

Sandfire Resources NL

SFR

Tuesday 20 July 2010

**Significant copper resource upgrade at DeGrussa VMS project – 5.5% average Cu grade**

**Recommendation: Buy**

- High grade copper resource by world standards
- Less than one third of main anomalous corridor tested to date
- Potential for DSO from an initial open cut
- OZ Minerals recently purchased a 19.9% interest in SFR

SFR has announced a significant upgrade to the resource estimate for the DeGrussa copper and gold project in Western Australia. The resource is 9.62 million tonnes averaging 5.5% copper, 1.8 g/t gold and 14 g/t silver. This represents a 35% increase in overall tonnage and a 43% increase in contained metal as compared to the maiden resource estimate that was announced in February this year. Currently contained metal totals 533,000 tonnes of copper, 559,000 ounces of gold and 4.3 million ounces of silver.

The updated resource, which was completed by Coffey Mining using a cut-off grade of 1.0% copper, was based on the results of 148 diamond drill holes and 8 reverse circulation drill holes completed up until the end of June 2010. The estimate includes the Conductor 4 Zone but does not include the recently discovered Conductor 5 Zone where a new massive sulphide intersection has been obtained from drilling 50 metres up dip of a previous intersection of 10.2 metres averaging 9.2% copper, 4.1 g/t gold and 21 g/t silver. The four deposits discovered to date, DeGrussa and Conductors 1, 4 and 5, lie within a 1,500 metre long zone at the centre of a corridor of electro-magnetic responses extending over a 6 kilometre strike length. Exploration has therefore tested less than a third of this corridor and effectively to a depth of only 500 metres. Exploration is now focused on testing the remainder of this corridor in addition to extensively testing Conductor 5. The company has set its medium term target to one million tonnes of contained copper.

The overall copper grade of the resource has increased from 5.2% to 5.5% as a result of a substantial increase in the average grade of the DeGrussa deposit to 9.5% copper with the inclusion of the near surface oxide and supergene chalcocite zones, and an increase in the grade of the primary lens to 8.2% copper. The oxide and supergene zones are expected to underpin an initial open pit operation at DeGrussa. An open pit optimisation study is currently in progress to establish an inventory of potential direct shipping ore (DSO) within this zone. This could allow for an early cash flow prior to major capital commitments.

In addition to testing the main mineralised corridor, SFR is continuing to progress its regional activities within its 395 square kilometres of tenure with drilling commencing shortly at several priority EM conductors, including two coincident EM and gravity targets to the south west of DeGrussa. The company has a dominant land position in the Bryah Basin which is emerging as a potential VMS province.

The company envisages completing a definitive feasibility study on the project in the first quarter of 2011 followed by the commencement of mining and construction in the second quarter of 2011. First concentrate production is tentatively scheduled for the second quarter of 2012 and would be transported by road to the port of Geraldton. The environmental and project approvals process is underway and a 17 square kilometre mining Lease Application was lodged in March this year. Metallurgical and preliminary mine planning and geotechnical work is also underway as is an assessment of power supply options. The DeGrussa project enjoys excellent infrastructure. It is located approximately 150 kilometres north east of Meekatharra and straddles the Great Northern Highway. Additionally, the Goldfields Gas Transmission Pipeline is located about 40 kilometres to the east.

**Snapshot**

Last Price	\$4.50
Market Capitalisation	\$589.9 million
52 Week High	\$4.54
52 Week Low	\$1.45
Sector	Metals & Mining
Shares on Issue	131.1 million
Monthly Share Turnover	15.4 million shares
Cash	\$61 million (April 2010)
Major Shareholder – OZ Minerals Limited (19.9%)	

**Price Chart**



**Business Description**

SFR is a mineral exploration company with interests in Western Australia and the Northern Territory. Commodities sought are gold, base metals, uranium, manganese and iron ore. The company is currently focused on evaluating the Doolgunna Project in Western Australia that contains the high grade DeGrussa copper and gold VMS deposit.

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