



SANDFIRE RAISES \$93.9M TO FUND UNPRECEDENTED EXPLORATION CAMPAIGN AND PROJECT DEVELOPMENT

SHARE PLACEMENT TO KOREAN GIANT LS-NIKKO COPPER GIVES SANDFIRE SHAREHOLDERS OUTSTANDING OPPORTUNITY TO CAPITALISE ON GROWTH AT WORLD-CLASS DEGRUSSA PROJECT

HIGHLIGHTS

- **LS-Nikko Copper Inc.**, world's third largest copper smelter, to acquire a 12.5%¹ strategic interest in Sandfire through a \$93.9M share placement
- Share placement to comprise up to 18.7M shares at \$5.02 per share: *10% premium to the 5-day VWAP of Sandfire shares*
- Agreement provides Sandfire with a second long-term customer for its base metal production through sales arrangements covering 45% of future output at fair market prices
 - *Strategic Alliance with one of the world's biggest end-users of copper metal*
- Proceeds to underpin a major exploration push on a highly prospective 6km long corridor at DeGrussa which already contains four high-grade copper-gold deposits
- Funds will also provide cornerstone finance to develop the DeGrussa Copper-Gold Project

Sandfire Resources NL (ASX: **SFR**; "Sandfire") is pleased to announce that it has concluded an agreement with Korean-based **LS-Nikko Copper Inc.** ("LS-Nikko"), the world's third largest copper smelter, encompassing a strategic alliance, sales arrangements for future production and a **\$93.9 million** share placement.

Under the Agreement, LS-Nikko will acquire a 12.5% strategic holding in Sandfire through the issue of 18.7 million shares at \$5.02 per share, representing a premium of 10% to the 5-day VWAP of Sandfire shares.

The funds will be used to underpin an unprecedented exploration program at the DeGrussa Copper-Gold Project in Western Australia, giving shareholders an outstanding opportunity to capitalise on the upside of this emerging world-class region, which already hosts four high-grade copper-gold deposits.

Following the recent 43% increase in the JORC resource estimate for DeGrussa, which now stands at 533,000 tonnes of contained copper and 559,000oz of gold, the Company now has a resource target² of 1 million tonnes of contained copper metal.

The significant cash injection will also provide cornerstone funding for development of the DeGrussa Project, while the relationship with LS-Nikko – together with Sandfire's existing strategic alliance with POSCO – will underpin the potential for Sandfire to secure project finance on highly favourable terms.



The Agreement concludes a two-month process which also encompasses sales arrangements covering 45% of Sandfire's future base metal production at fair market prices.

LS-Nikko is the world's third largest copper smelter with annual capacity of 560,000 tonnes of metal, of which more than 450,000 tonnes is used in its fully integrated downstream business. With revenues of US\$4.9 billion in 2009, LS-Nikko is Asia's third largest buyer of metals.

LS-Nikko is 50.1% owned by the giant Korean industrial conglomerate, LS Corp, and 49.9% owned by a Japanese consortium including JX Nippon Mining & Metals Corporation, which owns the fourth largest copper smelter in the world, Marubeni Corporation and Mitsui Mining and Smelting Co. Ltd.

Commenting on the transaction, Sandfire's Managing Director, Mr Karl Simich, said:

"We are delighted to have secured this landmark agreement with LS-Nikko, which represents an outstanding outcome for Sandfire shareholders. This is the second strategic alliance we have secured with a major global downstream partner and is consistent with our business model of developing strategic relationships that enable us to maximise the value of our resource assets."

"The Strategic Alliance with LS-Nikko complements the existing relationship which we put in place with POSCO two years ago. That partnership has been very productive for Sandfire, giving us the strategic backing and access to funding which enabled us to discover the world-class DeGrussa Project last year."

"The additional funds being injected by LS-Nikko will boost our cash reserves to over \$145 million, putting Sandfire in a fantastic position to accelerate the exploration and development of DeGrussa and our other projects, which the Board believes will unlock substantial value for our shareholders."

LS-Nikko's Executive Vice President, Mr Seung-Jae Chyun, said:

"We are delighted to announce this investment in Sandfire which represents our first entry into the Australian mining industry. We believe that the DeGrussa Project is unique and offers very exciting growth potential. As a major end-user of copper, we see Sandfire as a natural strategic fit with LS-Nikko and we look forward to developing a long and mutually rewarding relationship that will create immense value for both parties."

Transaction Details

The share placement to LS-Nikko, which will comprise up to 18.7 million shares at \$5.02 per share, can be undertaken within the Company's available 15% share placement capacity. The agreement is subject to approval by each respective company's Board and Foreign Investment Review Board (FIRB) approval, if required.

LS-Nikko has the right, following completion of the placement, to nominate a representative to be considered for appointment to the Board of Sandfire and the Agreement also encompasses the opportunity to share technical skills and knowledge.

Under the Agreement, following completion of the placement, LS-Nikko has the right, for as long as it maintains a minimum 10% shareholding:

- to maintain its interest in the Company by participating in future capital raisings. The shares to be issued to LS-Nikko are subject to a 1-year lock-up. Sandfire has a pre-emptive right to buy back the shares issued to LS-Nikko; and
- LS-Nikko will be offered the right to purchase 45% of Sandfire's share of any copper concentrate and other base metals produced from any of its projects, at fair market prices.

Following completion of the share placement, Sandfire will have a total of approximately 149.8 million fully paid shares and 10.6 million options on issue, and cash on hand of approximately \$145 million.

Sandfire was exclusively advised on the transaction by ANZ Mergers & Acquisitions.

ENDS

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Competent Person's Statement

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by John Evans who is a Fellow of the Australasian Institute of Mining and Metallurgy. John Evans is a full time employee of Sandfire Resources NL 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. John Evans 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, including, without limitation, those concerning exploration targets, contain or comprise certain forward-looking statements regarding Sandfire's exploration operations, economic performance and financial condition. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, 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, 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. 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.

¹ ASX Listing Rule 7.1 capacity

To the extent that the placement will exceed Sandfire's capacity to issue up to 15% of its shares under ASX Listing Rule 7.1, taking into account the anti-dilution rights of POSCO, Sandfire will seek shareholder approval.

² Exploration and Resource Targets

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