

MAGHREB MINERALS plc

**INTERIM REPORT AND ACCOUNTS AT
31 DECEMBER 2008**

Maghreb Minerals plc

Interim Report and Accounts at 31 December 2008

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to provide a review of Maghreb Minerals Plc's ("Maghreb" or the "Company") activities and financial results for the six months ended 31 December 2008, together with providing an update on the Bou Jabeur Scoping Study and the securing of additional funding. This period has seen the completion of several important elements of the work programme and a change in emphasis regarding the development of the Company's fluorspar assets and permits. It has also been characterized by upheavals in the world's financial markets to which the mining sector in general and the exploration sector in particular have not been immune.

Maghreb is exploring for zinc ("Zn"), lead ("Pb"), barite ("BaSO₄") and fluorite ("CaF₂") in Tunisia, where it holds a number of highly prospective exploration permits ("EP") including permits covering past producing mines with un-mined resources. During this period the Company's emphasis has been on the Bou Jabeur and Fej Ladhoun EP's with geological evaluation being renewed on the fluorspar permits.

Summary of Results

Bou Jabeur

The main thrust of the work programme during this reporting period has been focused on the Bou Jabeur EP, specifically on the Gite de l'Est deposit within the Bou Jabeur EP.

Scott Wilson Limited ("Scott Wilson") was commissioned by the Company to complete the Scoping Study with the metallurgical test work being conducted by SGS Lakefield Research Europe ("SGS"). Aurum Exploration Services ("Aurum") has been retained by the Company to provide additional, independent geological services.

Analysis undertaken to date indicates that this deposit should be regarded as being an advanced exploration project worthy of merit.

Given current market circumstances, the Company needs to conserve its resources and its strategy will be to actively seek a mining partner to progress the project, in the first instance to fund the additional drilling programme required.

The initial findings of the Scoping Study indicates that the Bou Jabeur – Gite de l'Est deposit has an inferred mineral resource of 4.76 million tonnes to JORC 2004 standards (using a 4% cut-off grade for Pb/Zn combined) grading at 5.67% combined Pb/Zn with 39.6% barite, 7.69% fluorite and 7.3g/t silver. Subsequent to the Scoping Study cut-off, an additional resource of approximately 500,000 tonnes was identified in the historical mine workings that have not yet been independently verified by the Company and have therefore not been included in this inferred mineral resource. The overall resource should increase once additional work has been completed to verify the remaining resources within the historical mine workings.

The potential structural controls on mineralization were not defined by the date of the Scoping Study analysis. It is believed by Aurum that they now have an understanding of the structural controls. Should the structural control on mineralisation model be proved by a further exploration drilling programme, Aurum believes this could lead to a substantial increase in the resources contained in Bou Jabeur – Gite de l'Est itself, and in the prospectivity of the Bou Jabeur EP as a whole.

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A large area westwards along strike of Bou Jabeur remains untested and further exploratory drilling could potentially increase the resources within the EP adjoining Bou Jabeur – Gite de l'Est.

The processing of the four relevant minerals (sphalerite, galena, barite and fluorite), through laboratory floatation testing conducted by SGS, can be conducted through standard processing using standard infrastructure. Recoveries for Zn and Pb are expected to be 92% and 85%, respectively.

At this stage, Scott Wilson has not identified any significant issues in terms of environmental or social impacts resulting from future mining activities.

The initial output from the Scoping Study and work done by Aurum and our in-house team confirms that the Bou Jabeur – Gite de l'Est is a project worthy of merit and further exploration to prove it to a viable mine. The full results of the Scoping Study are expected to be received by the Company shortly and a further announcement outlining the detailed conclusions will be made soon.

Given the Company's resources, the Company will need to find a partner with whom to progress the project. Whilst we are pursuing this option, shareholders must be aware of the current economic circumstances and recognise that this process could take some significant time.

The fluorspar permits

As previously reported, discussions had been initiated with potential partners who might have been interested in taking this project forward with Maghreb. The fluorspar deposit at Zriba - Guebli has been described as being large in comparison to known fluorite-barite deposits worldwide and may have been only partially exploited. There are indications that large, potentially workable tonnages remain within the historical mine and may help support the possible development of a new mine.

