

**SABRE RESOURCES LTD
AND CONTROLLED ENTITIES**

(ACN 003 043 570)

*Interim Financial Report
for the Six Month Period Ended
31 December 2010*

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DIRECTORS' REPORT

Your Directors present their report on consolidated group of Sabre Resources Ltd and controlled entities (the "Group") for the half year ended 31 December 2010.

1. DIRECTORS

The names of Directors in office during the whole of the half year and up to the date of this report:

Alex Clemen
Jonathan Downes
Michael Scivolo
David Zukerman

2. REVIEW OF OPERATIONS

Financial Result

The Group incurred a loss after income tax of \$308,228 for the half year period (2009: Loss of \$406,588). As at 31 December 2010 the Group has cash funds of \$3,416,853 (30 June 2010: \$5,120,154).

Exploration Activities

Ongava Poly-Metallic Project, Namibia

(a) Kaskara Copper-lead zinc

Oxidised disseminated and vein-hosted copper, lead and zinc mineralisation has been intercepted in several holes during diamond drilling at Kaskara. The mineralisation is of the same oxidised character as that exposed in the gossans and as vein sets at surface. Drilling confirms the down-dip extension of this mineralisation to depth.

The Company believes that it has **intercepted the near-surface oxidised expression of deep-seated copper, lead and zinc sulphide mineralisation at Kaskara** (Figure 1).

Mineralisation is clustered in oxidised zones that are up to 30 m thick. Within these broad zones, irregular bodies of copper-lead-zinc mineralised hematitic material are up to several metres thick, and are surrounded by networks of hematitic veins. The hematitic material is variably mineralised by

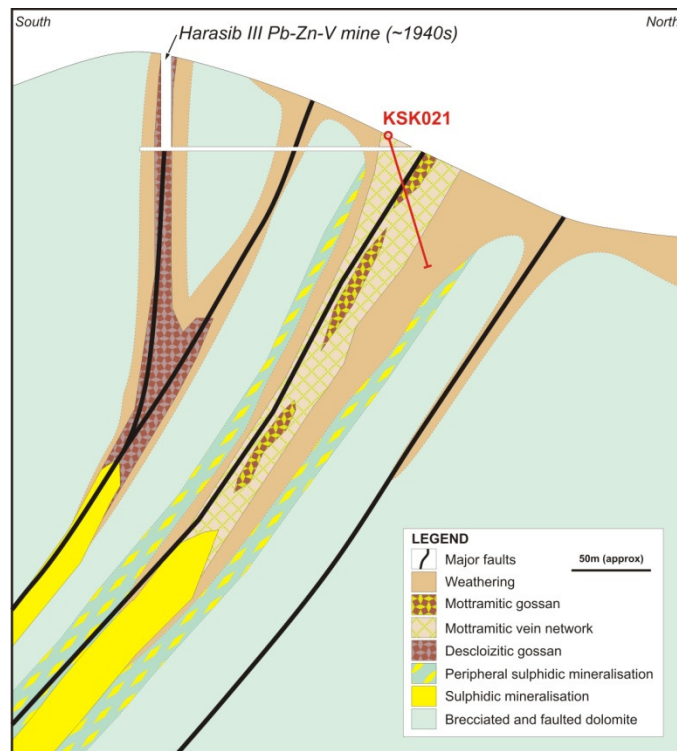


Figure 1 - Conceptual diagram of the Kaskara copper-lead-zinc mineralised system, showing relationship of the mottramitic gossans to expected sulphidic mineralisation at depth.

mottramite (Figure 2) and descloizite, and to a lesser extent galena, sphalerite and/or chalcocite. Widespread occurrence of these copper-lead-zinc minerals confirms Tsumeb-style mineralisation at Kaskara.

Drilling at Kaskara has intercepted oxidised zones at over 190 m beneath surface. Extension to depth of such oxidised zones is known to preferentially occur around the ore deposits of the Otavi Mountainland (e.g. Tsumeb, Berg Aukas, Abenab etc.). Deep oxidation and weathering are therefore considered highly favourable for the presence of extensive sulphide mineralisation at and around Kaskara.

Eight diamond drill holes have been drilled to date at Kaskara. Three of these are repeats of shallow holes that collapsed due to the difficult ground conditions. Mineralisation has been intercepted in each hole, with varying thicknesses, styles and intensities. These diamond holes are in addition to ten RC drill holes drilled on the flats around the hill at Kaskara. Several of these holes intercepted broad zones of highly anomalous copper-lead-zinc values in excess of 40 m thick.

