
DEGRUSSA OPERATIONS UPDATE

RAMP-UP OF UNDERGROUND MINING AND CONCENTRATE PRODUCTION ON TRACK

- **Significant progress achieved with plant commissioning, with ore throughput on track to achieve concentrator nameplate capacity of 1.5Mtpa (125,000 tonnes per month).**
 - **Steady-state production expected to be achieved on schedule in Q1 CY2013.**
 - **Stage I open pit completed with 147,297t of DSO chalcocite mined grading 24.9%Cu for 36,622t of contained copper.**
 - **98 per cent contained copper reconciliation to the 31 March 2012 DSO Probable Ore Reserve (144,736t grading 25.9%Cu for 37,549t of contained copper).**
 - **First scheduled debt repayment funds of \$50 million deposited into debt service reserve account, with payment to be effected end Q1 CY2013.**
-

Sandfire Resources NL (ASX: **SFR**; "Sandfire") is pleased to provide an update on the progress of plant commissioning and mining activities at its 100%-owned **DeGrussa Copper Mine** in Western Australia.

Commissioning Update

Plant commissioning is progressing well, with ore throughput on track to achieve demonstrated nameplate levels of 125,000 tonnes per month. Concentrate quality is approaching planned specification and copper recoveries are steadily improving in accordance with the ramp-up schedule. Sales of commissioning concentrate have been completed on favourable terms.

The progress with commissioning achieved to date confirms earlier guidance that the DeGrussa Concentrator is expected to achieve a steady-state annualised nameplate throughput level of 1.5Mtpa in Q1 CY2013. Further updates will be provided in the Company's December 2012 Quarterly Report, for release in January 2013.

Stage I Open Pit Mining and Production

As advised on 5 December 2012, Stage I of the DeGrussa open pit has now been completed, extracting all of the contained DSO chalcocite, together with additional sulphide and copper oxide material which has been stockpiled awaiting processing. Mining of the Stage II open pit, to extract further oxide copper and sulphide ore, will continue through until Q2 of CY2013.





Figure 1: Aerial overview of the DeGrussa minesite

A total of 147,297 tonnes of DSO chalcocite grading 24.9%Cu was mined during Stage I, containing 36,622 tonnes of copper metal. This represents an overall 98 per cent reconciliation of contained copper when compared with the 31 March 2012 DSO Probable Ore Reserves of 144,736 tonnes grading 25.9% Cu for 37,549 tonnes of contained copper.

High grade DSO shipments have continued to customers in China. Approximately 30,000 tonnes of lower grade DSO material, grading 13.5%Cu for 4,000 tonnes of contained copper, is planned to be processed through the Concentrator during Q1 of 2013.

Reconciliation to Ore Reserves for the remaining Stage I open pit primary mineralisation types (chalcocite, massive sulphide and oxide copper) has commenced. It is expected that a portion of sulphide material will be reclassified to oxide copper stockpiles, to be treated through the planned oxide processing route from mid-CY2013.

Refer to Appendix 4 for further details of the DSO Ore Reserve reconciliation.

Underground Mining and Sulphide Ore Production

The underground mine is now the primary source of copper production at DeGrussa.

Underground mining is proceeding on schedule with ore currently coming from the P1 and P2 stopes. The Evans Decline is currently advanced some 2km from the portal and total underground development stands at over 8.6km.

As announced on 5 December 2012, the maiden shipment of 4,958 tonnes of dry concentrate grading 22%Cu was completed and sold on a spot basis ahead of the commencement of Sandfire's main copper concentrate contracts from January 2013. Additional sales of commissioning concentrate have been completed on favourable terms.

First Debt Repayment

In accordance with the terms of its DeGrussa Project loan facility, Sandfire is pleased to advise that it has deposited \$50 million in to the debt service reserve account awaiting the first scheduled repayment under its senior debt facilities. This first quarterly repayment, to be effected at the end of Q1 CY2013, will reduce the outstanding loan facility balance to \$330 million. The Company will provide further information on its financial position in its financial statements for 1H FY2013, scheduled for release to the market during Q1 CY2013.

