



SANDFIRE RESOURCES NL

NOTICE OF GENERAL MEETING

**TO BE HELD ON THURSDAY, 19 JUNE 2008 AT 9.30AM WST
AT THE CELTIC CLUB, 48 ORD STREET WEST PERTH WA 6005**

Please read the Notice carefully and if you are unable to attend the General Meeting of Shareholders please complete and return the enclosed Proxy Form in accordance with the specified directions.

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WESTERN AUSTRALIA

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SANDFIRE RESOURCES NL

ABN 55 105 154 185

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TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A General Meeting (**Meeting**) of the shareholders of Sandfire Resources NL will be held at:

The Celtic Club

48 Ord Street

West Perth WA 6005

Commencing 9.30 am (WST) on THURSDAY, 19 June 2008

Voting Entitlements

For the purposes of the Corporations Act 2001 (Cth) (**Corporations Act**), all shares of the Company that are quoted securities at 9.30am (WST) two days prior to the Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at the time and such persons are eligible to vote at the Meeting.

How to Vote

The business of the Meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 9.30am (WST).

Proxies

A Proxy Form accompanies this Notice General Meeting. To be effective, the Proxy Form must be completed and received at either the Company's registered office or its share registry, Security Transfer Registrars no later than 48 hours before the Meeting.

Registered Office

Company Secretary
Sandfire Resources NL

1 Ventnor Avenue,

West Perth WA 6005

PO Box 1495

West Perth WA 6872

Or by facsimile on:

+61-8 9321 5884

Or by electronic address:

jmathie@resdev.com.au

Share Registry

Security Transfer Registrars

770 Canning Highway

Applecross WA 6153

PO Box 535

Applecross WA 6953

If any shareholder wishes to lodge a proxy electronically, it will be necessary to scan an image of a signed proxy form and e-mail that image of the proxy form with the signature affixed to be received no later than 48 hours before the Meeting. This is needed to comply with the requirements of section 250A of the Corporations Act that a valid proxy be in writing and be signed by the shareholder appointing the proxy.

If you are entitled to attend and cast a vote at the Meeting you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a shareholder. If you appoint two proxies each proxy may exercise half of the shareholders votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Meeting will be suspended while you are present.

Corporate Representatives

A corporation may appoint an individual as a representative to exercise its powers as shareholder or as a shareholder's proxy. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it was previously given to the Company's share registry.

Powers of Attorney

A person appearing as an Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the Meeting.

SANDFIRE RESOURCES NL, ABN 55 105 154 185 (the **Company**) gives notice that a General Meeting of shareholders will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia 6005 on Thursday, 19 June 2008 at 9.30am (Western Standard Time).

The Explanatory Notes and Proxy Form accompanying this notice of Meeting (**Notice of Meeting**) are hereby incorporated in and form part of this Notice of Meeting. Some terms used in this Notice of General Meeting are defined in the Explanatory Notes.

This Notice of Meeting and the Explanatory Notes are important documents and should be read in their entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.

SPECIAL BUSINESS

1. RATIFICATION OF ISSUE OF SHARES

To consider and, if thought fit, pass the following ordinary resolution.

That, for the purposes ASX Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby ratify the issue of 430,000 Shares, each paid to \$0.0001 with \$0.15 payable, as announced in Appendix B lodged with ASX and dated 7 July 2007.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who participated in the issue of securities referred to in this Resolution and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. APPROVAL FOR THE ISSUE OF SHARES TO POSCO AUSTRALIA PTY LTD

To consider and, if thought fit, to pass the following ordinary resolution.

That, subject to the passing of Resolution 3, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve the issue to Posco Australia Pty Ltd (ABN 54 002 062 160) of 16,498,339 Shares, being such number of Shares that will give Posco Australia Pty Ltd voting power equal to 19.99% of all Shares in the Company on completion of the POSA Placement, at the issue price of \$0.40 per Share pursuant to the terms of a Share Subscription Agreement entered into between the Company and Posco Australia Pty Ltd.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Posco Australia Pty Ltd and any person who may obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any votes cast by an associate of any such person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

3. APPROVAL FOR THE ISSUE OF CONTRIBUTING SHARES TO POSCO AUSTRALIA PTY LTD

To consider and, if thought fit, to pass the following ordinary resolution.