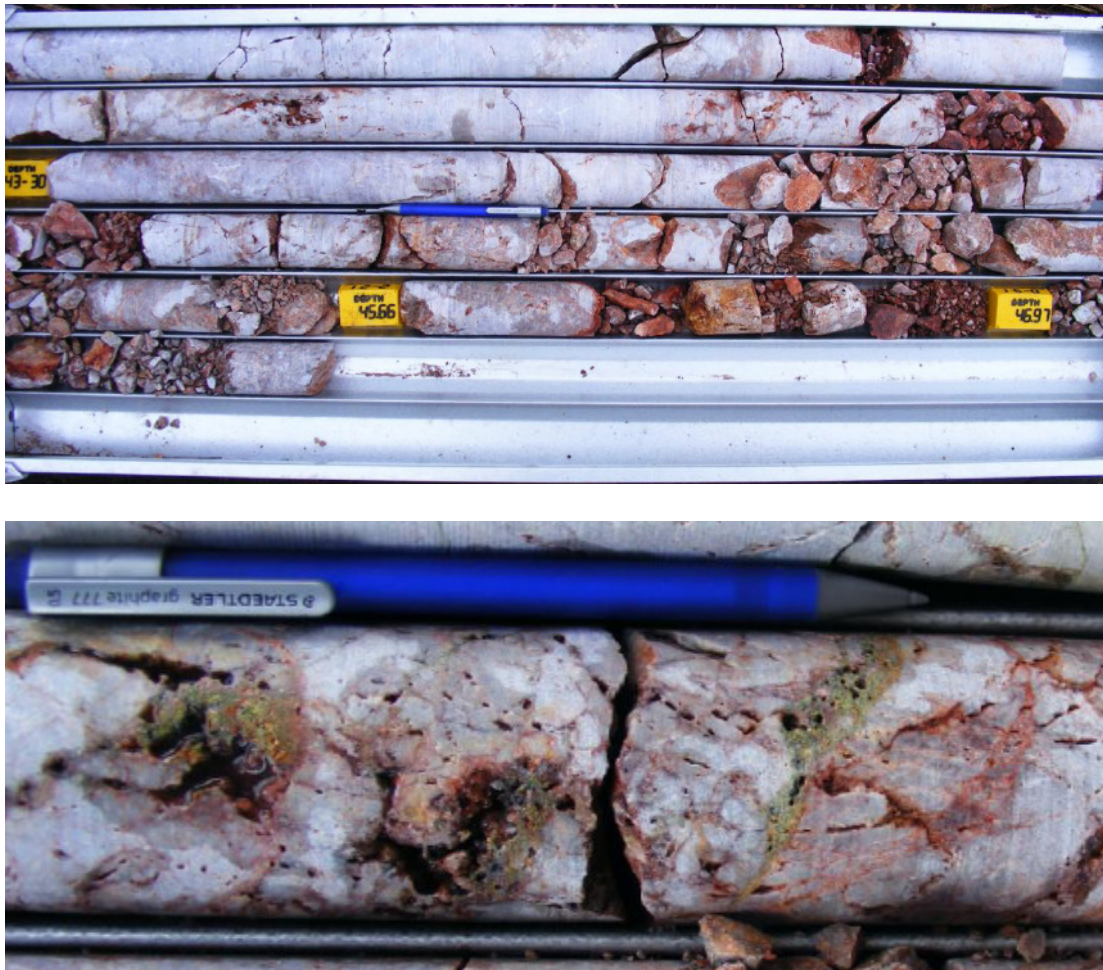


Figure 2 - Mineralised rocks from drilling at Kaskara in drillhole KSK021. Gossanous zones (red-brown, top image) appear to be sporadically mineralised and can be correlated between surface and drill hole. Mottramite (yellow-green to black, bottom image) commonly occurs as clots and vein infills in the highly oxidised and brecciated rocks.

Extensive deep weathering and fracturing of the rocks at Kaskara has made diamond drilling difficult and slower than expected. Numerous techniques for stabilising the rock mass have been trialled but the weathered, broken and porous nature of the mineralised zones in particular makes the rock mass particularly unstable. Slower drilling rates have resulted in less collapses.

Interpretation of Sabre's recently acquired high-resolution regional aeromagnetic dataset shows that Kaskara is located in a geological structure that is highly favourable for copper-lead-zinc mineralisation. Kaskara is located within a dilational zone inside a jog on the east-west trending Uitsab Fault. Gossans, outcropping mineralisation and historic mine workings follow or lie directly on northwest-trending dilational faults. These subordinate faults were opened during mineralisation. The total prospective area is now considered to be in excess of 6.5 square kilometres, with the outcropping gossans forming only a small part of this area.

