SABRE
RESOURCES LTD

ABN 68 003 043 570

ANNUAL
REPORT

2007

# Contents

# CORPORATE DIRECTORY

**DIRECTORS**
Alexander Clemen
Bruce McCullagh (resigned 3 October 2006)
Michael Scivolo (appointed 3 October 2006)
David Nathan Zukerman

**COMPANY SECRETARY**
Bruce McCullagh (resigned 3 October 2006)
Norman Grafton (appointed 3 October 2006)

**REGISTERED OFFICE**
1st Floor, 8 Parliament Place
West Perth WA 6005
Telephone: (08) 9481 7833
Facsimile: (08) 9481 7835
Email: sabre@sabresources.com
Website: www.sabresources.com

**SOLICITORS**
Blakiston & Crabb
1202 Hay Street
West Perth WA 6005
PO Box 454
West Perth WA 6872
Telephone: (08) 9322-7644
Facsimile: (08) 9322 1506
Email: office@blakcrab.com.au

AUDITORS
Stantons International
1 Havelock Street
West Perth WA 6005

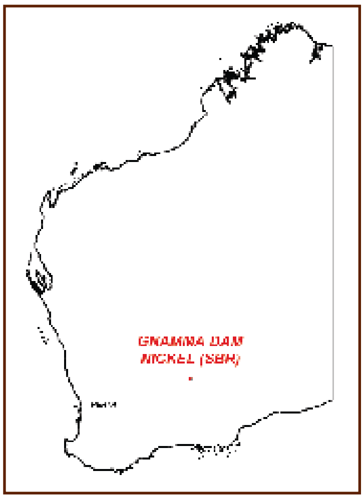
**BANKERS**
National Australia Bank
Wright Street
Belmont WA 6105

**SHARE REGISTRY**
Computershare Investor Services
Level 2 Reserve Bank Building
45 St. Georges Terrace
Perth WA 6000
Investor Enquiries (08) 9323 2059
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2096

perth.services@computershare.com.au

**ASX code for shares: SBR**

# REVIEW OF OPERATIONS




## 1) GNAMMA DAM NICKEL PROSPECT

The project comprises 14 Prospecting Licences (P25/1766-1775 and P25/1783-1786) covering a total of 20 square kilometres in the Bulong area east of Kalgoorlie WA. The prospect area covers Archaean mafic, ultramafic and felsic volcanic rock types as well as sedimentary suites, comprising the Bulong Greenstone Belt.

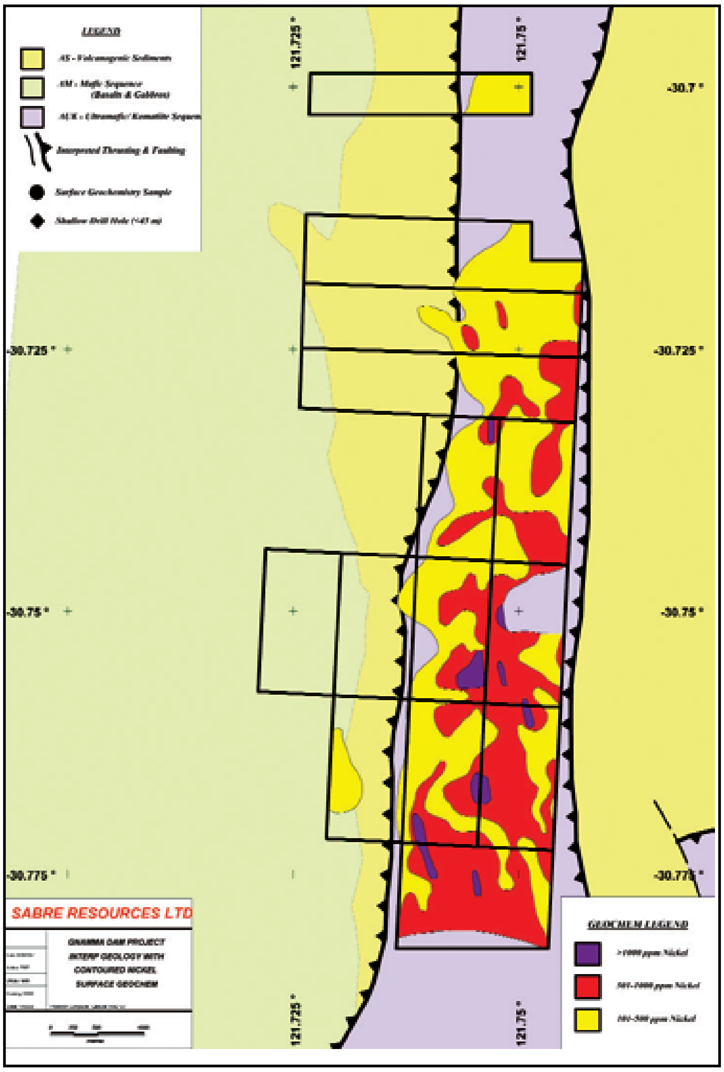
Nickel potential in the ultramafic units has been previously recognised and evidence of sulphides has been observed in the outcropping stratigraphy, however little significant exploration for this commodity has been carried out in the recent past.

The Company has conducted a soil sampling programme, ground magnetics and detailed geological mapping which provided encouraging anomalous nickel horizons in close correlation with elevated chrome values.

A significant number of soil samples reported values at a level higher than twice the median range. These values are considered as being anomalous. The anomalous nickel values are apparently confined to the western contact zones of the magnetic high regions, which are considered to be the basal part of the ultramafic units adding further significance to the anomalies; there are also coincident copper anomalies associated with these nickel values.

The geological environment is not dissimilar to that found along strike, to the southwest, where the Duplex Hill & Blair nickel sulphide deposits are found. Exploration for this type of deposit within the project area has been limited to date; however future exploration will include RAB & RC testing of a number of coincident nickel-copper surface geochemical anomalies, in particular a number of anomalies that are associated with gossanous outcrops in the southern tenement area.

A detailed review of the project was completed during the June 2007 quarter, with personnel completing a field review of the project in preparation for drilling.



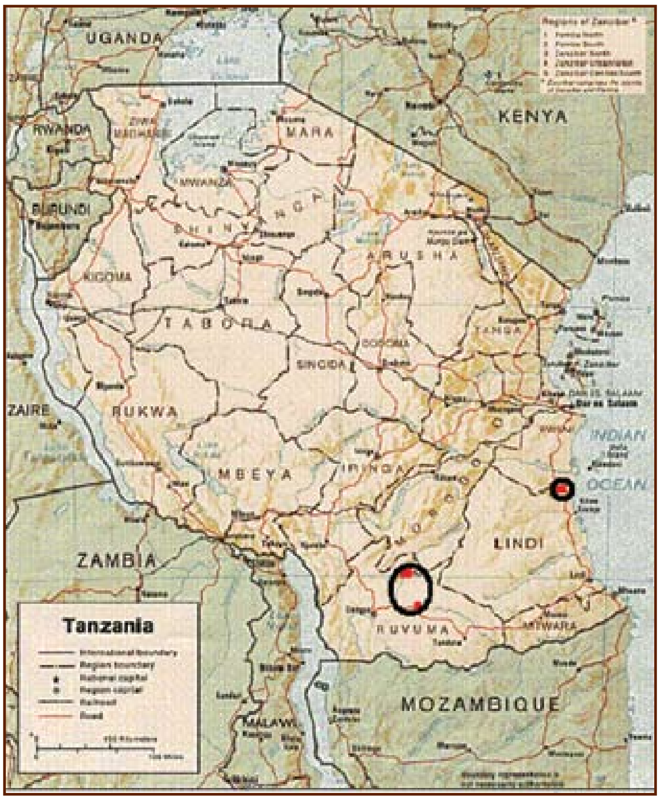
# REVIEW OF OPERATIONS (cont.)


## 2) TANZANIA – URANIUM PROSPECT

In September 2005 the Company acquired a 100% interest in three uranium prospective properties totalling 381km2 in the Lindi and Ruvuma Regions of Southern Tanzania. Two of the licences, PLR 3323/2005 and PLR 3324/2005, form the Mkunju group whilst the third licence PLR 3447/2005 represents the Madaba Project.

The two Mkunju licences totalling 246km2 are located in southern Tanzania, some 460 kilometres southwest of Dar es Salaam, near the southern boundary of the Selous Game Reserve. The licences are proximal to the Mkuju River Project currently being explored by OmegaCorp Limited. Adjoining licence holders include Uranium Resources plc and Pan African Mining Corp.

