SANDFIRE RESOURCES NL

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Interim Financial Report

For the six months ended 31 December 2012

ASX Code: SFR

CONTENTS

CORPORATE INFORMATION

ABN 55 105 154 185

Directors

Derek La Ferla	*Non-Executive Chairman*
Karl Simich	*Managing Director and Chief Executive Officer*
W John Evans	*Non-Executive Director*
Soocheol Shin	*Non-Executive Director*
Robert Scott	*Non-Executive Director*

Management and Company Secretary

Matthew Fitzgerald	*Chief Financial Officer and Company Secretary*
Martin Reed	*Chief Operating Officer*
Robert Klug	*Chief Commercial Officer*

Registered Office and Principal Place of Business

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Share registry

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Tel: +61 8 9315 2333
Fax: +61 8 9315 2233
Email: registrar@securitytransfer.com.au

Auditors

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code

Ordinary fully paid shares: SFR

Competent Person's Statement – Mineral Resources

The information in this report that relates to Mineral Resources (except the Indicated Resource of Supergene Chalcocite) is based on information compiled by Diederik Speijers who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Speijers is a permanent employee of McDonald Speijers 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. Mr Speijers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement – Mineral Resources

The information in this report that relates to the Indicated Resource of Supergene Chalcocite is based on information compiled by David Slater who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Slater is a permanent employee of Coffey Mining 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. Mr Slater consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement – Open Pit Ore Reserves

The information in this report that relates to Open Pit Ore Reserves is based on information compiled by Quinton de Klerk of Cube Consulting, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr de Klerk has sufficient experience which is relevant 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. Mr de Klerk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement – Underground Ore Reserves

The information in this report that relates to Underground Ore Reserves is based on information compiled by Shane McLeay of Entech Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr McLeay 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. Mr McLeay 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 contain or comprise certain forward-looking statements regarding Sandfire Resources NL's (Sandfire) Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Sandfire believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and 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, delays or changes in project development, 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. Except for statutory liability which cannot be excluded, each of Sandfire, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. 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. Accordingly you should not place undue reliance on any forward looking statement.

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.

The directors present their report together with the consolidated interim financial report of the consolidated entity (referred to as the Group) consisting of the parent entity, Sandfire Resources NL (the Company or Sandfire), and the entities it controls, for the six months ended 31 December 2012 and the independent auditor's review report thereon.

1 Directors

The directors of the Company at any time during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated.

Name	Period of Directorship
Mr Derek La Ferla *Independent Non-Executive Chairman*	Appointed 17 May 2010
Mr Karl M Simich *Managing Director and Chief Executive Officer*	Appointed Director 27 September 2007, Managing Director and Chief Executive Officer since 1 July 2009
Mr W John Evans *Non-Executive Director*	Appointed Executive Technical Director 2 October 2007, Non-Executive Director since 1 January 2013
Mr Soocheol Shin *Non-Executive Director*	Appointed 28 February 2012
Mr Robert N Scott *Independent Non-Executive Director*	Appointed 30 July 2010

2 Review and results of operations

The principal activities of the Group during the six months ended 31 December 2012 were:

- Production and sale of copper and gold from the Group's DeGrussa Copper-Gold operation;
- Development and construction of the DeGrussa Copper-Gold Project in Western Australia; and
- Exploration and evaluation of mineral tenements in Australia and overseas.

2.1 Project review, strategies and future prospects

DEGRUSSA COPPER-GOLD PROJECT, Western Australia (100%)

The DeGrussa Copper-Gold Project is located within Sandfire's 100%-owned Doolgunna Project, a 400 square kilometre tenement package in WA's Bryah Basin mineral province, approximately 900km north-east of Perth. The Project is located within an established mining district, approximately 150km north of the regional mining hub of Meekatharra. Construction and development of the DeGrussa Project commenced in April 2011 and was completed, on schedule and budget, in Q3 of 2012 – paving the way for Sandfire's transition to become a leading mid-tier Australian copper-gold producer.

The six months to December 2012 was a pivotal period for Sandfire. Construction and development of the DeGrussa Project was completed and the Company has now moved into the key commissioning and production ramp-up phase of the 1.5Mtpa DeGrussa Concentrator.

The DeGrussa Project comprises an initial open pit and longer-term underground mine, which have been developed concurrently.

While the Project has been in commercial production for the open pit phase of operations since February 2012, the commissioning of the DeGrussa Concentrator lays the foundation for Sandfire to ramp-up copper production to the targeted annualised run rate of 77,000 tonnes per annum of copper and 36,000 ounces per annum of gold and complete its transition to a fully-fledged operating mining company.

Construction and development

Major site construction activities were completed during the reporting period, with construction supervision personnel released from the project and operations teams taking full control of the processing plant.

Commissioning commenced with the introduction of waste rock into the circuit to commission the SAG mill, Ball Mill and the tails slurry stream through to the tailings storage facility. Ore was subsequently added to the SAG mill to establish a slurry flow through the concentrate stream, leading to the production of the first concentrate in October 2012.

The production ramp-up commenced during the December 2012 Quarter. The ramp-up schedule for the Concentrator is targeting steady-state nameplate production rates by mid 2013.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Open Pit & Underground Mining

Following commencement of the open pit pre-strip and box-cut development during April 2011, mining continued in the DeGrussa open pit and in the underground mine during the reporting period, with excellent progress achieved.