THAT, subject to the passing of Resolution 2, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve the issue of 2,535,327 Contributing Shares, each paid to \$0.0001 with \$0.15 payable, to Posco Australia Pty Ltd, being such number of Contributing Shares that will give Posco Australia Pty Ltd voting power equal to 19.99% of all Contributing Shares in the Company on completion of the POSA Placement, at the issue price of \$0.25 per Contributing Share pursuant to the terms of a Share Subscription Agreement entered into between the Company and Posco Australia Pty Ltd.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Posco Australia Pty Ltd and any person who may obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any votes cast by an associate of any such person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

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4. ISSUE OF DIRECTORS' OPTIONS

To consider and, if thought fit, to pass the following ordinary resolutions.

- A. That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 2,400,000 Directors' Options to Karl Simich, or his nominee, for no cash consideration, each of such Directors' Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution 4.A by Karl Simich and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this resolution, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

- B. That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 2,400,000 Directors' Options to John Evans, or his nominee, for no cash consideration, each of such Directors' Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution 4.B by John Evans and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this resolution, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

- C. That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 900,000 Directors' Options to Miles Kennedy, or his nominee, for no cash consideration, each of such Directors' Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution 4.C by Miles Kennedy and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this resolution, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

- D. That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 300,000 Directors' Options to John Hutton, or his nominee, for no cash consideration, each of such Directors' Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution 4.D by John Hutton and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this resolution, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To deal with any other business that may be brought forward in accordance with the Company's Constitution and the Corporations Act.

By order of the Board



**JEAN MATHIE
COMPANY SECRETARY**

Date: 20 May 2008

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These Explanatory Notes form part of the Notice of Meeting.

RESOLUTION 1 – RATIFY ISSUE OF SECURITIES

The issue of the 430,000 Contributing Shares referred to in Resolution 1 and announced to ASX on 7 July 2007, were issued, for no cash consideration, at the discretion of the directors (subject to the Corporations Act and ASX Listing Rules) on 7 July 2007 as an incentive to employees and consultants who had continued to serve and were currently serving the company as at 1 July 2007 as anticipated in the Company's ASX announcement dated 11 July 2006.

All these Contributing Shares are ordinary shares, partly paid to \$0.0001 with \$0.15 payable, and rank pari passu with existing Contributing Shares.

All directors recommend that shareholders vote in favour of Resolution 1.

RESOLUTIONS 2 AND 3 - APPROVAL FOR THE ISSUE OF SECURITIES TO POSCO AUSTRALIA PTY LTD

The Company has entered into a Share Subscription Agreement (**SSA**) with Posco Australia Pty Ltd (ABN 54 002 062 160) (**POSA**), a company incorporated in Australia and a wholly-owned subsidiary of POSCO (**POSCO**), a major global producer of steel with headquarters in Seoul, Republic of Korea, for the issue of securities to POSA (the **POSA Placement**).

Under the SSA, POSA and the Company have agreed that, subject to the grant of all necessary approvals and compliance with all applicable laws, POSA must subscribe and pay for, and the Company must issue to POSA, on the terms and conditions of the SSA:

1. such number of Shares as will give POSA voting power equal to 19.99% of all Shares in the Company on completion of the POSA Placement (the **Placement Shares**), at a subscription price of \$0.40 for each Placement Share; and
2. such number of Contributing Shares as will give POSA voting power equal to 19.99% of all Contributing Shares in the Company on completion of the POSA Placement (**the Placement Contributing Shares**), at a subscription price of \$0.25 for each Placement Contributing Share.

Completion of the POSA Placement is conditional on:

- a. the Treasurer of the Commonwealth of Australia ceasing to be empowered to make an order under Part II of the Foreign Acquisitions and Takeovers Act 1975 (Cth) in the POSA Placement, or giving POSA advice in writing of a decision by the Treasurer that the Commonwealth Government has no objection to relation to the POSA Placement, whichever first occurs; and
- b. approval of the POSA Placement by the Company's shareholders.

