Sandfire Resources N L

ABN 55 105 154 185

Half Year Financial Report

31 December 2004

SANDFIRE RESOURCES N L

CORPORATE DIRECTORY

DIRECTORS	**Peter S THOMAS** *Non-executive Chairman* **Gregory H STEEMSON** *Managing Director* **Graeme J HUTTON** *Technical Director*
COMPANY SECRETARY	**Malcolm K SMARTT**
PRINCIPAL REGISTERED OFFICE	10 Walker Avenue West Perth Western Australia, 6005 Telephone: (08) 9226 5833 Facsimile: (08) 9226 5844 Email: **admin@sandfire.com.au** Internet: **www.sandfire.com.au**
AUDITOR	Somes & Cooke Chartered Accountants 1304 Hay Street West Perth Western Australia, 6005
SHARE REGISTRY	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia, 6153 Telephone: (08) 9315 0933 Facsimile: (08) 9315 2233 Email:
SOLICITORS	Smyth & Thomas 10 Walker Avenue West Perth Western Australia, 6005
STOCK EXCHANGE LISTING	The Company's shares are quoted on the Australian Stock Exchange. The Home Exchange is Perth.
ASX CODE	SFR - ordinary shares SFRO - options

DIRECTORS' REPORT

The Directors present their report together with the financial report for the half-year ended 31 December 2004 and the audit review report thereon.

DIRECTORS

The names and details of the Directors of Sandfire Resources N L at the date of this report are:

Peter S Thomas ***B. Juris, LLB***
Non-executive Chairman

Mr Thomas is a practicing solicitor with more than 20 years national and international experience in the resource sector, both oil and minerals, specialising in the provision of general contractual and corporate advice to both miners and explorers. He is also Chairman of Image Resources NL and Meteoric Resources NL.

Gregory H Steemson ***B.Sc (Geology), MSc (Geophysics), F.Aus. I.M.M, FAIG***
Managing Director

Mr Steemson is a graduate of the University of Queensland and the University of Utah. He is a qualified geologist and geophysicist and has held senior positions within the mining industry during his 30 year career. He is also a Director of Mineral Commodities Limited and Nord Pacific Limited

Graeme J Hutton ***B.Sc(Hons), F.Aus.I.M.M***
Technical Director

Mr Hutton is a graduate of the University of Western Australia. Since graduating some 40 years ago, Graeme has established himself as a highly successful geologist having played leading roles in the iron ore, gold and diamond sectors of the resources industry. Graeme is also a Director of Kimberley Diamond Company and Herald Resources.

Results of operations

The net loss of the entity for the six months to 31 December 2004, amounted to $1,049,697 (Period ended 30 June 2004: $770,693 loss).

REVIEW OF OPERATIONS

Since listing on ASX in March of 2004, Sandfire Resources has continued with the exploration of the projects included in the IPO Prospectus and has acquired three new projects – Mt Genoa, Mt Boggola and Tangadee. Programs undertaken since listing include:

- Airborne geophysical surveys at Urandy and Yannarie;
- Gravity surveys at Borroloola, Sandfire and Mt Genoa;
- Reprocessing airborne geophysical data at Mt Augustus;
- Induced polarisation surveys at Borroloola and Mt Genoa;
- Drilling at Borroloola; and
- Prospecting and mapping on all projects.

In general, each of the Company's projects is advancing well and 2005 should see further developments.

The airborne surveys at Urandy and Yannarie have confirmed anomalies selected from regional data and included in the IPO Prospectus as conceptual targets. These targets are ready for followup work.

Data compilation and modelling at Sandfire is well advanced and subject to a positive outcome from this phase of the program, drilling should commence in the second half of calendar 2005.

Exploration at Mt Augustus and Mt Genoa has identified several base metal targets that will be further assessed in 2005.

Following the reasonable outcome to the drilling program at Borroloola in 2004, the Company is planning further geophysical surveys for 2005.

At Doolgunna, the Company is preparing for followup auger work along the main structural corridor.

Progress at each of the projects will be reported during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 13.

Dated at Perth this 8th day of March 2005

Signed in accordance with a resolution of the Directors.

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G M STEEMSON
Managing Director

SANDFIRE RESOURCES N L

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Note	Half year ended 31 December 2004 $
Interest revenue	2	88,289
Expenses from ordinary activities:	3	172,046
Office accommodation costs		16,867
Exploration and new project assessment expenses		913,748
Depreciation		35,325
Total Costs		1,137,986
Loss from ordinary activities before related income tax expense		(1,049,697)
Income tax benefit relating to ordinary activities		
Loss attributable to members of the parent entity		(1,049,697)
Basic loss cents per share		$0.0267

A diluted earnings per share has not been included, as it results in a more favourable loss per share than the basic loss per share.

The statement of financial performance should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES N L

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Note	31 December 2004 $	30 June 2004 $
CURRENT ASSETS			
Cash assets	4	2,716,051	3,775,017
Receivables / Prepayments		65,418	98,963
TOTAL CURRENT ASSETS		2,781,469	3,873,980
NON-CURRENT ASSETS			
Other financial assets		8,000	
Property, plant and equipment		237,197	241,039
Exploration and evaluation expenditure		-	-
TOTAL NON-CURRENT ASSETS		245,197	241,039
TOTAL ASSETS		3,026,666	4,115,019
CURRENT LIABILITIES			
Payables		69,122	114,563
Provisions		5,430	2,396
TOTAL CURRENT LIABILITIES		74,552	116,959
NET ASSETS		2,952,114	3,998,060
EQUITY			
Contributed equity	5	4,577,535	4,513,785
Option reserve		254,968	254,968
Accumulated losses		(1,820,389)	(770,693)
TOTAL EQUITY		2,952,114	3,998,060

The statement of financial position should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES N L

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Note	Half year ended 31 December 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments in the course of operations		(1,115,384)
Interest received		84,151
NET CASH FLOWS (USED IN) OPERATING ACTIVITES		(1,031,233)
CASH FLOWS FROM INVESTING ACTIVITES		
Loans to other parties		-
Payments to acquire fixed assets		(31,483
NET CASH FLOWS (USED IN) INVESTING ACTIVITES		(31,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		3,750
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,750
NET INCREASE/(DECREASE) IN CASH HELD		(1,058,966)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		3,775,017
CASH AT THE END OF THE FINANCIAL PERIOD	4	2,716,051

The statement of cash flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION OF THE HALF-YEAR REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report

The half-year financial report should be read in conjunction with the Annual Financial Report of Sandfire Resources N L as at 30 June 2004. It is also recommended that this half-year financial report be considered together with any public announcements made by Sandfire Resources N L during the half year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half -year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting", and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or current valuations of non-current assets.

Accounting policies have been consistently applied by the Company and, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2004 Annual Financial Report.

The carrying amounts of non-current assets except for exploration expenditure are reviewed to determine whether they are in excess of their recoverable amount at the end of the half-year. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(b) Comparatives

There are no comparative figures as the Company was only incorporated on 18 June 2003 and was virtually inactive until listing in March 2004, and there was no half yearly report completed as at 31 December 2003.

Half year ended
31 December 2004

	December 2004 $	June 2004 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Other revenues		
Interest – other parties	88,289	
Total revenue from ordinary activities	88,289	
3. PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		
Loss from ordinary activities after income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	35,325	

4. NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	December 2004 $	June 2004 $
Cash	290,941	475,017
Short term deposits	2,425,110	3,300,000
	2,716,051	3,775,017

5. CONTRIBUTED EQUITY

	31 December 2004 $	30 June 2004 $
Issued and paid up capital		
Ordinary Shares		
39,015,000 (June 2004: 39,000,000) ordinary fully paid shares	4,516,035	4,512,285
Contributing Shares		
Paid to .001 cents with 15 cents unpaid	1,500	1,500
4,015,000 (June 2004: 4,015,000)	4,517,535	4,513,785

6. SUBSEQUENT EVENTS

There are no matters that, in the opinion of the directors of the Company, will affect significantly the operations of the entity, the results of these operations, or the state of affairs of the entity, in future reporting periods.

7. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with the Financial Reporting Council's strategic directive, the Company will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the Company's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

The company believes it will be able to achieve A-IFRS implementation by the beginning of 2005. Key areas of accounting policy difference that will arise on adopting A-IFRS are identified in the 2004 Annual Report in Note **25** on page **24**.

8. CONTINGENT LIABILITIES

As at the date of this report there are no known contingent liabilities.

9. SEGMENT INFORMATION

The Company operates in one industry and one geographical segment, namely the mining industry in Australia.

SANDFIRE RESOURCES N L

DIRECTORS DECLARATION

In the opinion of the Directors of Sandfire Resources N L:

1. the financial statements and notes set out on pages 4 to 9, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Company as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

   (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth this 8th day of March 2005.

G H STEEMSON
Managing Director

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
SANDFIRE RESOURCES NL**

Independent Review Report

SomesandCooke

Independent review to members of Sandfire Resources NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the Sandfire Resources NL (the company) during the half-year, and the directors' declaration for the company, for the period ended at 31 December 2004

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conduct an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Audit Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performances as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express and audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the Sandfire Resources during the period is not in accordance with:

(a) the *Corporations Act 2001*, including

i. giving a true and fair view of the financial position of the company at 31 December 2004 and of its performance for the period ended on that date; and

ii. complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Somes & Cooke

Somes and Cooke
Chartered Accountants

John Cooke
Partner
11 March 2005

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The Board of Directors
Sandfire Resources NL
10 Walker Ave
WEST PERTH WA 6005

11 March 2005

Dear Directors

Sandfire Resources NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sandfire Resources NL.

As lead audit partner for the review of the financial statements of Sandfire Resources NL for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Somes & Cooke

SOMES and COOKE

Partner
Chartered Accountants