FY2013 Year to Date		Tonnes	Grade (% Cu)	Grade (g/t Au)	Contained Copper (t)	Contained Gold (oz)
DSO	Mined	130,001	24.4	3.1	31,775	12,932
	Crushed	118,448	25.0	3.1	29,611	11,783
	DSO sales	101,227	27.5	2.9	27,875	9,498
Concentrator	Mined	347,335	5.0	1.8	17,337	19,832
	Milled	251,016	4.9	1.9	12,361	15,071
	Concentrate produced	36,578	21.8	3.3	7,962	3,938
	Concentrate sold	28,972	21.1	2.6	6,126	2,438
Oxide gold	Mined	3,559	-	0.8	-	94
	Milled (toll treatment)	53,320	-	3.7	-	6,388
	Gold production					5,690
	Gold sales					5,690
Total	Mined	480,895	10.2	2.1	49,112	32,858
	Crushed/Milled	422,784	9.9	2.4	41,972	33,242
	Copper production	**155,026**	**24.2**	**3.2**	**37,573**	**15,721**
	Gold production					**5,690**
	Contained metal				**37,573**	**21,411**
	Copper and gold sales	130,199	26.1		34,001	17,626

Open Pit

Stage I of the DeGrussa open pit was completed in early December 2012, extracting all of the chalcocite DSO Ore Reserves, together with additional sulphide and copper oxide material which has been stockpiled awaiting processing. A total of 7.7 million bank cubic metres (Mbcm) of material was mined from the Stage 1 open pit.

Mining of the Stage II open pit to extract massive sulphide and copper and gold oxide will continue through until Q2 of CY2013. To the end of December 2012, a total of 4.7Mbcm of material had been mined from the Stage II pit.

A total of 147,297 tonnes of DSO chalcocite grading 24.9% Cu was mined during Stage I, containing 36,622 tonnes of copper metal. This represents an overall 98 per cent reconciliation of contained copper when compared with the 31 March 2012 DSO Probable Ore Reserve of 144,736 tonnes grading 25.9% Cu for 37,549 tonnes of contained copper. Further details of the DSO Ore Reserve reconciliation are provided in the "Feasibility Studies, Metallurgy, Ore reserves and Mineral resources" section below.

Reconciliation to Ore Reserves for the remaining Stage I open pit primary mineralisation types (chalcocite, massive sulphide and oxide copper) has commenced. It is expected that a portion of sulphide material will be re-classified to oxide copper stockpiles, to be treated through the oxide processing route.

The completion of the Stage I open pit marks the transition from open pit to underground as the main source of mine production at DeGrussa.

Underground

Underground mining proceeded on schedule, with the Evans Decline advancing to 2,026m from the portal by the end of the reporting period. First stoping ore was mined ahead of schedule in early October 2012 and total development for the underground mine to date is 8,938m.

Underground mining will continue to progressively ramp up, with full production rates expected to be achieved in mid-CY2013.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Processing

Plant commissioning progressed during the reporting period, with ore throughput and production on track to achieve demonstrated nameplate levels of 125,000 tonnes per month by mid-CY2013. Concentrate quality is approaching planned specification and copper recoveries are improving in accordance with the ramp-up schedule.

A total of 251,016 tonnes of sulphide ore at an average head grade of 4.9% Cu and 1.9g/t Au was processed for the reporting period, resulting in the production of 36,578 tonnes of concentrate at a grade of 21.8% Cu and 3.3g/t gold. 28,972 dry tonnes of concentrate grading 21.1% Cu were hauled to Geraldton for export.

The operations team has been focused on plant ramp-up, including the resolution of a number of issues which commonly occur in the commissioning phase for a base metals concentrator. These issues, which directly impacted mill throughput and metal production rates for the reporting period, included:

- Plant outages caused by the tailings disposal thickener;
- Periods of relatively harder ore attributable to dilution and the decision to restrict treatment rates while optimising the flotation performance; and
- Control system deficiencies which impacted short-term plant stability, especially around the control of the regrind circuit. Optimisation of the control system is currently underway, and a number of actions to improve concentrate grade and recovery were initiated during the Quarter.

Plant ramp-up will continue and the Company expects nameplate production levels to be achieved by mid-CY2013.

Production Guidance

Contained metal production	To December 2012		2HFY13 – Guidance		To June 2013 – Guidance	
	Cu(kt)	Au(koz)	Cu(kt)	Au(koz)	Cu(kt)	Au(koz)
Concentrator	8	4	27-31	21	35-39	25
DSO	30	12	2	1	32	13
Oxide gold	-	6	-	5	-	11
Total – 2012/2013	**38**	**22**	**29-33**	**27**	**67-71**	**49**
DSO	4	2			4	2
Oxide gold	-	1			-	1
Total – 2011/2012	4	3			4	3
Total – Project to date	**42**	**25**	**29-33**	**27**	**71-75**	**52**

Sales & Marketing

Metal sales for the first half of FY2013 totalled 34,001 tonnes of copper metal and 17,626oz of gold.

DSO Shipments

Sandfire continued to make regular shipments to China throughout the reporting period, with 101,227 tonnes shipped at 27.5% Cu containing 27,875 tonnes of copper metal. The high-grade DSO mined from the DeGrussa open pit is being sold under two sales contracts, with MRI Trading AG and Yunnan Copper Corporation Ltd.

A total of 11 shipments of DSO chalcocite material have been shipped to customers in China totalling 107,717 tonnes grading 28.0% Cu containing 30,123 tonnes of copper. At least two remaining shipments are scheduled for 1H CY2013.

Copper Concentrate Shipments

Sandfire completed the sale of its first shipment of copper concentrate from DeGrussa in November 2012. The maiden shipment comprised 4,950 dry tonnes of copper concentrate grading approximately 22% Cu and was produced as part of the commissioning process.

This lower grade commissioning concentrate is being produced and sold on a spot basis ahead of Sandfire's main copper concentrate sales contracts, which commence in 2013. Additional sales of commissioning concentrate have since been completed on favourable terms, with a total of 28,972 tonnes of copper concentrate grading 21% Cu shipped during the reporting period.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Copper Concentrate Sales Agreements

During the reporting period, Sandfire secured four sales contracts for DeGrussa's copper concentrate production, following a highly successful marketing process for DeGrussa concentrate. The sales contracts, for up to 3-year terms, have been signed with international trading companies and smelters. Sandfire's marketing strategy is for sales contracts covering up to 85 per cent of annual copper concentrate production from DeGrussa, with the remainder available for delivery into the spot market and production variances.