The 135km2 Madaba licence is situated near the northern boundary of the Selous Game Reserve about 260km to the south of Dar es Salaam.




The Mkunju and Madaba licence areas were part of the focused search area for uranium between 1978 and 1982 by a German company Uranerzbergbu GMBH (UEB). The exploration initiative commenced in 1976-1979 when the Government of Tanzania contracted Geosurvey International Company to carry out a systematic airborne survey of the whole country to ascertain the geology and uranium mineralisation potential. Total magnetic field and radiation intensity data were collected using spectrometry, EM and magnetics. From this work, UEB defined six areas of interest and staked large areas with prospecting licences, to field check the geophysical anomalies.

No detailed work was undertaken on the areas covered by the Mkunju and Madaba licences. However the licences are located adjacent to and proximal to areas of detailed exploration by UEB and their discovered uranium occurrences.

Uranium in the district is within a favourable geological setting, being associated with fine to medium grained sandstone and siltstones of the Upper Carboniferous to lower Jurassic, Karoo system. By the end of 1979 a total of 78 airborne anomalies were investigated on the ground by UEB of which 16 areas contained visible mineralisation at the surface within an area of 10 x 10 km and over an elevation interval of 220 m. The uranium occurrences of southern Tanzania within the Karoo have been compared to the sandstone uranium deposits in the Colorado Plateau area of Western USA.

PLR 3323/2005 and PLR 3324/2005 expired during the June 2007 quarter and subsequently new applications have been lodged with the Tanzanian government over these areas.

## REVIEW OF OPERATIONS (cont.)

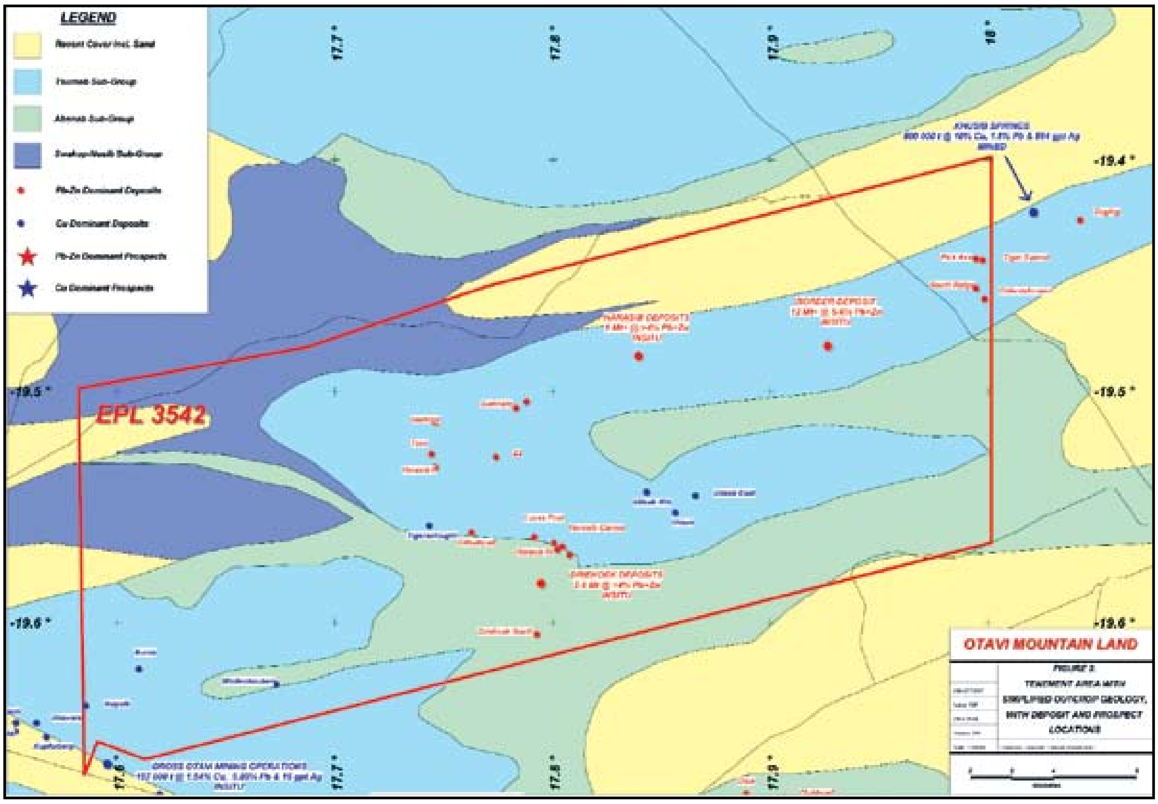

### 3) NAMIBIA – ONGAVA BASE METALS PROJECT

During the financial year the Company commenced an extensive project generation programme to identify new prospects in highly mineralised provinces including the Otavi Mountain Land in northeastern Namibia. This programme resulted in the identification and acquisition of the Ongava base metals project. Refer to Note 26 - Events Subsequent to Balance Sheet Date.

The Otavi Mountain Land (OML) hosts a wealth of mineral deposits, including the renowned Tsumeb and Kombat copper mines, as well as the historic Berg Aukas (zinc), Guchab (copper) and Abenab (vanadium) mining operations.

The Ongava project covers approximately 800 square kilometres of highly mineralised carbonate stratigraphy and hosts more than 22 known base metal prospects, as well as the lead-zinc deposits at Border, Driehoek and Harasib.

A review of the public domain data available for the project indicates that exploration to date has been limited, with little drilling outside the main deposit and prospect areas. The project is highly prospective for 'world-class' strata-bound zinc, lead, copper and vanadium deposits.



**A. LOCATION & LOGISTICS**

The Ongava Base Metal project is located approximately 350 km to the northeast of the capital of Namibia, Windhoek. The project is accessed from Windhoek via the main sealed highway that runs north to the mining town of Tsumeb.

Logistically the project is very well situated; being close to Weatherley International's recently refurbished base metal mining & smelting operations at Tsumeb, as well as reticulated power and rail services. The project occupies a strategic position in the Otavi Mountain Land and covers much of the 'Tsumeb Triangle', defined by the nearby mining towns of Tsumeb, Otavi & Grootfontein. (see Figure 1).

**B. EXISTING BASE METAL DEPOSITS**

The Ongava project hosts three major lead-zinc-silver deposits, namely Driehoek, Harasib and, most significantly, Border.

**BORDER**

The Border Lead-Zinc deposit is located approximately 35 kilometres to the southeast of Weatherley's Tsumeb mining & smelting operations. A review of the public domain data has generated an exploration target at Border of more than 12 Million Tonnes grading at between 5 and 6% combined Lead & Zinc.

The potential quantity and grade of the Border deposit is conceptual in nature as Sabre has determined that insufficient exploration has been undertaken to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The 'exploration target' size is based upon deposit calculations undertaken by Etosha Petroleum Ltd.

Etosha Petroleum Ltd ('Etosha') discovered the Border Lead-Zinc deposit during the late 1960's as a result of regional soil sampling. A northeast trending lead-zinc-copper soil anomaly, covering more than a kilometre of strike, was identified at Border coincident with weakly bedded and brecciated dolomite stratigraphy. The anomaly is masked by increasing cover to the north and remains open along its southern strike extent.

Diamond drilling identified three parallel lead-zinc lodes that extend over the entire strike length of the soil anomaly. These lodes can be traced to the surface, with the true width of the mineralised lodes varying between 2.4 metres and 21 metres. These lodes often contain higher-grade intercepts, which assay at over 10% combined lead & zinc. Drilling has resulted in intersections such as:

| | | |
|---|---|---|
| **B 002** | 18.90 metres @ 11.18% Pb+Zn | from 80.47 metres |
| | (Including 6.71 metres @ 19.77% Pb+Zn | from 80.47 metres) |
| **B 016** | 11.00 metres @ 15.92% Pb+Zn | from 87.17 metres |

In the 1970's it was standard practice to extract mineral deposits through underground mining methods. In the case of the Border deposit, Etosha planned its drilling and exploration around a 'bulk underground mining' scenario. A result of this style of mining is that much of the near surface mineralisation, from surface to around 50 metres depth, could not be mined and therefore mineralisation above this level was not included in the deposit tonnage calculations. Modern open pit mining techniques will allow this near surface material to be mined, and will immediately result in significant upgrades to the overall tonnage of the Border deposit.

**Resource Potential**

The current exploration target at Border is already a major deposit but shows significant potential for increased tonnage both at depth and along strike. Etosha also noted that their drilling showed an increase in the lead-zinc grade of the deposit at depth, as well as the increased presence of copper mineralisation.