The results of the drill programme to date are sufficiently encouraging to warrant a second drill programme at Kaskara. Improved access to site and on the hill will facilitate more rapid drilling in this next phase. Since 31 December, the final holes of the initial drill programme at Kaskara have been completed, and two pilot holes were drilled at Lucas Post. Upcoming work will include the following:

1. Release of assay results from Kaskara (March).
2. Clearing of access tracks on the hills at Kaskara (commencing March/April).
3. Second drill programme to more systematically test the extent of mineralisation at Kaskara (commencing after the wet season, likely to be April/May).

(b) Border lead-zinc

Exploration at the Border deposit represents the first stage of the exploration of the Pavian Trend, a 20 km long lineament of fault-controlled lead, zinc and copper mineralisation and strong soil anomalism. Sabre will assess the entire Pavian Trend for the possible development of a string of high-tonnage, moderate-grade lead, zinc, and possibly copper mines.

The second phase of drilling at Border has shown that mineralisation is open at depth to the north and northeast (Figure 3). The overall trend of the Border deposit continues to the northeast but variation is apparent in the trend of mineralised zones and in their composition. Several holes suggest that the deeper portions of the deposit drilled to date are more zinc rich than those portions further up dip.

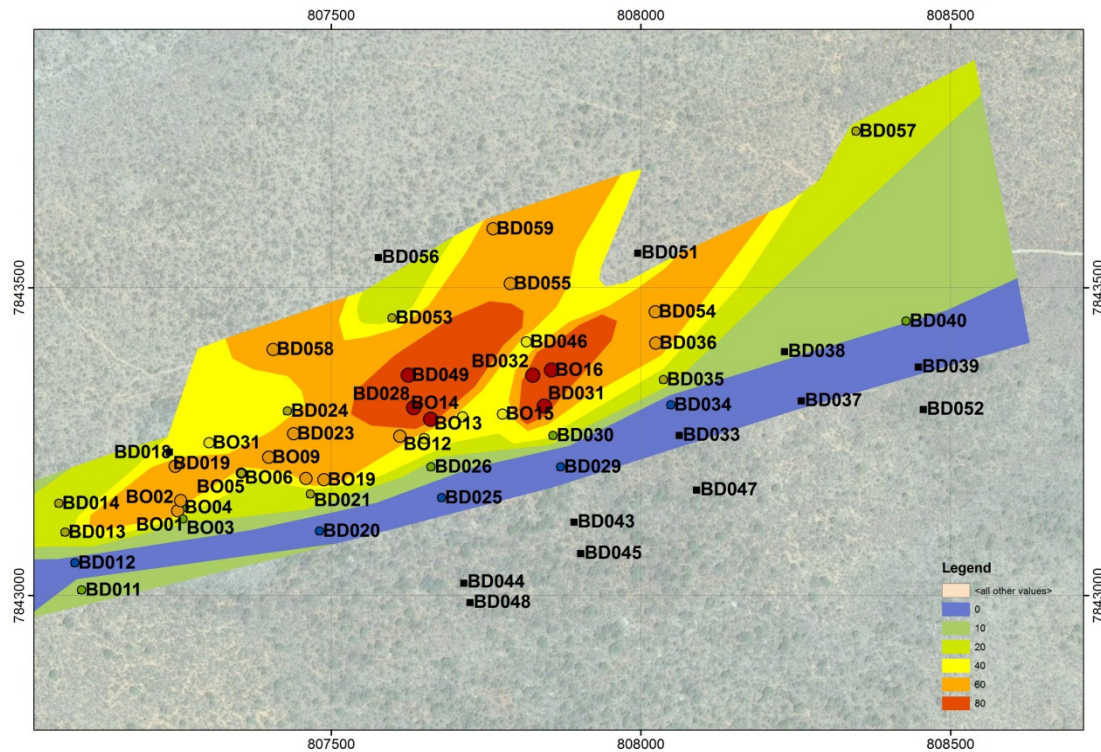


Figure 3 - "Grade x metre" plot for drillholes at Border, showing the distribution of lead-zinc mineralisation. The deposit is open to the north and northeast. Values in excess of 60 (orange) correspond to the most intensely mineralised zones. Holes that have not been assayed are shown as black squares. Note - some historic holes did not penetrate the entire mineralised zone and hence give misleading results, so are not included.

