SANDFIRE RESOURCES NL

Sandfire Resources NL ABN 55 105 154 185
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20 February 2014

Mr Sebastian Bednarczyk
Adviser, Issuers (Perth)
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Sebastian,

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013 AND APPENDIX 4D

I am pleased to attach the following items for immediate release to the market:

1. ASX release on the Company's financial results for the 6 months ended 31 December 2013 and operations update.
2. December 2013 Half Year Report and Appendix 4D.
3. December 2013 Half Year Report Presentation and Operations Update.

A teleconference on the December 2013 half year financial results with Sandfire's Managing Director and CEO, Mr Karl Simich, and Chief Financial Officer, Mr Matthew Fitzgerald, will be held for the investment community on Thursday 20 February, commencing at **10.00am (WST) / 1.00pm (AEST)**. Investors, brokers and analysts can join the teleconference by dialling the following numbers:

Within Australia (Toll Free):	**1 800 558 698**
International:	**+61-2 9007 3187**
Audio Access Code:	**731691**

In addition, a live webcast of the teleconference and synchronised slide presentation will be available via the BRR Media service by clicking on the following link: http://www.brr.com.au/event/120620

Please note that a recording of the webcast presentation and investor teleconference will be available for replay shortly after the conclusion of the teleconference. This can be accessed via the BRR Media link above or at the Sandfire website at http://www.sandfire.com.au.

Yours sincerely,

Matthew Fitzgerald
Chief Financial Officer and Joint Company Secretary

For further information contact:

Sandfire Resources NL
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ASX Release **20 February 2014**

APPENDIX 4D
Half year ended 31 December 2013

Results for announcement to the market

				31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from ordinary activities	Down	8.4%	to	249,609	272,438
Profit after tax from ordinary activities attributable to members	Down	57.6%	to	33,504	79,090
Net profit for the period attributable to members	Down	57.6%	to	33,504	79,090

The directors have not recommended the declaration of a dividend. No dividends were paid or declared by the Group during the current or previous corresponding year.

	31 Dec 2013 $	31 Dec 2012 $
Net tangible assets per share	1.58	1.30

Operational results for the half year ended 31 December 2013 were predominantly driven by underground sulphide mining and concentrator operations. Results for the corresponding year were predominantly driven by open pit and DSO chalcocite operations.

Further explanation of the results for the half year ended 31 December 2013 and additional Appendix 4D disclosure requirements can be found in the Director's Report and the 31 December 2013 financial statements and accompanying notes.

For further information contact:
Sandfire Resources NL
Matthew Fitzgerald – CFO and Joint Company Secretary
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Financial Report

For the six months ended 31 December 2013

ASX Code: SFR

CONTENTS

ABN 55 105 154 185

Directors

Derek La Ferla	*Independent Non-Executive Chairman*
Karl Simich	*Managing Director and Chief Executive Officer*
W John Evans	*Non-Executive Director*
Robert Scott	*Independent Non-Executive Director*
Soocheol Shin	*Non-Executive Director*
Paul Hallam	*Independent Non-Executive Director*

Management and Company Secretary

Matthew Fitzgerald	*Chief Financial Officer and Joint Company Secretary*
Mike Spreadborough	*Chief Operating Officer*
Robert Klug	*Chief Commercial Officer and Joint Company Secretary*

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Auditors

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Ernst & Young Building
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Perth WA 6000

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code

Ordinary fully paid shares: SFR

Competent Person's Statement – Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by Mr. Shannan Bamforth who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bamforth is a permanent employee of Sandfire Resources and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bamforth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Exploration and Resource Targets

Any discussion in relation to the potential quantity and grade of Exploration Targets 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 Mineral Resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

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.

The directors present their report together with the consolidated financial report of the consolidated entity (referred to as the Group) consisting of the parent entity, Sandfire Resources NL (the Company or Sandfire), and the entities it controlled, for the six months ended 31 December 2013 and the independent auditor's review report thereon.

1 Directors

The directors of the Company at any time during or since the end of the period are set out below. Directors were in office for the entire period unless otherwise stated.

Name	**Period of Directorship**
Mr Derek La Ferla *Independent Non-Executive Chairman*	Appointed 17 May 2010
Mr Karl M Simich *Managing Director and Chief Executive Officer*	Appointed Director 27 September 2007, Managing Director and Chief Executive Officer since 1 July 2009
Mr W John Evans *Non-Executive Director*	Appointed Executive Technical Director 2 October 2007, Non-Executive Director since 1 January 2013
Mr Robert N Scott *Independent Non-Executive Director*	Appointed 30 July 2010
Mr Soocheol Shin *Non-Executive Director*	Appointed 28 February 2012
Mr Paul Hallam *Independent Non-Executive Director*	Appointed 21 May 2013

2 Review and results of operations

2.1 Project review, strategies and future prospects

DEGRUSSA COPPER-GOLD PROJECT, Western Australia (100%)

The DeGrussa Copper-Gold Project is located within Sandfire's 100%-owned Doolgunna Project, a 400 square kilometre tenement package in WA's Bryah Basin mineral province, approximately 900km north-east of Perth. The Project is located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra, and includes the DeGrussa Copper Mine.

Overview

During the reporting period, Sandfire completed the successful ramp-up of the DeGrussa underground mine and processing facility to its nameplate capacity of 1.5 million tonnes per annum (Mtpa).

Copper production for the six months to 31 December 2013 was 31,938 tonnes, which was in line with guidance. Gold production for the six months ended 31 December 2013 was 14,570oz.

Underground Mining

The ramp-up of the underground mine towards the targeted ore production rate of 1.5Mtpa (125,000 tonnes per month) continued during the reporting period, with a total of 699,316 tonnes of underground sulphide ore mined for the six months to 31 December 2013.

The targeted annualised ore production rate of 1.5Mtpa was achieved during the December Quarter with a total of 378,824 tonnes of underground sulphide ore mined.

Five stopes were on-line at the end of the reporting period with several large stopes commenced.

A total of 1,487,030 tonnes of sulphide ore at a grade of 5.1% Cu has been mined and delivered to the ROM (run-of-mine) pad since stoping commenced in October 2012.

The performance of the paste-fill plant stabilised and improved steadily, with filling of the primary stopes in the Conductor 1 deposit completed during the reporting period and secondary stopes adjacent to these paste-filled stopes coming on-line during the December 2013 Quarter.

Filling of the upper level stopes has been delayed due to reliability issues with the paste pump. Strategies including improved maintenance schedules and mine design changes will reduce the need for pumping of the fill and, following a planned campaign of paste filling during January and in the September 2014 Quarter using the pump, all filling for the next couple of years will be completed by gravity filling, eliminating any delays associated with pump reliability.