Sandfire's Managing Director, Mr Karl Simich, said the completion of the Stage I open pit and transition to underground mine production as the main ore source at DeGrussa marked another significant milestone for the Project.

"2012 has been a pivotal year for Sandfire, with the construction and delivery of the Project on time and on budget and the successful development of a highly efficient open pit and underground mining operation," Mr Simich said. "The performance of the Stage I open pit has been excellent and we are now moving to the next phase as production ramps up to targeted steady-state levels.

"As we approach the festive season, I would like to take this opportunity to thank all of our staff, employees and contractors who have worked so hard during the year to achieve these results. I wish all of them, and our shareholders, a safe and merry Christmas and a very happy New Year."

ENDS

For further information contact:

Sandfire Resources NL

Karl Simich – Managing Director/CEO

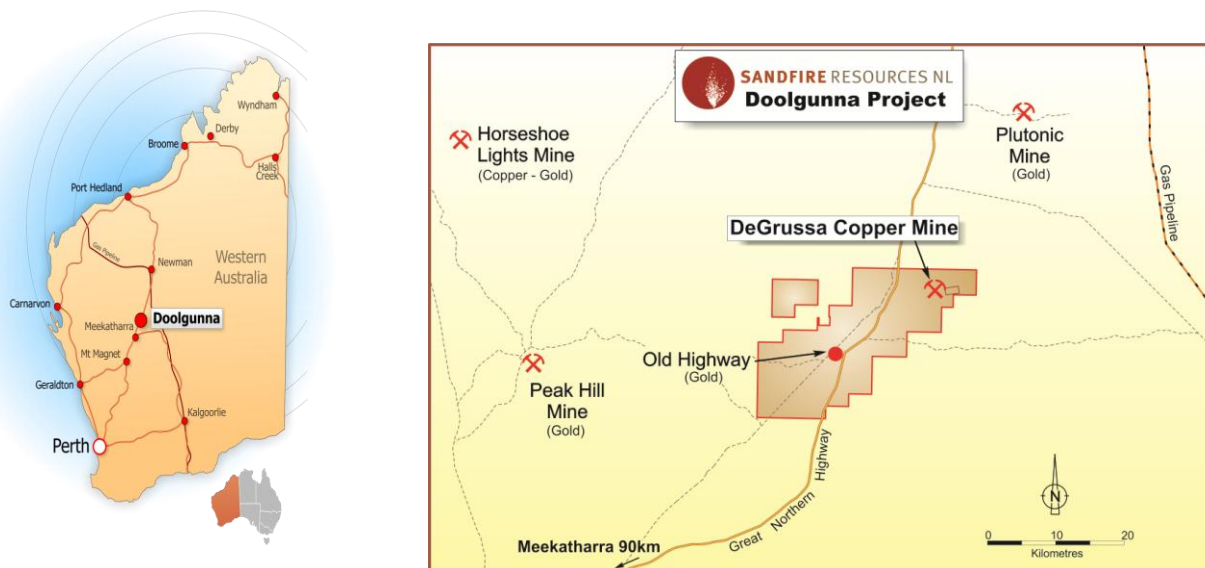
Office: +61 8 6430 3800

Read Corporate

Mobile: +61 419 929 046 (Nicholas Read)

Mobile: +61 421 619 084 (Paul Armstrong)

Figure 2 – DeGrussa Copper Mine location



Appendix 1: DeGrussa Copper-Gold Project Mineral Resource Statement as at 31 March 2012

Total in situ Mineral Resources stated as at 31 March 2012:

Zone - in situ	Resource Category	Tonnes (mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Competent Person
Au Laterite	Measured	0.04	-	1.2	-	2,000	1
Copper Oxides	Measured	0.23	0.8	0.1	2,000	1,000	1
	Indicated	1.06	1.6	0.5	17,000	16,000	1
Supergene Chalcocite	Indicated	0.23	17.9	2.6	42,000	19,000	2
	Inferred	0.19	4.4	1.2	8,000	7,000	1
Primary Massive Sulphides	Indicated	7.84	5.8	2.0	456,000	502,000	1
	Inferred	2.31	4.4	2.0	102,000	146,000	1
Total		11.91	5.3	1.8	627,000	693,000	

Total Stockpiles stated as at 31 March 2012:

Stockpile	Resource Category	Tonnes (mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Laterite Gold	Measured	0.17	0.2	2.2	-	12,000
Copper Oxide	Measured	1.42	1.1	0.3	16,000	16,000
Supergene Chalcocite	Measured	0.01	34.2	2.7	2,000	-
Total	<i>Measured</i>	1.59	4.4	1.2	18,000	28,000

Resources are stated inclusive of Ore Reserves.

