



SANDFIRE RESOURCES NL

NOTICE OF GENERAL MEETING

TO BE HELD ON FRIDAY, 26 FEBRUARY 2010 AT 9.30AM (AWST)

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.

Sandfire Resources NL
ABN 55 105 154 185

Registered Office
1 Ventnor Avenue
West Perth, Western Australia 6005
Postal Address
PO Box 1495
West Perth, Western Australia 6872

Telephone: +61-8 9226 5833
Facsimile: +61-8 9226 5844
Email: admin@sandfire.com.au
Web: www.sandfire.com.au

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the shareholders of Sandfire Resources NL will be held at:
Celtic Club
48 Ord Street, West Perth, Western Australia, 6005
Commencing 9.30am (AWST) on 26 February 2010

VOTING ENTITLEMENTS

For the purposes of the Corporations Act 2001, all securities of the Company that are quoted securities at 9.30am (AWST) 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 (AWST).

PROXIES

A Proxy Form accompanies this Notice of 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 commencement of the Meeting.

Registered Office

Company Secretary
Sandfire Resources NL
1 Ventnor Avenue
West Perth, Western Australia 6005
PO Box 1495
West Perth, Western Australia 6872
Or by facsimile on:
+61-8 9226 5844
Or by electronic address:
admin@sandfire.com.au

Share Registry

Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
PO Box 535
Applecross WA 6953
Or by facsimile on:
+61-8 9315 2233

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 commencement of 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 General Meeting.

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Sandfire Resources NL will be convened at 9.30am (AWST) on Friday, 26 February 2010 at the Celtic Club, 48 Ord Street, West Perth 6005, Western Australia. An Explanatory Memorandum containing information in relation to the resolution accompanies this Notice.

AGENDA

SPECIAL BUSINESS

RESOLUTION 1 - APPROVAL OF ISSUE OF RETIREMENT SHARES TO MILES KENNEDY

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

“That for the purposes of Listing Rules 10.11 and 10.19, section 200B and Chapter 2E of the Corporations Act, and for all other purposes, Shareholders hereby approve the issue of the Retirement Shares to Mr Miles Kennedy as described in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Miles Kennedy, any other officer of the Company or any of its child entities who is entitled to participate in a termination benefit and any of their associates. 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 of Directors



Jean Mathie
Company Secretary

DATED this 19th day of January 2010

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of Sandfire Resources NL to be held at the Celtic Club, 48 Ord Street, West Perth WA on Friday, 26 February 2010 at 9.30am.

The purpose of this Explanatory Memorandum is to provide information which the Directors believe to be material to shareholders in deciding whether or not to pass the resolution in the Notice of General Meeting (of which this Explanatory Memorandum forms a part).

RESOLUTION 1 – APPROVAL OF ISSUE OF RETIREMENT SHARES TO MILES KENNEDY

Resolution 1 seeks Shareholder approval for the issue of Shares to Mr Miles Kennedy in connection with his retirement as director and non-executive chairman of the Company on 21 December 2009.

Mr Kennedy, through a related company, was a founding member of Sandfire Resources NL (then named Borrooloola Resources NL) in June 2003.

As a promoter of, and advisor to, the Company, Mr Kennedy was instrumental in negotiating the acquisition of several of the Company's major projects including, in particular, the Borrooloola Manganese Project in the Northern Territory and the Doolgunna Copper Gold Project, located north of Meekatharra in Western Australia.

Mr Kennedy was also responsible for assisting the Company in financing its operations before it was admitted to the Official List of ASX on 1 March 2004, and thereafter, before being appointed an officer, provided ongoing advice and assistance to the management of the Company on an informal, gratuitous basis and continued to assist the Company to raise the funds required for its ongoing operations and development.

Mr Kennedy was appointed as a non-executive director of the Company on 3 August 2007 and non-executive chairman on 29 September 2007.

On 5 May 2008, the Company announced it had secured a strategic alliance with Posco Australia Pty Ltd ("**POSA**"), a subsidiary of the world's fourth largest steel producer, leading Korean-based global steel group POSCO, with a market capitalisation of some US\$45 billion, to acquire a strategic stake in the Company. It was announced that the agreements with POSA established the foundations for a long-term alliance between the Company 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 POSCO and that this would enable the Company 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.

On 30 September 2009, the Company announced that it had concluded an agreement with Mineral Resources Limited ("**MRL**") in relation to the Company's Borrooloola Project under which, inter alia, MRL acquired the right to 100% of all manganese from the Borrooloola Manganese Project, with the Company retaining 100% ownership of all tenements in the project and all rights to any other commodities from those tenements. Under this agreement, which provides for full accommodation of the Company's agreement with POSA, MRL will fund all manganese operations on the tenements and the Company will be entitled to 30% of the profits (before interest and tax and after reimbursement of MRL's costs) from the future sale of manganese products from the project.