There was a continued strong focus on underground mine development in both the new Conductor 1 and Conductor 4/5 Declines during the reporting period. Underground development is proceeding on schedule, with both of these new declines progressing to plan.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

The Conductor 1 Decline had advanced 369m from the junction off the Evans Decline by the end of the period and will enable the large Conductor 1 deposit to be fully developed and extracted. The Conductor 4/5 Decline advanced 384m from the junction by the end of the period and will enable development and mining of the deeper high-grade Conductor 4 and 5 deposits to occur.

Towards the end of the reporting period, the Conductor 4/5 Decline encountered some deteriorating ground conditions and increased water ingress. Decline development recommenced in mid-February 2014 following further diamond drilling undertaken to confirm the optimal decline path.

The development of these new declines is important as it will ensure that DeGrussa can source ore from multiple underground locations, providing stability and consistency of production in the long term.

It is also facilitating the establishment of underground diamond drilling platforms from which extensions and potential repeats of the Conductor 4 and 5 deposits can be targeted.

These drill positions will also be used to allow early grade control drilling to define mining shapes in Conductor 4 and 5 and to conduct in-fill drilling to enable conversion of Inferred Mineral Resources to Ore Reserves in these deposits.

Total development for the underground mine to the end of the reporting period is over 17km.

Processing

The ramp-up of the DeGrussa Concentrator continued during the reporting period, with mill throughput on target for an annualised rate of 1.5Mtpa. Key metrics included:

- 715,859 tonnes milled at an average head feed grade of 5.2% Cu, with the plant on target for an annualised throughput rate of 1.5Mtpa;
- a steady increase in copper recovery, which averaged 82% for the September Quarter increasing to an average of 90% during the December Quarter. This reflected the cessation of blending open pit transitional material with primary underground sulphide ore;
- concentrate production of 130,177 tonnes; and
- metal production of 31,938 tonnes of contained copper.

Average copper recoveries were restricted to 82% during the September 2013 Quarter as further batches of transitional open pit material were processed on a campaign basis. This material achieved recoveries of 60-65% compared with 85-92% for primary underground sulphide ore. Approximately 30,000 tonnes of open pit sulphide ore remains stockpiled for future processing if and when required.

With the cessation of processing of transitional open pit ore in the September 2013 Quarter and increased plant stability, overall copper concentrator recoveries increased steadily towards the targeted level of approximately 92%.

Further optimisation programs, in line with plant ramp-up, were completed during the reporting period, including:

- the installation of control system upgrades to allow implementation of the expert control system;
- repairs to cyclone feed pumps;
- a full change-out of the diaphragms and plate seals on the Larox filter; and
- replacement of SAG mill grate plates.

Mill throughput was slightly lower in the December Quarter due to plant shut-downs required to implement these programs.

Production Guidance

The Company's production guidance for FY2014 is for copper production in the range of 65-75,000 tonnes of contained copper metal and gold production in the range of 35-45,000oz at a headline C1 cash operating cost in the range of US$1.05-1.15/lb.

Production will be weighted towards the second half of FY2014 due to expected variability in mined head grade across different stopes as part of the underground mine plan between the first half (lower head grade in the range of 4.5-5.0% Cu) and second half of FY2014 (higher head grade in the range of 5.0-6.0% Cu).

Based on production to the end of the reporting period, Sandfire expects FY2014 copper production to be at the mid-point of the previously announced range of 65-75,000 tonnes of contained copper metal and gold production at the lower end of the previously announced range of 35-45,000oz.

C1 cash operating costs are forecast to be at the upper end of the previously announced range of US$1.05-1.15/lb, influenced by the lower gold production.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Sales & Marketing

Copper Concentrate

A total of 125,911 tonnes of plant concentrate grading 23.9% Cu containing 30,098 tonnes of copper was sold during the reporting period. Gold sales totalled 14,437 ounces for the six months to 31 December 2013.

The final shipment of production from the December Quarter was completed in the first half of January 2014, with the revenue and profit for this shipment to be recorded in the financial accounts for the second half of FY2014.

Feasibility Studies

Oxide Copper

In 2012, Sandfire completed a maiden Proved and Probable Ore Reserve estimate for the Oxide Copper which was extracted from the DeGrussa open pit, totalling 1.04Mt @ 2.3% Cu for 23,000t of contained copper. The Oxide Copper Ore Reserve estimation followed extensive metallurgical testwork which enabled Sandfire to scope out the design of a low-cost recovery circuit for the oxide material.

Sandfire has since commenced a Feasibility Study on the Oxide Copper Project to understand the financial suitability of this Project for the Company. Currently, the Project has been developed to provide 6,000-7,000 tonnes of copper cathode per year for 5 years.

All the testing and technical development work required to support this study (including hydrodynamic column testing and bottle-roll testing) has been completed and the test work reports have been finalised. The project is now focused on optimising the capital and operating cost with the aim of completing a Feasibility Study during 2014.

In December 2013, Sandfire signed a joint venture agreement with Ventnor Resources at the Thaduna/Green Dragon Copper Project (see below). Ventnor has significant oxide ore which has the potential to be processed through the oxide facility being proposed for DeGrussa.

Geological investigation and metallurgical testing will be undertaken during the first half of CY2014 to determine this potential. Subject to the results of this work, the capacity of the proposed oxide plant may be adjusted (currently 6,000-7,000t copper metal per year) to allow for combined processing of the Ventnor ore and improved project economics.

Thaduna / Green Dragon Project Farm-in and Joint Venture

During the reporting period, Sandfire reached agreement to secure up to an 80% interest in the Thaduna/Green Dragon Copper Project, located 40km east of DeGrussa, through a farm-in and joint venture with Ventnor Resources Limited (ASX: VRX) and its wholly-owned subsidiary Delgare Pty Ltd.

The agreement will enable the Joint Venture to explore, evaluate and potentially develop the largest copper resource in the Doolgunna-Bryah Basin Region outside of Sandfire's flagship DeGrussa-Doolgunna Project, providing an attractive future organic growth opportunity in the region.

Under the agreement with Ventnor and its wholly-owned subsidiary Delgare Pty Ltd, Sandfire acquired an immediate 35% interest in the Project and immediately formed a joint venture with Delgare by paying $3 million cash directly to Ventnor to enable it to meet its short-term funding requirements.

Under the terms of the joint venture, Sandfire can earn up to a further 45% (total of 80%) interest in the Project in two stages within a four-year period, namely:

- a 16% interest for a total of 51% by sole funding up to $3 million of expenditure within two years; and
- a further 29% interest for a total of 80% by sole funding a further $3 million of expenditure within four years.

While sole funding, Sandfire will manage the Joint Venture and keep the tenements in good standing, conduct all exploration activities and undertake all required rehabilitation activities.

