



SANDFIRE RESOURCES NL

ABN 55 105 154 185

Half Year Financial Report

31 December 2006

SANDFIRE RESOURCES NL

CORPORATE DIRECTORY

DIRECTORS

Brian R C COPPIN

Non-executive Chairman

Gregory H STEEMSON

Managing Director

Graeme J HUTTON

Technical Director

COMPANY SECRETARY

Robert M LEWIS

REGISTERED and PRINCIPAL OFFICE

1 Ventnor Avenue

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

SOLICITORS

Blakiston & Crabb

1202 Hay 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 CODES

SFR - Ordinary fully paid shares

SFRCA - Ordinary partly-paid contributing shares

SANDFIRE RESOURCES NL

DIRECTORS' REPORT

The Directors present their report together with the financial report for the half-year ended 31 December 2006 and the audit review report thereon.

Directors

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

Brian R C Coppin – Appointed 19 December 2006 as Non-executive Chairman

Peter S Thomas - Resigned 19 December 2006 as Non-executive Chairman

Gregory H Steemson - Managing Director

Graeme J Hutton – Technical Director

REVIEW OF OPERATIONS

At the time of the half year review, the Company has completed drilling at Doolgunna, Borroloola and Yannarie as planned.

The work at Doolgunna has identified three prospects where high grade gold mineralisation has been shown to exist. The extent of these mineralised areas is yet to be established and ongoing work will seek to determine this. In addition to the prospect work, the large areas of transported cover will be tested in the next six months.

The mineralised zone intersected at Gordons at Borroloola during the 2004 program was interpreted to be part of a more extensive system. Four additional holes were drilled into the zone all of which intersected low grade copper mineralisation. The eastern extension of this structure is still untested and will be investigated during 2007. The Company has also significantly increased its land holding in the district. Plans for the second half include airborne electromagnetic (AEM) surveys and ground follow up of targets generated by the AEM and other data.

The program at Yannarie included drilling of several geochemical and geophysical targets. The results of the assays have been the subject of an ASX release.

Exploration targets at Mt Boggola and Urandy will be followed up during the second half.

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 4.

Dated at Perth this 9th day of March 2007

Signed in accordance with a resolution of the Directors.

.....
Brian RC Coppin
Chairman

SANDFIRE RESOURCES NL

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

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 Limited.

As audit partner for the review of the financial statements of Sandfire Resources Limited for the period ended 31 December 2006, 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.

SOMES and COOKE

K. C. Somes
Partner
1304 Hay Street
West Perth WA 6005

15 March 2007

SANDFIRE RESOURCES NL
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

		Half year ended 31 Dec 06 \$	Half year ended 31 Dec 05 \$
	Note		
Interest revenue		196,340	47,576
Expenses from ordinary activities:		180,832	77,598
Office accommodation costs		27,263	13,134
Exploration and new project assessment expenses		1,794,626	1,599,645
Depreciation		23,032	26,293
Share Based Payments	2	1,341,000	-
Total Costs		3,366,753	1,716,670
Loss from ordinary activities before related income tax expense		(3,170,413)	(1,669,093)
Income tax expense		-	-
Net Loss attributable to members of Sandfire Resources NL		(3,170,413)	(1,669,093)
Basic loss – cents per share		4.96	4.33
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 Condensed Income Statement should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES NL**BALANCE SHEET****AS AT 31 DECEMBER 2006**

		As at 31 Dec 06 \$	As at 30 Jun 06 \$
	Note		
CURRENT ASSETS			
Cash and equivalent assets		7,220,826	4,608,470
Receivables / Prepayments		122,188	82,800
TOTAL CURRENT ASSETS		7,343,014	4,691,270
NON-CURRENT ASSETS			
Other financial assets		24,337	23,337
Property, plant and equipment		191,293	170,521
TOTAL NON-CURRENT ASSETS		215,630	193,858
TOTAL ASSETS		7,558,644	4,885,128
CURRENT LIABILITIES			
Payables		215,031	177,327
Provisions		2,733	15,808
TOTAL CURRENT LIABILITIES		217,764	193,135
NET ASSETS		7,340,880	4,691,993
EQUITY			
Contributed equity	3	14,586,960	10,108,660
Option Reserve		-	22,563
Share Based Payments Reserve		1,363,563	-
Accumulated losses		(8,609,643)	(5,439,230)
		7,340,880	4,691,993

The Condensed Balance Sheet should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES NL
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Half year ended 31 Dec 06 \$	Half year ended 31 Dec 05 \$
Note		
Cash flows from operating activities		
Cash payments in the course of operations	(242,194)	(144,438)
Payments for exploration and evaluation expenditure	(1,789,546)	(1,636,216)
Interest received	210,600	47,425
Net cash flows (used in) operating activities	<u>(1,821,140)</u>	<u>(1,733,229)</u>
 Cash flows from investing activities		
Payment for Tenement Bonds	(1,000)	-
Payments to acquire fixed assets	(43,804)	(15,979)
Net cash flows (used in) investing activities	<u>(44,804)</u>	<u>(15,979)</u>
 Cash flows from financing activities		
Proceeds from issue of shares and exercise of options	4,769,250	809,229
Share issuance expenses	(290,950)	-
Net cash flows from financing activities	<u>4,478,300</u>	<u>809,229</u>
 Net increase(decrease) in cash and cash equivalents	<u>2,612,356</u>	<u>(939,979)</u>
 Cash and cash equivalents at beginning of period	<u>4,608,470</u>	<u>1,954,000</u>
 Cash and cash equivalents at end of period	<u>7,220,826</u>	<u>1,014,021</u>