DeGrussa Laterite Gold Processing

Sandfire has entered into an Ore Sale and Purchase Agreement with Barrick (Plutonic) Ltd to process the lateritic gold material mined as part of the open pit operations.

During the reporting period, 53,320t 3.7g/t Au was processed for the production and sale of 5,690oz of gold.

Feasibility Studies, Metallurgy, Ore reserves and Mineral resources

Oxide copper

Sandfire completed a maiden Proved and Probable Ore Reserve estimate for the Oxide Copper from DeGrussa open pit during the June 2012 Quarter, totalling 1.04Mt @ 2.3% Cu for 23,000t of contained copper. The Oxide Copper Reserve estimation follows extensive metallurgical testwork which has enabled Sandfire to scope out the design of a low-cost recovery circuit for the oxide material.

During the reporting period, GR Engineering Services advanced an engineering study of the oxide copper crushing-scrubbing plant and expects to complete the report in the March 2013 Quarter. In addition, a scoping study has been completed and a draft report prepared on the viability of a heap leach / solvent extraction and electrowinning (SX/EW) recovery option for copper oxide ore. These studies indicate improved costs and copper recovery compared to previous work and an indicative project timeline for copper production commencing during FY2015.

DeGrussa Copper-Gold Project Mineral Resource Statement as at 31 March 2012

Table 1: Total in situ Mineral Resources stated as at 31 March 2012

Zone - in situ	Resource Category	Tonnes (mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)	Competent Person
Au Laterite	*Measured*	0.04	-	1.2	-	2,000	1
Copper Oxide	*Measured*	0.23	0.8	0.1	2,000	1,000	1
	Indicated	1.06	1.6	0.5	17,000	16,000	1
Supergene Chalcocite	*Indicated*	0.23	17.9	2.6	42,000	19,000	2
	Inferred	0.19	4.4	1.2	8,000	7,000	1
Primary Massive Sulphides	*Indicated*	7.84	5.8	2.0	456,000	502,000	1
	Inferred	2.31	4.4	2.0	102,000	146,000	1
Total		**11.91**	**5.3**	**1.8**	**627,000**	**693,000**	

Table 2: Total Stockpiles stated as at 31 March 2012

Stockpile	Resource Category	Tonnes (mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Laterite Gold	*Measured*	0.17	0.2	2.2	-	12,000
Copper Oxide	*Measured*	1.42	1.1	0.3	16,000	16,000
Supergene Chalcocite	*Measured*	0.01	34.2	2.7	2,000	-
Total	*Measured*	**1.59**	**4.4**	**1.2**	**18,000**	**28,000**

Notes to Table 1 and 2:

Resources are stated inclusive of Ore Reserves.

Refer to the Competent Person's Statements – Mineral Resources:
1 Competent Person for these zones of resource was Diederik Speijers of McDonald Speijers.
2 Competent Person for these zones of resource was David Slater of Coffey Mining.

2 Review and results of operations (continued)

2.1 Project review, strategies and future prospects (continued)

Table 3: Ore Reserve Statement stated as at 31 March 2012*

Deposit	Reserve Category	Mining Method	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained Copper (t)	Contained Gold (oz)
Laterite Gold	Proved	Open Pit	0.10	-	3.0	-	9,000
Copper Oxide	Proved	Open Pit	0.52	2.0	0.7	10,000	11,000
Copper Oxide	Probable	Open Pit	0.52	2.5	0.4	13,000	7,000
DeGrussa	Probable	Open Pit - DSO	0.15	25.9	2.5	38,000	12,000
DeGrussa/C1/ Chalcocite	Probable	Open Pit	0.34	5.3	2.2	18,000	25,000
DeGrussa	Probable	Underground	1.50	6.6	1.9	99,000	90,000
Conductor 1	Probable	Underground	5.70	4.9	1.8	281,000	333,000
Conductor 4	Probable	Underground	0.76	4.4	1.2	33,000	30,000
Total	Proved		0.62	1.7	1.0	10,000	20,000
Total	Probable		8.97	5.4	1.7	482,000	497,000
Total	**Proved & Probable**		**9.59**	**5.1**	**1.7**	**492,000**	**517,000**

Table 4: Open Pit DSO Chalcocite Ore Reserve reconciliation

DSO Chalcocite	Tonnes (t)	Copper (%)	Contained Copper (t)
Ore Reserve – Probable	144,736	25.9	37,549
DSO mined	147,297	24.9	36,622
Reconciliation (%)	102	96	98

* Ore Reserves contained in this table have been updated from the Ore Reserve Statement disclosed by the Company on 29 March 2011. Mining activities, including stockpiling, and sale of product have continued since 31 March 2012.

1 A cut-off grade of 8.5% Cu is applied on the Chalcocite to provide a targeted 26% Cu direct sale product. All other material within the defined deposit boundaries has been included in the reporting of Ore Reserves with any sub-economic grade material being treated as internal dilutents. These Ore Reserves include an overall assumption of 2.5% mining dilution at nil grade for all grade categories along with an assumed 2.5% mining loss of ore tonnes when mined. Calculations rounded to the nearest 10,000 tonnes; 0.1% Cu grade, 0.1 g/t Au grade; 1,000 tonnes Cu metal and 1,000 ounces Au metal. Errors of rounding may occur. The in-situ Ore Reserves occur within an open pit design containing 14Mt of total material, resulting in a waste to ore strip ratio of 12:1. Low grade laterite gold stockpiles are not included in reserve.