As manager of the Joint Venture during the sole funding stage, Sandfire will bring its operational, geological and technical expertise to the Joint Venture, as well as the logistical and strategic advantages of having an operating 1.5Mtpa treatment facility and infrastructure located just 40km away.

Ventnor has completed over 50,000m of drilling at the Project since April 2011. Ventnor's drilling has returned sulphide intersections at depth, indicating the potential to extend the mineralisation and increase the higher grade sulphide component. A Scoping Study completed by Ventnor in February 2013 outlined a potential production profile of 15,000tpa of copper over an anticipated mine life of 10 years.

Sandfire believes that there may be an opportunity, subject to further evaluation and technical studies, to process both the sulphide and oxide material contained within the resource.

The sulphide material is potentially amenable for processing through the existing DeGrussa Concentrator and the oxide material will be considered for processing as part of, or in conjunction with, the DeGrussa Oxide Copper Project which the Company is currently reviewing (see above).

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

The farm-in agreement with Ventnor and Delgare Pty Ltd was completed on 3 December 2013 following satisfaction of all conditions precedent. As a result Sandfire and Delgare Pty Ltd have formed the joint venture over the Thaduna/Green Dragon Project, with Sandfire acquiring an immediate 35% interest in the Project.

Near-Mine Exploration

During the reporting period, Sandfire continued to progress a tightly focused, multi-disciplined exploration campaign to unlock the broader potential of the Doolgunna region for additional VMS (volcanogenic massive sulphide) deposits.

Detailed geological interpretation and analysis has resulted in a much improved understanding of the stratigraphic controls on mineralisation and subsequent disruption by geological structures. These advances have resulted in a significant reduction in the priority exploration search-space on mine, tenement and regional scales and the definition of a highly prospective mine stratigraphic corridor.

The improved focus resulting from this reduction in the priority exploration search-space is now being complemented by cutting-edge geophysical and geochemical studies within the mine stratigraphic corridor, aimed at vectoring exploration towards potential accumulations of VMS mineralisation.

A comprehensive review of the mine stratigraphic corridor within Sandfire's tenement package was completed during the period. This review has identified prospective areas that have been untested, or poorly tested, during previous exploration activity. Integrated drilling/geophysical/geochemical programs were undertaken to evaluate these areas.

Within the near-mine environment, 3-D orebody modelling and pre-faulting reconstruction highlighted the potential to increase the DeGrussa Mineral Resource through extensional exploration. This important phase of the Company's exploration program at DeGrussa gathered momentum during the reporting period, and is expected to continue throughout 2014 as additional underground drilling positions become available.

Integration of tenement and regional-scale geoscientific datasets suggests that the southern portion of the Sandfire tenement package is underlain by stratigraphic equivalents of the sequence that hosts the DeGrussa deposit within the mine stratigraphic corridor. This area is largely overlain by transported alluvial material and is essentially unexplored. Aircore drilling was undertaken in this highly prospective area.

Key components of the Company's exploration program at DeGrussa during the six months to 31 December 2013 included:

- underground diamond drilling from newly established drilling platforms off the Conductor 1 and Conductor 4/5 Declines to test for extensions of the known mineralisation in the near-mine environment;
- deep surface drilling to test for the presence of the VMS stratigraphic horizon below the Conductor 4/5 positions;
- continued first-pass regional exploration over a number of exploration targets within the broader Doolgunna tenement holding;
- follow-up Reverse Circulation (RC) drilling at a number of more advanced targets;
- ongoing aircore drilling and regional geochemical sampling and mapping to define the interpreted volcanic host sequence across the broader Doolgunna tenement holding;
- continued development of the Company's mine-scale exploration model; and
- continued development of the host stratigraphy for potential accumulations of VMS mineralisation away from the known ore zones.

Near-mine Extensional Exploration

Underground diamond drilling was undertaken during the reporting period targeting strike and dip extensions to the Conductor 1 East Zone, which has allowed the Company's exploration team to refine the geological model and subsequent mine design on the periphery of the orebody. Drilling targeting the Conductor 1 Zone down-dip also commenced as drilling positions became available and continued during the reporting period.

The establishment of new underground drilling positions from the Conductor 4/5 Decline allowed underground diamond drilling to commence, initially targeting the stratigraphically continuous zone immediately down-plunge from Conductor 4. Surface drilling in this area in 2010 only partially closed the resource potential.

The first hole of the C4 down-plunge extensional drilling program, DGUE0012, intersected 8.7m (true width) of massive sulphides grading 2.7% Cu and 2.7g/t Au. The second hole of the program, DGUE0013, intersected halo mineralisation of 3.5m (true width) at 3.4% Cu and 1.8g/t Au, while subsequent holes DGUE0014 and DGUE0015 failed to intersect mineralisation.

Results from drilling targeting these down-plunge extensions indicate that the extents of the Conductor 4 deposit are now well constrained and effectively closed.

The Company commenced updates to the interpretations of the Conductor 4 orebody with the final versions to be used in the resource model update which is scheduled be completed in the March Quarter this year.

Underground exploration diamond drilling comprising six holes (1,665m) from the 2250 FWW underground drill drive has aided in the delineation of the down-dip boundary of Conductor 1 and the contact with the Shiraz Fault in that area.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Updated orebody interpretations in this area are being completed and will be included in the resource model update scheduled for the March 2014 Quarter.

Further underground exploration diamond drilling will be undertaken as drilling positions become available during the year.

During the reporting period, a deep diamond drill hole, DGDD394, was drilled from surface targeting the potential host horizon some 400m down-dip from Conductor 5. The hole reached a depth of 1,354m and was successful in identifying the host horizon at approximately 950m down-hole, however no sulphides were encountered. A down-hole electro-magnetic (DHEM) survey of this hole will be completed in March 2014 Quarter targeting off-hole conductors.

A further deep diamond drill hole is planned for the near-mine corridor during 2014.

Joint Venture with Talisman Mining

In December 2013, Sandfire reached agreement with Talisman Mining Limited (ASX: TLM; "Talisman") to farm into its three key Doolgunna copper-gold projects. Under the agreement, Sandfire can earn up to a 70% interest in Talisman's Springfield, Halloween and Halloween West Projects by spending a minimum of $15 million on exploration over 5.5 years, with a minimum expenditure commitment of $5 million within two years.

The Springfield Project lies immediately along strike to the east from the DeGrussa Copper-Gold mine. The Halloween and Halloween West Projects abut the Doolgunna Project to the west. The projects contain extensions of the volcanic rock package which hosts the DeGrussa VMS deposits.

Talisman has invested more than $20 million exploring its Doolgunna Projects over the past three years, assembling a comprehensive geo-scientific database and identifying a series of high-quality VMS copper-gold exploration targets, especially across the Springfield Project and within the interpreted extension of the DeGrussa Mine Corridor.

The Agreement grants Sandfire the right to farm into an exploration joint venture interest in Talisman's wholly-owned Springfield and Halloween Exploration Projects, as well as its joint venture rights over the Halloween West Project (Talisman's Doolgunna Copper-Gold Projects). The key commercial terms of the Agreement are:

- Sandfire has the right to earn a 70% interest in the Doolgunna Copper-Gold Projects by spending a minimum of $15 million on exploration across the Doolgunna Projects within 5.5 years;
- Sandfire has a minimum expenditure commitment of $5 million within the first two years before it can elect to either:
- withdraw from the agreement with no further commitment; or
- spend an additional $5 million within a further 2-year period to earn a 51% interest in the Doolgunna Copper-Gold Projects (First Earn-In);
- After satisfying the First Earn-In Conditions, Sandfire has the option to either cease sole funding or to acquire a further 19% in the Tenements, taking its total interest to 70%, by sole funding a further $5 million on Exploration Expenditure within 18 months (Second Earn-In);
- If Sandfire gives a notice ceasing sole funding prior to fulfilling the Second Earn-In Conditions, it shall be deemed to have earned a 51% interest (First Interest) and the joint venture will be formed on that basis with Talisman retaining its 49% interest by contributing to exploration expenditure on a pro rata basis or dilute under industry standard terms; and
- Should Sandfire sole fund $15 million and earn a 70% joint venture interest, Talisman will have the right to maintain its 30% interest by contributing to exploration expenditure on a pro rata basis or dilute under industry standard terms.

Under the terms of the Agreement, Sandfire will manage all exploration activities during the farm-in period.

2.2 Review of financial results

6 months ended December 2013	DeGrussa Copper Mine $ million	[A] Other Operations $ million	Group $ million
Sales revenue	249.6	-	249.6
Profit (loss) before net finance and income tax	75.6	(19.7)	55.9
Profit before income tax			47.8
Net profit			33.5
Basic earnings per share			21.5 cents
Diluted earnings per share			21.5 cents

A Includes the exploration, corporate and treasury segments.

2 Review and results of operations (continued)

2.2 Review of financial results (continued)

The DeGrussa Copper Mine contributed profit before net finance and income tax of $75.6 million (2012: $144.3 million) from underground mining and concentrator operations. The result for the comparative period to 31 December 2012 resulted from the highly profitable DSO and open pit program.

The Group's other operations, including its exploration and business development, corporate and treasury functions, contributed a loss before net finance and income tax of $19.7 million (2012: loss of $24.5 million). The Group did not declare or pay a dividend during or subsequent to the financial year.

Sales revenue

6 months ended December 2013	DeGrussa Copper Mine $ million
Revenue from sales of copper in concentrate	229.1
Revenue from sales of gold in concentrate	19.9
Revenue from sales of silver in concentrate	0.6
	249.6

Sales revenue during the period came from plant concentrate from the recently constructed 1.5Mtpa processing plant.

Copper sales for the period totalled 30,098 tonnes (contained copper production: 31,938 tonnes) and gold sales totalled 14,437 ounces (contained gold production: 14,570 ounces). Copper represents in excess of 90% of revenue derived from the DeGrussa Mine at current metals prices. Some downward pressure in base metal pricing, including copper prices, has been more than offset by a reduction in the USD:AUD currency exchange rate. Market fundamentals appear to continue to support strong AUD copper pricing, which is currently above A$8,000 per tonne of metal.

Operations costs

6 months ended December 2013	DeGrussa Copper Mine $ million
Mine operations costs	60.9
Employee benefit expenses	15.6
Freight, treatment and refining expenses	34.7
Changes in inventories of finished goods and work in progress	5.8
	117.0

Operations costs have been incurred in the underground mining and plant operations on site as well as in the transport and shipping of copper concentrate to international markets from the ports of Port Hedland and Geraldton in Western Australia.

Unit costs have reduced in line with increasing copper production since the commencement of plant commissioning and ramp up in October 2012. Operating costs are predominantly driven by the physical quantity of ore moved in mining and processing operations, irrespective of variations in the copper content of that ore. As a result, unit operating costs tend to vary inversely with head grade as gross operating costs spread over higher copper production.

The Group has provided cost guidance for the 2014 Financial Year around the upper end of the range US$1.05-1.15 per pound of payable copper production (after gold and silver credits). This compares to a stated C1 cash costs of US$1.29 per pound for the six months to December 2013, impacted by restricted copper production from blending of lower recovery open pit sulphide material, which concluded around the end of the September 2013 Quarter, as well as lower than annual average head feed grade. Higher copper production and resulting lower unit costs are expected in the second half of the financial year driven by higher expected head feed grade and continued increased plant recoveries.

Royalties

Royalties are levied at 5.0% for copper sold as concentrate and 2.5% for gold, plus native title payments. As DeGrussa's production value is heavily weighted towards copper production, the combined royalty rate approximates the 5% level.

The Group expensed royalties for copper concentrate produced by open pit operations (DSO) and plant operations (concentrator) at the level of 5% as it has determined to be applicable under the royalty regulations.

The Group is currently involved in a process to fully and appropriately determine the royalty rate applicable to the DSO sold as concentrate, and has disclosed a $5.5 million contingent liability within this Financial Report, representing an additional 2.5% royalty on DSO sales for the reporting period.

2 Review and results of operations (continued)

2.2 Review of financial results (continued)

Exploration and evaluation

Significant exploration and evaluation activities continued in and around the DeGrussa Copper Mine with the objective of discovering further ore bodies and lenses to establish a copper-gold VMS camp. Further expenditure has been incurred on the Group's other project tenements and on a number of joint venture earn-in arrangements. For the period ended 31 December 2013 the Group's Exploration segment contributed a loss before net financing expense and income tax of $14.5 million (2012: $17.1 million). In accordance with the Group's accounting policy, exploration and evaluation expenditure is expensed as incurred. Please refer to note 2 of the financial report for further details.

Depreciation and amortisation

	WDV December 2013 $ million	WDV June 2013 $ million	Depreciation and amortisation during the year $ million
Mine Development	185.2	172.7	28.0
Property, plant and equipment	225.2	231.0	16.2
Rehabilitation, restoration and dismantling	16.9	20.0	1.4
Total depreciation and amortisation			**45.6**

Income tax expense

Income tax expense of $14.2 million for the period is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for differences in tax and accounting treatments.

FINANCIAL POSITION

Net assets of the Group have increased by $34.9 million to $246.5 million during the reporting period.

Cash balance

Cash on hand was $74.8 million, including $44.0 million held in a debt service reserve account to cover the March 2014 scheduled facility repayment and interest costs. $20.0 million is held in a cost overrun account to be released to operating bank accounts once the formal project completion is confirmed under the Group's finance facility.