Under the SSA, the Company must use best efforts to procure, as soon as reasonably practical, all approvals, including shareholders approval to the POSA Placement and anything incidental which it requires by law or the Listing Rules, and to convene meetings of its members for the purpose of securing those approvals in a timely manner, and POSA must use best efforts to procure, as soon as reasonably practical, all approvals to the Initial Placement and anything incidental which it requires by law, including (if necessary) any approvals required from the Foreign Investment Review Board of Australia. If all necessary approvals are not obtained and all applicable laws not complied with before 5.00 pm WST on 15 July 2008, or such other date or time as the Parties may agree in writing, then the rights and obligations to proceed with the POSA Placement will terminate on that date.

The securities to be issued to POSA under the POSA Placement must be issued by the Company free of any encumbrances and with no escrow or other provisions restricting the on-sale of all or any of the those securities by POSA at any time, and POSA will be able to rely on section 708A(5) of the Corporations Act.

Immediately after completion of the POSA Placement, the Company must apply to ASX and use its best endeavours to obtain official quotation of the Placement Securities by ASX and give ASX a notice that complies with section 708A(6) of the Corporations Act. As soon as reasonably practicable after completion of the POSA Placement, and in any event within five (5) Business Days of that date (unless otherwise specified), the Company must deliver holding statements for the Placement Securities to POSA.

Until completion of the POSA Placement, the Company must ensure nothing which the Company is reasonably able to prevent, happens which, in POSA's reasonable opinion, has a material adverse effect on the Company's business, property or financial condition, or its ability to perform its obligations under the SSA and the Company must not, without the written consent of POSA, do anything outside the ordinary trading activities of the Company or make a placement of Equity Securities under Listing Rule 7.1.

For the continuous period (**Rights Period**) from the date of completion of the POSA Placement to the date 6 months after POSA ceases to be the registered holder of at least 10% (**Minimum Shareholding**) of all Shares:

- a. POSA has the right, but not the obligation, to participate in any proposed offer of Equity Securities (as that term is defined in the Listing Rules) that may convert (whether at the option of the issuer or the holder) into Shares or other Equity Securities issued by the Company (**Proposed Equity Offer**). For the avoidance of doubt, if POSA ceases to hold the Minimum Shareholding for a continuous period of 6 months, its rights under that clause of the SSA are not suspended but are terminated; and
- b. except in certain circumstances (**Participation Exceptions**) defined in the SSA, the Company must ensure that POSA may participate in the Proposed Equity Offer by making an offer for the issue to POSA of the number of Equity Securities required to enable POSA to maintain, on completion of that Proposed Equity Offer, the percentage shareholding POSA held prior to that completion, on the same terms and conditions as offers of Equity Securities are made to other investors or shareholders under the Proposed Equity Offer. For example only, if POSA is the registered holder of say 15% of the entire issued ordinary share capital of the Company immediately before a Proposed Equity Offer, POSA will be entitled to subscribe for up to such number of Equity Securities as is required to maintain its proportionate shareholding at 15% on completion of that Proposed Equity Offer.

An issue of Equity Securities to POSA under a Proposed Equity Offer under the SSA will be subject to and conditional compliance with all applicable laws and the Listing Rules, and each Party undertakes to use reasonable efforts to promptly procure all approvals required by each of them respectively for the issue of Equity Securities to POSA under a Proposed Equity Offer.

Terms of Placement Contributing Shares

The Placement Contributing Shares referred to in Resolution 3, will be issued upon and subject to the following terms and conditions.