The deposit appears to be highly amenable to open pit mining, with mineralisation extending to the surface. The inclusion of the ore in this 'near-surface' environment, combined with drilling of the deposit along strike and at depth, indicates that the deposit has the potential to be far larger than the initial exploration target. Etosha postulated that an exploration target in excess of 30 million tonnes was potentially insitu at Border.

Exploration and resource definition remain at an early stage, with the potential for large increases in both tonnage and grade. The Border project will be the initial focus of the company's exploration with a view to bringing the current exploration target into JORC compliance.

**DRIEHOEK**

The Driehoek Lead-Zinc deposits are located approximately 15 kilometres to the north of the Kombat copper mine and 18 kilometres to the southwest of the Border deposit. A review of the public domain data has generated an initial exploration target at Driehoek of 3-6 Million Tonnes grading at over 4% combined Lead & Zinc.

The potential quantity and grade of the Driehoek deposits are conceptual in nature as Sabre has determined that insufficient exploration data is currently available to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The 'exploration target' size is based upon deposit calculations provided by Goldfields of Namibia Ltd.

Eland Exploration ('Eland') discovered Driehoek in the 1970's as a result of regional soil sampling. Initial soil sampling delineated a number of lead-zinc, copper & manganese anomalies associated with a folded dolomitic unit, with some surface samples assaying at over 10% combined Lead & Zinc.

Goldfields of Namibia Ltd ('Goldfields') later delineated the Driehoek deposits in the 1990's, concentrating on the North, East and South Zones of the prospect. Drilling has resulted in intersections such as:

| | |
|---|---|
| **DDH 75-18** | 40.00 metres @ 8.57% Pb+Zn and 9.30 gpt Ag from 1.00 metres |

# REVIEW OF OPERATIONS (cont.)

**Resource Potential**

Drilling by Eland & Goldfields has defined three near-surface deposits of base metal mineralisation. These deposits were reported in detail by Goldfields, but are currently considered to be 'pre-JORC'.

The initial exploration target at the North & East Zones of Driehoek is reported as being in excess of 3 million tonnes, with a combined grade for lead and zinc of over 4%.

Goldfields included the internal waste blocks in their calculations, which has diluted the overall grade of the deposit while increasing its tonnage. An initial geostatistical evaluation of the Driehoek deposits indicates that if modern practice, in accordance with the JORC code, were to be followed increases in grade could be expected, with little effect on the overall tonnage of the deposits. Drilling and evaluation will be required to bring these deposits into JORC compliance.

Estimates of the size of the Driehoek deposits are limited by the depth of the existing drilling, which only extends to approximately 60 metres below surface. The mineralised lodes show good continuity from surface and remain open at depth. Surface soil sampling shows the anomalism extending along strike to the northeast into the 'Gauss' prospect, which is also in the project area, but remains untested by drilling.

An evaluation of the Driehoek deposits indicates that they are highly amenable to open pit mining. The ore system potentially has very low strip ratios and remains untested both at depth and along strike.

Preliminary analysis indicates that a targeted drilling programme has the potential to rapidly increase the mineralised inventory for the deposits to well over six million tonnes.

**HARASIB**

The Harasib prospects occur along the western strike extensions of the Border deposit. Harasib is composed of a number of small deposits, with a review of Goldfield's exploration data generating an exploration target at Harasib of more than 1 Million Tonnes grading at over 4% combined Lead & Zinc.

The potential quantity and grade of the Harasib deposits are conceptual in nature as Sabre has determined that insufficient exploration data is currently available to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The 'exploration target' size is based upon deposit calculations provided by Goldfields of Namibia Ltd.

Goldfields investigated the Harasib deposits in the 1990's and reported a number of shallow lead-zinc deposits occurring in close proximity. The Harasib deposits have only been drilled to approximately 50 metres depth.

The Harasib prospect requires detailed investigation, with all relevant data yet to be received from the Geological Survey of Namibia. Harasib appears to have been subjected to only limited exploration and has the potential to host significant deposits.

## REVIEW OF OPERATIONS (cont.)

**C. REGIONAL EXPLORATION POTENTIAL**

A review of the exploration data available for the Ongava base metal project shows that it has received only limited exploration outside the main deposit areas. The exploration undertaken on the project area largely dates back to the 1970's, aside from the limited programme carried out by Goldfields in the 1990's.

The stratigraphical and structural continuity shown by the various styles of mineralisation within the project area indicate that there is strong potential to expand the known deposits and for finding further significant economic mineralisation.

The Ongava project hosts two main styles of base metal mineralisation in more than 22 reported mineral occurrences:

**Berg Aukas-Type Lead-Zinc Mineralisation**

Lead-Zinc mineralisation is found throughout the carbonate stratigraphy of the Tsumeb Sub-Group within the Ongava project area. There have been a number of prospects defined to date that require further exploration, including Tunnel, Pick Axe, South Ridge, Sinkhole, Teco, Uitsabpad & Lucas Post.

**Tsumeb-Type Copper-Lead-Zinc Mineralisation**

Copper-Lead-Zinc mineralisation is found throughout the carbonate stratigraphy of the Abenab Sub-Group within the Ongava project area. There have been a number of prospects defined to date that require further exploration, including Wolkenhauben, Tigerschlught & Uitsab.

These targets are highly prospective but require detailed evaluation prior to commencement of the forthcoming exploration programme. Sabre is currently acquiring all of the public domain and historic exploration data, which will then be utilised for targeting and resource definition studies.

# REVIEW OF OPERATIONS (cont.)



## COMPETENT PERSON DECLARATION

The information included in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Timothy Putt of Exploration and Mining Information Systems. Timothy Putt has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Timothy Putt consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Directors present their report on Sabre Resources Ltd ("the Company") and its controlled entities for the year ended 30 June 2007.

# DIRECTORS' REPORT

The Directors present their report on Sabre Resources Ltd (the "Company") and its controlled entities for the year ended 30 June 2007.

## DIRECTORS

The Directors of the Company during or since the end of the financial year were:-

Alexander Clemen
Bruce McCullagh (resigned 3 October 2006)
Michael Scivolo (appointed 3 October 2006)
David Zukerman

Shares of Sabre Resources Ltd held by Directors at the date of this report:

| | Ordinary Shares |
|---|---|
| D N Zukerman | 10 |
| A Clemen | 10 |

Directors held no options in Sabre Resources Ltd at the date of this report.

## PRINCIPAL ACTIVITIES

The principal activity of the Company and its controlled entities is mineral exploration.

## RESULTS

The operating loss for the financial year after providing for income tax amounted to $272,110 (2006: $1,482,162).

## DIVIDENDS

Since the end of the previous financial year, no dividend has been declared or paid by the Company. The Directors do not recommend the payment of a dividend.

## INFORMATION ON DIRECTORS AND COMPANY SECRETARY

(a) The Directors were in office for the entire period, except where indicated. Their qualifications, experience and special responsibilities are as follows:-

(i) Alexander Clemen B.Sc (Hons), M.Aus.I.M.M.

Mr Clemen is a qualified geologist with over 25 years experience practising in this field. He has worked for several large, international mining companies in various parts of the world and has gained experience in exploring for gold, base metals, industrial minerals and diamonds. For the past three years he has also served as a director of Metals Australia Ltd (formerly Australian United Gold Ltd) and Golden Deeps Ltd.

# DIRECTORS' REPORT (cont.)

(ii) Bruce McCullagh CPA, ACIS – Director and Company Secretary (resigned 3 October 2006)

Mr McCullagh has extensive experience in accounting, company secretarial and management in the petroleum and mineral industries in Australia, Libyan Arab Republic, the Arabian Gulf, United Kingdom and USA. He is a member of the Australian Society of Certified Practising Accountants and the Chartered Institute of Secretaries, and for the past three years he was a director of Golden Deeps Ltd.

(iii) David Nathan Zukerman

Mr Zukerman has an accounting and finance background. He has held a number of public company directorships in Australia and Asia during the past 25 years and for the past three years he has served as a director of Metals Australia Ltd (formerly Australian United Gold Ltd), Golden Deeps Ltd, and Tiger Resources Ltd.

(iv) Michael Scivolo B. Comm, FCPA (appointed 3 October 2006)

Mr Scivolo was appointed to fill a casual vacancy on 3 October 2006 and subsequently elected at the General Meeting held on 23 November 2006. Mr Scivolo has extensive experience in the fields of accounting and taxation in both corporate and non-corporate entities. He was formerly a Director of Tiger Resources Ltd.

