

Sub-Sahara Resources NL

ACN 061 104 158

FINANCIAL REPORT

FOR THE

HALF-YEAR ENDED 31 DECEMBER 2008

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Sub-Sahara Resources NL during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

DIRECTORS' REPORT

The Directors present their Report on the consolidated entity consisting of Sub-Sahara Resources NL ("Sub-Sahara" or "the Company") and the entities it controlled at the end of or during the half-year ended 31 December 2008.

The names and particulars of Directors of the Company during the whole of the half-year and up to the date of this Report are:

| Name | Particulars |
|---------------------------|---|
| Barry Colin Bolitho | Non-executive Chairman Chemist and Metallurgist who has significant experience with ASX listed resource companies Appointed 1 March 2007 (appointed Chairman 16 July 2008) |
| Michael Richard Griffiths | Managing Director Geologist with extensive experience within the minerals exploration sector. Appointed 16 July 1998 |
| Peter Lawson Munachen | Finance Director Chartered Accountant with extensive experience, mainly in the minerals and oil industry. Director of a number of listed public companies. Appointed 2 April 2004 |
| Michael Thomas O'Sullivan | Non-Executive Director Metallurgist with extensive experience within the minerals development and operation sectors. Appointed 16 May 2007, resigned 31 October 2008 |

Review and Results of Operations

The review of the Company's operations during the Half-Year ended 31 December 2008 is as follows.

Financial

| | Segment Revenue | Segment result |
|--|-----------------|----------------------------|
| | \$ | \$ |
| Australia | 92,489 | (8,510,307) |
| Tanzania | 43,262 | (1,427,185) |
| Eritrea | - | (82,728) |
| | <u>135,751</u> | <u>(10,020,220)</u> |
| Operating Profit /(Loss) | | (10,020,220) |
| Income Tax | | - |
| Operating Profit /(Loss) for Half-Year | | <u><u>(10,020,220)</u></u> |

Exploration activities

The economic entity continues to be actively involved in mineral exploration and resource assessment, focussing primarily on precious metals (gold and silver) and base metals (copper, lead and zinc) deposits in Africa.

Changes In State Of Affairs

During the half-year ended 31 December 2008 there was no significant change in the entity's state of affairs other than that referred to in the Half-Year Financial Statements or Notes thereto.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

DIRECTORS' REPORT (continued)

Subsequent Events

During February 2009, Sub-Sahara reached agreement with Western Metals Limited to sell the Company's Tanzanian assets for AU \$1.25 million with a further AU \$5.0 million payable on commencement of commercial production from the Nyanzaga Gold Project in Tanzania.

Apart from the above, 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 the company, or the state of affairs of the company as reported to the half-year ended 31 December 2008.

The Directors
Sub-Sahara Resources NL
288 Stirling St
Perth WA 6000

Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2008 half yearly financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead auditor)

Rothsay Chartered Accountants
16 March 2009

This Report is made in accordance with a Resolution of the Directors.

MR Griffiths
Director
PERTH, 16th day of March 2009

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SUB-SAHARA RESOURCES NL

The financial report and directors' responsibility

The interim consolidated financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Sub-Sahara Resources NL for the half-year ended 31 December 2008.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and 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.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2008 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sub-Sahara Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 have 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 interim consolidated financial report of Sub-Sahara Resources NL is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2008 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Frank Vrachas

Partner

Dated 16 March 2009

SUB-SAHARA RESOURCES NL

ACN 061 104 158

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The Directors declare that:

- (a) The attached Financial Statements and Notes thereto comply with Accounting Standards;
- (b) The attached Financial Statements and Notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) In the Directors' opinion, the attached Financial Statements and Notes thereto are in accordance with the Corporations Act, 2001; and
- (d) In the Directors' opinion there are reasonable grounds to believe that Sub-Sahara Resources NL 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 Directors pursuant to section 303(5) of the Corporations Act, 2001.

On behalf of the Directors

MR Griffiths
Director
PERTH, [16th day of March 2009](#)

SUB-SAHARA RESOURCES NL

ACN 061 104 158

CONDENSED CONSOLIDATED INCOME STATEMENT

For The Half-Year Ended 31 December 2008

| | Note | Half-Year ended 31 Dec 2008 | Half-Year ended 31 Dec 2007 |
|--|------|-----------------------------------|-----------------------------------|
| | | \$ | \$ |
| Revenue from continuing operations | | 135,751 | 290,152 |
| Depreciation | | (98,112) | (11,549) |
| Directors and employees remuneration | | (626,675) | (672,188) |
| Professionals fees | | (209,625) | (55,560) |
| Governance and compliance | | (68,267) | (94,009) |
| Travel | | (58,091) | (52,182) |
| Administration | | (505,560) | (354,233) |
| Exploration write down | | (7,495,520) | (85,130) |
| Realised loss on financial instruments | | (541,803) | (25,312) |
| Provision for loss on financial instruments | | (552,318) | (1,700,000) |
| Loss before income tax | | <u>(10,020,220)</u> | <u>(2,760,011)</u> |
| Income tax expense | | - | - |
| Loss from continuing operations | | <u>(10,020,220)</u> | <u>(2,760,011)</u> |
| Loss from discontinued operations | | - | - |
| Loss attributable to members of Sub-Sahara Resources NL | | <u><u>(10,020,220)</u></u> | <u><u>(2,760,011)</u></u> |
| Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company | | | |
| Basic earnings per share (cents per share) | | (2.0) | (0.5) |
| Diluted earnings per shares (cents per share) | | (2.0) | (0.5) |