2 1.0% Cu lower cut-off grade has been applied to the copper oxide open pit in-situ Ore Reserves. The reported copper oxide stockpiles only include existing stockpiles with an estimated average grade above 1.0 % Cu.

3 Mining recovery factor of 95% applied to diluted stoping blocks, with cut-off grade of 1.5% Cu and minimum stope size of 2,000t. Calculations rounded to the nearest 1,000t, 0.1%, 0.1g/t and 1,000 ounces; errors of rounding may occur; assumes commodity prices of US$7,673/t for copper and US$1,300/oz for gold with a USD/AUD exchange rate of $0.86; assumes 91% metallurgical recovery rate.

Exploration and evaluation

Sandfire has implemented a disciplined scientific approach to exploration at DeGrussa, underpinned by an aggressive $20 million annual exploration budget and drawing on some of the most sophisticated and leading-edge technologies available and some of the most accomplished technical experts in the field of VMS exploration.

Structural interpretation from mapping within the underground mine and open pit has proved to be invaluable in improving the Company's understanding of the lithological sequence, structural setting and, consequently, the positioning of potential accumulations of VMS mineralisation, giving the geological team a unique level of insight into the most likely areas where ore zones could occur.

The structural complexity of the VMS environment at DeGrussa represents both a significant challenge and an opportunity given the impact of vertical and lateral displacement and faulting combined with the obscuring effect of transported cover. The Company continues to be very encouraged by the prospectivity of the DeGrussa and surrounding Doolgunna Projects for additional VMS discoveries. This view has been reinforced by some of the encouraging results achieved during the December Quarter from drilling in the immediate near-mine environment, as well as at key regional targets such as South Airstrip and elsewhere.

Further results for the Group's exploration and evaluation activities during the six month period ended 31 December 2012 are detailed within the Group's September 2012 and December 2012 Quarterly Reports as announced on the ASX.

2 Review and results of operations (continued)

2.2 Review of financial results

Six months ended December 2012	DeGrussa Mine	Other Operations	Group
	$ million	$ million	$ million
Sales revenue	272.4	-	272.4
Profit (loss) before net finance income and income tax	145.8	(25.9)	119.9
Profit before income tax			113.8
Net profit			79.1
Basic earnings per share			52.0 cents
Diluted earnings per share			51.2 cents

The DeGrussa Mine contributed profit before net financing income and income tax of $145.8 million (2011: $nil) from a combination of open pit, underground and concentrator operations.

The Group's other operations, including its corporate and exploration and evaluation functions, contributed a loss of $25.9 million (2011: loss of $28.0 million).

Sales revenue

Six months ended December 2012	DeGrussa Mine
	$ million
Revenue from sales of copper in concentrate	245.6
Revenue from sales of gold in concentrate	17.6
Revenue from sales of gold in laterite (toll treated)	9.2
	272.4

Sales revenue during the period came from sale of Direct Shipping Ore (DSO) from stage I of the open pit (DSO sales commenced in the prior period) and plant concentrate from the newly constructed 1.5Mtpa processing plant, which commenced production and sales of copper concentrate from October 2012.

A shipment of 12,000 tonnes of DSO material grading 20% copper was recorded in sales revenue subsequent to period end, on 2 January 2013, representing the last high grade shipment of DSO. Further lower grade shipments are planned for the remainder of the financial year. The January 2013 shipment resulted in provisional revenue of $18.8 million (subject to provisional pricing and quotational period), against a carried cost in inventory of $3.8 million at 31 December 2012.

Operations costs

Six months ended December 2012	DeGrussa Mine
	$ million
Mine operations costs	35.7
Employee benefit expenses	9.5
Freight, treatment and refining expenses	40.7
Changes in inventories of finished goods and work in progress	(23.3)
	62.6

Operations costs have been incurred in both the open pit and underground and plant operations in line with expectation. The underground operations and concentrator plant have been in commissioning and ramp up phase for the December 2012 Quarter, with all sales and costs from operations disclosed in the Statement of Comprehensive Income. Inventories of ore stockpiles, concentrate and consumables have all increased in line with ramping operations.

Royalties

Royalties are levied at 5.0% for copper sold as concentrate and 2.5% for gold, plus native title payments. As DeGrussa's production value is heavily weighted towards copper production, the combined royalty rate approximates the 5% level.

The Group has expensed royalties for copper concentrate produced by open pit operations (DSO) and plant operations (concentrator) at the level of 5% as it has determined to be applicable under the royalty regulations.

2 Review and results of operations (continued)

2.2 Review of financial results (continued)

The Group is currently involved in a process to fully and appropriately determine the royalty rate applicable to the DSO sold as concentrate, and has disclosed a $4.6 million contingent liability within this Interim Financial Report, representing an additional 2.5% royalty on DSO sales for the reporting period. Refer to note 13 of the financial report for details.

Exploration and evaluation

Significant exploration and evaluation activities continued in and around the DeGrussa mine with the objective of discovering further ore bodies and lenses to establish a copper-gold VMS camp. Further expenditure has been incurred on the Group's other project tenements and on a number of joint venture earn-in arrangements. For the period ended 31 December 2012, $11.8 million (2011: $18.7 million) exploration and evaluation expenditure was expensed in line with the Group's accounting policy. A further $5.4 million (2011: $5.6 million), disclosed as part of employee benefit expenses, was expensed during the reporting period in relation to exploration and evaluation activities.