Trade and other receivables

Trade receivables include remaining funds from the sale of concentrate subject to provisional pricing and quotational periods at the time of sale.

Inventories

Inventories have increased in finished goods (plant concentrate) due to a delayed December 2013 sale completing shipment in January 2014. Ore stockpiles and consumables are in line with finalisation of the open pit operations and concentrator plant ramp up.

Mine properties

Further investment has been made in underground mine development to establish decline and development access to the sulphide ore bodies, with mine properties at cost increasing by $40.1 million to $323.2 million.

Property, plant and equipment

Property, plant and equipment at cost increased by $11.7 million to $284.8 million at the end of the period.

Other financial assets

The Group has an equity investment in Minotaur Exploration Ltd (ASX: MEP), the carrying value of which as at 31 December 2013 was $0.4 million. The Group also has a 17.4% interest in junior explorer White Star Resources Ltd (ASX: WSR), which is recognised as an associate and accounted for using the equity method of accounting. The carrying value of the Group's investment in WSR as at 31 December 2013 was nil.

Deferred tax assets and deferred tax liabilities

Income tax on profitable operations has resulted in the utilisation of carried forward tax losses recognised as a deferred tax asset. As a result, the Group is in a net deferred tax liability position at balance date. The Group is not required to make any income tax payments relating to the reporting period due to availability of carried forward tax losses.

2 Review and results of operations (continued)

2.2 Review of financial results (continued)

Interest bearing liabilities

The Group's fully secured $390.0 million project finance facility was established in 2011 to fund the development and construction of the DeGrussa Copper Mine, including $380.0 million in project construction and working capital funding and $10.0 million for environmental bonding.

A total of $380.0 million had been drawn to August 2012 under the facility and used to fund project development and construction, assist with inventory build up, sales timing and plant commissioning costs. The following table summarises the facility transactions during the reporting period, as well as the currently scheduled repayment and cash reserve account obligations for future financial years:

Financial Year	Opening balance $ million	Scheduled repayment $ million	Closing balance $ million	Current liability $ million	Non-current liability $ million	On deposit (DSRA) $ million	Closing balance including deposit $ million
1H 2013/2014	285.0	(55.0)	230.0	100.0	130.0	(40.0)	190.0
2H 2013/2014	230.0	(70.0)	160.0	75.0	85.0	(10.0)	150.0
2014/2015	160.0	(75.0)	85.0	85.0	-	(25.0)	60.0
2015/2016	85.0	(85.0)	-	-	-	-	-

Within the consolidated statement of financial position, $100.0 million is disclosed within current liabilities, prior to offset for capitalised finance establishment costs, representing the 2014 calendar year scheduled quarterly repayments. A further $130.0 million is disclosed within non-current liabilities, prior to offset for capitalised finance establishment costs, representing the scheduled repayments to the facility end date of 31 December 2015.

CASH FLOWS

Operating activities

Net cash inflow from operating activities was $114.8 million for the period. Net cash flow from operating activities prior to exploration and evaluation activities was $128.6 million for the period.

Investing activities

Net cash outflow from investing activities of $53.7 million for the period is represented by payments for property, plant and equipment purchases ($9.9 million) and mine properties ($40.6 million).

Financing activities

Net cash outflow from financing activities of $63.4 million for the period includes finance facility repayments ($55.0 million) and interest and other costs of finance ($7.9 million).

2.3 Corporate

Board and management

Mr Michael Spreadborough was appointed Chief Operating Officer effective 12 August 2013.

3 Auditor independence declaration

We have obtained the following independence declaration from our auditors, Ernst & Young.

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Sandfire Resources NL

In relation to our review of the financial report of Sandfire Resources NL for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
19 February 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

DL:DR:SANDFIRE:046

4 Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC CO 98/0100.

Signed in accordance with a resolution of the directors:

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

Dated at West Perth this 19th day of February 2014.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Note	31 Dec 2013 $000	31 Dec 2012 $000
Sales revenue	4	249,609	272,438
Realised and unrealised metal and price adjustment gains		1,779	2,643
Changes in inventories of finished goods and work in progress		(5,791)	23,333
Mine operations costs		(60,905)	(35,669)
Employee benefit expenses		(23,351)	(19,636)
Freight, treatment and refining expenses		(34,713)	(40,722)
Royalties expense		(11,867)	(13,428)
Exploration and evaluation expenses		(10,163)	(11,801)
Depreciation and amortisation expenses		(45,573)	(54,034)
Share of net loss of associate		-	(388)
Reversal of impairment loss		196	340
Administrative expenses		(3,278)	(3,221)
Profit before net finance expense and income tax		55,943	119,855
Finance income		1,405	1,033
Finance expense		(9,595)	(7,131)
Net finance expense		(8,190)	(6,098)
Profit before income tax		**47,753**	**113,757**
Income tax expense	5	(14,249)	(34,667)
Net profit for the period		**33,504**	**79,090**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Loss on revaluation of available-for-sale financial assets net of income tax		-	(18)
Other comprehensive income for the period, net of tax		-	(18)
Total comprehensive income for the period, net of tax		**33,504**	**79,072**
Earnings (loss) per share:			
Basic earnings per share attributable to ordinary equity holders (cents)		21.5	52.0
Diluted earnings per share attributable to ordinary equity holders (cents)		21.5	51.2

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 Dec 2013 $000	30 Jun 2013 $000
ASSETS			
Cash and cash equivalents	6	74,790	77,070
Trade and other receivables		9,451	8,491
Inventories		34,212	38,507
Other current assets		781	1,954
Total current assets		119,234	126,022
Receivables		144	84
Inventories		11,698	11,698
Mine properties		189,477	177,752
Property, plant and equipment		237,871	245,924
Other financial assets		378	183
Exploration and evaluation assets		3,148	-
Deferred tax assets	5	-	2,939
Total non-current assets		442,716	438,580
TOTAL ASSETS		**561,950**	**564,602**
LIABILITIES			
Trade and other payables		50,534	43,932
Interest bearing liabilities	7	99,243	163,906
Provisions		2,914	2,360
Total current liabilities		152,691	210,198
Trade and other payables		889	553
Interest-bearing liabilities	7	129,294	119,542
Provisions		21,247	22,654
Deferred tax liabilities	5	11,309	-
Total non-current liabilities		162,739	142,749
TOTAL LIABILITIES		**315,430**	**352,947**
NET ASSETS		**246,520**	**211,655**
EQUITY			
Issued capital	8	219,391	219,391
Reserves		7,475	6,114
Retained profits (Accumulated losses)		19,654	(13,850)
TOTAL EQUITY		**246,520**	**211,655**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Note	Issued capital $000	Share based payments reserve $000	Available for sale asset reserve $000	Retained profits (Accumulated losses) $000	Total equity $000
For the six months ended 31 December 2013						
At 1 July 2013		**219,391**	**6,114**	**-**	**(13,850)**	**211,655**
Profit for the period		-	-	-	33,504	33,504
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	33,504	33,504
Transactions with owners in their capacity as owners						
Exercise of options		-	-	-	-	-
Share issue costs net of income tax		-	-	-	-	-
Transfer from share-based payments reserve on exercise of options		-	-	-	-	-
Share based payments recognised at fair value	8	-	1,361	-	-	1,361
At 31 December 2013		**219,391**	**7,475**	**-**	**19,654**	**246,520**