- a. each Placement Contributing Share:
 - (i) is paid to 0.0001 cent;
 - (ii) has an amount unpaid of 15 cents;
 - (iii) carries the right to participate in new issues of Equity Securities to holders of Shares (except bonus issues) on the same basis as holders of Shares;
 - (iv) carries the right to participate in bonus issues of Equity Securities in the proportion which the amount paid (not credited) bears to 15 cents ; and
 - (v) carries the right to vote in the proportion which the amount paid (not credited) bears to 15 cents;
- b. holders of Placement Contributing Shares have no obligation to meet a call made by the Company, however, non-payment of a call will result in the forfeiture of the relevant Contributing Shares;
- c. holders of Placement Contributing Shares are permitted to pay up the full amount remaining unpaid at any time (without the Company first being required to make a call), in which case the Placement Contributing Share will become a (fully paid) Share and will rank pari passu with all Shares on issue;
- d. if a holder of a Placement Contributing Share tenders part of the amount remaining unpaid on the Placement Contributing Share other than in satisfaction of a call:
 - (i) the rights attaching to the Placement Contributing Share will not change (including the amounts paid and unpaid); and
 - (ii) the amount tendered will be returned; and
- e. if, in response to a call by the Company, a holder of a Placement Contributing Share pays up the full amount remaining unpaid at any time, the Placement Contributing Share will become a (fully paid) Share and will rank pari passu with all Shares on issue;
- f. if there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation; reduction or return of capital):
 - (i) the number of Placement Contributing Shares must be reorganised in the same proportion as all other classes of Shares on issue; and
 - (ii) the reorganisation must not involve a cancellation or reduction of the total amount payable and unpaid by holders of Placement Contributing Shares.

Under the SSA, POSA acknowledges and agrees that notwithstanding the provisions of paragraph c of the Terms of Placement Contributing Shares set out above, neither POSA, nor anyone on its behalf will be

permitted to pay up the whole amount remaining unpaid at any time on any of the Placement Contributing Shares (without the Company first having made a call), if that would result in the acquisition by POSA of a relevant interest in the voting shares in the Company prohibited by the Corporations Act.

In addition to the SSA, the Company and POSA have entered into a commercial agreement (**the Commercial Agreement**), as announced to ASX on 5 May 2008, relating, inter alia, to the sale, purchase and marketing of the Company's share, from time to time, of metals and minerals (excluding gold and diamonds) beneficiated or processed to an internationally marketable quality to be sold, transferred or disposed of by or on behalf of the Company from any exploration or mining project in which the Company has an interest (**SFR Project**).

Under the Commercial Agreement, POSA has the right, inter alia, to have one person nominated by POSA (**POSA Board Nominee**) from time to time to be appointed as a director of the Company to hold that office until the end of the Rights Period (subject to re-election in accordance with the constitution of the Company and the Listing Rules). POSA must procure that the POSA Board Nominee, if any, resigns as a director of the Company with effect on and from the end of the Rights Period.

Proposed use of funds

The funds raised from the Posa Placement (\$6,599,335.60 from the issue of the Placement Shares and \$633,831.75 from the issue of the Placement Contributing Shares) will be utilised to seek to accelerate exploration across the Company's Australian mineral portfolio, including:

- continued exploration at the Borroloola Project in the Northern Territory, located near the Macarthur River base metals project and Groote Eylandt Manganese Mine, where the Company has recently confirmed the potential for both lead-zinc-silver and manganese mineralization; and
- further drilling to establish a JORC Code compliant resource estimate at the Doolgunna Iron Ore Project, located 140km north of Meekatharra, where the potential for extensive high-grade hematite mineralization has been established; and
- ongoing exploration at the Doolgunna Gold Project, where recent drilling has confirmed the potential for high-grade gold mineralization offering the potential for a near-term project development and cash flow opportunity.

Directors' Recommendation

All of the directors were available to consider these proposed Resolutions and all the directors of the Company recommend that shareholders vote in favour of Resolutions 2 and 3.

Specific Information required by ASX Listing Rules 7.3.2 and 7.3.7

For the purposes of ASX Listing Rules 7.3.2 and 7.3.7, the following information is provided in relation to the issue of securities contemplated by Resolutions 2 and 3.

- i. Upon shareholder approval being obtained at this Meeting, the securities will be issued no later than 3 months after that date and it is intended that the allotment will occur on the same day.
- ii. The allotment of securities will not occur progressively but will occur on the same date.