The Company had been independently advised that this is a project worth pursuing, especially given the current situation of the fluorspar market which has more or less maintained its price during the period.

Firebird Global Master Fund II, Ltd, a major shareholder of the Company, has indicated its support for the fluorspar assets and as a result all discussions with third parties were terminated in October 2008. The Company's strategy has changed in as much as that it will itself embark upon a detailed exploration programme over the fluorspar permits.

Fej Lahdoum

The interim drilling programme at Fej Lahdoum was completed in December 2008. Seven drill holes (MFL30 – MFL36) have been completed for a total of 2,370 m. MFL 30 tested the deep thrust zone on the Western boundary of the Bou Kecherida deposit but no mineralisation was found. MFL31 to MFL36 tested the down dip extension of the Dar N'Hal Nord ore body. Mineralization was found in all the holes indicating that the Dar N'Hal Nord deposit has continuity to the North-West. Geology modelling and analysis continues.

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The Company, through a wholly owned subsidiary, met its obligations regarding qualifying expenditure to earn a 90% interest in the Fej Ladhoun EP. Application has been made for the transfer of 90% of the EP to the Company. A report detailing this qualifying expenditure was submitted to the Office National des Mines by the Company in October 2008 in anticipation of the renewal date of 4 April 2009.

Financial

The Group made a consolidated loss for the six months ended 31 December 2008 of £892,000 (2007 - £587,000). The increase in expenditure is due to the increased rate of drilling and the professional fees and costs associated with the scoping study at Bou Jabeur – Gite de l'Est. It is anticipated that the on-going levels of exploration expenditure will be reduced from current levels. Administration expenses were adversely impacted by professional expenses incurred in relation to discussions and negotiations relating to the fluorspar assets referred to previously.

The financial highlights are tabled below:

	Six months to 31 December 2008	Six months to 31 December 2007	12 months to 30 June 2008
	(£'000)	(£'000)	(£'000)
Interest income	14	42	107
Total expenditure incurred in respect of:			
- Tunisia	(534)	(368)	(1,253)
- Algeria – discontinued operations (See Note 3)	-	35	35
Administration expenses	(372)	(296)	(636)
Loss for the period	(892)	(587)	(1,747)
Cash and Cash Equivalents	371	2,212	1,219

Related Party Transaction

On 10 March 2009, Firebird Global Master Fund II, Limited, or its affiliates, agreed to invest a further £500,000 by way of a zero coupon, convertible loan note to allow the Company to pursue its future objectives.

The salient features of the loan note are that the loan will be convertible into preference shares of a nominal value of 0.6p per share at a price of 2.25 pence per preference share. Conversion into preference shares will take place following a meeting of shareholders to be called by the Company to authorize the changes required to the Company's Articles of Association to provide for the creation of the preference shares, to dis-apply pre-emption rights and do whatever may be required to give affect to the creation, allotment and conversion of the preference shares in terms of the Companies Act and the rules and regulations of the London Stock Exchange and Takeover Code. Notice convening this meeting must be given prior to 30 June 2009. Essentially, failure to pass the resolutions at this meeting will constitute an event of default on the loan. The preference shares thus allotted will have the right, at the option of the preference shareholders to convert into ordinary shares of the Company on the basis of one preference share for every new ordinary share. The preference shares will not be listed, will not have

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voting rights except in regards to items affecting the preference shares themselves and will be entitled to a dividend equivalent to any dividend declared on the ordinary shares.

As a result of Firebird Global Master Fund II's association with the Company, the convertible loan constitutes a related party transaction in accordance with Rule 13 of the AIM Rules for Companies.

The independent directors, having consulted with the Company's nominated adviser, Hanson Westhouse Limited, consider that the terms of the transaction are fair and reasonable insofar as the shareholders are concerned.

Changes to the Board of Directors

In October 2008, Robyn Storer resigned from the Board. On 19 November 2008, Gordon Riddler stepped down as Chairman and retired from the Company with effect from 31 December 2008. I would like to thank them both for their valuable contribution to the development of the Company.