	Issued capital $000	Share based payments reserve $000	Available for sale asset reserve $000	Accumulated losses $000	Total equity $000
For the six months ended 31 December 2012					
At 1 July 2012	**213,007**	**6,077**	**-**	**(101,848)**	**117,236**
Profit for the period	-	-	-	79,090	79,090
Other comprehensive income	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	(18)	79,090	79,072
Transactions with owners in their capacity as owners					
Exercise of options	3,041	-	-	-	3,041
Share issue costs net of income tax	(61)	-	-	-	(61)
Transfer from share-based payments reserve on exercise of options	641	(641)	-	-	-
Share based payments recognised at fair value	-	803	-	-	803
At 31 December 2012	**216,628**	**6,239**	**(18)**	**(22,758)**	**200,091**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

	Note	31 Dec 2013 $000	31 Dec 2012 $000
Cash flows from operating activities			
Cash receipts		250,364	229,371
Cash paid to suppliers and employees		(122,937)	(96,366)
Payments for exploration and evaluation		(13,817)	(11,935)
Interest received		1,219	2,046
Net cash inflow (outflow) from operating activities		**114,829**	**123,116**
Cash flows from investing activities			
Payments for property, plant and equipment		(9,907)	(52,540)
Payments for mine properties		(40,555)	(76,265)
Payments for exploration and evaluation assets		(3,148)	-
Payments for available for sale investments		-	(600)
Payments for security deposits and bonds		(60)	(69)
Net cash inflow (outflow) from investing activities		**(53,670)**	**(129,474)**
Cash flows from financing activities			
Proceeds from the conversion of options to shares		-	3,041
Share issue costs		-	(87)
Proceeds from borrowings		-	30,000
Repayment of borrowings		(55,000)	-
Repayment of finance lease liabilities		(525)	(442)
Interest and other costs of finance paid		(7,914)	(11,747)
Net cash inflow (outflow) from financing activities		**(63,439)**	**20,765**
Net increase (decrease) in cash and cash equivalents		**(2,280)**	**14,407**
Cash and cash equivalents at the beginning of the period		77,070	100,389
Cash and cash equivalents at the end of the period	6	**74,790**	**114,796**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1 Corporate information

Sandfire Resources NL (the Company or Sandfire) is a company domiciled and incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Company are described in the directors' report.

The financial report of the Company for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 19 February 2014.

2 Basis of preparation and changes to the Group's accounting policies

Basis of preparation

This financial report for the six months ended 31 December 2013 is a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the Company's annual financial report as at 30 June 2013.

The annual report of the Company as at and for the year ended 30 June 2013 is available on request from the Company's registered office or at www.sandfire.com.au.

Accounting policies, accounting standards and interpretations

The accounting policies applied by the Group in this financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2013, except for the adoption of new and amended standards and interpretations as of 1 July 2013.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

New standards, interpretations and amendments thereof, adopted by the Group

From 1 July 2013 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2013. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards adopted by the Group include:

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in AASB 10, all three criteria must be met, including:

a) an investor has power over the investee;
b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

AASB 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

AASB 11 has had no impact on the financial position and performance of the Group.

AASB 12 Disclosure of Interests in Other Entities

This Standard requires an entity to disclose information that enables users of its financial statements to evaluate:

a) the nature of, and risks associated with, its interests in other entities; and
b) the effects of those interests on its financial position, financial performance and cash flows.

AASB 12 has had no impact on the interim financial statements of the Group.

2 Basis of preparation and changes to the Group's accounting policies (continued)

AASB 13 Fair Value Measurement

This Standard:

a) defines fair value;
b) sets out in a single Standard a framework for measuring fair value; and
c) requires disclosures about fair value measurements.

AASB 13 has had no impact on the financial position and performance of the Group.

AASB 119 Employee Benefits (Revised 2011)

This Standard changes the definition of short-term employee benefits. The distinction between short term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

AASB 119 has had no impact on the financial position and performance of the Group.

3 Estimates

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report as at and for the year ended 30 June 2013.

4 Segment information

For management purposes, the Group has four reportable segments as follows:

- The DeGrussa Copper Mine, a copper-gold mine located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometres north-east of Perth and 150 kilometres north of Meekatharra. The DeGrussa Copper Mine generates revenue from the sale of copper-gold products to customers in Asia;
- Exploration, which includes exploration and evaluation of the mineral tenements in Australia and overseas, including exploring for potential repeats of the DeGrussa Volcanogenic Massive Sulphide (VMS) mineralised system at the Doolgunna Project;
- Treasury, which includes realised and unrealised price adjustments, finance income and finance expense; and
- Corporate, which includes all corporate expenses that cannot be directly attributed to the DeGrussa Copper Mine exploration and treasury.

4 Segment information (continued)

Segment information that is evaluated by key management personnel is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

in $000	DeGrussa Mine	Exploration	Corporate	Treasury	Group
Income statement for the six months ended 31 Dec 2013					
Sales revenue	249,609	-	-	-	249,609
Net metal and price adjustments gains (losses)	-	-	-	1,779	1,779
Changes in inventories of finished goods and work in progress	(5,791)	-	-	-	(5,791)
Mine operations costs	(60,905)	-	-	-	(60,905)
Employee benefit expenses	(15,573)	(4,045)	(3,733)	-	(23,351)
Freight, treatment and refining expenses	(34,713)	-	-	-	(34,713)
Royalties expense	(11,867)	-	-	-	(11,867)
Exploration and evaluation expenses	-	(10,163)	-	-	(10,163)
Depreciation and amortisation expenses	(45,143)	(249)	(181)	-	(45,573)
Share of net loss of associates	-	-	-	-	-
Reversal of impairment loss	-	-	196	-	196
Other expenses	-	-	(3,278)	-	(3,278)
Profit (loss) before net finance and income tax	**75,617**	**(14,457)**	**(6,996)**	**1,779**	**55,943**
Finance income	-	-	-	1,405	1,405
Finance expense	-	-	-	(9,595)	(9,595)
Profit (loss) before income tax	**75,617**	**(14,457)**	**(6,996)**	**(6,411)**	**47,753**
Income tax expense					(14,249)
Net profit (loss) for the period					**33,504**