RESOLUTIONS 4.A, B, C and D – ISSUE OF DIRECTORS' OPTIONS

Under Resolutions 4.A to 4.D inclusive, shareholders are asked to approve the issue of Directors' Options for no consideration to the Directors of the Company as follows.

Resolution	Director	No. of Director Options
Resolution 4.A	Karl Simich	2,400,000
Resolution 4.B	John Evans	2,400,000
Resolution 4.C	Miles Kennedy	900,000
Resolution 4.D	John Hutton	300,000

Number, Price and Allottees

The Company will issue the Directors' Options described above to each director concerned (or their respective nominees), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

If the proposed issue of Directors' Options to each director (or their respective nominees) is approved by shareholders pursuant to the respective Resolutions, the aggregate number of options that will be issued under Resolutions 4.A to 4.D inclusive is 6,000,000 Directors' Options.

Use of Funds Raised

No funds will be raised from the issue of the Directors' Options for any of Resolutions 4.A to 4.D, inclusive.

Terms of Directors' Options

The Directors' Options referred to in Resolutions 4.A to 4.D, inclusive, will be issued upon and subject to the following terms and conditions.

- a) Definitions:
- (i) **ASX** means ASX Limited (ABN 98 008 624 691).
 - (ii) **Base Price** means the weighted average price of all Shares traded on ASX for twenty (20) trading days immediately prior to the Resolution Date, determined by dividing the aggregate sale price for all Shares traded in that twenty (20) day period by the total number of the Shares traded.
 - (iii) **Company** means Sandfire Resources NL (ABN 55 105 154 185).
 - (iv) **Exercise Price** means the exercise price of each Directors' Option, being:
 - a. the greater of \$0.60 or an amount equal to the Base Price plus a premium of fifty percent (50%) of the Base Price, in the case of each Directors' Option in the 1st Tranche;
 - b. the greater of \$0.80 or an amount equal to the Base Price plus a premium of one hundred percent (100%) of the Base Price, in the case of each Directors' Option in the 2nd Tranche; and
 - c. the greater of \$1.00 or an amount equal to the Base Price plus a premium of one hundred and fifty percent (150%) of the Base Price, in the case of each Directors' Option in the 3rd Tranche.
 - (v) **Expiry Date** means 5.00pm (WST) on 12 July 2013.
 - (vi) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising Directors' Options.
 - (vii) **Listing Rules** means the Listing Rules of the ASX (including the ASTC Settlement Rules, ASX Market Rules and the ACH Clearing Rules).
 - (viii) **Market Price** means the weighted average price of all Shares traded on ASX for any five (5) consecutive trading days during the period between the Resolution and Expiry Dates, determined by dividing the aggregate sale price for all Shares traded in that five (5) day period by the total number of the Shares traded.
 - (ix) **Option Holder** means the person or persons registered as the holder of one or more Directors' Options from time to time.
 - (x) **Option Period** means the period from the date of issue of the Directors' Options to the Expiry Date.
 - (xi) **Resolution Date** means the date on which the resolutions authorising the issue of the Directors' Options, being Resolutions 4.A to 4.D inclusive, in the Company's Notice of Meeting dated 20 May 2008, are passed by the shareholders.
 - (xii) **Share** means a fully paid ordinary share in the capital of the Company.
 - (xiii) **Takeover Announcement** means the announcement or making of a Takeover Bid for the Company.
 - (xiv) **Takeover Bid** means a takeover bid or offer within the meaning of those terms under the Corporations Act.
 - (xv) **Unexercised Option Holder** means any person or persons registered as the holder of Unexercised Options.
 - (xvi) **Unexercised Options** means all Directors' Options not exercised on or before the Expiry Date.
- b) Each Directors' Option is transferable but unlisted.
- c) Subject to these Terms and Conditions, each Directors' Option carries the right to subscribe for one Share.
- d) If, at any time during the period from the Resolution Date to the Expiry Date:
- (i) the Market Price equals or exceeds \$0.60 or there is a Takeover Announcement, one third (1/3) (**the 1st Tranche**) of all the Directors' Option then on issue and unexercised will become exercisable at the Exercise Price applicable to each Directors' Option in the 1st Tranche;
 - (ii) the Market Price equals or exceeds \$0.80 or there is a Takeover Announcement, a further one third (1/3) (**the 2nd Tranche**) of all the Directors' Option then on issue and unexercised will become exercisable at the Exercise Price applicable to each Directors' Option in the 2nd Tranche;