(b) Norman Grafton FCPA, FCIS – Company Secretary (appointed 3 October 2006)

Mr Grafton has extensive experience in both Australian and international commerce, having previously been based in Singapore, Indonesia, Papua New Guinea and Jamaica. Prior to returning to Australia, he was Director of Finance and Company Secretary of the largest agro-industrial operation in Jamaica, on secondment from a major UK firm of corporate managers. During the last three years, he held a Directorship in Orchid Capital Limited.

## REMUNERATION REPORT

### EMOLUMENTS OF BOARD MEMBERS

| | Short Term Directors Fees | Post Employment Superannuation | Short Term Consulting Fees | Total |
|---|---|---|---|---|
| **Name** | **$** | **$** | **$** | **$** |
| A Clemen | 12,000 | - | 500 | 12,500 |
| B McCullagh (resigned 3 October 2006) | 3,000 | 270 | 16,923 | 20,193 |
| M Scivolo (appointed 3 October 2006) | 9,000 | - | - | 9,000 |
| D Zukerman | - | - | 15,002 | 15,002 |
| **TOTAL** | **24,000** | **270** | **32,425** | **56,695** |

The Company does not have any officers or senior executives, other than the Directors.

# DIRECTORS' REPORT (cont.)

Directors receive a fixed fee (plus statutory superannuation), with executive directors being remunerated for any professional services conducted for the Company. Directors do not receive any other performance or equity based remuneration, (shares or options), nor are there any retirement schemes for any directors or any loans or any other type of compensation.

Board policy on the remuneration for this exploration Company is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people, to accept the responsibilities of directorship. No director, executive or employee has an employment contract.

Being an exploration company, with no earnings, a relationship is yet to be established between an emolument policy and the company's performance.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2007, and the number of meetings attended by each Director.

| Name | Eligible to attend | Attended |
|---|---|---|
| A Clemen | 4 | 2 |
| B R McCullagh | 2 | 1 |
| M Scivolo | 2 | 2 |
| D N Zukerman | 4 | 4 |

## RETIREMENT, ELECTION AND CONTINUATION OF OFFICE OF DIRECTORS

David Zukerman retired by rotation as a Director at the Annual General Meeting on 23 November 2006 and was re-elected.

At the forthcoming Annual General Meeting, Alex Clemen retires by rotation as a Director and offers himself for re-election.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 2 August 2007, the Company announced the acquisition of a major lead-zinc project in Namibia by entering into an agreement to acquire all of the issued capital of Link National Pty Ltd, an Australian registered private company. Link holds an 80 % interest in Gazania Investments Three (Pty) Ltd, a Namibian registered company, which is the holder of an 87.5% beneficial interest in Namibian exploration tenement EPL 3542, known as the Ongava base metal project. The Independent Valuation obtained in respect of this project values it at A$90,000,000, with the 70% being acquired by Sabre valued at A$63,000,000.

# DIRECTORS' REPORT (cont.)

In consideration for the acquisition, Sabre will issue to the vendors 32,000,000 ordinary shares in the Company, together with a cash payment of A$240,000 for reimbursement of previous expenditure.

The acquisition is conditional upon Sabre raising an amount of not less than A$3,500,000 through the issue of new shares and the obtaining of all necessary shareholder and regulatory approvals for the acquisition. A General Meeting of shareholders will be held on 14 September 2007 to consider the acquisition and capital raising.

In satisfaction of the A$3,500,000 capital raising requirement, shareholders will be asked to authorise the issue of 14,000,000 shares at 25 cents each, together with one free attached option for every share issued, exercisable at 35 cents each on or before 27 January 2010. The issue will be at the direction of the Directors and Westar Capital Ltd, the holder of an Australian Financial Services Licence. The issue will be pursuant to a disclosure document.

## ENVIRONMENTAL ISSUES

The Company's objective is to ensure that a high standard of environmental care is achieved and maintained on all properties. There are no known environmental issues outstanding.

## SHARE OPTIONS

As at the date of this report, there are 23,000,000 share options outstanding, exercisable at 10 cents per share on or before December 31 2012 and a further 600,000 share options outstanding, exercisable at 15 cents per share on or before 30 November 2008. No option holder has any right under the options to participate in any other issue of the Company, or any other entity.

No shares have been issued through the exercise of options during or since the end of the financial year.

No options have been granted since the end of the financial year.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have not been any significant changes in the state of affairs of the Company and its controlled entities during the financial year, other than as noted in this financial report.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independent auditor's declaration as required by section 307c of the Corporations Act 2001, is set out on page 41.

## NON AUDIT SERVICES

The following non audit service was provided by Stanton Partners which is related to the entity's auditor, Stantons International. The directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of audit service provided, means that auditor independence was not compromised. Stanton Partners received $2,732 for the provision of tax compliance services.

This report is made in accordance with a resolution of the Directors of the Board and Section 298(2) of the Corporations Act 2001.

**D N Zukerman**
DIRECTOR

Dated this 4th day of September 2007.
Perth, Western Australia

# SABRE RESOURCES LTD
# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2007

| | Note | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | | $ | $ | $ | $ |
| Revenue | 4 | 5,152 | 4,172 | 5,152 | 4,172 |
| Expenditure | | | | | |
| Depreciation | | 257 | - | 257 | - |
| Exploration expenditure | | 40,330 | 312,560 | 40,330 | 312,560 |
| Provision against exploration Tanzania | | - | 879,965 | - | 879,965 |
| Management fee | | 12,500 | 150,000 | 12,500 | 150,000 |
| Directors' fees and services | | 39,272 | 61,132 | 39,272 | 61,132 |
| Other expenses | | 94,727 | 50,282 | 94,727 | 50,282 |
| Occupancy costs | | 67,060 | 32,395 | 67,060 | 32,395 |
| Staff option issue | | 23,116 | - | 23,116 | - |
| | | 277,262 | 1,486,334 | 277,262 | 1,486,334 |
| Loss before income tax | | (272,110) | (1,482,162) | (272,110) | (1,482,162) |
| Income tax | 5 | - | - | - | - |
| Loss after income tax | 16 | (272,110) | (1,482,162) | (272,110) | (1,482,162) |

| **Earnings per share** | | 2007 Cents | 2006 Cents |
|---|---|---|---|
| Loss per share | 18 | (1.0) | (5.8) |

The accompanying notes form part of these financial statements

# SABRE RESOURCES LTD
# BALANCE SHEET

## AS AT 30 JUNE 2007

| | Note | Consolidated 2007 | Consolidated 2006 | Parent Entity 2007 | Parent Entity 2006 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 8 | 60,488 | 164,324 | 60,488 | 164,324 |
| Trade and other receivables | 9 | 7,723 | 7,274 | 7,723 | 7,274 |
| TOTAL CURRENT ASSETS | | 68,211 | 171,598 | 68,211 | 171,598 |
| NON-CURRENT ASSETS | | | | | |
| Plant and equipment | 10 | 2,056 | - | 2,056 | - |
| Exploration | 11 | - | - | - | - |
| Other financial assets | 12 | - | - | - | - |
| TOTAL NON-CURRENT ASSETS | | 2,056 | - | 2,056 | - |
| **TOTAL ASSETS** | | **70,267** | **171,598** | **70,267** | **171,598** |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 13 | 62,843 | 10,180 | 62,843 | 10,180 |
| TOTAL CURRENT LIABILITIES | | 62,843 | 10,180 | 62,843 | 10,180 |
| **TOTAL LIABILITIES** | | **62,843** | **10,180** | **62,843** | **10,180** |
| **NET ASSETS** | | **7,424** | **161,418** | **7,424** | **161,418** |
| EQUITY | | | | | |
| Issued capital | 14 | 16,203,957 | 16,203,957 | 16,203,957 | 16,203,957 |
| Share option reserve | 15 | 406,716 | 288,600 | 406,716 | 288,600 |
| Accumulated losses | 16 | (16,603,249) | (16,331,139) | (16,603,249) | (16,331,139) |
| **TOTAL EQUITY** | | **7,424** | **161,418** | **7,424** | **161,418** |

The accompanying notes form part of these financial statements

# SABRE RESOURCES LTD
# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2007

### CONSOLIDATED ENTITY

| | Issued Capital | Option Reserve | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at 1 July 2005** | **15,064,957** | **130,000** | **(14,848,977)** | **345,980** |
| Issue of shares | 1,154,000 | - | - | 1,154,000 |
| Less share placement fee | (15,000) | - | - | (15,000) |
| Issue of options | - | 158,600 | - | 158,600 |
| Loss attributable to members of parent entity | - | - | (1,482,162) | (1,482,162) |
| **Balance as at 30 June 2006** | **16,203,957** | **288,600** | **(16,331,139)** | **161,418** |
| Issue of options | - | 123,116 | - | 123,116 |
| Less option placement fee | - | (5,000) | - | (5,000) |
| Loss attributable to members of parent entity | - | - | (272,110) | (272,110) |
| **Balance as at 30 June 2007** | **16,203,957** | **406,716** | **(16,603,249)** | **7,424** |