Depreciation and amortisation

			WDV December 2012	WDV June 2012	Depreciation and amortisation during the period
			$ million	$ million	$ million
Open Pit	Stage I	Waste stripping	-	30.0	30.0
		Production stripping	-	12.4	12.4
			-	42.4	42.4
	Stage II	Waste stripping	26.2	9.6	-
			26.2	52.0	42.4
Underground	Decline and lateral development		162.6	111.6	5.4
Property, plant and equipment			243.1	202.2	6.2
Total depreciation and amortisation					**54.0**

The Group commenced waste stripping in Stage I of the open pit in May 2011, representing the start of a planned two year mining campaign to access Direct Shipping Ore (DSO) chalcocite and primary sulphides, along with direct costed secondary materials of gold laterite and oxide copper. Stage I waste stripping expenditure up to first DSO (to February 2012) was deferred on balance sheet in the prior period and amortised as a cost to DSO and sulphide inventory as mined in the prior and current reporting period.

Production phase stripping has been expensed as incurred, except for additional stripping completed in the prior period which allowed for ore access in the current period. Costs deferred in the prior period have been amortised to production and inventory during the current reporting period.

The Group commenced waste stripping in Stage II of the open pit in January 2012 to access further gold laterite, copper oxide and primary sulphide material, over a mining campaign scheduled to conclude by mid-calendar year 2013. Stage II waste stripping expenditure up to first sulphide extraction is has been deferred on balance sheet at period end to be amortised to sulphide inventory as mined (from January 2013), with secondary materials of gold laterite and copper oxide material directly costed to inventory in the Statement of Financial Position.

Income tax expense

Income tax expense of $34.7 million for the period is based on the corporate tax rate of 30% on taxable income of the Group, adjusted for permanent and timing differences in tax and accounting treatments.

FINANCIAL POSITION

Net assets of the Group have increased by $82.9 million to $200.1 million during the reporting period.

Cash balance

Cash on hand was $114.8 million, of which $78.0 million was held in restricted debt service and cost overrun accounts in accordance with the Group's finance facility.

Trade and other receivables

Trade and other receivables have increased significantly with the ramp up in DSO and plant concentrate sales. Trade receivables include remaining funds from the sale of concentrate subject to provisional pricing and quotational periods at the time of sale. Further, funds relating to a shipment of concentrate in late December 2012 with a total provisional revenue value of $24.0 million were received in January 2013 (subsequent to the end of the period) and have been recorded in trade debtors at the end of the period.

2 Review and results of operations (continued)

2.2 Review of financial results (continued)

Inventories

Inventories have increased in finished goods (DSO and plant concentrate), ore stockpiles and consumables in line with open pit operations and concentrator plant ramp up.

Mine properties

Further investment has been made in underground mine development, with mine properties at cost increasing by $73.0 million to $239.8 million, including expenditure on underground mine development of $56.4 million to establish access to the sulphide ore bodies and development phase waste stripping in stage II of the open pit of $16.6 million to access sulphide ore.

Property, plant and equipment

Property, plant and equipment at cost increased by $47.2 million to $252.8 million at the end of the period, predominantly driven by final expenditure on process plant construction and associated mine infrastructure prior to the commencement of plant commissioning and ramp up.

Deferred tax assets

Income tax resulting from profitable operations has been offset against previously recognised deferred tax assets. As a result, the Group does not have a provision for income tax payable at period end and is not required to make any income tax payments relating to the reporting period. At balance date, deferred tax assets of $5.9 million are available for further offset commencing in January 2013, with further profitable operations likely to incur income tax expense and income tax payable in future periods.

Interest bearing liabilities

The Group's fully secured $390 million project finance facility was established in 2011 to fund the development and construction of the DeGrussa Mine, including $380 million in project construction and working capital funding and $10 million for environmental bonding.

A final drawdown of $30 million was completed in August 2012. At 31 December 2012, a total of $380 million had been drawn under the facility and used to fund project development and construction, assist with inventory build up, sales timing and plant commissioning costs. $180 million is disclosed within current liabilities, prior to offset for capitalised finance establishment costs, representing the March to December 2013 scheduled quarterly repayments, with a further $200 million representing the scheduled repayments until the facility end date of 31 December 2015.

CASH FLOWS

Operating activities

Net cash inflow from operating activities was $123.1 million for the period and was impacted by the increased trade and other receivable balances, which restricted reported cash inflows from receipts from sales.

Investing activities

Net cash outflow from investing activities of $129.5 million for the period represents payments for property, plant and equipment purchases and mine properties.

Financing activities

Net cash inflow from financing activities of $20.8 million for the period represents funds received on exercise of share options and finance facility drawdown, offset by finance facility interest and other costs of finance payments.

2.3 Corporate

Mr W John Evans was appointed as Non-Executive Director, retiring from his previous position as Executive Technical Director.

3 Events subsequent to reporting date

Issued capital

Subsequent to period end the Group announced the issue of 66,667 fully paid ordinary shares from the exercise of 66,667 unlisted options with an exercise price of $4.40 and an expiry date of 15 June 2015.

The Group also announced the issue of the following unlisted options subsequent to 31 December 2012.

Number	Exercise price	Expiry date
250,000	$9.00	28 February 2016
250,000	$10.30	28 February 2016
250,000	$11.70	28 February 2016

4 Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC CO 98/0100.

5 Auditor independence declaration

We have obtained the following independence declaration from our auditors Ernst & Young.