- (iii) the Market Price equals or exceeds \$1.00 or there is a Takeover Announcement, the final one third (1/3) (**the 3rd Tranche**) of all the Directors' Option then on issue and unexercised will become exercisable at the Exercise Price applicable to each Directors' Option in the 3rd Tranche.
- e) Subject to d) above, Directors' Options may be exercised by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date.
- f) The Exercise Notice must state the number of Directors' Options to be exercised and be accompanied by the relevant holding statement(s) and a cheque (in Australian currency) made payable to the Company for an amount being the result of the applicable Exercise Price multiplied by the number of Directors' Options being exercised.
- g) Following receipt of a properly executed Exercise Notice and application monies in respect of the exercise of any Directors' Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
- h) The Company will make application to have the Shares (issued pursuant to an exercise of Directors' Options) listed for quotation by ASX within 7 days of the date of issue.
- i) Shares issued pursuant to an exercise of Directors' Options shall rank, from the date of issue, pari passu with existing Shares in all respects.
- j) Directors' Options carry no right to participate in pro rata issues of securities to shareholders unless the Directors' Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- k) Each Option Holder will be notified by the Company of any proposed pro rata issue of securities to shareholders in accordance with ASX Listing Rules.
- l) Subject to the Corporations Act 2001 (Cth) and Listing Rules, Directors' Options do not confer the right to a change in Exercise Price.
- m) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the Directors' Options will be changed to the extent necessary to comply with the requirements of the ASX Listing Rules (in force at the time of the reorganisation).

Other Information

The primary purpose of these issues of Directors' Options is not to raise capital, but to provide an incentive to the directors. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Directors' Options.

The market price of the Company's shares during the term of the Directors' Options would normally determine whether or not the Option Holder exercises the Directors' Option. At the time any Directors' Options are exercised and Shares issued pursuant to the exercise of any Directors' Option, the Company's Shares may be trading on ASX at a price which is higher than the Exercise Price of the Directors' Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

During the preceding 12 months ended 16 May 2008, the Company's Share price has traded from a low of \$0.19 per share to a high of \$0.57 per share. The closing price of the Company's shares on 19 May 2008 was \$0.40.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Directors' Options proposed to be issued pursuant to Resolutions 4.A to 4.D, inclusive, will be unlisted and only vest in one-third tranches as specified in paragraph d of the Terms of Directors' Options. Nevertheless, a value for each of the Directors' Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.15223 for each 1st Tranche Directors' Option, \$0.12182 for each 2nd Tranche Directors' Option, and \$0.09982 for each 3rd Tranche Directors' Option by applying the Black-Scholes option pricing model as follows.

Minimum Exercise Price of Directors' Options:

1st Tranche (1/3 of Directors' Options)	\$0.60
2nd Tranche (1/3 of Directors' Options)	\$0.80
3rd Tranche (1/3 of Directors' Options)	\$1.00
Share price used	\$0.38
Expiry Date	12 July 2013
Total Directors' Options	6,000,000

Vesting Conditions:

Until the Market Price equals \$0.60 - Nil	Nil (in total)
Market Price equals or exceeds \$0.60, or there is a Takeover Announcement (1 st Tranche) - 1/3	1/3 (in total)
Market Price equals or exceeds \$0.80, or there is a Takeover Announcement (2 nd Tranche) - a further 1/3	2/3 (in total)
Market Price equals or exceeds \$1.00, or there is a Takeover Announcement (3 rd Tranche) - a further 1/3	100% (in total)

Risk fee rate 7.25%

Volatility 50%

Tranche of Directors' Options	Black-Scholes notional value for each Directors' Option	Black-Scholes total notional value
1 st Tranche	\$015223	\$304,454.44
2 nd Tranche	\$0.12182	\$243,649.75
3 rd Tranche	\$0.09982	\$199,630.25
Total (all 6,000,000 Directors' Options)	(See notional values specified above for each Tranche)	\$747,734.44

The Company currently has the following issued capital.