The above Consolidated Income Statement should be read in conjunction with the accompanying Notes.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

| | Note | Half-Year ended 31 Dec 2008 \$ | Annual Report 30 Jun 2008 \$ |
|---|------|---|---------------------------------------|
| Current Assets | | | |
| Cash and cash equivalents | 3 | 599,246 | 3,117,758 |
| Receivables | | 640,484 | 282,305 |
| Financial assets | | 57,500 | 1,256,802 |
| Total Current Assets | | 1,297,230 | 4,656,865 |
| Non-Current Assets | | | |
| Plant and equipment | | 564,168 | 644,845 |
| Deferred exploration and evaluation expenditure | | 8,245,582 | 14,491,237 |
| Financial assets | | - | - |
| Total Non-Current Assets | | 8,809,750 | 15,136,082 |
| Total Assets | | 10,106,980 | 19,792,947 |
| Current Liabilities | | | |
| Trade and other payables | | 587,096 | 252,373 |
| Provisions | | 19,249 | 53,222 |
| Total Current Liabilities | | 606,345 | 305,595 |
| Non-Current Liabilities | | | |
| Provisions | | 44,331 | - |
| Total Non-Current Liabilities | | 44,331 | - |
| Total Liabilities | | 650,676 | 305,595 |
| Net Assets | | 9,456,304 | 19,487,352 |
| Equity | | | |
| Contributed equity | 4 | 33,763,421 | 33,763,421 |
| Reserves | | 898,318 | 898,318 |
| Accumulated losses | 2 | (25,205,435) | (15,174,387) |
| Total Equity | | 9,456,304 | 19,487,352 |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year ended 31 December 2008

| | Half-year ended 31 Dec 2008 | Half-year ended 31 Dec 2007 |
|---|-----------------------------------|-----------------------------------|
| Total equity at the beginning of the half-year | 19,487,352 | 24,109,452 |
| Loss for the half-year | (10,020,220) | (2,760,011) |
| Prior year adjustment | (10,828) | - |
| Placement with non-controlled entity | - | 2,400,000 |
| Contributing shares paid up | - | 313,734 |
| Options | - | 56,653 |
| Total equity at the end of the half-year | 9,456,304 | 24,119,828 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

CONSOLIDATED STATEMENTS OF CASH FLOWS For The Half-Year Ended 31 December 2008

| | Half-Year ended 31 Dec 2008 \$ | Half-Year ended 31 Dec 2007 \$ |
|---|---|---|
| Cash Flows Related To Operating Activities | | |
| Payments to suppliers and employees | (660,027) | (895,651) |
| Interest received | 17,012 | 46,455 |
| Other amounts received | 98,988 | 138,867 |
| Expenditure on exploration interests | (2,247,617) | (5,498,677) |
| Net Operating Cash Flows | (2,791,644) | (6,209,006) |
| Cash Flows Related To Investing Activities | | |
| Acquisition of property, plant & equipment | (34,959) | (21,563) |
| Other items | 310,520 | 104,831 |
| Proceeds sale of financial instruments | 110,749 | 1,036,757 |
| Net Investing Cash Flows | 386,310 | 1,120,025 |
| Cash Flows Related To Financing Activities | | |
| Proceeds from share placement | - | 2,400,000 |
| Proceeds from issue of shares | - | 302,055 |
| Receipts from contributing shares | - | 11,679 |
| Net Financing Cash Flows | - | 2,713,734 |
| Net Increase (Decrease) In Cash and Cash Equivalents | (2,405,334) | (2,375,247) |
| Cash and Cash Equivalents at beginning of Half-Year | 3,117,758 | 4,752,973 |
| Effect of exchange rate fluctuations on cash held | (113,178) | 158 |
| Cash and Cash Equivalents At End Of Half-Year | 599,246 | 2,377,884 |

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2008

1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the Half-Year ended 31 December 2008 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. This Half-Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2008 and public announcements made by Sub-Sahara Resources NL during the Half-Year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Sub-Sahara Resources NL and the subsidiaries it controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. 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 the company has control.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

Cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Taxation

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

Impairment of Assets

The recoverable amount of an asset is determined as the higher of net selling price and value in use. Property plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of property plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

Capitalisation of Exploration and Evaluation Costs

The Company complies with AASB 6 *Exploration for and Evaluation of Mineral Resources*. Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area that is abandoned are written off in the year which the decision to abandon is made.

Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2008

Going Concern

The Group's cash flow forecasts and assumptions for the year ending 30 June 2009 show that the Group's ability to continue to meet its debts as and when they fall due and thus continue to prepare its financial statements on a going concern basis, is primarily dependent upon the achievement of the following:

1. extinguishing debt by issuing shares in the company to a major creditor ;
2. obtaining renewal of the Group's exploration licences in May 2009 ; and
3. management of the Group's working capital position until a farm out or transaction can be made to reduce expenditure

Should the Group be unable to achieve the matters set out above, the Group will require additional working capital to enable it to meet its debts as and when they fall due.

Other Changes in Accounting Policy

Since 1 July 2008, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 8 Operating Segments
- AASB 101 Revised Presentation of Financial Statements

The following amending standards have also been adopted from 1 July 2008:

- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2008-1 Amendments to Australian Accounting Standards Share-based Payments: Vesting conditions and cancellations
- AASB 2008-3 These amendments are consequential amendments to 20 standards and have no significant affect for the Group
- AASB 2008-5 and 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Projects

The Group has elected not to early adopt any new standards or amendments.

SUB-SAHARA RESOURCES NL

ACN 061 104 158

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2008

2. Accumulated Losses

| | Half-year ended 31 Dec 2008 \$ | Annual Report 30 Jun 2008 \$ |
|---|---|---------------------------------------|
| Profit/(Loss) from ordinary activities after related income tax expense | (10,020,220) | (7,403,349) |
| Accumulated profits /(losses) brought forward | (15,174,387) | (7,795,359) |
| Prior year adjustment | (10,828) | - |
| Effects of options expired | - | 24,321 |
| | (25,205,435) | (15,174,387) |
| Accumulated profits /(losses) at end of half-year | (25,205,435) | (15,174,387) |

3. Reconciliation of cash

| | Half-Year ended 31 Dec 2008 \$ | Annual Report 30 Jun 2008 \$ |
|--|---|---------------------------------------|
| Cash at the end of the Half-Year as shown in the Statements of Cash Flows is reconciled to the related items in the Financial Statements as follows: | | |
| Cash on hand and at bank | 599,246 | 3,117,758 |
| | 599,246 | 3,117,758 |
| | 599,246 | 3,117,758 |

4. Issued and quoted securities at end of current Half-Year

| Category of Securities | Number Issued | Number Quoted | |
|----------------------------|--------------------|--------------------|---------------------------|
| Ordinary Shares: | 501,159,859 | 501,159,859 | |
| Partly Paid Shares: | | | Exercise Price |
| <i>Unlisted</i> | 4,500,000 | | \$0.009 |
| | 2,850,000 | | \$0.109 |
| | 450,000 | | \$0.129 |
| | 7,290,000 | | \$0.089 |
| | 5,750,000 | | \$0.065 |
| | 5,750,000 | | \$0.149 |
| | 5,500,000 | | \$0.099 |
| | 5,500,000 | | \$0.149 |
| | 5,500,000 | | \$0.199 |
| | 43,090,000 | | |
| Options: | | | |
| Listed | 26,642,110 | 26,642,110 | \$0.15 |
| Unlisted | 400,000 | | \$0.10 |
| Unlisted | 3,400,000 | | \$0.11 |
| Unlisted | 25,000,000 | | \$0.15 |
| | 28,800,000 | | |

SUB-SAHARA RESOURCES NL

ACN 061 104 158

5. Segmental information

The Company operates only in Africa and solely in the area of mineral exploration.

6. Subsequent Events

During February 2009, Sub-Sahara reached agreement with Western Metals Limited to sell the Company's Tanzanian assets for AU \$1.25 million with a further AU \$5.0 million payable on commencement of commercial production from the Nyanzaga Gold Project in Tanzania.

Apart from the above, 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 the company, or the state of affairs of the company as reported to the Half-Year ended 31 December 2008.

7. Commitments for Expenditure (Contingent Liability)

Mineral Tenement Leases

As referred to in Subsequent Events Note 6, the Company's Tanzanian assets have been disposed and as such, the commitments remaining relate purely to the Zara Project in Eritrea. In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum expenditure requirements and pay tenement lease rents to relevant government authorities. The annual licence payments for the Zara Project are approximately AU \$12,000 and the Company's budgeted exploration expenditure to June 2009 is AU \$486,000. The balance of these obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

8. Related Party Transactions

(a) The company paid fees to Resource Services International (Aust) Pty Limited, a company of which Messrs Myers and Munachen are directors. Fees paid cover the provision of administrative/financial services, office accommodation, communication facilities and related administrative services. This fee includes a portion of the salary paid by Resource Services International (Aust) Pty Limited in respect of the company secretary and support staff. The fees are not related to the management of the company, therefore no amounts are attributable to directors. The amount paid for administrative and financial services during the half-year was \$82,500.

(b) During the half year, Corraline Pty Ltd of which Mr PL Munachen is a director, was paid fees of AU \$82,500.

(c) Related party transactions for the half-year include AU \$36,795 paid to Bolitho Mining Company of which Mr Barry Bolitho is a director.

9. Exploration Write Downs

Accounting standards require an impairment test on the carrying value of assets at each balance date. As a result of the application of the test, the Company has written down the carrying value of capitalised exploration expenditure by AU \$7,495,520.