in $000	DeGrussa Mine	Exploration	Corporate	Treasury	Group
Income statement for the six months ended 31 Dec 2012					
Sales revenue	272,438	-	-	-	272,438
Net metal and price adjustments gains (losses)	-	-	-	2,643	2,643
Changes in inventories of finished goods and work in progress	23,333	-	-	-	23,333
Mine operations costs	(35,669)	-	-	-	(35,669)
Employee benefit expenses	(9,084)	(4,881)	(5,671)	-	(19,636)
Freight, treatment and refining expenses	(40,722)	-	-	-	(40,722)
Royalties expense	(13,428)	-	-	-	(13,428)
Exploration and evaluation expenses	-	(11,801)	-	-	(11,801)
Depreciation and amortisation expenses	(52,533)	(423)	(1,078)	-	(54,034)
Share of net loss of associates	-	-	(388)	-	(388)
Reversal of impairment loss	-	-	340	-	340
Other expenses	-	-	(3,221)	-	(3,221)
Profit (loss) before net finance and income tax	**144,335**	**(17,105)**	**(10,018)**	**2,643**	**119,855**
Finance income	-	-	-	1,033	1,033
Finance expense	-	-	-	(7,131)	(7,131)
Profit (loss) before income tax	**144,335**	**(17,105)**	**(10,018)**	**(3,455)**	**113,757**
Income tax expense					(34,667)
Net profit (loss) for the period					**79,090**

4 Segment information (continued)

Adjustments and eliminations

Deferred taxes are not allocated to individual segments as they are managed on a Group basis.

Segment assets

The Group does not separately disclose assets for its operating segments, as a majority of Group assets are attributable to the DeGrussa Copper Mine segment and the Group does not consider assets attributable to the exploration, corporate and treasury segments to be material.

Information about geographical areas and products

	Australia $000	Asia $000	Group $000
Revenues from external customers six months ended 31 Dec 2013			
Sales of copper in concentrate	-	229,182	229,182
Sales of gold in concentrate	-	19,868	19,868
Sales of silver in concentrate	-	559	559
Sales of gold in laterite	-	-	-
Total sales revenue	-	249,609	249,609
Revenues from external customers six months ended 31 Dec 2012			
Sales of copper in concentrate	-	245,590	245,590
Sales of gold in concentrate	-	17,596	17,596
Sales of silver in concentrate	-	-	-
Sales of gold in laterite	9,252	-	9,252
Total sales revenue	9,252	263,186	272,438

5 Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax (benefit) in the income statement are:

	31 Dec 2013 $000	31 Dec 2012 $000
Income taxes		
Current income tax expense	18,297	33,336
Deferred income tax expense related to origination and reversal of temporary differences	(3,576)	1,539
Under (over) provision in prior periods	(472)	(208)
Income tax expense	**14,249**	**34,667**
Income tax expense (benefit) recognised in other comprehensive income	-	(8)
Total income tax	**14,249**	**34,659**

6 Cash and cash equivalents

	Note	31 Dec 2013 $000	30 Jun 2013 $000
Cash at bank and on hand		10,790	7,070
Debt service reserve account	(i)	44,000	50,000
Cost overrun account	(ii)	20,000	20,000
		74,790	77,070

Under the terms and conditions of the Group's Project Loan Facility (see note 7), the Group must maintain:

(i) A cash debt service reserve amount equal to or greater than the next quarter's scheduled amortisation payment and projected interest payment; and

(ii) A cost overrun account, to only be withdrawn and used as a contingency in the event of a cost overrun to achieve project (DeGrussa Copper Mine) completion as defined by the Group's Finance Facilities. Following project completion a minimum of $20 million is to be held in the proceeds account, until the final repayment date, being 31 December 2015 (see note 7).

7 Interest-bearing liabilities

	Note	31 Dec 2013 $000	30 Jun 2013 $000
Current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		1,111	1,024
Insurance premium funding		82	1,133
Secured bank loan			
DeGrussa Project Loan Facility	(i)	100,000	165,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(1,950)	(3,251)
Total current interest-bearing loans and borrowings		99,243	163,906
Non-current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		1,829	1,906
Secured bank loan			
DeGrussa Project Loan Facility	(i)	130,000	120,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(2,535)	(2,364)
Total non-current interest-bearing loans and borrowings		129,294	119,542

(i) Finance facilities

	31 Dec 2013 $000	30 Jun 2013 $000
The Group has access to the following facilities:		
DeGrussa Project Loan Facility	230,000	285,000
Bond Facility	10,000	10,000
	240,000	295,000
Facilities utilised at reporting date:		
DeGrussa Project Loan Facility	230,000	285,000
Bond Facility	4,125	4,145
	234,125	289,145

The Group's financing arrangements are provided under a secured loan facility with the Group's bankers and are secured by a fixed and floating charge over the Group's assets, including the DeGrussa Project and the broader Doolgunna Project, and a mining mortgage over the Project tenements. The facility was designed to underpin the Group's construction and development of its DeGrussa Copper Mine in Western Australia.

The Group completed the final drawdown under the Project Loan Facility, totaling $30 million in August 2012. The facility is repayable in set quarterly installments (repayments commenced on 31 March 2013) and is to be fully repaid by 31 December 2015.

The bond facility is drawn in the form of bank guarantees to the relevant State Government for environmental restoration and property managers for security deposits and does not involve the provision of funds.

8 Issued capital

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets. Ordinary shares have no par value.

Number	**2013**	**2012**
On issue at 1 July	155,640,968	151,237,635
Conversion of options to shares	-	2,286,666
On issue at 31 December	155,640,968	153,524,301

Movement in shares under option

Options expiring on or before	Note	Exercise Price	On issue 1 Jul 13	Issued	Exercised	On issue 31 Dec 13
27 November 2014		$4.66	310,000	-	-	310,000
27 November 2014		$5.44	310,000	-	-	310,000
27 November 2014		$6.22	310,000	-	-	310,000
15 June 2015		$3.80	33,333	-	-	33,333
15 June 2015		$4.40	133,333	-	-	133,333
15 June 2015		$5.00	333,335	-	-	333,335
28 February 2016		$9.00	1,749,995	-	-	1,749,995
28 February 2016		$10.30	1,666,665	-	-	1,666,665
28 February 2016		$11.70	1,583,340	-	-	1,583,340
15 July 2018	(i)	$7.60	-	565,000	-	565,000
15 July 2018	(i)	$8.80	-	565,000	-	565,000
15 July 2018	(i)	$10.00	-	565,000	-	565,000
			6,430,001	1,695,000	-	8,125,001

(i) The options were issued to senior employees and officers of the Group under the terms and conditions of the Company's existing long-term Incentive Option Plan (IOP).