On 1 August 2008, Anthony Allen was appointed as a non-executive director and on 19 November 2008, James Passin, Albert Gourley and I were appointed to the Board whereupon I was appointed Chairman of the Company.

Outlook

These are indeed difficult times, but we are confident that the prices of base metals will return to higher levels in due course, but not in the short term.

Consequently the Company's approach will be to focus more on its fluorspar assets, where prices have held up well and the demand and supply curve is favourable. It will also be pursuing other opportunities both corporate and organic in this area to increase its exposure to the fluorspar sector with the support of your Company's major shareholder.

To this end we welcome the positive support, both in terms of funding and in terms of strategic advice and management support, being given by Firebird.

Based on the preliminary results of the Bou Jabeur – Gite de l'Est scoping study, the Company will endeavour to find an industry partner to assist in advancing this highly prospective project, possibly in conjunction with the other Pb/Zn projects that the Company has in its portfolio. Whilst we are pursuing this option, shareholders must be aware of the current economic circumstances and recognise that this process could take some significant time.

Richard Linnell
Chairman
11 March 2009

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

	Un-audited 6 months ended 31 December 2008 £'000	Un-audited 6 months ended 31 December 2007 £'000	Audited 12 months ended 30 June 2008 £'000
Continuing operations			
Revenue	-	-	-
Exploration expenses	(534)	(368)	(1,253)
Gross loss	(534)	(368)	(1,253)
Administrative expenses	(372)	(296)	(636)
Operating loss	(906)	(644)	(1,889)
Investment income	14	42	107
Loss for the period on continuing operations	(892)	(622)	(1,782)
Discontinued operations			
Profit for the period from discontinued operations	-	35	35
Total loss for the period	(892)	(587)	(1,747)
Earnings per share			
Basic and diluted loss per share from continuing operations (pence)	(0.98)	(0.65)	(1.96)
Basic and diluted profit per share from discontinued operations (pence)	-	-	0.04

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CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Un-audited 31 December 2008 £'000	Un-audited 31 December 2007 £'000	Audited 30 June 2008 £'000
Non-current assets			
Intangible assets	82	82	82
Property, plant and equipment	103	173	137
	185	255	219
Current assets			
Other receivables	42	27	36
Cash	371	2,212	1,219
	413	2,239	1,255
Current liabilities			
Trade and other payables	(155)	(45)	(159)
Provisions	-	-	(10)
	(155)	(45)	(169)
Net current assets	258	2,194	1,086
Total assets less current liabilities	443	2,449	1,305
Net assets	443	2,449	1,305
Equity			
Share capital	546	546	546
Share premium account	6,474	6,473	6,474
Share Option Reserve	240	195	210
Retained earnings	(6,817)	(4,765)	(5,925)
Total equity	443	2,449	1,305

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CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

	Share capital £'000	Share premium £'000	Share Option Reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2006	304	3,894	-	(3,198)	1,000
Loss for the period	-	-	-	(980)	(980)
Share based payments	-	-	167	-	167
Premium on shares issued	-	2,358	-	-	2,358
Issue of share capital	222	-	-	-	222
Balance at 1 July 2007	526	6,252	167	(4,178)	2,767
Loss for the period	-	-	-	(587)	(587)
Share based payments	-	-	28	-	28
Issue of share capital	20	-	-	-	20
Premium on shares issued	-	222	-	-	222
Balance at 31 December 2007	546	6,474	195	(4,765)	2,450
Loss for the period	-	-	-	(1,160)	(1,160)
Share based payments	-	-	15	-	15
Balance at 30 June 2008	546	6,474	210	(5,925)	1,305
Loss for the period	-	-	-	(892)	(892)
Share based payments	-	-	30	-	30
Balance at 31 December 2008	546	6,474	240	(6,817)	443