The Condensed Cash Flow Statement should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES NL
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Share Capital \$	Employee Benefit Reserve \$	Accumulated Losses \$	TOTAL \$
Balance at 1.7.2005	4,517,535	254,968	(2,696,578)	2,075,925
Exercise of options	807,729			807,729
Shares issued as terms of an agreement	36,000			36,000
Loss for Period			(1,669,093)	(1,669,093)
Balance at 31.12.2005	5,361,264	254,968	(4,365,671)	1,250,561
Balance at 1.7.2006	10,108,660	22,563	(5,439,230)	4,691,993
Share placement	4,400,000			4,400,000
Exercise of options	157,000			105,000
Contributing shares paid up	212,250			264,250
Share based payment		1,341,000		1,341,000
Share issuance costs	(290,950)			(290,950)
Loss for Period			(3,170,413)	(3,170,413)
Balance at 31.12.2006	14,586,960	1,363,563	(8,609,643)	7,340,880

The Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this half-year financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes the financial statements of Sandfire Resources NL (**Sandfire or Company**) as an individual entity. The Company is a no liability company incorporated in Australia and its shares are traded on Australian Stock Exchange Limited. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(a) Basis of preparation

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Sandfire Resources NL during the half year in accordance with the continuous disclosure requirements arising under the Corporation Act 2001.

The half year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(c) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is also performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(d) Exploration and evaluation costs

All exploration and evaluation expenditure is expensed to profit and loss as incurred.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the Period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially 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 recognised from the initial recognition of an asset or liability, excluding a business combination, where 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 realised or liability is 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(g) 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The fair value of contributing shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the contributing shares.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the contributing shares, the impact of dilution, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the security.

Upon the conversion of a contributing share, the balance of the share based payments reserve relating to that share will be transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The Black-Scholes calculation principles have been adopted as they are widely recognised by relevant authorities and bodies as being appropriate even though in the experience of the directors the results produced by the application of those principles often fail to reflect market value to a significant degree.

(m) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(n) Issued capital

Ordinary and contributing shares are included in issued capital.

Any transaction costs arising on the issue of ordinary and contributing shares are recognised directly in issued capital as a reduction of the share proceeds received.

(o) Cash and cash equivalents

Cash and cash equivalents include 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.

(p) Comparative figures

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

(q) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Half Year Ended 31 Dec 06 \$

Note 2: Share Based Payments

Options issued to directors pursuant to approval granted at the Company's 2006 Annual General Meeting

Expensed fully at the independent valuation obtained	1,341,000
	<u>1,341,000</u>

Note 3: Contributed Equity

Ordinary Fully Paid Shares

	Number	\$
Balance 1 July 2006	53,773,626	10,108,660
Options exercised at \$0.20 each	275,000	55,000
Options exercised at \$0.25 each	408,000	102,000
Placement of shares at \$0.55 each	8,000,000	4,400,000
Contributing shares paid up at \$0.15 each	1,415,000	212,250
Share issuance costs	-	(290,950)
Balance at 31 December 2006	<u>63,871,626</u>	<u>14,586,960</u>

Contributing Shares

Balance at 1 July 2006	12,475,652	-
Contributing shares paid up	(1,415,000)	-
Balance at 31 December 2006	<u>11,060,652</u>	<u>-</u>

Unlisted Options to acquire Fully Paid Ordinary Shares – exercisable at \$0.60

Balance at 1 July 2006	-	-
Issued in respect of a contract to acquire tenements	5,400,000	-
Issued in respect of the placement of ordinary fully paid shares	1,500,000	-
Balance at 31 December 2006	<u>6,900,000</u>	<u>-</u>

Unlisted Options to acquire Fully Paid Ordinary Shares – exercisable at \$0.20

Balance at 1 July 2006	1,000,000	-
Options exercised during the period	(275,000)	-
Balance at 31 December 2006	<u>725,000</u>	<u>-</u>

SANDFIRE RESOURCES NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Note 3: Contributed Equity (Continued)

	Number	\$
Unlisted Options to acquire Fully Paid Ordinary Shares – exercisable at \$0.25		
Balance at 1 July 2006	2,800,000	-
Options exercised during the period	(408,000)	-
Balance at 31 December 2006	2,392,000	-
Unlisted Options to acquire Fully Paid Ordinary Shares – exercisable at \$0.50		
Balance at 1 July 2006	0	-
Options issued to directors pursuant to approval granted at the Company's 2006 Annual General Meeting	3,000,000	-
Balance at 31 December 2006	3,000,000	-

Note 4: Contingent Liabilities and Contingent Assets

The company does not have any contingent assets or liabilities.

Note 5: Events Subsequent to Reporting Date

There has been no matters or circumstances that have arisen since 31 December 2006 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 NL

DIRECTORS DECLARATION

In the opinion of the Directors of Sandfire Resources NL:

1. the financial statements and notes set out on pages 5 to 14:
 - (a) give a true and fair view of the financial position of the Company as at 31 December 2006 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 9th day of March 2007.

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BRC COPPIN
Chairman



Independent review report to the members of SANDFIRE RESOURCES NL

Scope

We have reviewed the accompanying half-year financial report of Sandfire Resources NL (the Company), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and, maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 Company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Partners

Kevin Somes FCA
John Cooke FCA ACIS

Associates

Julie Burns CA
Rochelle Rose CA CFP®



A review of a half-year 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 confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 15 March 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Somes & Cooke
Chartered Accountants

Kevin Clarence Somes
Partner
Perth

Date: