



SABRE RESOURCES LTD

ABN: 68 003 043 570

ANNUAL REPORT 2006

**SABRE RESOURCES LTD
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**SABRE RESOURCES LTD
CORPORATE DIRECTORY**

DIRECTORS

Alexander Clemen

Bruce R McCullagh

David Nathan Zukerman

AUDITORS

Stantons International
1 Havelock Street
West Perth WA 6005

BANKERS

National Australia Bank
Wright Street
Belmont WA 6105

COMPANY SECRETARY

Bruce R McCullagh

SHARE REGISTRY

Computershare Investor Services
Level 2 Reserve Bank Building
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Perth WA 6000
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Perth WA 6840
Investor Enquiries (08) 9323 2059
Telephone: (08) 9323 2000
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ASX code for shares: SBR

SOLICITORS

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West Perth WA 6005
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SABRE RESOURCES LTD REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

1) GNAMMA DAM NICKEL PROSPECT

The prospect 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. Younger dolerites have intruded the sequence.

Nickel potential in the ultramafic units has been previously recognised and evidence of sulphides has been observed in bedrock outcrop, however little exploration for this commodity has been undertaken.

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

A series of east-west bearing ground magnetic survey lines were completed over the project area. This programme was designed to delineate the ultramafic sequence and to attempt to map the ultramafic/meta-sediment contacts and to establish a possible relationship between the nickel anomalies and the underlying stratigraphy. This programme was successful in delineating north-south trending magnetic anomalies, which are interpreted as being associated with the ultramafic stratigraphy.

A significant number of soil samples reported nickel values at a level more 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 anomalies, which are considered to be the basal part of the ultramafic sequence, adding further significance to the anomalies.

The project is currently undergoing a detailed assessment, with on going exploration to include:

1. Acquiring detailed aeromagnetic data for the project area and its surrounds.
2. Undertaking detailed ground EM to better assess a number of targets in the southern project area.
3. Reconnaissance RAB drilling to test the ultramafic stratigraphy within the project area, and it's potential for nickel sulphide mineralisation.

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 Mkunju 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 licence is located adjacent to those of Sterling Resources Limited.

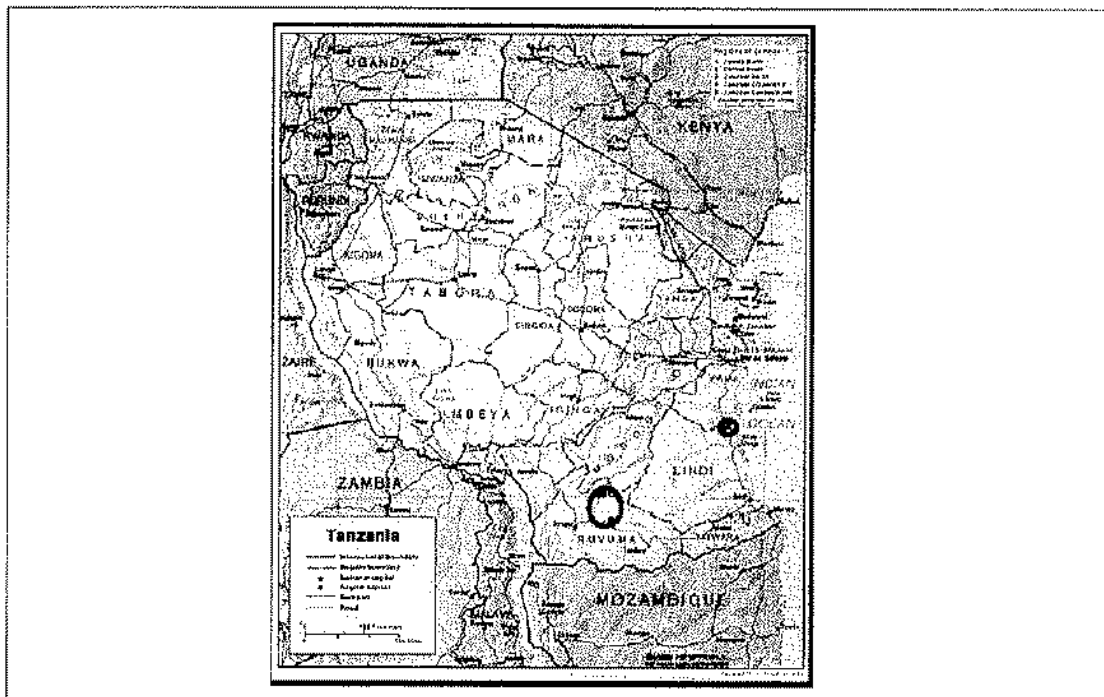
The Mkunju and Madaba licence areas were part of the focused search area for uranium between 1978 and 1982 by a German company Uranerzbergbau GMBH (UEB). The exploration initiative commenced in 1976-1979 when the Government of Tanzania contracted Geosurvey International Company to carry out a systematic airborne survey of the whole country to ascertain the geology and uranium mineralisation

