

ASX/Media Release

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DEGRUSSA DSO ROYALTY RATE SUBMISSION

Sandfire Resources NL (ASX: **SFR**; "Sandfire") advises that it has accepted an invitation to make a submission to the Western Australian Minister for Mines and Petroleum as part of a process aimed at determining the royalty rate which should apply to the DSO sold from its DeGrussa Copper-Gold Mine.

The regulations state that a royalty rate of 2.5 per cent will be applied to copper sold in metallic form and a royalty rate of 5 per cent will be applied to copper sold as concentrate. Sandfire has submitted that the royalty rate of 5 per cent apply to its DSO which has been sold as concentrate.

Based on this rate, Sandfire expects to pay DSO royalties totalling around \$12 million for the six months to December 31, 2012 and around a further \$2 million for the last of the DSO sales in the first half of CY2013.

After ongoing discussions, the WA Department of Mines and Petroleum has now advised Sandfire that it intends to apply a royalty rate of 7.5 per cent to the DSO. The Department has issued Sandfire with a notice claiming under-payment of royalties on the DSO and advising Sandfire that the Minister ultimately has the right to forfeit the mining lease for non-payment of royalties.

The total DSO royalties payable at a rate of 7.5 per cent would be around \$7 million greater than at the 5 per cent rate.

Sandfire and the Department agree that a royalty rate of 5 per cent should apply to the DeGrussa concentrate produced from the DeGrussa concentrator, which will account for the vast majority of the project's production over the mine life.

Sandfire will make its submission on the matter to the Minister by the due date of February 4, 2013.

Sandfire Managing Director Karl Simich said the company is willing and able to pay its full royalty liability once it has been appropriately determined.

"We are pleased that the Minister has invited us to make a submission," Mr Simich said. "We look forward to pursuing it through the proper channels in order to arrive at the correct conclusion."

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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)



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