ERNST & YOUNG

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11 Mounts Bay Road
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Auditor's Independence Declaration to the Directors of Sandfire Resources NL

In relation to our review of the financial report of Sandfire Resources NL for the half-year ended 31December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen

D S Lewsen
Partner
4 March 2013

Liability limited by a scheme approved under Professional Standards Legislation

DL:DR:SANDFIRE:037

Signed in accordance with a resolution of the directors:

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

Dated at West Perth this 4th day of March 2013.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	31 Dec 2012 $000	31 Dec 2011 $000
Sales revenue	4	272,438	-
Net price adjustment gains		2,643	-
Other income		-	1,483
Changes in inventories of finished goods and work in progress		23,333	-
Mine operations costs		(35,669)	-
Employee benefit expenses		(19,636)	(7,763)
Freight, treatment and refining expenses		(40,722)	-
Royalties expense		(13,428)	-
Exploration and evaluation expenses		(11,801)	(18,668)
Depreciation and amortisation expenses	9,10	(54,034)	(660)
Share of net loss of associate		(388)	-
Reversal of impairment loss		340	-
Administrative expenses		(3,221)	(2,421)
Profit (loss) before net finance income and income tax		119,855	(28,029)
Finance income		1,033	624
Finance expense		(7,131)	(251)
Net finance (expense) income		(6,098)	373
Profit (loss) before income tax		**113,757**	**(27,656)**
Income tax (expense) benefit	5	(34,667)	8,152
Net profit (loss) for the period		**79,090**	**(19,504)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Loss on revaluation of available-for-sale financial assets net of income tax		(18)	(913)
Other comprehensive income for the period, net of tax		(18)	(913)
Total comprehensive income for the period, net of tax		**79,072**	**(20,417)**
Earnings (loss) per share:			
Basic earnings (loss) per share attributable to ordinary equity holders (cents)		52.0	(13.0)
Diluted earnings (loss) per share attributable to ordinary equity holders (cents)		51.2	(13.0)

The interim consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 Dec 2012 $000	30 Jun 2012 $000
ASSETS			
Cash and cash equivalents	6	114,796	100,389
Trade and other receivables	7	51,948	7,015
Inventories	8	35,751	7,254
Other current assets		1,769	1,085
Total current assets		204,264	115,743
Receivables		72	3
Inventories	8	9,652	6,233
Mine properties	9	188,785	163,670
Property, plant and equipment	10	243,075	202,232
Other financial assets		1,714	1,189
Deferred tax assets	5	5,947	40,580
Other assets		481	-
Total non-current assets		449,726	413,907
TOTAL ASSETS		**653,990**	**529,650**
LIABILITIES			
Trade and other payables		53,461	49,626
Interest bearing liabilities	11	179,582	94,146
Provisions		2,148	1,311
Total current liabilities		235,191	145,083
Trade and other payables		1,920	1,383
Interest bearing liabilities	11	198,887	251,019
Provisions		17,901	14,929
Total non-current liabilities		218,708	267,331
TOTAL LIABILITIES		**453,899**	**412,414**
NET ASSETS		**200,091**	**117,236**
EQUITY			
Issued capital	12	216,628	213,007
Reserves		6,221	6,077
Retained accumulated losses		(22,758)	(101,848)
TOTAL EQUITY		**200,091**	**117,236**

The interim consolidated statement of financial position is to be read in conjunction with the accompanying notes.

	Issued capital $000	Share based payments reserve $000	Available for sale asset reserve $000	Accumulated losses $000	Total equity $000
For the six months ended 31 December 2012					
At 1 July 2012	**213,007**	**6,077**	**-**	**(101,848)**	**117,236**
Profit for the period	-	-	-	79,090	79,090
Other comprehensive income	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	(18)	79,090	79,072
Transactions with owners in their capacity as owners					
Exercise of options	3,041	-	-	-	3,041
Share issue costs net of income tax	(61)	-	-	-	(61)
Transfer from share-based payments reserve on exercise of options	641	(641)	-	-	-
Share based payments recognised at fair value	-	803	-	-	803
At 31 December 2012	**216,628**	**6,239**	**(18)**	**(22,758)**	**200,091**

	Issued capital $000	Share based payments reserve $000	Available for sale asset reserve $000	Accumulated losses $000	Total equity $000
For the six months ended 31 December 2011					
At 1 July 2011	**210,325**	**6,092**	**-**	**(77,965)**	**138,452**
Loss for the period	-	-	-	(19,504)	(19,504)
Other comprehensive income	-	-	(913)	-	(913)
Total comprehensive income for the period	-	-	(913)	(19,504)	(20,417)
Transactions with owners in their capacity as owners					
Exercise of options	1,240	-	-	-	1,240
Share issue costs net of income tax benefit	(51)	-	-	-	(51)
Transfer from share-based payments reserve on exercise of options	434	(434)	-	-	-
Share based payments recognised at fair value	-	302	-	-	302
At 31 December 2011	**211,948**	**5,960**	**(913)**	**(97,469)**	**119,526**

The interim consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED 31 DECEMBER 2012

	Note	31 Dec 2012 $000	31 Dec 2011 $000
Cash flows from operating activities			
Cash receipts		229,371	212
Cash paid to suppliers and employees		(108,301)	(35,577)
Interest received		2,046	1,434
Net cash inflow (outflow) from operating activities		**123,116**	**(33,931)**
Cash flows from investing activities			
Payments for property, plant and equipment		(52,540)	(77,570)
Payments for mine properties		(76,265)	(47,060)
Payments for available for sale investments		(600)	(1,855)
Receipts of security deposits and bonds		-	3,158
Payments for security deposits and bonds		(69)	-
Net cash inflow (outflow) from investing activities		**(129,474)**	**(123,327)**
Cash flows from financing activities			
Proceeds from the conversion of options to shares		3,041	1,240
Share issue costs		(87)	(73)
Proceeds from borrowings		30,000	190,000
Repayment of finance lease liabilities		(442)	(172)
Finance establishment costs		-	(9,524)
Interest and other costs of finance paid		(11,747)	(1,259)
Net cash inflow (outflow) from financing activities		**20,765**	**180,212**
Net increase (decrease) in cash and cash equivalents		**14,407**	**22,954**
Cash and cash equivalents at the beginning of the period		100,389	74,041
Cash and cash equivalents at the end of the period	6	**114,796**	**96,995**

The interim consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1 Corporate information

Sandfire Resources NL (the Company or Sandfire) is a company domiciled and incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The nature of the operations and principal activities of the Company are described in the directors' report.

The interim financial report of the Company for the six months ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 4 March 2013.

