
Sandfire Resources N L

ABN 55 105 154 185

Half Year Financial Report 31 December 2005

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

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West Perth
Western Australia, 6005
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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

Blakiston & Crabb
1202 Hat Street
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

SANDFIRE RESOURCES N L

DIRECTORS' REPORT

The Directors present their report together with the financial report for the half-year ended 31 December 2005 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.

Company Secretary

Malcolm Smartt *BA(Accounting), Grad Dip Corp Management, FCPA, FCIS, FCIM*

Mr Smartt is a qualified accountant and chartered secretary and has had significant experience in finance and secretarial roles within the resource sector.

Results of operations

The net loss of the entity for the six months to 31 December 2005, amounted to \$1,699,094 (Period ended 30 June 2004: \$1,925,886 loss).

REVIEW OF OPERATIONS

The main exploration activities for the first half were drilling at Mt Genoa and Sandfire and ongoing geochemical sampling at Doolgunna.

The drilling programs had mixed success. At Mt Genoa, the Company had identified several geophysical (induced polarization) targets within the Kiangi formation in close proximity to surface lead and zinc mineralisation. The source of the geophysical anomalies was sulphide mineralisation but without significant base metal content.

The first hole testing target T1 at Sandfire was terminated at 1181m just short of the target depth due a broken drill rod. A decision on future exploration of this project will be made after a review is completed.

Soil sampling at Doolgunna during 2005 defined drill targets at six prospects. Limited drilling (because of rain) has been completed on four of these prospects and assays are pending.

Further exploration is planned at all of the Company's projects during 2006.

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 18.

Dated at Perth this 10th day of March 2006

Signed in accordance with a resolution of the Directors.

.....
G H STEEMSON
Managing Director

SANDFIRE RESOURCES N L
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	Half year ended 31 Dec 05	Half year ended 31 Dec 04 \$
Interest revenue	2	47,576	88,289
Expenses from ordinary activities:	3	77,598	172,046
Office accommodation costs		13,134	16,867
Exploration and new project assessment expenses		1,599,645	913,748
Depreciation		26,293	35,325
Total Costs		1,716,670	1,137,986
Loss from ordinary activities before related income tax expense		(1,669,093)	(1,049,697)
Income tax benefit relating to ordinary activities			
Loss attributable to members of the parent entity		<u>(1,669,093)</u>	<u>(1,049,697)</u>
Basic loss cents per share		4.33	2.67

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
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

		As at 31 Dec 05	As at 30 Jun 05 \$
CURRENT ASSETS	Note		
Cash and equivalent assets	4	1,014,021	1,954,196
Receivables / Prepayments		97,352	40,114
TOTAL CURRENT ASSETS		<u>1,111,373</u>	<u>1,994,310</u>
NON-CURRENT ASSETS			
Other financial assets		23,000	23,000
Property, plant and equipment		200,764	210,478
Exploration and evaluation expenditure		-	-
TOTAL NON-CURRENT ASSETS		<u>223,764</u>	<u>233,478</u>
TOTAL ASSETS		<u>1,335,137</u>	<u>2,227,788</u>
CURRENT LIABILITIES			
Payables		62,496	141,030
Provisions		22,080	10,833
TOTAL CURRENT LIABILITIES		<u>84,576</u>	<u>151,863</u>
NET ASSETS		<u>1,250,561</u>	<u>2,075,925</u>
EQUITY			
Contributed equity	6	5,361,264	4,517,535
Option Reserve	2(e)	254,968	254,968
Accumulated losses		(4,365,671)	(2,696,578)
TOTAL EQUITY		<u>1,250,561</u>	<u>2,075,925</u>

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

SANDFIRE RESOURCES N L
CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

		Half year ended 31 Dec 05 \$	Half year ended 31 Dec 04 \$
	Note		
Cash flows from operating activities			
Cash payments in the course of operations		(144,438)	(143,005)
Payments for exploration and evaluation expenditure		(1,636,216)	(972,379)
Interest received		47,425	84,151
Net cash flows (used in) operating activities		<u>(1,733,229)</u>	<u>(1,031,233)</u>
Cash flows from investing activities			
Loans to other parties		-	-
Payments to acquire fixed assets		(15,979)	(31,483)
Net cash flows (used in) investing activities		<u>(15,979)</u>	<u>(31,483)</u>
Cash flows from financing activities			
Proceeds from issue of shares	6	809,229	3,750
Net cash flows from financing activities		<u>809,229</u>	<u>3,750</u>
Net increase(decrease) in cash and cash equivalents		(939,979)	(1,058,966)
Cash and cash equivalents at beginning of period		1,954,196	3,775,017
Cash and cash equivalents at end of period	4	<u>1,014,021</u>	<u>2,716,051</u>

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

SANDFIRE RESOURCES N L
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Issued Capital \$'000	Retained Earnings \$'000	Option Reserve \$'000	TOTAL \$'000
As at 1 July 2004	4,513,785	(770,693)	254,968	3,998,060
Total income / expense for the period		(1,049,696)		(1,049,696)
Exercise of Options	1,500			1,500
Contributing Shares paid Up	2,250			2,250
As at 31 December 2004	4,517,535	(1,820,389)	254,968	2,952,114
As at 1 July 2005	4,517,535	(2,696,578)	254,968	2,075,925
Total income / expense for the period		(1,669,093)		(1,669,093)
Exercise of Options	807,729			807,729
Contributing Shares paid Up				
Shares issued as terms to an agreement	36,000			36,000
As at 31 December 2005	5,361,264	(4,365,671)	254,968	1,250,561

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2005

Note 1: Statement of Significant Accounting Policies

(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 134 "Interim Financial Reporting", and other mandatory professional reporting requirements

The half-year financial report has been prepared in accordance with the historical cost basis, except for investment properties, land and buildings and available-for-sale assets that have been measured at fair value. The carrying values of recognised assets that are hedged with fair value hedges are adjusted to record changes in fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of Compliance

The half-year financial report complies with Australian Accounting Standards, which includes Australian equivalents to International Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial reporting Standards ('IFRS'). AASB 1 has been applied in preparing these financial statements.

This is the first half-year financial report based on AIFRS and comparatives for the half-year ended 31 December 2004 and the full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed below.

Until 30 June 2005 the financial statements were prepared in accordance with AGAAP reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the equity and net income are disclosed in note 2.

(c) Income Tax

The change for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, when there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(d) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2005

Note 1: Statement of Significant Accounting Policies

recoverable amounts.

(d) Plant and Equipment (Continued)

Depreciation

The depreciable amount of all fixed assets is based on either the straight line or diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use. The depreciation rates used for plant and equipment vary between 11.25% and 40%.

(e) Exploration and Development Expenditure

Exploration and evaluation costs are expensed as incurred as an operating cost of the Company. Acquisition costs are carried forward where right of tenure of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploitation and evaluation activities of the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period that the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future.

The costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage.

(f) Leases

Lease payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Employee Entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Earnings per Share

Basic Earnings per Share

Basic earnings per share is determined by dividing net profits after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares during the period.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(i) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2005

Note 1: Statement of Significant Accounting Policies

fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

Acquisition of Assets (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principle payments and amortization.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognized in the income statement.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Revenue Recognition

Interest income is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

(I) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 2: First-Time Adoption of Australian Equivalents to International Financial Reporting Standards

		Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1 Jul 04
	Note	Previous GAAP at 1 Jul 04 \$	\$
(2a) Reconciliation of Equity at 1 July 2004			\$
CURRENT ASSETS			
Cash and cash equivalents		3,775,017	3,775,017
Receivables		98,963	98,963
TOTAL CURRENT ASSETS		3,873,980	3,873,980
NON CURRENT ASSETS			
Property Plant and Equipment		241,039	241,039
TOTAL NON CURRENT ASSETS		241,039	241,039
TOTAL ASSETS		4,115,019	4,115,019
CURRENT LIABILITIES			
Payables		116,959	116,959
TOTAL CURRENT LIABILITIES		116,959	116,959
TOTAL LIABILITIES		116,959	116,959
NET ASSETS		3,998,060	3,998,060
EQUITY			
Issued capital	2(e)	4,513,785	4,513,785
Option reserve		254,968	254,968
Accumulated losses		770,693	770,693
TOTAL EQUITY		3,998,060	3,998,060

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

		Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31 Dec 04
	Note	Previous GAAP at 31 Dec 04 \$	\$
(2b) Reconciliation of Equity at 31 December 2004		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,716,051	2,716,051
Receivables / Prepayments		65,418	65,418
TOTAL CURRENT ASSETS		<u>2,781,469</u>	<u>2,781,469</u>
NON-CURRENT ASSETS			
Property ,Plant and Equipment		237,197	237,197
Other financial assets		8,000	8,000
TOTAL NON-CURRENT ASSETS		<u>245,197</u>	<u>245,197</u>
TOTAL ASSETS		<u>3,026,666</u>	<u>3,026,666</u>
CURRENT LIABILITIES			
Payables / Provisions		74,552	74,552
TOTAL CURRENT LIABILITIES		<u>74,552</u>	<u>74,552</u>
TOTAL LIABILITIES		<u>74,552</u>	<u>74,552</u>
NET ASSETS		<u>2,952,114</u>	<u>2,952,114</u>
EQUITY			
Issued capital		4,517,535	4,517,535
Option Reserve	2(e)	254,968	254,968
Accumulated losses		(1,820,389)	(1,820,389)
TOTAL EQUITY		<u>2,952,114</u>	<u>2,952,114</u>

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

		Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30 Jun 05
	Previous GAAP at 30 Jun 05		
(2c) Reconciliation of Equity at 30 June 2005	\$	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,945,196	-	1,945,196
Receivables / Prepayments	40,114	-	40,114
TOTAL CURRENT ASSETS	1,994,310	-	1,994,310
NON-CURRENT ASSETS			
Property ,Plant and Equipment	210,478	-	210,478
Other financial assets	23,000	-	23,000
TOTAL NON-CURRENT ASSETS	233,478	-	233,478
TOTAL ASSETS	2,227,788	-	2,227,788
CURRENT LIABILITIES		-	
Payables / Provisions	151,863		151,863
TOTAL CURRENT LIABILITIES	151,863	-	151,863
TOTAL LIABILITIES	151,863		151,863
NET ASSETS	2,075,925	-	2,075,925
TOTAL LIABILITIES		-	
NET ASSETS		-	
EQUITY			
Issued capital	4,517,535	-	4,517,535
Option reserve	254,968	-	254,968
Accumulated losses	(2,696,578)	-	(2,696,578)
TOTAL EQUITY	2,075,925	-	2,075,925

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
(2d) Reconciliation of Loss for the half-year 31 December 2004		\$	\$	\$
Revenue		47,576	-	47,576
Expenses		(1,746,670)	-	(1,746,670)
Loss before income tax		(1,699,094)	-	(1,699,094)
Income tax expense		-	-	-
Loss for the period		(1,699,094)	-	(1,699,094)
Loss attributable to members of the Company		(1,699,094)	-	(1,699,094)

**Reconciliation of Loss for the full year to
30 June 2005**

Revenue	152,286	-	152,286
Depreciation expense	(65,929)	-	(65,929)
Administration expense	(199,581)	-	(199,581)
Exploration expenditure	(1,812,662)	-	(1,812,662)
		-	
Loss before income tax	(1,925,886)	-	(1,925,886)
Income tax expense	-	-	-
Loss for the year	(1,925,886)	-	(1,925,886)
Loss attributable to members of the Company	(1,925,886)	-	(1,925,886)

30 Jun 04	31 Dec 04	30 Jun 05
\$	\$	\$

(2e) Reserves comprise:

Option reserve	254,968	254,968	254,968
Total	254,968	254,968	254,968

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 3: Loss from Ordinary Activities

	31 Dec05	31 Dec 04
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue		
Interest received – other persons	47,576	88,289
(b) Expenses		
Depreciation expense	26,293	35,325
Exploration expenditure	1,599,645	913,748

Note 4: Cash and cash equivalents

	31 Dec 05	31 Dec 04
	\$	\$
Cash at bank	114,021	216,051
Cash deposits	900,000	2,500,000
	<u>1,104,021</u>	<u>2,716,051</u>

Reconciliation of Cash and cash equivalents

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>1,014,021</u>	<u>2,716,051</u>

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 6: Contributed Equity

	31 Dec 05	31 Dec 04
	\$	\$
Issued and Paid Up Capital		
Ordinary Shares 39,215 (31 Dec 04 39,015)	4,553,535	4,516,035
Paid to .001 cents 15 cents to pay	807,729	1,500
	<u>5,361,264</u>	<u>4,517,535</u>

Note 7: Contingent Liabilities and Contingent Assets

The company does not have any contingent assets or liabilities.

Note 8: Events Subsequent to Reporting Date

There has been no matters or circumstances that have arisen since 31 December 2005 that has significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

SANDFIRE RESOURCES N L

DIRECTORS DECLARATION

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

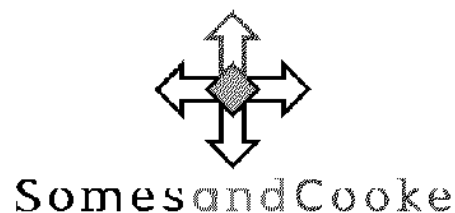
1. the financial statements and notes set out on pages 4 to 16
 - (a) give a true and fair view of the financial position of the Company as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "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 day of March 2006.

.....
G H STEEMSON
Managing Director

1304 Hay Street
West Perth WA 6005
PO Box 709 West Perth WA 6872
Tel (08) 9322 4853
Fax (08) 9481 5645
Email admin@somesandcooke.com.au
www.somesandcooke.com.au



10 March 2006

The Board of Directors
Sandfire Resources NL
1 Ventnor Avenue
West Perth WA 6005

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 period ended 31 December 2005, 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 and COOKE
Partner
Chartered Accountants

Partners
Kevin Somes FCA
John Cooke FCA ACIS

Associates
Julie Burns CA
Rachelle Rose CA CPF



Chartered Accountants, Business Consultants and Financial Advisers

Independent Review Report

Independent review to members of Sandfire Resources NL

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity 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 2005

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 134 "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 134 "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 an 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 2005 and of its performance for the period ended on that date; and
 - ii. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Somes and Cooke
Chartered Accountants

Kevin C. Somes
Partner
10 March 2006