9 Share based payments

During the 2011 financial year, the Company's Remuneration and Nomination Committee approved the Long-term Indexed Bonus Plan (long-term bonus plan) to align the objectives of executive directors with that of the Company.

Rights issued under the plan are long term in nature and have multiple vesting dates, with current rights vesting from 15 June 2013 to 15 December 2018.

The Company sets an initial indexed notional value (INV) for rights issued under the bonus plan. On the first vesting date, the holder of the awards receives, at the Company's sole discretion, either cash, or subject to any shareholder approval required under the *Corporations Act 2001* and the ASX Listing Rules, ordinary shares in the Company for the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the vesting date (test price), and the INV set when the rights were initially granted. At each subsequent test date, the award is retested, whereby the holder receives the difference between the 5-day volume weighted average ASX price of underlying Company shares prior to the test date and the higher of the initial INV or the highest test price that occurred prior to that date.

Termination and change of control provisions

Participant initiated termination

Where a participant ceases to be an employee or contractor of the Group prior to vesting of their award, all outstanding rights will expire and cease to carry any rights or benefits.

Group initiated termination

Where the engagement or employment is terminated by the Group for reasons other than serious misconduct, the rights will continue to vest for 180 days following the end of the required notice period, with the final vesting date to be the date on which the 180 day notice period expires.

Change of control

In the event of a change of control of the Company, the vesting period will be brought forward to the date of the change of control and awards will automatically vest.

9 Share based payments (continued)

Listed below are the terms and conditions of rights issued by the Company during the current period.

Grant date	Number	Indexed notional value	Initial vesting date	Test dates	Contractual life
Long-term bonus plan grant to executive directors of the Company on 14 October 2013	200,000	$7.60	15 June 2015	15 June and 15 December from 2015 to 2018	5 years
	200,000	$8.80	15 June 2016	15 June and 15 December from 2016 to 2018	5 years
	200,000	$10.00	15 June 2017	15 June and 15 December from 2017 to 2018	5 years

Pricing model

The ultimate cost of the rights issued during the period will be equal to the actual cash paid to the participants, which will be the fair value at settlement date. The cumulative cost recognised until settlement is recognised as a liability and the periodic determination of this liability is as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined;
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the percentage of the vesting period completed;
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- All changes in the liability are recognised in employee benefits expense for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted.

The following table sets out the assumptions made in determining the fair value of the rights granted during the current period.

	Tranche 1	Tranche 2	Tranche 3
Fair value at reporting date	$0.93 - $2.23	$1.05 - $1.93	$1.17 - $1.68
Indexed notional value [(a)]	$7.60	$8.80	$10.00
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	40.00%	40.00%	40.00%
Risk-free interest rate	2.68 – 3.43%	2.68 – 3.43%	2.91 – 3.43%
Expected life (years)	1 – 5	2 - 5	3 - 5
Share price at reporting date	$6.46	$6.46	$6.46

(a) Calculated as the 5-day volume weighted average ASX price of underlying Company shares up to and including 9 October 2013.

10 Financial instruments

Risk management activities

The risk management activities of the Group are consistent with those of the previous financial year unless otherwise stated.

Financial instruments

The Group's financial liabilities comprise loans and borrowings and trade and other payables. The Group's financial assets comprise cash and short-term deposits, trade and other receivables and equity investments recognised as available for sale.

Fair value

The carrying amount of all financial assets and liabilities recognised in the Balance Sheet approximates their fair value.

Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. The methods comprise:

- Level 1 – Fair value is calculated using quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value is estimated using inputs other than quoted market prices included in Level 1 that are observable for the financial asset or financial liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – Fair value is estimated using inputs for the financial asset or financial liability that are not based on observable market data.

10 Financial instruments (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of the financial instruments as at 31 December 2013, as well as the method used to calculate/estimate the fair value are summarised in the table below:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value					
Available for sale investments – listed investments		378	-	-	378
Trade receivables	(i)	-	7,321	-	7,321
		7,321	7,321	-	7,699

(i) Trade receivables includes the embedded derivative for concentrate sale contracts that are still subject to price adjustments where the final consideration to be received will be determined based on prevailing London Metals Exchange (LME) metal prices at the final settlement date. The embedded derivative for sales that are still subject to price adjustments at balance date is fair valued by estimating the final settlement price using the LME forward metals prices at balance date.

During the six-month period ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

11 Contingent liabilities and commitments

Contingent liability - DeGrussa DSO Royalty Rate

The Western Australian Department of Mines and Petroleum has previously advised Sandfire that a royalty rate of 7.5% applies to the Direct Shipping Ore ("DSO") sold from its DeGrussa Copper Mine.

The Company was invited to, and made, a submission to the Western Australian Minister for Mines and Petroleum to present an alternative interpretation of the Regulations. This submission was part of a process aimed at finally determining the royalty rate which should apply to the DSO.

Sandfire contends that under the Regulations, a maximum royalty rate of 5 per cent applies to the sale of copper material, applying to copper sold as concentrate. Sandfire has submitted that the royalty rate of 5 per cent apply to its DSO which it contends has been sold as concentrate. Sandfire has received legal advice in this regard. Sandfire has expensed royalties based on the 5 per cent rate.

Sandfire believes it is probable that a rate of 5 per cent will ultimately be determined to be applicable consistent with its royalty expense. However, as the additional 2.5 per cent liability is considered a possible result following full and proper determination by other parties, an amount of $5.5 million exists at balance date, as a contingent liability, representing the potential additional 2.5 per cent royalty from the DSO sales campaign, which concluded by 30 June 2013.

Contractual commitments

Posco Australia Pty Ltd (POSA)

In May 2008, the Company entered into a commercial agreement with Posco Australia Pty Ltd (POSA), whereby POSA, or POSA nominated affiliates, has the right to purchase 30% of the Company's future mineral production at fair market value excluding gold and diamond production. The rights under the commercial agreement remain for as long as POSA has at least a 10% holding of Sandfire ordinary shares and entitles POSA to a 7.5% discount on the first $100m of purchased production.

As at 31 December 2013, POSA's remaining contractual entitlement in relation to the 7.5% discount was $4.95 million.

12 Events subsequent to reporting date

In the opinion of the Directors there has not arisen in the interval between the end of the period and the date of this report any item, transaction, or event of a material and unusual nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

In accordance with a resolution of the directors of Sandfire Resources NL ("the Company"), I state that:

In the opinion of the directors:

(a) The financial statements and notes of Sandfire Resources NL for the half-year ended 31 December 2013 are in accordance with the *Corporations Act 2001,* including:

  (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

  (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

Dated at West Perth this 19th day of February 2014.

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To the members of Sandfire Resources NL

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Sandfire Resources NL, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the period.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sandfire Resources NL and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better working world

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sandfire Resources NL is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the period ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth, WA
19 February 2014

DL:DR:SANDFIRE:045