2 Basis of preparation and changes to the Group's accounting policies

Basis of preparation

This interim financial report for the six months ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the Company's annual financial report as at 30 June 2012.

The annual report of the Company as at and for the year ended 30 June 2012 is available on request from the Company's registered office or at www.sandfire.com.au.

Accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2012, except for the adoption of new standards and interpretations as of 1 July 2012, noted below.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

New standards, interpretations and amendments thereof, adopted by the Group

From 1 July 2012 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2012. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group. The Group has not elected to early adopt any new accounting standards and interpretations.

Accounting standards and interpretations issued but not yet effective

The Group has not elected to early adopt any other new Standards or amendments that are issue but not yet effective.

3 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report as at and for the year ended 30 June 2012.

4 Segment information

The Group operates the DeGrussa Mine, a copper-gold mine located in the Bryah Basin mineral province of Western Australia, approximately 900 kilometres north-east of Perth and 150 kilometres north of Meekatharra. The principal activities of the project are mining of copper and gold. The DeGrussa Mine generates revenue from the sale of copper-gold products to customers in Asia.

Other operations include the Group's Office (which includes all corporate expenses that cannot be directly attributed to the operation of the consolidated entity's operating segment), the Group's investments and exploration projects.

Segment information that is evaluated by key management personnel is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

in $000	**Note**	**DeGrussa Mine**	**Other operations**	**Group**
Income statement for the six months ended				
31 December 2012				
Sales revenue		272,438	-	272,438
Net price adjustments gains (losses)		2,643	-	2,643
Other income		-	-	-
Changes in inventories of finished goods and work in progress		23,333	-	23,333
Mine operations costs		(35,669)	-	(35,669)
Employee benefit expenses	(i)	(9,519)	(10,117)	(19,636)
Freight, treatment and refining expenses		(40,722)	-	(40,722)
Royalties expense		(13,428)	-	(13,428)
Exploration and evaluation expenses		-	(11,801)	(11,801)
Depreciation and amortisation expenses		(53,285)	(749)	(54,034)
Share of net loss of associate		-	(388)	(388)
Reversal of impairment loss		-	340	340
Administrative expenses		-	(3,221)	(3,221)
Profit (loss) before net financing income and income tax		**145,791**	**(25,936)**	**119,855**
Finance income				1,033
Finance expense				(7,131)
Profit before income tax				**113,757**
Income tax expense				(34,667)
Net profit for the period				**79,090**

in $000	**DeGrussa Mine**	**Other operations**	**Group**
Income statement for the six months ended			
31 December 2011			
Other income	-	1,483	1,483
Employee benefit expenses	-	(7,763)	(7,763)
Exploration and evaluation expenses	-	(18,668)	(18,668)
Depreciation and amortisation expenses	-	(660)	(660)
Administrative expenses	-	(2,421)	(2,421)
Loss before net financing income and income tax	**-**	**(28,029)**	**(28,029)**
Finance income			624
Finance expense			(251)
Loss before income tax			**(27,656)**
Income tax benefit			8,152
Net loss for the period			**(19,504)**

(i) Of the $10,117,000 employee benefits expense disclosed within the 'Other operations' segment, $5,365,000 relates to exploration and evaluation activities.

4 Segment information (continued)

Adjustments and eliminations

Finance income and expenses and deferred taxes are not allocated to individual segments as they are managed on a Group basis.

Segment assets

The Group does not separately disclose assets for its operating segments, as a majority of Group assets are attributable to the DeGrussa Mine segment and the Group does not consider assets attributable to the Other operations segment to be material.

Information about geographical areas and products

	Australia $000	Asia $000	Group $000
Revenue from external customers			
31 December 2012			
Sales of copper in concentrate	-	245,590	245,590
Sales of gold in concentrate	-	17,596	17,596
Sales of gold in laterite	9,252	-	9,252
Total sales revenue	9,252	263,186	272,438

The Group did not have sales revenue during the comparative six month period ended 31 December 2011.

5 Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax (benefit) in the interim income statement are:

	31 Dec 2012 $000	31 Dec 2011 $000
Income taxes		
Current income tax expense (benefit)	33,176	(16,972)
Deferred income tax expense related to origination and reversal of deferred taxes	1,491	8,820
Income tax expense (benefit)	**34,667**	**(8,152)**
Income tax expense (benefit) recognised in other comprehensive income	(8)	-
Total income tax (benefit)	**34,659**	**(8,152)**

The current tax liability on taxable income has been reduced to $nil for the six months ended 31 December 2012 as it has been offset in full against carry forward tax losses from prior periods that were previously brought to account as deferred tax assets. The Company expects that the balance of the carry forward tax losses and the deferred tax assets in respect of those losses will be utilised in full by 30 June 2013.

6 Cash and cash equivalents

	31 Dec 2012 $000	30 Jun 2012 $000
Cash at bank and on hand	36,796	72,389
Debt service reserve account	58,000	8,000
Cost overrun account	20,000	20,000
	114,796	100,389

Under the terms and conditions of the Group's Project Loan Facility (see note 11), the Group must maintain:

(i) A cash debt service reserve amount required to exceed the next quarter's scheduled amortisation payment and projected interest payment; and

(ii) A cost overrun account, to only be withdrawn and used as a contingency in the event of a cost overrun to achieve project (DeGrussa Copper-Gold Project) completion as defined by the Group's Finance Facilities. Following project completion a minimum of $20 million is to be held in the proceeds account, until the final facility repayment date, being 31 December 2015 (see note 11).

7 Trade and other receivables

	31 Dec 2012 $000	30 Jun 2012 $000
Trade receivables	48,164	2,382
Other receivables	3,784	4,633
	51,948	7,015

All amounts are not considered past due or impaired. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

8 Inventories

	31 Dec 2012 $000	30 Jun 2012 $000
Current		
Concentrates	20,733	3,887
Ore stockpiles	11,253	2,976
Stores and consumables	3,765	391
	35,751	7,254
Non current		
Ore stockpiles	9,652	6,233

All inventories at 31 December 2012 are valued at cost.