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	Un-audited 6 months ended 31 December 2008 £'000	Un-audited 6 months ended 31 December 2007 £'000	Audited 12 months ended 30 June 2008 £'000
Cash flows from operating activities			
Operating loss from continuing operations	(906)	(629)	(1,854)
Add : Depreciation charges for the period	37	35	74
Add : Share option charge for the period	30	28	43
Operating loss before working capital changes	(839)	(566)	(1,737)
(Increase) / Decrease in other trade and other receivables	(7)	10	1
(Decrease) / Increase in trade and other payables	(14)	(115)	9
Cash (absorbed) / generated by operations	(21)	(105)	(1,727)
Net cash flow from operating activities	(860)	(671)	(1,727)
Cash flows from investing activities			
Purchases of plant and equipment	(2)	(52)	(55)
Interest income received	14	42	107
Net cash from investing activities	12	(10)	52
Cash flows from financing activities			
Proceeds on issue of share capital	-	241	242
Decrease in receivables with respect to issue of share capital	-	700	700
Net cash from financing activities	-	941	942
Net increase in cash and cash equivalents	(848)	260	(733)
Cash and cash equivalents at the beginning of the period	1,219	1,952	1,952
Cash and cash equivalents at the end of the period	371	2,212	1,219

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

The interim financial information for the six months ended 31 December 2008 has been prepared under International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union.

The results for the year ended 30 June 2008 have been audited whilst the results for the six months ended 31 December 2007 and 31 December 2008 are un-audited. The interim report is un-audited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 June 2008, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors’ opinion on those accounts was unqualified, however, it did contain an emphasis of matter paragraph in relation to the Group’s ability to continue as a going concern. The paragraph stated that the financial information has been prepared on the going concern basis, the validity of which depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Group’s exploration activities. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company’s ability to continue as a going concern. The financial statements did not include the adjustments that would result if the Group was unable to continue as a going concern. The audit report did not contain any statement made under s237 of the Companies Act 1985.

There is no material seasonality associated with the Group’s activities.

The interim financial report has been prepared on a basis consistent with IFRS, including IAS34 ‘Interim Financial Reporting’. The interim figures are prepared on the basis of the accounting policies set out in the last annual report to 30 June 2008.

No new IFRSs have been adopted in the period and those which were in issue but not yet mandatory at the date of authorisation of the interim report, in the Directors’ view, will not have a material impact on the Group’s primary financial statements. However future application of these standards is likely to increase the disclosures required in the statutory financial statements.

2. Dividends

No dividends were paid or proposed in the 6 months ended 31 December 2008 (for year ended 30 June 2008 - £ NIL).

3. Business and Geographical Segments

The Group’s operations are located in Tunisia and the United Kingdom. The Group’s exploration activities are located in Tunisia, and its administration and management is based in the United Kingdom.

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Segment operating loss and loss for the period by geography are reconciled to entity operating loss and entity loss for the period as follows:

	Segment Operating Loss			Loss For Period		
	Un-audited 6 months ended 31 December 2008 £'000	Un-audited 6 months ended 31 December 2007 £'000	Audited 12 months ended 30 June 2008 £'000	Un-audited 6 months ended 31 December 2008 £'000	Un-audited 6 months ended 31 December 2007 £'000	Audited 12 months ended 30 June 2008 £'000
Algeria – discontinued operations	-	35	35	-	35	35
Tunisia	(534)	(368)	(1,253)	(534)	(368)	(1,253)
United Kingdom	(372)	(296)	(636)	(358)	(254)	(529)
Entity operating loss and entity loss	(906)	(629)	(1,854)	(892)	(587)	(1,747)

In the financial year ended 30 June 2007, the decision was made to terminate further exploration over the Tan Chaffao permit in Algeria. At 30 June 2007, the Company provided for land taxes and other expenses in Algeria. The provision of £35,000 was no longer required and was reversed in the period to 31 December 2007.

4. Taxation

No liability in respect of income tax has arisen during the period, as a result of trading losses in each of the Group companies. No deferred tax liability or asset has been recognised in the period.

The deferred tax asset has not been recognised in the accounts as there is not sufficient evidence that there will be taxable profits in the near future against which the deductible temporary differences can be utilised within the meaning of IAS 12.

5. Earnings per ordinary share (basic and diluted)

The calculation of the basic loss per share attributable to the ordinary equity holders of the parent has been calculated on the net loss after tax of £892,000 (2007 - £587,000) using the weighted average number of ordinary shares of 91,033,981 (2007 –90,745,886).