Since April 2009, drilling on the Doolgunna Copper Gold Project has revealed significant mineralisation including the DeGrussa Deposit of very high-grade coppergold mineralisation with associated zinc and silver, which has returned some outstanding intersections including 50.1m @ 8.4% Cu and 2.9g/t Au and 9.1m @ 34.1% Cu and 3.3g/t Au as well as the nearby Conductor 1 and Conductor 4/Footwall Deposits.

Following developments in the Company's activities and the very promising results from its highly successful exploration programme on the Doolgunna Copper Gold Project, the Company is proposing to expand its operations and re-structure its Board and management team for its ongoing operations. Mr Kennedy, who was only scheduled to retire by rotation in 2012, agreed to voluntarily retire as a director and non-executive of the Company on 21 December 2009 as part of that planned restructure of the Company's Board.

During the period from the date of his appointment as a director of the Company on 3 August 2007 to the date of his resignation on 21 December 2009, the market price of the Company's Shares increased from \$0.35 to a high of \$4.39 on

16 October 2009, with the closing price on the date of his resignation being \$3.45. This represents an increase in the market capitalisation of the Company during the term of Mr Kennedy's office as a director of the Company from approximately \$22,771,000 on the date of Mr Kennedy's appointment as a director, to approximately \$370,880,000 on the date of his retirement.

In recognition of Mr Kennedy's involvement and assistance in the establishment and funding of the Company, the acquisition of its projects and the significant contribution he has made to its development and success, initially as a promoter and adviser and thereafter as a director and chairman of the Board, and to partly compensate Mr Kennedy for his early retirement, the independent Board resolved (subject to Shareholder approval) to pay Mr Kennedy \$500,000, less any deductions the Company is required to make for tax purposes, which the Company has been advised is estimated as \$187,500.

As announced to ASX on 8 January 2010, the Company and Mr Kennedy agreed to the issue of Shares ("**Retirement Shares**") to Mr Kennedy to the value of \$500,000, less any deductions the Company is required to make for tax purposes, in lieu of a cash payment of that amount.

The Board views this variation as a positive outcome, helping to preserve the Company's cash reserves as it completes the maiden JORC resource statement for the Doolgunna Copper-Gold Project and continues an aggressive exploration program. The issue of the Retirement Shares requires Shareholder approval for the purposes of the Listing Rules and the Corporations Act, as outlined below.

The following Shareholders, who are currently the direct or indirect holders of the respective number of Shares specified in the following table, have each advised the Company that they will vote in favour of Resolution 1.

Shareholder	Number of Shares Held	Voting Power
Posco Australia Pty Ltd	19,033,666	[17.65]%
Mr Karl M Simich ¹	3,549,338	[3.29]%
TOTAL	27,978,220	[20.94]%

¹ Includes associated entities.

Listing Rule Requirements

Listing Rule 10.11

Listing Rule 10.11 provides that a listed company may not, without the approval of ordinary shareholders, issue equity securities to a related party unless an exception in Listing Rule 10.12 applies.

The Company proposes to issue the Retirement Shares to Mr Kennedy, which are equity securities. For the purposes of Listing Rule 10.11, Mr Kennedy is considered to be a related party of the Company.

The exceptions set out in Listing Rule 10.12 do not apply to the issue of the Retirement Shares to Mr Kennedy. Accordingly, Shareholder approval is being sought.

Listing Rule 10.13

In accordance with Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess whether or not to approve the proposed issue of the Retirement Shares to Mr Kennedy.

- (a) If Shareholders approve Resolution 1, the Company will issue Shares to the value of \$500,000, less any deductions the Company is required to make for tax purposes (estimated at \$187,500). The number of Shares to be issued will be calculated using the 5 day VWAP of the Company's Share price over the 5 ASX trading days immediately prior to the Meeting.
- (b) If Resolution 1 is passed, the issue of the Retirement Shares to Mr Kennedy will occur immediately, and in any event no later than 1 month after the date of the Meeting.
- (c) The Retirement Shares will be issued at a price equal to the 5 day VWAP of the Company's Share price over the 5 ASX trading days immediately prior to this Meeting. The Shares will rank pari passu in all respects from the date of

issue with the existing Shares of the Company. The Company will apply for official quotation of the Retirement Shares on ASX.