Whilst the broad spacing of the most recent drilling has allowed better definition of the extent of mineralisation at Border, it appears that it is too broadly spaced to provide full confidence in correlation of mineralisation between holes. Changes in mineralisation intensity, composition, and trend show significant variation in the 100m between holes on each section line and the 200m between each section. The definition of a resource under JORC rules will require tightening of this drill spacing to 50x200m (as per the original programme) or 50x100m spacing.

Sabre is undertaking a series of tests to determine the effectiveness of beneficiation of the potential Border ore by the use of Dense Media Separation (DMS). During mining, DMS is a cheap yet effective means of increasing the grade of lead-zinc ore on site prior to creating a concentrate. The technique is particularly effective in ores where there is a substantial contrast in specific gravity (or density) of the ore minerals in comparison to the host rocks, as there is at Border.

(c) Other work

Our regional assessment of the prospects of the Ongava Project continues with several sites investigated during the latter half of 2010. Interpretation of the regional magnetic dataset is ongoing.

Sabre continues to assess other copper-lead-zinc prospects in the vicinity of the Ongava Project. Prospects within a nominal 100 km radius of the Ongava Project are being considered for exploration from our existing base. Several copper plays have been investigated in some detail, and negotiations are continuing on potential access to these prospects.

COMPETENT PERSON DECLARATION

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter, who is a member of The Australasian Institute of Geoscientists. Dr Painter has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 Resource and Ore Reserves." Dr Painter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

3. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

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



**David Zukerman
Director**

Perth, 15 March 2011

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**Auditor's Independence Declaration
To The Directors of Sabre Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Sabre Resources Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants



P W Warr
Partner

Perth, 15 March 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

	Consolidated Half year 2010 \$	Consolidated Half year 2009 \$
Income		
Finance Income	197,573	16,013
Expenditure		
Depreciation	26,949	8,805
Key management personnel remuneration	42,841	28,838
Management fees	117,701	115,400
Occupancy costs	81,811	121,044
Other operating costs	316,877	102,928
	586,179	377,015
(Loss) before income tax	(388,606)	(361,002)
Income tax benefit	-	-
(Loss) for the half year	(388,606)	(361,002)
Other Comprehensive Income/(Loss)		
Exchange differences on translating foreign controlled entities	80,378	(45,586)
Total comprehensive (loss) for the half year	(308,228)	(406,588)
Basic and diluted (loss) per share	(0.35) cents per share	(0.45) cents per share

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT
31 DECEMBER 2010

	Note	Consolidated 31 December 2010 \$	Consolidated 30 June 2010 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		3,416,853	5,120,154
Trade and Other Receivables		24,406	81,518
TOTAL CURRENT ASSETS		3,441,259	5,201,672
NON CURRENT ASSETS			
Financial Assets		100,000	-
Plant and Equipment		114,724	138,145
Exploration and Evaluation Expenditure	3	12,144,096	10,794,008
TOTAL NON CURRENT ASSETS		12,358,820	10,932,153
TOTAL ASSETS		15,800,079	16,133,825
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables		75,587	201,105
TOTAL CURRENT LIABILITIES		75,587	201,105
TOTAL LIABILITIES		75,587	201,105
NET ASSETS		15,724,492	15,932,720
EQUITY			
Issued Capital	4	34,561,808	34,461,808
Option Premium Reserve		652,716	652,716
Foreign Currency Translation Reserve		(1,264)	(81,642)
Accumulated Losses		(19,488,768)	(19,100,162)
TOTAL EQUITY		15,724,492	15,932,720

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

	Ordinary Share Capital	Option Premium Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2009	27,703,957	643,966	77,648	(18,375,049)	10,050,522
Loss attributable for the period	-	-		(361,002)	(361,002)
Total other comprehensive income/(loss) for the period	-	-	(45,586)	-	(45,586)
Shares issued during the period, net of transaction costs	2,102,100	8,750	-	-	2,110,850
BALANCE AT 31 DECEMBER 2009	29,806,057	652,716	32,062	(18,736,051)	11,754,784
	Ordinary Share Capital	Option Premium Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2010	34,461,808	652,716	(81,642)	(19,100,162)	15,932,720
Shares issued on exercise of options	100,000	-	-	-	100,000
Loss attributable for the period	-	-	-	(388,606)	(388,606)
Total other comprehensive income/(loss) for the period	-	-	80,378	-	80,378
BALANCE AT 31 DECEMBER 2010	34,561,808	652,716	(1,264)	(19,488,768)	15,724,492