Number of securities	Class of securities
66,034,626	Ordinary fully paid Shares
10,147,652	Ordinary Contributing Shares (paid to \$0.0001 with \$0.15 to pay)
525,000	Unlisted options exercisable at A\$0.20 expiring 30/9/2008
2,372,000	Unlisted options exercisable at A\$0.25 expiring 31/12/2008
3,000,000	Unlisted options exercisable at A\$0.50 expiring 30/9/2011
1,045,000	Unlisted options exercisable at A\$0.35 expiring 7/2/2011

If all the Directors' Options issued pursuant to Resolutions 4.A to 4.D, inclusive, are all exercised, then the issue of Shares pursuant to the exercise of those Directors' Options (up to an aggregate of 6,000,000 Shares) will dilute the holdings of the existing shareholders.

If:

- all existing options to acquire Shares are exercised;
- all existing Contributing Shares are paid up in full; and
- all 6,000,000 Directors' Options are issued and exercised

the total dilution effect of the issue and exercise of the Directors' Options on the Company's fully diluted Share capital (ignoring any securities that may be issued under the POSA Placement) would be approximately 6.7%.

If, in addition:

- all the POSA Placement Shares are issued to POSA under Resolution 2; and
- all the POSA Contributing Shares are issued to POSA under Resolution 3 and are thereafter paid up in full

the total dilution effect of the issue and exercise of the Directors' Options on the Company's fully diluted Share capital would then be approximately 5.5%.

If all the Directors' Options are issued, vested and then exercised, the total amount payable to the Company on the exercise of all the Directors' Option would be the sum of \$4,800,000.

Directors' Recommendation and Interests

At the date of this Notice of Meeting, each director of the Company had a relevant interest in the number of shares and options set out below.

	Shares	Contributing Shares	Options
Karl Simich ⁽¹⁾	2,786,268	1,253,134	NIL
John Evans	NIL	NIL	NIL
Miles Kennedy ⁽²⁾	106,268	753,134	NIL
John Hutton ⁽³⁾	5,676,822	NIL	1,000,000

- (1)** Includes securities held by:
- (a) Resource and Development Company Pty Ltd (**RDC**), of which Messrs Kennedy and Simich are directors, as trustees for:
 - (i) the Resource Development Discretionary Trust,
 - (ii) the Simich Family Trust .
 - (b) Tongaat Pty Ltd, of which Mr Simich is director, as trustee for Blue Seas Trust; and
 - (c) Kape Securities Pty Ltd, of which Mr Simich is director, as trustee for Blue Seas Super Fund.
- (2)** Includes securities held by RDC, which Messrs Kennedy and Simich are directors, as trustees for:
- (a) the Resource Development Discretionary Trust; and
 - (b) the Miles Kennedy Trust.
- (3)** Includes securities held by Faustus Nominees Pty Ltd, of which Mr Hutton is a director.

The directors are currently being remunerated (on an annual basis) as follows.

	Base Remuneration and Directors' Fees \$	Super Contributions \$	Other Payments \$	Total \$
Karl Simich	33,028	2,972	144,000	180,000
John Evans	160,550	14,450	-	175,000
Miles Kennedy	55,046	4,954	-	60,000
John Hutton	33,028	2,972	-	36,000

Other than the issue of Directors' Options, the subject of Resolutions 4.A to 4.D 9 inclusive, the Company currently has no intention of materially altering the above remuneration.

All of the directors were available to consider the proposed Resolutions.

The directors consider that, although the issue of the Directors' Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and appropriate to seek the approval of shareholders to the issue of the Directors' Options.

