground development all remain on, or ahead of, the DFS schedule.

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

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.

Total expenditure on the DeGrussa Project to the end of August 2011 was \$96 million.

Construction and mine development

Sandfire is also pleased to advise that the next significant phase of development of its 100%-owned DeGrussa Copper-Gold Project in Western Australia is underway with the engineering, procurement and construction (EPC) contractor, Abesque Engineering and Construction Ltd, mobilising to site on schedule for the start of plant construction.

The status of construction generally for the mine, process plant and related infrastructure includes:

- First concrete for the plant footings has been poured. Plant construction is expected take approximately 12 months, with practical completion and commissioning scheduled for Q3 of 2012.



- The design of the process plant has advanced with “approved for construction” drawings issued for civil works. Structural erection and mechanical installation are scheduled to commence during Q4 of 2011.
- Manufacture of the major equipment ordered by Sandfire earlier in 2011 is progressing on schedule. Some components are currently being packed for shipping and the first items are scheduled to arrive during Q4 of 2011.
- All major bulk earthworks for the plant site have been completed with the pads, settlement and water ponds completed. Trenching and installation of the infrastructure, including offices, changerooms, workshops and warehouses has progressed and delivery of key buildings is underway.
- Construction of the sealed access road to the Great Northern Highway is approximately 50 per cent complete.
- Underground mine development is progressing on schedule with the “Evans Decline” currently advanced +500 metres from the portal, with approximately 950m of decline development remaining before the first ore is accessed.
- Open pit mining is progressing on schedule with a total 2.5 million bank cubic metres (bcm) of material mined to date as part of the Stage 1 open pit, which is 30 per cent complete. The open pit is currently at a depth of 20 metres below surface.
- The 200-room Construction Camp has been completed and is fully operational, including the kitchen/diner, recreation and other core facilities. The 400-room Permanent Mine Village will be fully installed on site by the end of October. Site communications has been upgraded by the connection of a fibre-optic link to Telstra’s network. Next G mobile phone coverage will be extended to the site once installation by Telstra is completed.
- The contracts for construction of the DeGrussa Aerodrome and Tailings Storage Facility have been awarded and final designs for the water borefield are progressing.
- Port discussions are progressing to secure berth capacity to accommodate exports of DeGrussa product.
- Discussions are well advanced with selected off-take partners for the sale of the high grade directly shippable material commencing Q2 of CY 2012. Further, Sandfire has commenced discussions with multiple parties for the sale of concentrate.

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The completion and execution of the \$390 million facility and mobilisation of the EPC contractor mark further steps in the execution of the DeGrussa Project development, which is on track to produce its first high-grade DSO copper ore in Q1 of CY 2012 and first high-grade copper concentrate in Q4 of CY 2012 following commissioning of the plant.

Sandfire’s Managing Director, Mr Karl Simich, said the commencement of plant construction marked another major milestone for the DeGrussa Project which would result in a significant ramp-up in activity on site.

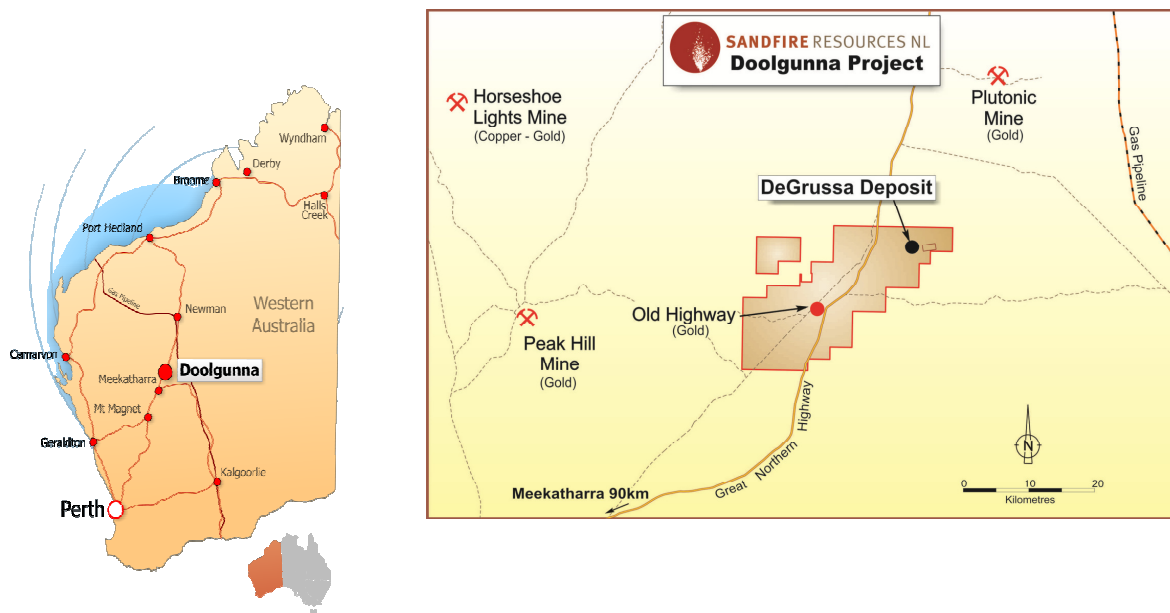
“We are looking forward to seeing the 1.5Mtpa concentrator take shape over the coming months, as we put the engine room of the project in place,” he said. “I would like to thank everyone involved for their efforts in finalising and signing off on the senior debt facility, which by the end of the year will supersede the current \$75 million development facility.”

ENDS

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Figure 1 – DeGrussa Copper-Gold Project location



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