
SANDFIRE ANNOUNCES MAIDEN INTERIM PROFIT for the six months to 31 December 2012

- Sales revenue of \$272.4M from 34,001t of contained copper and 17,626oz of gold
- Profit before net finance and income tax of \$119.9M
- Income tax expense of \$34.7M (reduced tax assets, no income tax payable)
- Maiden interim profit after income tax of \$79.1M
- Strong cash flow from operations of \$123.1M
- First half earnings per share of 52.0cps (basic) and 51.2cps (diluted)
- Cash of \$114.8M and receivables of \$51.9M at 31 December 2012
- DeGrussa plant and underground ramp-up progressing: on track for mid-CY2013
- First finance facility repayment funds deposited

Sandfire Resources NL (ASX: **SFR**: "Sandfire") is pleased to report a **maiden interim profit after income tax of \$79.1M** for the six month period to 31 December 2012.

The strong result was achieved following the completion of construction and start of commissioning at its 100%-owned DeGrussa Copper-Gold Project in Western Australia, which is continuing to ramp-up production and complete the transition from open pit to underground operations.

The profit result was based on metal sales totalling 34,001 tonnes of contained copper-in-concentrate and 17,626oz of gold. Total production for the first half was 37,573 tonnes of copper and 21,411oz of gold.

Sales revenue for the period increased substantially to \$272.4 million (2HFY12: \$20.7 million), driven mainly by production of high-grade DSO chalcocite from the Stage 1 open pit, with further revenue generated by initial production from the newly constructed DeGrussa Concentrator.

Earnings before net finance and income tax were \$119.9 million (2HFY12: \$33.5 million loss) while profit before income tax was \$113.8 million (2HFY12: \$32.6 million loss). Strong cash flow from operating activities of \$123.1 million was achieved. Depreciation and amortisation expenses of \$54.0 million included \$42.4 million of amortisation relating to Stage 1 open pit waste and deferred production stripping completed in FY2012.



Profit after income tax, following a reduction in carried forward tax assets, translated to earnings per share of 52.0 cents (basis) and 51.2 cents (diluted).

The open pit operations delivered a profit before net finance and income tax of \$142.9 million. Underground operations, which were in development, commissioning and ramp-up phase for the half, delivered a profit before net finance and income tax of \$2.8 million.

As at 31 December 2012, Sandfire had \$114.8 million in cash, including \$78 million in reserve accounts relating to its financing facility. Receivables of \$51.9 million reflect quotational period (QP) pricing on concentrate sales and a late December 2012 shipment (\$24 million) for which provisional funds were received in January 2013.

During the period, the Company deposited \$50 million into its debt service reserve account for its finance facility. The \$380 million DeGrussa project finance facility is fully drawn with \$180 million in scheduled quarterly repayments for CY2013.

Operations Update

The ramp-up of the DeGrussa Concentrator is progressing with recoveries improving above the levels achieved in the December 2012 Quarter and averaging over 80% for the March 2013 Quarter to date. Targeted recovery is +90% at steady-state production levels.

When primary sulphide ore from underground mining has been wholly fed into the Concentrator it is delivering pleasing recoveries of 80-90% and copper concentrate which meets specification.

As planned, during the ramp-up of underground mining to 1.5Mtpa (currently 1.0Mtpa), plant feed is being supplemented on campaign basis by sulphide ore from the open pit. Open pit ore is expected to contribute around 25% of plant ore feed during March and for the June 2013 Quarter. Partial oxidation of this transitional open pit ore has reduced recoveries to around 60% for this material and, when treated, has affected overall concentrate quality by reducing copper and elevating zinc grade.

Overall, concentrate quality is continuing to improve, achieving the targeted 25% level on primary underground ore, with an average concentrate grade of 25% achieved for the March 2013 Quarter to date.

A two-day plant shutdown was completed in late February to enable a number of identified improvements and modifications to the plant to be completed, including:

1. Tailings thickener feedwell to improve throughput and stability;
2. SAG mill grate closure to improve throughput, grind size and reduce Scats; and
3. Cleaner circuit hopper modifications to improve plant stability, recovery and reliability.

Preliminary indications following this shutdown have been positive, with +85% recoveries and increasing plant throughput achieved on underground sulphide ore.

Further optimisation programs, in line with plant ramp-up, are continuing targeting the following areas:

1. Achievement of a coarser primary grind and greater process stability in grinding and flotation; and
2. Optimisation of the reagent suite.

The focus of processing operations in the short and medium term will be to continue to optimise plant feed rates and recoveries on primary sulphide ore from underground and the remaining sulphide ore from the open pit.

With the lower recoveries for transitional open pit ore impacting overall recovery during ramp-up, contained metal production is likely to be towards the lower end of guidance for the 2013 financial year of 67,000-71,000t copper and 49,000oz gold (project-to-date 71,000-75,000t copper and 52,000oz gold).

Following the completion of ramp-up of underground mining rates in mid-CY2013, the plant will be fed solely with primary sulphide ore from the underground mine. Throughput rates are expected to be increased to nameplate levels of 125,000 tonnes per month (1.5Mtpa) with recoveries at the +90% target level to achieve annualised production levels of 77,000 tonnes per annum of copper and 36,000oz per annum of gold.

Management Comment

Sandfire's Managing Director, Mr Karl Simich, said the achievement of a maiden net profit after income tax of \$79.1 million and profit before net finance and income tax of \$119.9 million for the first half was an outstanding result.

"This excellent result was driven by the open pit operations, which have delivered a great financial outcome for the Company in the first half," Mr Simich said. "The strong cash flows generated have enabled us to deposit our first finance facility funds and maintain a strong focus on near-mine exploration and other organic growth opportunities.

"Our focus now is to complete the ramp-up into the middle of this year, ensuring that we maximise metal production while balancing and optimising the blend of underground and open pit feed during this transitional period until the underground mine hits full speed by mid-year. This will pave the way for another strong year for Sandfire in FY2014.

"Additionally, we are continuing to progress some of the exciting new exploration programs currently underway in the near-mine environment, particularly following our recent successes in extending the mineralisation at Conductor 4 and Conductor 5 and the delineation of the exciting new DeGrussa offset position where drilling is continuing.

"New resource estimates are being prepared which include the new intersections in Conductor 4 and Conductor 5 and we intend to systematically drill out the DeGrussa offset zone, targeting economic intersections of sulphide mineralisation.

"At the same time, we have some major exploration initiatives progressing at Doolgunna including targeting programs following on from the 3D seismic survey we have completed along the DeGrussa mine corridor.

"While there have been some challenges during the ramp-up of the DeGrussa Concentrator, which we will continue to address over the coming months, we are confident that the operation is in a strong position and well placed to reap the rewards of the hard work we have put in."

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