

ASX/MEDIA RELEASE

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SANDFIRE SECURES STRATEGIC ALLIANCE WITH KOREA'S POSCO

A\$7.2M SHARE PLACEMENT AND OFF-TAKE AND MARKETING ARRANGEMENTS

- **Proposed A\$7.2M share placement to Posco Australia, a subsidiary of Korean-based POSCO, the second largest company in South Korea and the world's fourth largest steel producer.**
 - **Share placement comprises 16.5M fully paid shares at 40 cents and 2.5M partly paid ordinary shares at 25 cents (with 15 cents unpaid).**
 - **Subject to all necessary approvals, Posco Australia to become Sandfire's cornerstone shareholder with a 19.99% stake.**
 - **Off-take agreement with Posco for up to 30% of future mineral production from Sandfire projects (excluding gold and diamonds).**
 - **Sandfire to accelerate exploration & evaluation of its diversified portfolio of manganese, lead-zinc-silver, iron ore and gold projects in Australia.**
 - **Positions Sandfire to target additional strategic resource opportunities.**
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Diversified Australian resource company, Sandfire Resources NL (ASX: SFR – **Sandfire or the Company**), is pleased to announce that it has finalised agreements with Posco Australia Pty Ltd (**POSA**), a subsidiary of the leading Korean-based global steel group POSCO, to acquire a strategic 19.99% stake in Sandfire through a proposed share placement comprising **16.5 million fully paid shares at 40 cents each and 2.5 million partly paid ordinary shares (Contributing Shares) at 25 cents each (with 15 cents unpaid).**

The Share Subscription Agreement, together with a Commercial Agreement, establish the foundations for a long-term alliance between Sandfire and POSCO, providing an immediate A\$7.2 million cash injection as well as the financial backing and strategic marketing, technical and corporate support of the world's fourth largest steel producer, a Korean-based global company with a market capitalisation of some US\$45 billion.

This will enable Sandfire to accelerate the exploration of its high quality diversified portfolio of manganese, lead-zinc-silver, iron ore and gold projects in Australia, as well as position the Company to take advantage of additional resource opportunities, both in Australia and overseas.

SHARE PLACEMENT

Under the Share Subscription Agreement, POSA will subscribe for a total of 16.5 million fully paid shares at a price of 40 cents each and 2.5 million Contributing Shares at 25 cents each (with 15 cents unpaid), equivalent to a 19.99% interest in the Company on a post-issue basis. The share placement is subject to the following conditions:

- approval by Sandfire shareholders at a General Meeting to be convened as soon as practicable; and
- relevant approvals from the Foreign Investment Review Board of Australia (FIRB).

Following completion of the share placement, Sandfire will have a total of approximately 82.5 million fully paid shares and 12.7 million Contributing Shares on issue. The funds raised will strengthen its cash position to approximately A\$9.2 million.

Under the agreement, POSA also has the opportunity to maintain its interest in the Company by participating in future capital raisings for as long as POSA retains a 10% holding of ordinary shares in Sandfire.

COMMERCIAL AGREEMENT – OFF-TAKE AND MARKETING

Under the Commercial Agreement, Sandfire has agreed to offer the right to POSA for it or POSA nominated affiliates to purchase up to 30% of its future mineral production on commercial terms and has appointed POSA as its marketing agent in the Republic of Korea.

In addition to the commercial arrangements above, provision has been made for POSA to nominate a POSA representative to be appointed to the Board of Sandfire.

As with the POSA's rights under the Share Subscription Agreement, the rights under the Commercial Agreement remain for as long as POSA has a 10% holding of ordinary shares in Sandfire.

USE OF FUNDS AND STRATEGY

The funds raised from the share placement will be utilised to accelerate exploration across Sandfire's extensive Australian mineral portfolio, including:

- continued exploration at the Borroloola Lead-Zinc Project in the Northern Territory, located near the world-class Macarthur River base metals project and Groote Eylandt Manganese Mine, where Sandfire has recently confirmed the potential for both lead-zinc-silver and manganese mineralisation; 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 mineralisation offering the potential for a near-term project development and cash flow opportunity.

Posco is the world's fourth largest steel producer and a leading global company with a market capitalisation of some US\$45 billion. Posco plans to increase the steel-making capacity of its Korean operations to 35 million tonnes per annum in 2008 through modernisation and expansion.

It is also aggressively expanding into growth markets in Vietnam and India, with the aim of lifting its global steel-making capacity to 50mtpa by the end of the decade.

Commenting on the agreements, Sandfire's Chairman, Mr Miles Kennedy, said: "We are delighted to have the support of POSA both as a major shareholder and as an off-take partner and marketing agent for the continued development of Sandfire's exciting mineral portfolio. This alliance will give us the financial, technical and corporate backing of one of the world's leading consumers of carbon steel materials, which has strong existing relationships with the Australian resources industry. We intend to accelerate our existing exploration programs with a view to continuing to develop a high quality resource base in Australia in a number of strategic commodities including manganese, lead-zinc-silver, iron ore and gold, as well as review additional commodity-related business opportunities with the support of Posco."

POSA's Managing Director, Mr SM Woo, said: "We are very pleased to announce this strategic investment in Sandfire Resources, which has assembled an outstanding portfolio of mineral projects in Western Australia and the Northern Territory.

"We look forward to working with Sandfire's management team to advancing these promising opportunities, each of which is located in a world-class mineral province and has the potential to evolve into a substantial production asset.

"The arrangements, principles and terms encompassed by these agreements will ensure that Posco can benefit from any major mineral discovery that eventuates from Sandfire's exploration activities as a supportive cornerstone shareholder and under clearly defined off-take and marketing arrangements."

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