The accompanying notes form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

	Consolidated Half year 2010 \$	Consolidated Half year 2009 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(626,433)	(587,278)
Interest received	148,383	12,440
Other income	74,842	-
<i>Net cash (used in) operating activities</i>	<u>(403,208)</u>	<u>(574,838)</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(3,526)	-
Payment for exploration expenditure	(1,309,746)	(125,929)
Purchase of shares	(86,667)	-
<i>Net cash (used in) investing activities</i>	<u>(1,399,939)</u>	<u>(125,929)</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	2,079,000
Proceeds from issue of options	-	8,750
Proceeds from exercise of options	100,000	23,100
<i>Net cash from financing activities</i>	<u>100,000</u>	<u>2,110,850</u>
Net (decrease) in Cash and Cash Equivalents	(1,703,147)	1,410,083
Cash and Cash Equivalents at the Beginning of the Half Year	5,120,154	395,169
Effect of exchange rates on cash holdings in foreign currencies	<u>(154)</u>	<u>303</u>
Cash and Cash Equivalents at the End of Half Year	<u><u>3,416,853</u></u>	<u><u>1,805,555</u></u>

The accompanying notes form part of these financial statements.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

1. BASIS OF PREPARATION OF HALF YEAR REPORT

Sabre Resources Limited is a company domiciled in Australia.

This general purpose financial report for the interim half year reporting period ended 31 December 2010 has been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Sabre Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

New or revised Standards and Interpretations that are first effective in the current reporting period.

From 1 July 2010 the Group has adopted the following Standards for reporting periods beginning on or after 1 July 2010:

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project. AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its Standards. A number of amendments are largely technical, clarifying particular terms or eliminating unintended consequences. Other changes are more substantial, such as the current/non current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project. AASB 2010-3 amends a number of pronouncements as a result of the IAS's 2008-2010 cycle of annual improvements to provide clarification of certain matters.

The key clarifications include;

The measurement of non-controlling interests in a business combination.

Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combination (2008).

Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

Adoption of these standards did not have any effect on the financial position or performance of the Group.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8 certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

2. DIVIDENDS

No dividends have been paid or proposed during the six month period ended 31 December 2010.

3. EXPLORATION EXPENDITURE

	Consolidated Half year 2010	Consolidated 30 June 2010
	\$	\$
Opening Balance	10,794,008	9,943,213
Expenditure for the Half Year	1,350,088	850,795
Impairment of Exploration and Evaluation Expenditure	-	-
Exploration Expenditure Carried Forward	<u>12,144,096</u>	<u>10,794,008</u>

4. ISSUED CAPITAL

	31 December 2010		30 June 2010	
	No	\$	No	\$
Issues of ordinary shares				
At beginning of reporting period	109,802,997	34,461,808	109,802,997	34,461,808
Shares issued on option exercise	400,000	100,000	-	-
At reporting date	<u>110,202,997</u>	<u>34,561,808</u>	<u>109,802,997</u>	<u>34,461,808</u>

5. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

6. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

There has been no material change in contingent liabilities and commitments since the end of the last annual reporting period.

7. FINANCIAL ASSETS

	December 2010	June 2010
Investment in listed shares	100,000	-

During the period the Company acquired shares in a listed entity and these shares are classified as financial assets at fair value through profit and loss. Changes in fair value are included in the statement of comprehensive income.

8. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal management reporting that is used by the executive management team (the chief operating decision maker) in assessing performance and allocating resources. The Group's operating segments have been identified based on how the financial and operating results of the Group are monitored and presented internally to the executive management team. The reportable segments are based on aggregated operating segments determined by the similarity of the products sold, as these are the sources of the Group's major risks and have the most effect on the performance of the Group.

The executive management team have aggregated the performance of all segments as they maintain similar economic characteristics of which includes the development and exploration of the Group's minerals interests in Namibia.

9. RELATED PARTY TRANSACTIONS

During the six months to 31 December 2010, \$63,050 (2009: \$33,150) was paid to Clemen and Associates a company related to director Mr Clemen as consulting fees for geological services provided.

DIRECTORS' DECLARATION

The directors of the Company declare that:

- (a) The financial statements and notes, as set out on the accompanying pages, are in accordance with the Corporations Act 2001 including:
 - (i) complying with Australian Accounting Standard, AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- (b) 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.



David Zukerman
Director

Perth, 15 March 2011

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Independent Auditor's Review Report To the Members of Sabre Resources Limited

We have reviewed the accompanying half-year financial report of Sabre Resources Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sabre Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

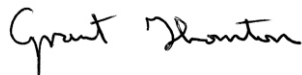
Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sabre Resources Limited is not in accordance with the Corporations Act 2001, including:

3. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
4. complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants



P W Warr
Partner

Perth, 15 March 2011