9 Mine properties

	31 Dec 2012 $000	30 Jun 2012 $000
Cost	239,772	166,819
Accumulated amortisation	(50,988)	(3,149)
	188,784	163,670

Mine property and development assets include costs incurred in accessing the ore body and costs to develop the mine to the production phase, once the technical feasibility and commercial viability of a mining operation has been established

10 Property, plant and equipment

	31 Dec 2012 $000	30 Jun 2012 $000
Cost	252,808	205,618
Accumulated depreciation	(9,733)	(3,386)
	243,075	202,232

Property, plant and equipment increased during the six month period ended 31 December 2012, predominantly driven by expenditure on process plant construction and associated mine infrastructure at the Group's DeGrussa Copper-Gold Mine.

11 Interest bearing liabilities

	Note	31 Dec 2012 $000	30 Jun 2012 $000
Current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		988	649
Insurance premium funding		1,780	630
Secured bank loan			
DeGrussa Project Loan Facility	(i)	180,000	95,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(3,186)	(2,133)
		179,582	94,146
Non-current interest-bearing loans and borrowings			
Obligations under finance leases and hire purchase contracts		2,428	1,744
Secured bank loan			
DeGrussa Project Loan Facility	(i)	200,000	255,000
Capitalised finance establishment costs (net of amortisation) offset against Project Loan Facility		(3,541)	(5,725)
		198,887	251,019

(i) Project Loan Facility

The Group's financing arrangements are provided under a secured loan facility with the Group's bankers and are secured by a fixed and floating charge over the Group's assets, including the DeGrussa Project and the broader Doolgunna Project, and a mining mortgage over the Project tenements. The full $390 million facility, which includes $10 million relating to bonding, was designed to underpin the Group's construction and development of its DeGrussa Copper-Gold Project in Western Australia.

The Group completed the final drawdown under the Project Loan Facility, totalling $30 million, in August 2012 and the facility is repayable in set quarterly instalments, with the first repayment due on 31 March 2013, and is to be fully repaid by 31 December 2015.

The bond facility is drawn in the form of bank guarantees to the relevant State Government for environmental restoration and property managers for security deposits and does not involve the provision of funds.

12 Issued capital

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. Ordinary shares have no par value.

Number	2012	2011
On issue at 1 July	151,237,635	149,384,969
Exercise of options	2,286,666	1,561,666
On issue at 31 December	153,524,301	150,946,635

13 Contingent liabilities and commitments

Contingent liability

DeGrussa DSO Royalty Rate

The Western Australian Department of Mines and Petroleum has advised Sandfire of its determination that a royalty rate of 7.5 per cent applies to the Direct Shipping Ore ("DSO") sold from its DeGrussa Copper-Gold Mine. This is based on an assessment that it is 'other crushed and screened material' under the applicable Regulations.

The Company was invited to, and made, a submission to the Western Australian Minister for Mines and Petroleum to present an alternative interpretation of the Regulations. This submission was part of a process aimed at finally determining the royalty rate which should apply to the DSO.

Sandfire contends that under the Regulations, a maximum royalty rate of 5 per cent applies to the sale of copper material, applying to copper sold as concentrate. Sandfire has submitted that the royalty rate of 5 per cent apply to its DSO which it contends has been sold as concentrate. Sandfire has received legal advice in this regard. Sandfire has expensed royalties based on the 5 per cent rate.

13 Contingent liabilities and commitments (continued)

Sandfire believes it probable that a rate of 5 per cent will ultimately be determined to be applicable consistent with its royalties expense. However, as the additional 2.5 per cent liability is considered a possible result following full and proper determination by other parties, an amount of $4.6m exists at balance date as a contingent liability, representing the potential additional 2.5 per cent royalty from the period from the first DSO sale, to 31 December 2012.

Further DSO sales planned subsequent to 31 December 2012 would result in an additional estimated contingent liability of $1.2m at that time.

Contractual commitments

Posco Australia Pty Ltd (POSA)

In May 2008, the Company entered into a commercial agreement with Posco Australia Pty Ltd (POSA), whereby POSA, or POSA nominated affiliates, has the right to purchase 30% of the Company's future mineral production at fair market value excluding gold and diamond production. The rights under the commercial agreement remain for as long as POSA has at least a 10% holding of Sandfire ordinary shares and entitles POSA to a 7.5% discount on the first $100m of purchased production.

14 Events subsequent to reporting date

Subsequent to year end the Group announced the issue of 66,667 fully paid ordinary shares from the exercise of 66,667 unlisted options with an exercise price of $4.40 and an expiry date of 15 June 2015.

The Group also announced the issue of the following unlisted options subsequent to 31 December 2012.

Number	Exercise price	Expiry date
250,000	$9.00	28 February 2016
250,000	$10.30	28 February 2016
250,000	$11.70	28 February 2016

In accordance with a resolution of the directors of Sandfire Resources NL ("the Company"), I state that:

In the opinion of the directors:

(a) The financial statements and notes of Sandfire Resources NL for the half-year ended 31 December 2012 are in accordance with the *Corporations Act 2001,* including:

  (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

  (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Derek La Ferla
Non-Executive Chairman

Karl Simich
Managing Director and Chief Executive Officer

Dated at West Perth this 4th day of March 2013.

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To the members of Sandfire Resources NL

Independent review report to members of Sandfire Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sandfire Resources NL, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 consolidated entity's financial position as at 31 December 2012 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 Sandfire Resources NL and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

DL:DR:SANDFIRE:036

ERNST & YOUNG

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 Sandfire Resources NL is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
4 March 2013

DL:DR:SANDFIRE:036