SABRE RESOURCES LTD REVIEW OF OPERATIONS

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. 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.



SABRE RESOURCES LTD DIRECTORS' REPORT

The Directors present their report on Sabre Resources Ltd ("the Company") and its controlled entities for the year ended 30 June 2006.

DIRECTORS

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

Alexander Clemen
Bruce McCullagh
David Zukerman

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

Ordinary Shares

B R McCullagh	20
D N Zukerman	10
A Clemen	10

PRINCIPAL ACTIVITIES

The principal activity of the Company is mineral exploration.

RESULTS

The operating loss for the financial year after providing for income tax amounted to \$1,482,162 (2005: \$298,393).

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.

LIKELY DEVELOPMENTS

The Board is actively seeking to advance the exploration prospects in Tanzania.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

(a) The Directors held office for the entire year and 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 20 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 Australian United Gold Ltd and Golden Deeps Ltd.

SABRE RESOURCES LTD DIRECTORS' REPORT

- (ii) Bruce Russell McCullagh CPA, ACIS – Director and Company Secretary

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 of the Chartered Institute of Secretaries, and for the past three years he has also served as 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 Australian United Gold Ltd, Golden Deeps Ltd, and Tiger Resources Ltd.

REMUNERATION REPORT

EMOLUMENTS OF BOARD MEMBERS

Names	Short Term Directors Fees	Post Employment Superannuation	Short Term Consulting Fees	Total
	\$	\$	\$	\$
B R McCullagh	10,000	900	30,722	41,622
A Clemen	12,000	-	-	12,000
D N Zukerman	-	-	7,510	7,510
TOTAL	22,000	900	38,232	61,132

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

Directors receive a fixed fee (plus statutory superannuation), with executive directors being remunerated for any professional services conducted for the Company. Directors or any executive employees 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 2006, and the number of meetings attended by each Director.

Name:	Eligible to attend:	Attended:
A Clemen	4	2
B R McCullagh	4	4
D N Zukerman	4	4

SABRE RESOURCES LTD DIRECTORS' REPORT

RETIREMENT, ELECTION AND CONTINUATION OF OFFICE OF DIRECTORS

Alex Clemen retired by rotation as a Director at the Annual General Meeting on 24 November, 2005 and was re-elected.

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

EVENTS SUBSEQUENT TO BALANCE DATE

No significant events have occurred since balance date.

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

There are 3,000,000 share options outstanding at the date of this report exercisable at 10 cents per share on or before December 31 2012. 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

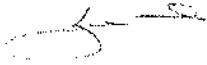
A copy of the independent auditor's declaration as required by section 307c of the Corporations Act 2001, is set out on page 35.

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. Stantons International received the following amount for the provision of non audit services: Tax compliance services \$1,001.

SABRE RESOURCES LTD
DIRECTORS' REPORT

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 19th day of September 2006.
Perth, Western Australia

SABRE RESOURCES LTD
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	2	4,172	14,903	4,172	14,903
Expenditure		-----	-----	-----	-----
Depreciation		-	1,018	-	1,018
Exploration expenditure		312,560	49,142	312,560	44,602
Provision for doubtful debt		-	-	-	4,540
Provision against exploration Tanzania		879,965	-	879,965	-
Management fee		150,000	106,419	150,000	106,419
Directors' fees and services		61,132	59,650	61,132	59,650
Other expenses		50,282	46,746	50,282	46,746
Occupancy costs		32,395	50,321	32,395	50,321
		-----	-----	-----	-----
		1,486,334	313,296	1,486,334	313,296
		-----	-----	-----	-----
Loss before income tax		(1,482,162)	(298,393)	(1,482,162)	(298,393)
Income tax	3	-	-	-	-
Loss after income tax	19	(1,482,162)	(298,393)	(1,482,162)	(298,393)
		=====	=====	=====	=====
Earnings per share		2006	2005		
		Cents	Cents		
Loss per share	16	(5.8)	(1.6)		
		=====	=====		

The accompanying notes form part of these financial statements

SABRE RESOURCES LTD
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated 2006 \$	2005 \$	Parent Entity 2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	21	164,324	134,276	164,324	134,276
Trade and other receivables	20	7,274	9,959	7,274	9,959
TOTAL CURRENT ASSETS		<u>171,598</u>	<u>144,235</u>	<u>171,598</u>	<u>144,235</u>
NON-CURRENT ASSETS					
Exploration – Gnamma Dam	8	-	222,500	-	222,500
Other financial assets	7	-	-	-	-
TOTAL NON-CURRENT ASSETS		<u>-</u>	<u>222,500</u>	<u>-</u>	<u>222,500</u>
TOTAL ASSETS		<u>171,598</u>	<u>366,735</u>	<u>171,598</u>	<u>366,735</u>
CURRENT LIABILITIES					
Trade and other payables	9	10,180	20,755	10,180	20,755
TOTAL CURRENT LIABILITIES		<u>10,180</u>	<u>20,755</u>	<u>10,180</u>	<u>20,755</u>
TOTAL LIABILITIES		<u>10,180</u>	<u>20,755</u>	<u>10,180</u>	<u>20,755</u>
NET ASSETS		<u>161,418</u>	<u>345,980</u>	<u>161,418</u>	<u>345,980</u>
EQUITY					
Issued capital	10	16,203,957	15,064,957	16,203,957	15,064,957
Share option reserve	11	288,600	130,000	288,600	130,000
Accumulated losses	19	(16,331,139)	(14,848,977)	(16,331,139)	(14,848,977)
TOTAL EQUITY		<u>161,418</u>	<u>345,980</u>	<u>161,418</u>	<u>345,980</u>

The accompanying notes form part of these financial statements

SABRE RESOURCES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

CONSOLIDATED ENTITY

	Issued Capital	Option Reserve	Retained Earnings (Loss)	Total
	\$	\$	\$	\$
Balance as at 1 July 2004	14,607,457	95,000	(14,550,584)	151,873
Issue of shares	457,500	-	-	457,500
Issue of options	-	35,000	-	35,000
Loss attributable to members of parent entity	-	-	(298,393)	(298,393)
Balance at 30 June 2005	<u>15,064,957</u>	<u>130,000</u>	<u>(14,848,977)</u>	<u>345,980</u>
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 at 30 June 2006	<u>16,203,957</u>	<u>288,600</u>	<u>(16,331,139)</u>	<u>161,418</u>

PARENT ENTITY

	Issued Capital	Option Reserve	Retained Earnings (Loss)	Total
	\$	\$	\$	\$
Balance as at 1 July 2004	14,607,457	95,000	(14,550,584)	151,873
Issue of shares	457,500	-	-	457,500
Issue of options	-	35,000	-	35,000
Loss attributable to members of parent entity	-	-	(298,393)	(298,393)
Balance at 30 June 2005	<u>15,064,957</u>	<u>130,000</u>	<u>(14,848,977)</u>	<u>345,980</u>
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 at 30 June 2006	<u>16,203,957</u>	<u>288,600</u>	<u>(16,331,139)</u>	<u>161,418</u>

The accompanying notes form part of these financial statements

SABRE RESOURCES LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cashflow from operating activities					
Payments:					
Suppliers and employees		(301,699)	(250,980)	(301,699)	(251,951)
Interest received		4,172	5,081	4,172	5,081
Net cash (outflow) from operating activities	15	<u>(297,527)</u>	<u>(245,899)</u>	<u>(297,527)</u>	<u>246,870</u>
Cashflow from investing activities					
Sale of tenement		-	10,000	-	10,000
Loan to subsidiary		-	-	-	(3,569)
Invest in Tanzania		(67,365)	-	(67,365)	-
Exploration expenditure	8	<u>(90,060)</u>	<u>(49,142)</u>	<u>(90,060)</u>	<u>(44,602)</u>
Net cash (outflow) inflow from investing activities		<u>(157,425)</u>	<u>(39,142)</u>	<u>(157,425)</u>	<u>(38,171)</u>
Cashflow from financing activities					
Proceeds from issue of shares	10	<u>485,000</u>	<u>270,000</u>	<u>485,000</u>	<u>270,000</u>
Net cash inflow from financing activities		<u>485,000</u>	<u>270,000</u>	<u>485,000</u>	<u>270,000</u>
Net (decrease) /increase in cash and cash equivalents held		30,048	(15,041)	30,048	(15,041)
Cash and cash equivalents at the beginning of the financial year		<u>134,276</u>	<u>149,317</u>	<u>134,276</u>	<u>149,317</u>
Cash and cash equivalents at the end of the financial year	21	<u>164,324</u>	<u>134,276</u>	<u>164,324</u>	<u>134,276</u>