### PARENT ENTITY

| | Issued Capital | Option Reserve | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance as at 1 July 2005** | **15,064,957** | **130,000** | **(14,848,977)** | **345,980** |
| Issue of shares | 1,154,000 | - | - | 1,154,000 |
| Less share placement fee | (15,000) | - | - | (15,000) |
| Issue of options | - | 158,600 | - | 158,600 |
| Loss attributable to members of parent entity | - | - | (1,482,162) | (1,482,162) |
| **Balance as at 30 June 2006** | **16,203,957** | **288,600** | **(16,331,139)** | **161,418** |
| Issue of options | - | 123,116 | - | 123,116 |
| Less option placement fee | - | (5,000) | - | (5,000) |
| Loss attributable to members of parent entity | - | - | (272,110) | (272,110) |
| **Balance as at 30 June 2007** | **16,203,957** | **406,716** | **(16,603,249)** | **7,424** |

The accompanying notes form part of these financial statements

# SABRE RESOURCES LTD
# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | | $ | $ | $ | $ |
| **Cashflow from operating activities** | | | | | |
| Payments to suppliers | | (161,345) | (301,699) | (161,345) | (301,699) |
| Interest received | | 3,625 | 4,172 | 3,625 | 4,172 |
| Net cash inflow/(outflow) from operating activities | 20 | (157,720) | (297,527) | (157,720) | (297,527) |
| **Cashflow from investing activities** | | | | | |
| Proceeds from sale of assets | | 1,527 | - | 1,527 | - |
| Purchase of fixed assets | 10 | (2,313) | - | (2,313) | - |
| Investment in Tanzania | | - | (67,365) | - | (67,365) |
| Exploration expenditure | 11 | (40,330) | (90,060) | (40,330) | (90,060) |
| Net cash (outflow) inflow from investing activities | | (41,116) | (157,425) | (41,116) | (157,425) |
| **Cashflow from financing activities** | | | | | |
| Proceeds from issue of shares | | - | 485,000 | - | 485,000 |
| Proceeds from issue of options | | 95,000 | - | 95,000 | - |
| Net cash inflow from financing activities | | 95,000 | 485,000 | 95,000 | 485,000 |
| Net (decrease)/increase in cash and cash equivalents held | | (103,836) | 30,048 | (103,836) | 30,048 |
| Cash and cash equivalents at the beginning of the financial year | | 164,324 | 134,276 | 164,324 | 134,276 |
| Cash and cash equivalents at the end of the financial year | 8 | 60,488 | 164,324 | 60,488 | 164,324 |

The accompanying notes form part of these financial statements

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2007**

## 1. CORPORATE INFORMATION

The financial report of Sabre Resources Ltd (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 4th September 2007.

Sabre Resources Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activity of the Group is mineral exploration.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on an accruals basis and on a historical cost basis, except for financial assets and liabilities, which have been measured at fair value.

The financial report is presented in Australian dollars.

The financial statements of the company have been prepared on a going concern basis which anticipates the ability of the company to meet its obligations in the normal course of the business. It is considered that the company should achieve sufficient funds from capital raising to enable it to meet its obligations. If the company is unable to continue as a going concern then it may be required to realise its assets and extinguish its liabilities, other than in the normal course of business and amounts different from those stated in the financial statements.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following standards and Interpretations were in issue but not yet effective:

| | |
|---|---|
| ■ AASB 7 "Financial Instruments: Disclosures" and consequential Amendments to other accounting Standards resulting from its issue. | Effective for annual reporting periods beginning on or after 1 January 2007. |
| ■ AASB 101"Presentation of Financial Statements" – revised standard | Effective for annual reporting periods beginning on or after 1 January 2007. |
| ■ Interpretation 10 "Interim Financial Reporting and Impairment" | Effective for annual reporting periods beginning on or after 1 January 2007. |

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Sabre Resources Limited and its subsidiaries ('the Group').

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Sabre Resources Limited has control.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately for the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**(d) Interest in joint venture operation**

The Group's interest in any joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

**(e) Foreign currency translation**

Both the functional and presentation currency of Sabre Resources Limited and its subsidiaries is Australian Dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2007**

All differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of any overseas subsidiaries would be translated into the presentation currency of Sabre Resources Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

**(f) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**(g) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(h) Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(i) Investments and other financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. that date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or conversion in the market place.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables, including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale-investments*

Available-for-sale-investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate economic component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

**(j) Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development, or sale, of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(k) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(l) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(m) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(n) Share-based payment transactions**

*(i) Equity settled transactions:*

The Group provides benefits to management personnel and consultants of the Group in the form of share-based payments whereby personnel render services in exchange for shares.

The cost of these equity-settled transactions with management personnel and consultants was measured by reference to the fair value of the equity instruments at the date on which they were granted. The fair value was determined using the Black-Scholes formula.

In valuing equity-settled transactions, no account was taken of any performance conditions, other than conditions linked to the price of the shares of Sabre Resources Ltd (market conditions). The cost of equity-settled transactions was recognised, together with the corresponding increase in equity, on the date of grant of the options.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

*(ii) Cash settled transactions:*

The Group does not provide benefits to employees in the form of cash-settled share based payments.

Any cash-settled transactions would be measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(o) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

**(p) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**(q) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(r) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(s) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(t) Earnings per share**

Basic earnings per share is calculated as net loss attributable to members of the parent, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## 3. Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*(i) Significant accounting judgments include:*

(a) Provision for investments in and loans to subsidiaries

Investments in, and loans to, subsidiaries are fully provided for until such time as subsidiaries are in a position to repay loans.

(b) Exploration expenditure

The Group determines whether exploration expenditure is impaired on at least an annual basis, based on historical information and best available current information. This requires an estimation of the recoverable amount. The assumptions used in this estimation of the recoverable amount are discussed in note 2 (j).

(ii) Significant accounting estimates and assumptions include:

(a) Share-based payment transactions

The Group measures the cost of equity-settled transactions with management personnel and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model, with the assumptions detailed in note 7. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash settled share-based payments at fair value at the grant date using the black Scholes formula taking into account the terms and conditions under which the instruments were granted

(b) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation calculations are included in note 2(f).

## 4. Revenue

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| Interest Earned | 3,625 | 4,172 | 3,625 | 4,172 |
| Profit on Sale of Fixed Asset | 1,527 | - | 1,527 | - |
| | 5,152 | 4,172 | 5,152 | 4,172 |

## 5. Income Tax

| | | | | |
|---|---|---|---|---|
| Reconciliation of prima facie income tax benefit on profit/(loss) to income tax as provided in the financial statements | (272,110) | (1,482,161) | (272,110) | (1,482,161) |
| Prima facie income tax thereon at 30% | (81,633) | (444,648) | (81,633) | (444,648) |
| Add: | | | | |
| Tax effect of: | | | | |
| Provisions | 1,056 | 144 | 1,056 | 144 |
| Non deductible expenses | - | 300 | - | 300 |
| Write-downs to recoverable amounts | - | 330,740 | - | 330,740 |
| | (80,577) | (113,464) | (80,577) | (113,464) |

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2007**

## 5. Income Tax (cont)

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| Less: | | | | |
| Tax effect of: | | | | |
| Immediate deduction for capital expenses | | | | |
| Section 40-880 deduction | (2,643) | (3,019) | (2,643) | (3,019) |
| Income tax benefit not brought to account | 83,220 | 116,483 | 83,220 | 116,483 |
| Income tax attributable | - | - | - | - |
| Deferred tax assets | | | | |
| Provisions | 3,000 | 1,944 | 3,000 | 1,944 |
| Section 40-880 | 6,970 | 5,400 | 6,970 | 5,400 |
| Carried forward tax losses | 1,971,830 | 1,888,610 | 1,971,830 | 1,888,610 |
| | 1,981,800 | 1,895,954 | 1,981,800 | 1,895,954 |

The benefits will only be obtained if:-

(i) The companies derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;

(ii) The companies continue to comply with the conditions for deductibility imposed by the Law; and

(iii) No changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

## 6. Auditor's Remuneration

Amounts received or due and receivable by the Company's auditors for:-

| | | | | |
|---|---|---|---|---|
| Auditing the Company's financial statements | 18,389 | 15,724 | 18,389 | 15,724 |
| Other services to the Company | 2,732 | 1,001 | 2,732 | 1,001 |
| | 21,121 | 16,725 | 21,121 | 16,725 |

## 7. Remuneration of Directors

**For the Year Ended 30 June 2007**

| | Short Term Directors Fees | Post Employment Superannuation | Short Term Consulting Fees | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| A Clemen (Non-executive Director) | 12,000 | - | 500 | 12,500 |
| B McCullagh (Executive Director and Company Secretary) | 3,000 | 270 | 16,923 | 20,193 |
| M Scivolo (Non-executive Director) | 9,000 | - | - | 9,000 |
| D Zukerman (Executive Director) | - | - | 15,002 | 15,002 |
| **TOTAL** | **24,000** | **270** | **32,425** | **56,695** |

**For the Year Ended 30 June 2006**

| | Short Term Directors Fees | Post Employment Superannuation | Short Term Consulting Fees | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| A Clemen (Non-executive Director ) | 12,000 | - | - | 12,000 |
| B McCullagh (Executive Director and Company Secretary) | 10,000 | 900 | 30,722 | 41,622 |
| D Zukerman (Executive Director) | - | - | 7,510 | 7,510 |
| **TOTAL** | **22,000** | **900** | **38,232** | **61,132** |

Directors receive a fixed fee (plus statutory superannuation), with executive directors being remunerated for any professional services conducted for the Company. Directors did not receive any other performance or equity-based remuneration, (shares or options), nor are there any retirement schemes for any Directors or any loans or any other type of compensation.

Directors' fees and statutory superannuation is paid on a quarterly basis. Consulting fees for professional services are paid as events occur.

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2007**

**Executives/Employees**

The Company has no other employees.

A company under the control of B McCullagh, received fees for the provision of services during the year. The aggregate amount shown above, charged for such services was $16,923 (2006: $30,722).

During the year, the Company granted a total of 600,000 unlisted options to the current Company Secretary and consultants at an exercise price of 15 cents each and an expiry date of 30 November 2008. The options were fair-valued at 3.85 cents per option, and vested immediately at date of grant. No options had been exercised up to 30 June 2007.

The fair value of the options granted has been calculated using the Black Scholes option pricing model as follows:

| | |
|---|---|
| Weighted average exercise price | 15 cents |
| Weighted average life of option | 2 years |
| Underlying share price | 12 cents |
| Expected share volatility | 65% |
| Risk free interest rate | 5.96% |

Historical volatility has been the basis of determining expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of option is based on the historical exercise patterns, which may not eventuate in the future.

**Shareholdings**

Number of shares held by Directors at 30 June 2007:

| | Balance 1 July 2006 | Net Change | Balance 30 June 2007 |
|---|---|---|---|
| A Clemen | 10 | - | 10 |
| M Scivolo | - | - | - |
| D Zukerman | 10 | - | 10 |
| B McCullagh (resigned 3 October 2006) | 20 | (20) | - |
| **Total** | **40** | **(20)** | **20** |

No options were held by Directors at 30 June 2007.

## 8. Cash and Cash Equivalents

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| Represented by | | | | |
| Cash at bank | 60,488 | 164,324 | 60,488 | 164,324 |

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## 9. Trade and Other Receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Other debtors | 7,723 | 7,274 | 7,723 | 7,274 |

## 10. Plant and Equipment

| | | | | |
|---|---|---|---|---|
| Plant and Equipment, at cost | 2,313 | 16,273 | 2,313 | 16,273 |
| Less: accumulated depreciation | (257) | (16,273) | (257) | (16,273) |
| | 2,056 | - | 2,056 | - |
| Opening written down value | - | - | - | - |
| Additions | 2,313 | - | 2,313 | - |
| Depreciation | (257) | - | (257) | - |
| Closing written down value | 2,056 | - | 2,056 | - |

## 11. Exploration Expenditure

| | | | | |
|---|---|---|---|---|
| Opening balance | - | 222,500 | - | 222,500 |
| Exploration expenditure | 40,330 | 90,060 | 40,330 | 90,060 |
| Exploration expenditure written off | (40,330) | (312,560) | (40,330) | (312,560) |
| | - | - | - | - |

The company's exploration properties may be subject to claim(s) under native title, or contain sacred sites or sites of significance to Aboriginal people. As a result exploration properties or areas within the tenement may be subject to exploration and/or mining restrictions or incur a liability for compensation. It is not possible to quantify these restrictions and liabilities at this time.

## 12. Other Financial Assets

| | | | | |
|---|---|---|---|---|
| Non-Current | | | | |
| Investment in subsidiary, at cost | - | - | 194,000 | 194,000 |
| Less: provision for diminution | - | - | (194,000) | (194,000) |
| Loan to subsidiary | - | - | 190,870 | 190,870 |
| Less: provision for non-recovery | - | - | (190,870) | (190,870) |
| Investment in subsidiary at cost | - | - | 879,965 | 879,965 |
| Less: provision for diminution | - | - | (879,965) | (879,965) |
| | - | - | - | - |

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## 13. Trade and other Payables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Payables | 62,843 | 10,180 | 62,843 | 10,180 |

## 14. Issued Capital

Movement in ordinary share capital of the Company during the last two years.

| Date | Details | Number of Shares | Issue Price | Amount |
|---|---|---|---|---|
| | | | (cents) | $ |
| **1 July 2005** | **Balance** | **21,254,851** | | **15,064,957** |
| 19 September 2005 | Issue at deemed value | 2,180,000 | 30 | 654,000 |
| 13 October 2005 | Exercise of options | 1,000,000 | 10 | 100,000 |
| 20 October 2005 | Exercise of options | 1,000,000 | 10 | 100,000 |
| 24 February 2006 | Issue | 3,000,000 | 10 | 300,000 |
| | Less placement fee | | | (15,000) |
| **30 June 2006** | **Balance** | **28,434,851** | | **16,203,957** |
| **30 June 2007** | **Balance** | **28,434,851** | | **16,203,957** |

## 15. Share Option Reserve

| Date | Details | Number of Options | Issue Price | Amount |
|---|---|---|---|---|
| | | | (cents) | $ |
| **1 July 2005** | **Balance** | **21,000,000** | | **130,000** |
| 19 September 2005 | Issued at value (non cash) | 1,000,000 | 15.86 | 158,600 |
| 13 October 2005 | Exercise of Options | (1,000,000) | | - |
| 20 October 2005 | Exercise of Options | (1,000,000) | | - |
| 24 February 2006 | Exercisable at 10 cents expiring 31 December 2012 | 3,000,000 | | - |
| 30 June 2006 | Less options expired | (20,000,000) | | - |
| **30 June 2006** | **Balance** | **3,000,000** | | **288,600** |
| 3 November 2006 | Exercisable at 10 cents expiring 31 December 2012 | 20,000,000 | 0.5 | 100,000 |
| 31 December 2006 | Option placement fee | - | | (5,000) |
| 27 November 2006 | Exercisable at 15 cents expiring 30 November 2008) (non cash) | 600,000 | | 23,116 |
| **30 June 2007** | **Balance** | **23,600,000** | | **406,716** |

Should the options not be exercised, capital gains tax may be assessed against the funds contributed.

## 16. Accumulated Losses

| | Note | Consolidated 2007 | 2006 | Parent Entity 2007 | 2006 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Accumulated losses at the beginning of the year | | (16,331,139) | (14,848,977) | (16,331,139) | (14,848,977) |
| Loss for year | | (272,110) | (1,482,162) | (272,110) | (1,482,162) |
| Accumulated losses at the end of the financial year | | (16,603,249) | (16,331,139) | (16,603,249) | (16,331,139) |

## 17(a). Cashflow Information

| | Note | Consolidated 2007 | 2006 | Parent Entity 2007 | 2006 |
|---|---|---|---|---|---|
| Operating loss after income tax | | (272,110) | (1,482,162) | (272,110) | (1,482,162) |
| Gain on disposal of fixed asset | | (1,527) | - | (1,527) | - |
| Depreciation of plant and equipment | 10 | 257 | - | 257 | - |
| Exploration expenditure written off | 11 | 40,330 | 312,560 | 40,330 | 312,560 |
| Non-cash share based payments | 15 | 23,116 | - | 23,116 | - |
| Provision against Tanzanian Prospects | | - | 879,965 | - | 79,965 |
| Decrease (Increase) in receivables | | (449) | 2 ,685 | (449) | 2,685 |
| (Decrease)/Increase in trade and other payables | | 52,663 | (10,575) | 52,663 | (10,575) |
| Net cash used by operating activities | | (157,720) | (297,527) | (157,720) | (297,527) |

## 17 (b). Non-cash share based payments

During the year, the Company granted 600,000 unlisted options to the current Company Secretary and consultants at an exercise price of 15 cents each. The fair value of the options granted has been calculated using the Black Scholes option pricing model, refer to Note 7.

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## 18. Earnings per share

| | 2007 Number | 2006 Number |
|---|---|---|
| Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share | 28,434,851 | 25,392,166 |

Options to purchase ordinary shares not exercised at June 30, 2007 have not been included in the determination of basic earnings per share. Diluted loss per share has not been disclosed, as it does not show a position which is inferior to basic earnings per share.

| | 2007 | 2006 |
|---|---|---|
| Loss per share - cents | (1.0) | (5.8) |

## 19. Financial Instruments

### (a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

| | Floating Interest Rate | | Non-Interest Bearing | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2007<br>1.95 - 4.10% | 2006<br>2.35% -3.15% | 2007 | 2006 | 2007 | 2006 |
| Financial Assets | $ | $ | $ | $ | $ | $ |
| Cash and cash equivalents | 60,488 | 164,324 | - | - | 60,488 | 164,324 |
| Receivables | - | - | 7,723 | 7,274 | 7,723 | 7,274 |
| Total Financial Assets | 60,488 | 164,324 | 7,723 | 7,274 | 68,211 | 171,598 |
| Financial Liabilities | - | - | - | - | - | - |
| Trade and other payables | - | - | (62,843) | (10,180) | (62,843) | (10,180) |
| Net Financial Assets | 60,488 | 164,324 | (55,120) | (2,906) | 5,368 | 161,418 |

Reconciliation of Financial Assets to Net Assets

| | Consolidated 2007 | Consolidated 2006 |
|---|---|---|
| | $ | $ |
| Net financial assets | 5,368 | 161,418 |
| Fixed assets | 2,056 | - |
| | 7,424 | 161,418 |

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

**(c) Net Fair Values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

**(d) Financial Risk Management**

The Group's financial instruments consist mainly of deposits with recognised banks, investments in bank bills up to 90 days, accounts receivable and accounts payable, and loans to subsidiaries. Liquidity is managed, when sufficient funds are available, by holding sufficient funds in a current account to service current obligations and surplus funds invested in bank bills. The Directors analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The main risks the Group is exposed to, through its financial instruments, are the depository banking institution itself, holding the funds, and interest rates. The Group's active exposure to foreign currency is confined to services procured through the Tanzanian subsidiary. The Group's credit risk is minimal as being an exploration company, no goods are sold, or services provided, for which consideration is claimed.

## 20. Investment in controlled entities

| Name of Entity | Country of Incorporation | Class of Shares | Equity Holding % | | Book Value of Investment | | Contribution to Consolidated Result | |
|---|---|---|---|---|---|---|---|---|
| | | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | | | % | % | $ | $ | $ | $ |
| Raslot Pty Ltd | Australia | Ordinary | 100 | 100 | - | - | - | - |
| Mining Ventures Ltd | Tanzania | Ordinary | 100 | 100 | - | - | - | (903,420) |

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

## 21. Related Parties

The Company's wholly owned subsidiaries, Raslot Pty Ltd and Mining Ventures Ltd, have been loaned $190,870 and $1,381 to date, to conduct exploration, the loans are interest free with no fixed terms of repayment. All transactions with Directors are disclosed in Note 7.

## 22. Acquisition of Entity

During the previous year, 100% of Mining Ventures Limited was obtained.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ |
| Purchase consideration comprised: | | | | |
| Issue of 2,189,000 shares in Sabre Resources Ltd | - | 654,000 | - | 654,000 |
| Issue of 1,000,000 options in Sabre Resources Ltd | - | 158,600 | - | 158,600 |
| Cash consideration | - | 67,365 | - | 67,365 |
| Total | - | 879,965 | - | 879,965 |

Mining Venture Limited's asset is the right to explore on prospecting licences in Tanzania and it has no other assets or liabilities.

## 23. Segment Reporting

The company operates primarily in Western Australia in the resources industry, and has also invested in the resources industry in Tanzania.

| | Australia | | Tanzania | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | $ | $ | $ | $ | $ | $ |
| Revenue | 5,152 | 4,172 | - | - | 5,152 | 4,172 |
| Share of net loss | (272,110) | (578,742) | - | (903,420) | (272,110) | (1,482,162) |
| Income Tax Expense | - | - | - | - | - | - |
| Net loss after tax | (272,110) | (578,742) | - | (903,420) | (272,110) | (1,482,162) |
| Segment assets | 70,267 | 171,598 | - | - | 70,267 | 171,598 |
| Segment liabilities | (62,843) | (10,180) | - | - | (62,843) | (10,180) |
| Net assets | 7,424 | 161,418 | - | - | 7,424 | 161,418 |

## 24. Commitments

(i) Mining Tenements

As part of ongoing activities, the Company is required to commit to minimum expenditures to retain its interest in mining tenements. At 30 June 2007 these commitments for the Gnamma Dam project amounted to $80,400 for 2008.

(ii) Management Agreement

The Company has an agreement with a management service company for the provision of services at $150,000 per annum plus CPI. Charges are at commercial terms in accordance with the agreement entered into on 1 June 2005 for a five year term. The management service company has waived the fees for the current year.

## 25. Contingent Liabilities

No contingent liability exists for termination benefits under service agreements with directors or persons who take part in the management of the company. There are no contingent liabilities as at 30 June 2007.

## 26. Events Subsequent to Balance Sheet Date

On 2 August 2007, the Company announced the acquisition of a major lead-zinc project in Namibia by entering into an agreement to acquire all of the issued capital of Link National Pty Ltd, an Australian registered private company. Link holds an 80 % interest in Gazania Investments Three (Pty) Ltd, a Namibian registered company, which is the holder of an 87.5% beneficial interest in Namibian exploration tenement EPL 3542, known as the Ongava base metal project. The Independent Valuation obtained in respect of this project values it at A$90,000,000, with the 70% being acquired by Sabre valued at A$63,000,000.

In consideration for the acquisition, Sabre will issue to the vendors 32,000,000 ordinary shares in the Company, together with a cash payment of A$240,000 for reimbursement of previous expenditure.

The acquisition is conditional upon Sabre raising an amount of not less than A$3,500,000 through the issue of new shares and the obtaining of all necessary shareholder and regulatory approvals for the acquisition. A General Meeting of shareholders will be held on 14 September 2007 to consider the acquisition and capital raising.

In satisfaction of the A$3,500,000 capital raising requirement, shareholders will be asked to authorise the issue of 14,000,000 shares at 25 cents each, together with one free attached option for every share issued, exercisable at 35 cents each on or before 27 January 2010. The issue will be at the direction of the Directors and Westar Capital Ltd, the holder of an Australian Financial Services Licence. The issue will be pursuant to a disclosure document.

# SABRE RESOURCES LTD
# NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2007**

## 27. Share-based Payments

The following share-based payment arrangement existed at 30 June 2007.

On 15 November 2006, 600,000 share options were granted to management personnel and consultants. The options are exercisable on or before 30 November 2008 at an exercise price of 15 cents each and hold no voting or dividend rights and are not transferable. All options granted confer a right of one ordinary share for every option held.

| | Consolidated | | | | Parent Entity | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | Number Of Options | Weighted Average Exercise Price (cents) | Number Of Options | Weighted Average Exercise Price (cents) | Number Of Options | Weighted Average Exercise Price (cents) | Number Of Options | Weighted Average Exercise Price (cents) |
| Outstanding at 1 July 2006 | - | - | - | - | - | - | - | - |
| Granted | 600,000 | 15 | - | - | 600,000 | 15 | - | - |
| Exercisable at 30 June 2007 | 600,000 | 15 | - | - | 600,000 | 15 | - | - |

# DIRECTORS' DECLARTION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 17 to 37 are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards, the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**D N Zukerman**
DIRECTOR

Dated this 4th day of September 2007
Perth, Western Australia

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SABRE RESOURCES LTD**

## Report on the Financial Report

We have audited the accompanying financial report of Sabre Resources Ltd, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of Sabre Resources Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

1. In our opinion:

(a) the financial report of Sabre Resources Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

*Inherent Uncertainty Regarding Going Concern*

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

The ability of the Company and of its subsidiaries to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and consolidated entity's non-current assets may be significantly less than book values.

**STANTONS INTERNATIONAL**
**(An Authorised Audit Company)**

Stantons International

Director

West Perth, Western Australia
4 September 2007

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

4 September 2007

Board of Directors
Sabre Resources Limited
1st Floor,
8 Parliament Place
WEST PERTH WA 6005

Dear Directors

**RE: SABRE RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sabre Resources Limited.

As Audit Director for the audit of the financial statements of Sabre Resources Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
**STANTONS INTERNATIONAL**
**(Authorised Audit Company)**

**Keith Lingard**
**Director**

# CORPORATE GOVERNANCE STATEMENT

Sabre Resources Ltd has adopted the Ten Essential Corporate Governance Principles and the Best Practice Recommendations as published by the Australian Stock Exchange Corporate Governance Council. These are set out in the company's website under the following headings:

- Lay solid foundations for management and oversight by the Board
- Structure the Board to add value and discharge responsibilities
- Promotion of ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Risk management
- Enhance performance of the Company
- Remunerate fairly and responsibly
- Recognise the interests of stakeholders

**Explanations for departures from best practice recommendations**

**Principle 1:** Lay solid foundations for management and oversight by Board.

Functions of management and Board were formalized on June 28 2004. Prior to formal adoption, separate procedures existed and were practiced, by both Board and management.

**Principle 2:** Structure the Board to add value and discharge responsibilities.

The Company does not have a chief executive officer having delegated the management of the company to a management services company. Director David Zukerman is a member of the executive and a consultant to the management services company. The Company considers that for the purposes of best practice recommendations, David Zukerman's position is the equivalent of chief executive officer. The Board has a majority of independent directors. It is comprised of two independent directors and one non-independent director. The board has appointed Mr Clemen as the lead independent director to facilitate any areas where it is inappropriate for Mr Zukerman to act. The third director Mr Scivolo is the other independent director.

The Company recognises the ASX recommends that one individual should not hold the combination of positions described above, the existing arrangement is considered appropriate due to the small size of the Company and its economic practicalities.

A separate nomination committee has not been formed as the Board comprises just three members and it was considered that no efficiencies would be achieved. The whole Board carries out the duties, but with each member excluding himself from matters in which he has a material personal interest.

**Principle 3:** Promotion of an ethical and responsible decision making.

A code of conduct was adopted by the Company on June 28 2004. Prior to that time the Board considers its practices were the equivalent of a code of conduct. These practices are now outlined in the written code.

A written securities trading policy was adopted on June 28 2004. Prior to that time the Directors had an understanding of the appropriate time to trade in the Company's securities.

# CORPORATE GOVERNANCE STATEMENT

**Principle 4:** Safeguard integrity in financial reporting.

A formal audit committee charter was adopted on June 28 2004 although a separate audit committee has not been formed, as due to the small size and structure of the Board, it was considered that no efficiencies would be achieved, hence the full Board carries out the function, of an audit committee. Mr Scivolo and Mr Zukerman meet the requirements of financial literacy and experience.

**Principle 5:** Make timely and balanced disclosure.

Informal procedures were in place prior to June 28 2004 when written policies and procedures were implemented to ensure compliance with the ASX Listing Rules.

**Principle 6:** Respect the rights of shareholders.

The Company adopted a formal information strategy on June 28 2004 to communicate to shareholders through the website.

**Principle 7:** Risk Management.

The Company adopted a formal policy on risk management on June 28 2004. Prior to that time the Board had informal policies and procedures in place to identify and manage operational and financial risks.

**Principle 8:** Enhance performance of the Company.

The Company has a process for performance evaluation of the individual directors by way of an informal review by the Chairman.

**Principle 9:** Remunerate fairly and responsibly.

The Company adopted a remuneration committee charter on June 28 2004 but has not established a separate remuneration committee as due to its small size ( three directors ), all members are involved in assessing remuneration.

**Principle 10:** Recognise the interests of stakeholders.

The Company adopted a formal code of conduct to guide compliance with legal and other obligations in June 2004. Prior to that time the Board considered that its business practices were the equivalent of a code of conduct.

# CORPORATE GOVERNANCE STATEMENT

**Summary**

A profile of each director is shown in the Directors' Report. The independent directors of the three person Board of the Company are Alex Clemen and Mike Scivolo. Each director may, with approval of the Chairman, seek independent professional advice to assist the director in the exercise and discharge of his duties as a director, and be reimbursed for reasonable expenses in obtaining that advice. The full board carries out the functions of a nomination committee in accordance with the Charter, relevant issues are considered at Board meetings on an as required basis.

The full three-man board carries out the functions of the audit committee with Mr Zukerman and Mr Scivolo meeting the requirements of financial literacy, expertise and industry experience. During the Reporting Period the full board conducted informal reviews of the Company accounts on a six monthly basis.

A formal evaluation of the board was not carried out. With a board of three members, informal evaluation is conducted on an ongoing basis.

The full board carries out the functions of a remuneration committee. The level of fees paid to directors is influenced by comparing fees paid within the exploration industry and then set to attract qualified people to accept the responsibilities of directorship. Directors receive a fixed fee ( plus statutory superannuation ), with executive directors being remunerated for any professional services conducted for the Company. Directors do not receive any performance or equity based remuneration nor are there any retirement schemes for any directors.

**Board Structure**

| Name of Director | Year Appointed | Executive | Non-Executive | Independent | Seeking re-election at 2007 AGM |
|---|---|---|---|---|---|
| D Zukerman - Director | 2003 | YES | NO | NO | NO |
| A Clemen - Director | 1999 | NO | YES | YES | YES |
| B McCullagh - Director and Company Secretary (resigned 3 October 2006) | 1999 | YES | NO | NO | NO |
| M Scivolo - Director (appointed 3 October 2006) | 2006 | NO | YES | YES | NO |

# SHAREHOLDER INFORMATION

## 1. Distribution of Shareholders

(a) As at 3 September 2007 the distribution of members and their shareholdings were:-

| Range of Holding | | | Holders | Shares Held | Percent |
|---|---|---|---|---|---|
| 1 | - | 1,000 | 249 | 98,773 | 0.35 |
| 1,001 | - | 5,000 | 250 | 673,102 | 2.37 |
| 5,001 | - | 10,000 | 55 | 447,472 | 1.57 |
| 10,001 | - | 100,000 | 120 | 5,372,526 | 18.89 |
| 100,001 | | and over | 35 | 21,842,978 | 76.82 |
| | | | 709 | 28,434,851 | 100.00 |

(b) There exist 297 shareholders with unmarketable parcels of shares.

## 2. Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporation Act 2001 are:

| Name | Number of Ordinary Shares | Percentage of Issued Capital |
|---|---|---|
| Coniston Pty Ltd, | 3,836,020 | 13.49% |
| Kalgoorlie Mine Management Pty Ltd together with group member James John del Piano | | |

The twenty largest shareholders as at 3 September 2007, representing 68.42% of the paid up capital were:

| Name of Holder | Number | % |
|---|---|---|
| Bow Lane Nominees Pty Ltd | 6,513,800 | 22.91 |
| ANZ Nominees Ltd | 2,529,383 | 8.90 |
| Coniston Pty Ltd | 1,500,000 | 5.28 |
| Kalgoorlie Mine Management Pty Ltd | 1,430,000 | 5.03 |
| James John del Piano | 906,020 | 3.19 |
| Pio Services Ltd | 740,000 | 2.60 |
| Merrill Lynch (Australia) Nominees Pty Ltd | 688,790 | 2.42 |
| Heaver Group Ltd | 600,000 | 2.11 |
| Herlequin Investments Ltd | 600,000 | 2.11 |
| L C Asia Ltd | 600,000 | 2.11 |
| Nelbert Finance Ltd | 600,000 | 2.11 |
| Tripura Ltd | 600,000 | 2.11 |
| Peter James & Thomas David Freer | 349,320 | 1.23 |
| Mervyn Ian Leo & Shirley Ethel Bassett | 300,000 | 1.06 |
| UBS Wealth Management Australia Nominees Pty Ltd | 290,000 | 1.02 |
| Sassey Pty Ltd | 280,000 | 0.98 |
| Treragh Pty Ltd | 275,000 | 0.97 |
| Anne-Maree Rice | 227,783 | 0.80 |
| Eppae Nominees Pty Ltd | 220,000 | 0.77 |
| Nefco Nominees Pty Ltd | 201,167 | 0.71 |
| **Total** | **19,451,263** | **68.42** |

## Notes

www.sabresources.com

SABRE RESOURCES LTD

Level 1, 8 Parliament Place

West Perth, WA, 6005

Telephone: +61 8 9481 7833
xFacsimile: +61 8 9481 7835

Email: sabre@sabreresources.com

Website: www.sabresources.com