Karl Simich declined to make a recommendation about the proposed Resolution 4.A on the basis that he has a material personal interest in the outcome of that resolution. Messrs Kennedy, Evans and Hutton recommend that shareholders vote in favour of Resolution 4.A as, having considered Karl Simich's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper incentive to Karl Simich to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

John Evans declined to make a recommendation about the proposed Resolution 4.B on the basis that he has a material personal interest in the outcome of that resolution. Messrs Simich, Kennedy and Hutton recommend that shareholders vote in favour of Resolution 4.B as, having considered John Evans' experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper incentive to John Evans to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Miles Kennedy declined to make a recommendation about the proposed Resolution 4.C on the basis that he has a material personal interest in the outcome of that resolution. Messrs Simich, Evans and Hutton recommend that shareholders vote in favour of Resolution 4.C as, having considered Miles Kennedy's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper incentive to Miles Kennedy to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

John Hutton declined to make a recommendation about the proposed Resolution 4.D on the basis that he has a material personal interest in the outcome of that resolution. Messrs Evans, Kennedy and Simich recommend that shareholders vote in favour of Resolution 4.D as, having considered John Hutton's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Directors' Options to be a reasonable and proper incentive to John Hutton to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Other than the information disclosed above or elsewhere in these Explanatory Notes, no director has an interest in the outcome of the proposed Resolutions 4.A to 4.D inclusive (other than as directors of, and holders of securities in, the Company) and neither the directors nor the Company are aware of any other information that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass 4.A to 4.D inclusive.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

VOTING EXCLUSION STATEMENT

Please refer to the Voting Exclusion Statements contained in the Notice of Meeting for details regarding votes to be disregarded in relation to Resolutions 1, 2, 3 and 4.A to 4.D, inclusive.

GLOSSARY

In the Notice of Meeting and these Explanatory Notes, unless the context otherwise requires, the following expressions have the following meanings.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules means the listing rules of ASX.

Company means Sandfire Resources NL (ABN 55 105 154 185).

Contributing Share means a partly paid ordinary share issued by the Company and paid to \$0.0001 as at the date of completion of the POSA Placement with \$0.15 unpaid

Explanatory Notes means these explanatory notes.

POSA Placement means the issue and allotment of the POSA Placement Shares and the POSA Contributing Shares to POSA under the SSA.

Meeting or **General Meeting** means the General Meeting of shareholders convened by this Notice.

Notice or **Notice of Meeting** means the Notice of the General Meeting of which these Explanatory Notes form part.

Placement Securities means the Placement Shares and the Placement Contributing Shares.

Resolution means a resolution referred to in the Notice of Meeting.

Share means fully paid ordinary voting Share issued in the capital of the Company.

WST means Western Standard Time.

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The Secretary
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 Fax: (+61-8) 9321 5884

The Registrar
 Security Transfer Registrars
 770 Canning Highway
 PO Box 535
 Applecross WA 6953
 Fax: (+61-8) 9315-2233

SHAREHOLDER DETAILS

Name of Shareholder:

Address of Shareholder:

Telephone No:

I/We being a member(s) of Sandfire Resources NL, appoint the following person or failing him/her the Chairman of the Meeting as my/our proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairman sees fit) at the General Meeting (Meeting) of the Company to be held at the Celtic Club, 48 Ord St, West Perth WA 6005 at 9.30am on Thursday, 19 June 2008 (and at any adjournment thereof).

Name of Proxy:

Address:

INSTRUCTIONS AS TO VOTING – refer Notes to the Proxy Form

If you wish to direct your proxy how to vote with respect to the proposed resolutions, please indicate the manner in which your proxy is to vote by placing a "X" in the appropriate box below, otherwise your proxy will vote or as he/she thinks fit.

If you do not wish to direct your proxy how to vote please place an "X" in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded.

It is the Chairman's intention to vote in favour of all resolutions in relation to undirected proxies.

If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of Issue of Shares			
Resolution 2	Approval for the issue of shares to POSCO Australia Pty Ltd			
Resolution 3	Approval for the issue of contributing shares to POSCO Australia Pty Ltd			
Resolution 4	Issue of Directors' Options			
	4.A 2,400,000 Directors' Options to Karl Simich or his nominee			
	4.B 2,400,000 Directors' Options to John Evans or his nominee			
	4.C 900,000 Directors' Options to Miles Kennedy or his nominee			
	4.D 300,000 Directors' Options to John Hutton or his nominee			

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