The accompanying notes form part of these financial statements

SABRE RESOURCES LTD
A.C.N. 003 043 570
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. CORPORATE INFORMATION

The financial report of Sabre Resources Ltd (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 19th September 2006.

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.

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).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and loss for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are not shown as they have no impact on the Group.

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(ii) Provisions for loans to subsidiaries

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

SABRE RESOURCES LTD
A.C.N. 003 043 570
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(iii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and development expenditure.

The Group determines whether capitalised exploration and development expenditure is impaired at least on 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 recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note (v).

(d) Summary of significant accounting policies

(i) 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.

(ii) 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.

(iii) Foreign currency translation

Both the functional and presentation currency of Sabre Resources Limited and its Australian subsidiary is Australian dollars (A\$). The functional currency of the Tanzanian subsidiary is Tanzanian shillings.

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.

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.

SABRE RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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.

(iv) 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.

(v) 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.

SABRE RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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.

(vi) 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.

(vii) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

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.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

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For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(viii) 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. Gains or losses on investments held for trading are recognized in profit or loss.

(ix) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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.

Accounting policies applicable for the year ending 30 June 2005

Trade receivables were recognized and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

(x) 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.

(xi) 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.

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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.

(xii) Share-based payment transactions

(i) Equity settled transactions:

The Group does not provide any benefits to employees in the form of share-based payments. Should the Group, in future, provide benefits to employees in the form of share-based payments, the cost of these equity-settled transactions with employees would be measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value would be determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Sabre Resources Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

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(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.

(xiii) 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.

(xiv) 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:

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- 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.

(xv) 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.

(xvi) Derecognition of financial assets and financial liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred

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nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Accounting policies applicable for the year ending 30 June 2005

(i) Financial assets

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

(ii) Financial liabilities

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

(xvii) Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an

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individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Accounting policies applicable for the year ending 30 June 2005

For both current financial assets, and for non-current financial assets, the assets would be derecognized when the contractual right to receive or exchange cash no longer exists.

(xviii) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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.

Accounting policies applicable for the year ending 30 June 2005

Trade payables and other payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(xix) 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.

(xx) 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.

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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.

(xxi) 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.

(xxii) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

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Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Group has elected to adopt this exemption and has not restated its comparative information.

(xxiii) Impact of adoption of AIFRS

The impact of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') for the year ended 30 June 2005 is not disclosed as there is no impact.

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
2. Revenue from Ordinary Activities					
Other Revenue:					
Sale of Tenement		-	10,000	-	10,000
Interest Earned		4,172	4,903	4,172	4,903
		<u>4,172</u>	<u>14,903</u>	<u>4,172</u>	<u>14,903</u>
3. Income Tax					
		Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
Reconciliation of prima facie income tax benefit on loss to income tax as provided in the financial statements		(1,482,161)	(298,393)	(1,482,161)	(298,393)
Prima facie income tax benefit thereon at 30 %		(444,648)	(89,518)	(444,648)	(89,518)
Add:					
Tax effect of:					
Provisions		144	2,382	144	2,382
Non deductible expenses		300	-	300	-
Write-downs to recoverable amounts		330,740	-	330,740	-
Exploration expenses for accounting purposes		-	13,381	-	13,381
		<u>(113,464)</u>	<u>(73,755)</u>	<u>(113,464)</u>	<u>(73,755)</u>
Less:					
Tax effect of:					
Immediate deduction for capital expenses		-	(80,131)	-	(80,131)
Section 40-880 deduction		(3,019)	(2,119)	(3,019)	(2,119)
Income tax benefit not brought to account		116,483	156,005	116,483	156,005
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax attributable		-	-	-	-
Deferred Tax Assets					
Provisions		1,944	1,800	1,944	1,800
Section 40.880		5,400	3,919	5,400	3,919
Carried forward tax losses		<u>1,888,610</u>	<u>1,772,127</u>	<u>1,888,610</u>	<u>1,772,127</u>
		<u>1,895,954</u>	<u>1,777,846</u>	<u>1,895,954</u>	<u>1,777,846</u>

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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.

4. Auditor's Remuneration

Note	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Amounts received or due and receivable by the Company's auditors for:-				
Auditing the Company's financial	15,724	10,804	15,724	10,804
Other services to the Company	1,001	4,500	1,001	4,500
	<u>16,725</u>	<u>15,304</u>	<u>16,725</u>	<u>15,304</u>
	=====	=====	=====	=====

**5. Remuneration of Directors
For the Year Ending June 30 2006**

Names	Short Term Directors Fees	Post Employment Superannuation	Short Term Consulting Fees	Total
	\$	\$	\$	\$
BR McCullagh – Executive Director and Company Secretary	10,000	900	30,722	41,622
A Clemen – Non executive Director	12,000	-	-	12,000
DN Zukerman – Executive Chairman	-	-	7,510	7,510
TOTAL	<u>22,000</u>	<u>900</u>	<u>38,232</u>	<u>61,132</u>

**Remuneration of Directors
For the Year Ending June 30 2005**

Names	Short Term Directors Fees	Post Employment Superannuation	Short Term Consulting Fees	Total
	\$	\$	\$	\$
BR McCullagh – Executive Director and Company Secretary	10,000	900	25,555	36,455
A Clemen – Non executive Director	12,000	-	-	12,000
DN Zukerman – Executive Chairman	-	-	11,195	11,195
TOTAL	<u>22,000</u>	<u>900</u>	<u>36,750</u>	<u>59,650</u>

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Directors receive a fixed fee (plus statutory superannuation), with executive directors being remunerated for any professional services conducted for the Company. Directors or any executive employees 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.

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

Executive/Employee

The Company has no other employees.

A company under the control of B R McCullagh, received fees for the provision of services during the year. The aggregate amount shown above, charged for such services was \$30,722 (2005: \$25,555).

Shareholdings

Number of shares held at 30 June 2006: Directors

	Balance 1 July 2005	Net Change Other	Balance 30 June 2006
B R McCullagh	20	-	20
D N Zukerman	10	-	10
A Clemen	10	-	10
Totals	40	-	40

6. Plant and Equipment

	Note	Consolidated		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Plant and Equipment, at cost		16,273	16,273	16,273	16,273
Less: accumulated depreciation		(16,273)	(16,273)	(16,273)	(16,273)
		=====	=====	=====	=====
		-	-	-	-
		=====	=====	=====	=====
Movement:					
Opening written down value		-	1,018	-	1,018
Depreciation		-	(1,018)	-	(1,018)
		=====	=====	=====	=====
Closing written down value		-	-	-	-
		=====	=====	=====	=====

7. 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	-
Less: provision for diminution	-	-	(879,965)	-
		=====	=====	=====
		-	-	-
		=====	=====	=====

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	Note	Consolidated 2006 \$	2005 \$	Parent Entity 2006 \$	2005 \$
8. Exploration Expenditure					
Opening balance		222,500	-	222,500	-
Exploration expenditure		90,060	271,642	90,060	267,102
Exploration expenditure written off		(312,560)	(49,142)	(312,560)	(44,602)
		<u>-</u>	<u>222,500</u>	<u>-</u>	<u>222,500</u>
		=====	=====	=====	=====

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.

9. Trade and other Payables

Current Payables	10,180	20,755	10,180	20,755
	=====	=====	=====	=====

10. Issued Capital

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

Date	Details	Number of Shares	Issue Price (cents)	Amount \$
30 June 2004	Balance	<u>17,594,851</u>		<u>14,607,457</u>
24 February 2005	Issue	2,160,000	12.5	270,000
6 May 2005	Issue to acquire tenements	1,500,000	12.5	187,500
30 June 2005	Balance	<u>21,254,851</u>		<u>15,064,957</u>
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	<u>28,434,851</u>		<u>16,203,957</u>

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11. Share Option Reserve

Date	Details	Number of Options	Issue Price (cents)	Amount \$
30 June 2004	Balance	17,500,000		95,000
6 May 2005	Issued exercisable at 10 cents expiring June 30 2006 to acquire tenements	3,500,000	1	35,000
30 June 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	Issued exercisable at 10 cents expiring December 31 2012	3,000,000		-
30 June 2006	Less options expired	(20,000,000)		-
30 June 2006	Balance	3,000,000		288,600

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

12. 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 2006 these commitments for the Gnamma Dam project amounted to \$10,500 for 2007 and \$11,600 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.

13. 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 2006.

14. Segment Reporting

The company operates primarily in Western Australia in the resources industry, and has recently moved to invest in Tanzania in the resources industry.

SABRE RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Australia		Tanzania		Consolidated	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Revenue	4,172	14,903	-	-	4,172	14,903
Share of net loss	(578,742)	(298,383)	(903,420)	-	(1,482,162)	(298,383)
Income Tax Expense	-	-	-	-	-	-
Net loss after tax	(578,742)	(298,383)	(903,420)	-	(1,482,162)	(298,383)
Segment assets	171,598	366,735	-	-	171,598	366,735
Segment liabilities	10,180	20,755	-	-	10,180	20,755
Net assets	161,418	345,980	-	-	161,418	345,980

15. Cashflow Information

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating loss after income tax	(1,482,162)	(298,393)	(1,482,162)	(298,393)
Surplus on sale of tenement	-	(10,000)	-	(10,000)
Depreciation of plant and equipment	-	1,018	-	1,018
Exploration expenditure written off	312,560	49,142	312,560	44,602
Provision for doubtful debts	-	-	-	4,540
Provision against Tanzanian Prospects	879,965	-	879,965	-
Decrease (Increase) in receivables	2,685	(4,271)	2,685	(5,242)
(Decrease) Increase in trade and other payables	(10,575)	16,605	(10,575)	16,605
Net cash used by operating activities	(297,527)	(245,899)	(297,527)	(246,870)

Non Cash Investing Activity

The Company during the year issued 2,180,000 shares at a deemed value of 30 cents each and 1,000,000 options at a deemed value of 15.8 cents each to acquire a Tanzanian exploration project (Note 24).

16. Earnings per share

	2006	2005
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	25,392,166	18,566,522

Options to purchase ordinary shares not exercised at June 30, 2006 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.

	2006	2005
Loss per share – cents	(5.8)	(1.6)

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FOR THE YEAR ENDED 30 JUNE 2006

17. Events Subsequent to Balance Date

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

18. 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	
	2006	2005	2006	2005	2006	2005
	2.35% - 3.15%	2.35% - 3.15%				
Financial Assets	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	164,324	134,276	-	-	164,324	134,276
Receivables	-	-	7,274	9,959	7,274	9,959
Total Financial Assets	164,324	134,276	7,274	9,959	171,598	144,235
Financial Liabilities	-	-	-	-	-	-
Trade and other payables	-	-	(10,180)	(20,755)	(10,180)	(20,755)
Net Financial Assets	164,324	134,276	(2,906)	(10,796)	161,418	123,480

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2006	2005
	\$	\$
Net financial assets	161,418	123,480
Exploration expenditure	-	222,500
	<u>161,418</u>	<u>345,980</u>
	<u>=====</u>	<u>=====</u>

(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 1 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.

19. Accumulated Losses

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Accumulated losses at the beginning of the year	(14,848,977)	(14,550,584)	(14,848,977)	(14,550,584)
Loss for year	(1,482,162)	(298,393)	(1,482,162)	(298,393)
Accumulated losses at the end of the financial year	<u>(16,331,139)</u>	<u>(14,848,977)</u>	<u>(16,331,139)</u>	<u>(14,848,977)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

SABRE RESOURCES LTD
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FOR THE YEAR ENDED 30 JUNE 2006

20, Trade and Other Receivables	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Current				
Other debtors	7,274	9,959	7,274	9,959
	=====	=====	=====	=====

21. Cash and Cash Equivalents

Represented by				
Cash at bank	164,324	134,276	164,324	134,276
	=====	=====	=====	=====

22. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Book Value of Investment		Contribution to Consolidated Result	
			%	%	\$	\$	\$	\$
			2006	2005	2006	2005	2006	2005
			%	%	\$	\$	\$	\$
Raslot Pty Ltd	Australia	Ordinary	100	100	-	-	-	(4,540)
Mining Ventures Ltd	Tanzania	Ordinary	100	-	-	-	(903,420)	-

23. Related Parties

The wholly owned subsidiary, Raslot Pty Ltd, has been loaned \$190,870 to date, to conduct exploration, the loan is interest free with no fixed terms of repayment. All transactions with Directors are disclosed in Note 5.