All share options in issue decrease the loss per share for the period, and as such are deemed anti-dilutive. Therefore the diluted loss per share is the same as the basic loss per share.

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6. Share Capital and Warrants

The £11,175,000 warrants outstanding at 30 June 2008 were issued on 3 August 2006 and were exercisable at any time on or before the second anniversary of the date of issue, which expiry date was 3 August 2008. The warrants expired without any having being exercised.

Following the expiration of the warrants on 3 August 2008, the resultant issued share capital and warrants of the Company at 31 December 2008 are as follows:

Called up, allotted and fully paid Ordinary shares of 0.6 pence each	Share Capital 2008 Number	Nominal Value 2008	Warrants in Issue 2008 Number
	'000	£'000	'000
Balance at 30 June 2008	91,034	546	11,175
Warrants expired on 3 August 2008	-	-	(11,175)
Balance on 31 December 2008	91,034	546	-

7. Transactions with Directors

Fees for Services Rendered excluding Share Based Payments	Un-audited 6 months ended 31 December 2008	Un-audited 6 months ended 31 December 2007	Audited 12 months ended 30 June 2008
	£'000	£'000	£'000
G P Riddler	25	35	66
R M Storer	5	21	32
R J C Collier	75	19	69
C J Clayton	-	12	19
A W Baird	-	12	19
A V Allen	8	-	-

Payments for services to G P Riddler and R M Storer relate to consultancy services paid to related parties for services rendered by them as Directors of the Company. G P Riddler and R M Storer resigned in December 2008 and October 2008 respectively.

C J Clayton and A W Baird resigned as directors of the Company in April 2008. Payments for Messrs Clayton and Baird relate to consultancy services paid to related parties for services rendered by them as Directors of the Company.

Payments to R J C Collier are in respect of Director's fees.

There were no amounts owed to related parties in the periods 31 December 2008, 31 December 2007 and 30 June 2008.

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There were no new share options granted to the directors during the period to 31 December 2008. The following amounts have been provided in the period in respect of the estimated cost of the existing options using the Binomial valuation model.

Share Option Based Payments	Un-audited 6 months ended 31 December 2008 £'000	Un-audited 6 months ended 31 December 2007 £'000	Audited 12 months ended 30 June 2008 £'000
G P Riddler	9	8	24
R M Storer	4	5	29
R J C Collier	13	5	32
C J Clayton	-	4	(27)
A W Baird	-	4	(27)

At 31 December 2008, the share options held by the Directors are as follows:

Share Options held at	31 December 2008	31 December 2007	30 June 2008
G P Riddler	2,000,000	1,200,000	2,000,000
R M Storer	800,000	800,000	800,000
R J C Collier	2,500,000	1,200,000	2,500,000
C J Clayton	-	600,000	-
A W Baird	-	600,000	-

8. Post Balance Sheet Event

On 10 March 2009, Firebird Global Master Fund II, Limited, or its affiliates, agreed to invest a further £500,000 by way of a zero coupon, convertible loan note to allow the Company to pursue its future objectives.

The salient features of the loan note are that the loan will be convertible into preference shares of a nominal value of 0.6p per share at a price of 2.25 pence per preference share. Conversion into preference shares will take place following a meeting of shareholders to be called by the Company to authorize the changes required to the Company's Articles of Association to provide for the creation of the preference shares, to dis-apply pre-emption rights and do whatever may be required to give affect to the creation, allotment and conversion of the preference shares in terms of the Companies Act and the rules and regulations of the London Stock Exchange and Takeover Code. Notice convening this meeting must be given prior to 30 June 2009. Essentially, failure to pass the resolutions at this meeting will constitute an event of default on the loan. The preference shares thus allotted will have the right, at the option of the preference shareholders to convert into ordinary shares of the Company on the basis of one preference share for every new ordinary share. The preference shares will not be listed, will not have voting rights except in regards to items affecting the preference shares themselves and will be entitled to a dividend equivalent to any dividend declared on the ordinary shares.

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9. Availability of report

Copies of this report are available from the Company's business address at Blackwell House, Guildhall Yard, London, EC2V 5AE.