- (d) No funds will be raised from the issue of the Retirement Shares.

Listing Rule 7.1

Approval pursuant to Listing Rule 7.1 is not required for the issue of the Retirement Shares to Mr Kennedy as approval is being obtained under Listing Rule 10.11. Accordingly, the Retirement Shares issued to Mr Kennedy will not be included in the calculation of the Company's annual 15% placement capacity pursuant to Listing Rule 7.1.

Listing Rule 10.19

Listing Rule 10.19 provides that without the approval of ordinary shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The value of the Retirement Shares would exceed 5% of the Company's equity interests as set out in the latest accounts given to ASX. Accordingly, Shareholder approval of the Retirement Shares is also being sought for the purposes of Listing Rule 10.19.

Chapter 2E of the Corporations Act - Related Party Benefits

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Kennedy is a related party of the Company by virtue of section 228(5) of the Corporations Act and the Retirement Shares constitute the giving of a financial benefit. As none of the exceptions set out in the Corporations Act apply, the issue of the Retirement Shares to Mr Kennedy requires Shareholder approval.

Information for Shareholders in respect of Chapter 2E

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the proposed issue of the Retirement Shares to Mr Kennedy under Resolution 1.

- (a) **(Identity of the related party):** The related party of the Company to which a financial benefit may be given under Resolution 1 is Mr Kennedy.
- (b) **(Nature of the financial benefit):** The nature of the financial benefit to be given to Mr Kennedy is the issue of the Retirement Shares.
- (c) **(Reason and basis for giving the financial benefit):** The reason for proposing the issue of the Retirement Shares to Mr Kennedy is, as specified above, to recognise the services Mr Kennedy rendered, at his own cost and free of charge to the Company, as a promoter and adviser and thereafter his services as a director and chairman of the Board, in connection with the establishment and funding of the Company, the acquisition of its projects and the significant contribution he has made to the Company's development and success and the substantial growth in its market capitalisation, as well as to partly compensate Mr Kennedy for his early retirement. The independent Directors determined that an issue of Shares to the value of \$500,000, less any deductions the Company is required to make for tax purposes (estimated at \$187,500), was appropriate in all the circumstances.

- (d) **(Value of the financial benefit):** The net value of the financial benefit proposed to be provided to Mr Kennedy is \$312,500, being the sum of \$500,000 less the sum of \$187,500, which is the estimated sum required to be deducted by the Company for tax purposes.
- (e) **(Advantages and disadvantages of Shareholders approving Resolution 1):** The Board considers the advantages for Shareholders of approving Resolution 1 are as follows.

The passing of Resolution 1 will:

- (1) recognise Mr Kennedy's involvement and assistance in the establishment and funding of the Company, the acquisition of its projects and the significant contribution he has made to its development and success;
- (2) be evidence that the Company and its Shareholders will honour, and give effect to, arrangements made in good faith by the Board;
- (3) indicate that the Company will give due consideration to providing fair and just remuneration and compensation for services, assistance and acts benefiting the Company; and
- (4) ensure that other than the sum (estimated as \$187,500) required to be deducted by the Company for tax purposes, no sum will have to be paid by the Company in cash as a retirement benefit to Mr Kennedy and the sum that might otherwise have been payable to him in cash as a retirement benefit will be available for use by the Company in connection with its ongoing operations.

The Board considers the disadvantages for Shareholders of approving Resolution 1 are as follows.

The issue of the Retirement Shares pursuant to Resolution 1 will:

- (1) dilute the shareholdings of other Shareholders by approximately 0.073% as noted below in paragraph (h) (Dilution effect of transaction on existing Shareholders' interests);
- (2) not result in the Company receiving any amount in cash for the issue of the Retirement Shares. In effect the Company will forego the receipt of the estimated sum of \$312,500 it would otherwise have received if the Retirement Shares were subscribed and paid for in cash; and
- (3) oblige the Company to pay an estimated sum of \$187,500 for tax purposes.

- (f) **(Trading history):** The highest and lowest recorded sale price and last recorded closing price of Shares on ASX in the 12 months prior to the date of lodgement of this Notice with ASIC are as follows.

Highest	\$4.39 on 16 October 2009
Lowest	\$0.05 on 126 February 2009
Last recorded	\$3.98 on 15 January 2010

- (g) **(Related party's existing interests):** Details regarding the securities in the Company in which Mr Kennedy currently holds an interest and the current voting power of Mr Kennedy as at the date of this Notice, are set out below.