24. Acquisition of Entity

During the year 100% of Mining Ventures Limited was acquired

Purchase consideration comprised:	2006	2005	2006	2005
	\$	\$	\$	\$
Issuing 2,180,000 shares in Sabre Resources Ltd	654,000	-	654,000	-
Issuing 1,000,000 options in Sabre Resources Ltd	158,600	-	158,600	-
Cash consideration	67,365	-	67,365	-
Total	879,965	-	879,965	-
	=====		=====	

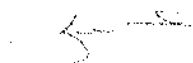
Mining Venture Limited's asset is the right to explore on prospecting licences in Tanzania and it has no other assets or liabilities.

**SABRE RESOURCES LTD
DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 31 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 2006 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 19th day of September 2006
Perth, Western Australia

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF SABRE RESOURCES LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity and statement of cash-flows, accompanying notes to the financial statements, and the directors' declaration for Sabre Resources Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Sabre Resources Limited is in accordance with:

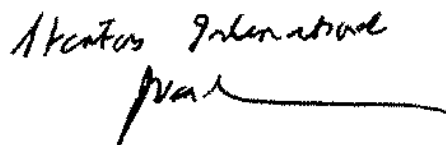
- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

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 subsidiary to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiary raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company may not be able to meet its 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
(Authorised Audit Company)



J P Van Dieren
Director
Perth, Western Australia
19 September 2006

Stantons International

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19 September 2006

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 2006, 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)



John Van Dieren
Director

SABRE RESOURCES LTD

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

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 does not have a majority of independent directors. It is comprised of one independent director and two non-independent directors. 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 McCullagh, is also company secretary.

The Company recognizes 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.

SABRE RESOURCES LTD

CORPORATE GOVERNANCE STATEMENT

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.

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 McCullagh 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.

Summary

A profile of each director is shown in the Directors' Report. The independent director of the three person Board of the Company is Alex Clemen. 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.

SABRE RESOURCES LTD
CORPORATE GOVERNANCE STATEMENT

The full three-man board carries out the functions of the audit committee with Mr Zukerman and Mr McCullagh 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 2006 AGM
DN Zukerman – Chairman	2003	YES	NO	NO	YES
A Clemen	1999	NO	YES	YES	NO
BR McCullagh and Company Secretary	1999	YES	NO	NO	NO

SABRE RESOURCES LTD
SHAREHOLDER INFORMATION

1. Distribution of Shareholders

(a) As at 12 September 2006 the distribution of members and their shareholdings were:-

Range of Holding	Holders	Shares Held	Percent
1 - 1,000	262	107,342	0.38
1,001 - 5,000	265	708,428	2.49
5,001 - 10,000	55	448,703	1.57
10,001 - 100,000	67	2,881,882	10.13
100,001 and over	32	24,288,496	85.43
	<u>681</u>	<u>28,434,851</u>	<u>100.00</u>
	=====	=====	=====

(b) There exists 532 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, Kalgoorlie Mine Management Pty Ltd together with group member James John del Piano	3,836,020	13.49%

SABRE RESOURCES LTD
SHAREHOLDER INFORMATION

The twenty largest shareholders as at 12 September 2006 which represents 78.17% of the paid up capital were as follows :

Name of Holder	Number	%
Bow Lane Nominees Pty Ltd	6,180,000	21.73
ANZ Nominees Limited	3,915,999	13.77
McNeil Nominees Pty Limited	1,771,790	6.23
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 Limited	740,000	2.60
Heaver Group Limited	600,000	2.11
Herlequin Investments Limited	600,000	2.11
L C Asia Limited	600,000	2.11
Nelbert Finance Limited	600,000	2.11
Tripura Limited	600,000	2.11
Balfes (QLD) Pty Ltd	500,000	1.76
Seabrooke Pty Ltd	500,000	1.76
National Nominees Limited	470,780	1.66
Aluca Pty Ltd	307,540	1.08
Paticoa Nominees Pty Ltd	300,000	1.06
Paso Holdings Pty Ltd	299,000	1.05
Ianaki Semerdziev	205,000	0.72
Dewet Nominees Pty Ltd	200,000	0.70
Total	22,226,129	78.17
	=====	=====