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 Ore Reserve Statement as at 31 March 2012*

Deposit	Reserve Category	Mining Method	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Laterite Gold	Proved	Open Pit	0.10	-	3.0	-	9,000
Copper Oxide	Proved	Open Pit	0.52	2.0	0.7	10,000	11,000
Copper Oxide	Probable	Open Pit	0.52	2.5	0.4	13,000	7,000
DeGrussa	Probable	Open Pit - DSO	0.15	25.9	2.5	38,000	12,000
DeGrussa/C1/ Chalcocite	Probable	Open Pit	0.34	5.3	2.2	18,000	25,000
DeGrussa	Probable	Underground	1.50	6.6	1.9	99,000	90,000
Conductor 1	Probable	Underground	5.70	4.9	1.8	281,000	333,000
Conductor 4	Probable	Underground	0.76	4.4	1.2	33,000	30,000
Total	Proved		0.62	1.7	1.0	10,000	20,000
Total	Probable		8.97	5.4	1.7	482,000	497,000
Total	Proved & Probable		9.59	5.1	1.7	492,000	517,000

Note * Ore Reserves contained in this table have been updated from the Ore Reserve Statement disclosed by the Company on 29 March 2011. Mining activities, including stockpiling, and sale of product have continued since 31 March 2012.

Note 1 A cut-off grade of 8.5% Cu is applied on the Chalcocite to provide a targeted 26% Cu direct sale product. 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. The in-situ Ore Reserves occur within an open pit design containing 14Mt of total material, resulting in a waste to ore strip ratio of 12:1. Low grade laterite gold stockpiles not included in reserve.

Note 2 A 1.0% Cu lower cut-off grade has been applied to the copper oxide open pit in-situ Ore Reserves. The reported copper oxide stockpiles only include existing stockpiles with an estimated average grade above 1.0 % Cu.

Note 3 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 Statements – Ore Reserves at the end of this release.

Note 4 These Ore Reserves are stated as at 31 March 2012.

Appendix 3: Updated DeGrussa Project Open Pit Ore Reserve as at 31 March 2012*

Reserve Classification	Treatment Destination	Deposit Material	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Proved	Ore Sale	Laterite Gold	0.10	-	3.0	-	9,000
Proved	Oxide Copper Processing/ Concentrator	Oxide Copper	0.52	2.0	0.7	10,000	11,000
Probable	Oxide Copper Processing/ Concentrator	Oxide Copper	0.52	2.5	0.4	13,000	7,000
Probable	Direct Sale Ore	Chalcocite	0.15	25.9	2.5	38,000	12,000
Probable	Massive Sulphide Concentrator	Chalcocite	0.09	5.1	2.5	5,000	7,000
		Conductor 1 MS	0.14	3.8	1.9	5,000	9,000
		DeGrussa MS	0.11	7.5	2.4	8,000	8,000
Massive Sulphide Concentrator Sub-Total:			0.34	5.3	2.2	18,000	25,000
Total Open Pit Ore Reserve			1.63	4.9	1.2	79,000	64,000

Note * Ore Reserves contained in this table have been updated from the Ore Reserve Statement disclosed by the Company on 29 March 2011. Mining activities, including stockpiling, and sale of product have continued since 31 March 2012.

Appendix 4: DeGrussa Project DSO Chalcocite Ore Reserve reconciliation

DSO Chalcocite	Tonnes (t)	Copper (%)	Contained Copper (t)
Ore Reserve – Probable	144,736	25.9	37,549
DSO mined	147,297	24.9	36,622
Reconciliation (%)	102	96	98

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.