	Shares	Options	Voting Power
Miles Kennedy	779,187	1,020,000	0.72%

As the number of Retirement Shares to be issued to Mr Kennedy is to be calculated using the 5 day VWAP of the Company's Shares on the 5 ASX trading days immediately prior to the Meeting, the exact number of Retirement Shares to be issued to Mr Kennedy cannot be determined as at the date of this Notice.

The 5 day VWAP of the Company's Shares for the 5 ASX trading days immediately prior to the date of lodgement of this Notice with ASIC is \$3.99. Based on this price, if Shareholders approve Resolution 1, 78,410 Shares would be issued to Mr Kennedy.

Set out below are details regarding the securities in the Company in which Mr Kennedy will hold an interest, and the resulting voting power of Mr Kennedy, if 78,410 Shares¹ are allotted pursuant to Resolution 1.

	Shares	Options	Voting Power
Miles Kennedy	857,597	1,020,000	0.79%

¹ Based on the 5 day VWAP of the Company's Shares for the 5 ASX trading days immediately prior to the date of lodgement of this Notice with ASIC.

- (h) **(Dilution effect of transaction on existing Shareholders' interests):** The Company currently has the following issued capital.

Number of securities	Class of securities
107,816,447	Ordinary fully paid shares
1,600,000	Unlisted options exercisable at \$0.50 expiring 30/09/11
216,430	Unlisted options exercisable at \$0.35 expiring 07/02/11
1,200,000	Unlisted options exercisable at \$0.40 expiring 08/08/11
5,690,000	Unlisted options exercisable in 3 tranches at \$0.60, \$0.80 and \$1.00 expiring 12/07/13
1,120,000	Unlisted options exercisable at \$1.40 expiring 06/07/2012
200,000	Unlisted options exercisable at \$3.00 expiring 30/09/2012
1,170,000	Unlisted options exercisable in 3 tranches at \$4.66, \$5.44 and \$6.22 expiring 27/11/2014

Assuming that 78,410 Retirement Shares will be issued to Mr Kennedy, the issue of the Retirement Shares will result in dilution of all other Shareholders' holdings in the Company of approximately 0.073% (based on the number of Shares on issue as at the date of this Notice, and assuming that no other securities are issued by the Company in the meantime).

Section 200B of the Corporations Act - Termination Benefits

Shareholder approval is also being sought for the Retirement Shares under section 200B(1) of the Corporations Act.

Section 200B(1) of the Corporations Act requires a company to obtain shareholder approval before giving a benefit to a director in connection with the director's retirement from office unless the benefit falls within certain exceptions set out in the Corporations Act.

The Board has received legal advice that the Retirement Shares do not fall within any of the categories of exceptions set out in the Corporations Act.

In accordance with the requirements of section 220E of the Corporations Act, the following information is provided to Shareholders to allow them to assess whether or not to approve the provision of the Retirement Shares to Mr Kennedy under Resolution 1.

Retirement Benefit	Money Value
Retirement Shares	\$312,500 (being \$500,000 less the sum of \$187,500 required to be deducted by the Company for tax purposes)

Other than the information set out in this Explanatory Memorandum, there is no other information known to the Company or any of its Directors that is reasonably required by Shareholders in order to decide whether or not it is in the interests of the Company to pass Resolution 1.

Directors' Recommendation

All Directors believe that the issue of the Retirement Shares is fair, reasonable and appropriate in the circumstances and recommend that Shareholders vote in favour of Resolution 1. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 1. None of the Directors have an interest in the outcome of Resolution 1, other than as Shareholders.

Voting Exclusion

In accordance with Listing Rules 10.13, 10.19 and 14.11 and sections 200E(2A) and 224 of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by Mr Kennedy, any other officer of the Company or any of its child entities who is entitled to participate in a termination benefit (as defined in the Listing Rules) and any of their associates.

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 is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

GLOSSARY

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

"AWST" means Australian Western Standard Time.

"ASX" means ASX Limited.

"Board" means the board of directors.

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

"Corporations Act" means Corporations Act 2001 (Cth).

"Director" means a director of the Company.

"Explanatory Memorandum" means this explanatory memorandum.

"Listing Rules" means the listing rules of the ASX.

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

"Notice" or **"Notice of Meeting"** or **"Notice of General Meeting"** means the Notice of the General Meeting of which this Explanatory Memorandum forms part.

"Resolution" means as resolution referred to in the Notice of General Meeting.

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

"Shareholder" means a shareholder of the Company.

"VWAP" means the volume weighted average price of all Shares traded on ASX over a specified period, determined by dividing the aggregate sale price for all Shares traded in that period by the total number of the Shares traded.

