

For immediate release

## **PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2006**

Maghreb Minerals Plc ('Maghreb' or 'the Company'; stock code: MMS), the AIM-listed exploration company developing base and precious metal deposits in North Africa, announces its results for the year ended 30 June 2006.

### **HIGHLIGHTS**

- Completed 25 drill holes during the reporting period totalling 7,129 metres in Tunisia and 5 drill holes in Algeria totalling 823 metres representing an average of approximately 700 metres per month.
- At Fej Lahdoum, drilling results confirmed previously reported zinc and lead mineralisation on Dar N'Hal Sud and achieved the aim of confirming the down-dip and lateral extent of the mineralisation over a strike length of 1,200 metres between the Dar N'Hal Nord mine and the Dar N'Hal Sud deposit.
- At Djebba and the new Djebel Goraa exploration permit to the north and east of Djebba, the drilling programme started in 2005, tested stratigraphy, verified the grade of the previously estimated 2.7 Million tones ("Mt") resource and traced a mineralised breccia zone contact between Cretaceous and Triassic rocks, a possible feeder structure, over part of its 3 kilometres strike length.
- A gravity and magnetic survey was completed in two phases at Djebba and a north and east extension over the new exploration permit Djebel Goraa. This delineated the known extent of Zn and Pb mineralisation, indicating areas of anomalous high gravity extending beyond it to the north and east yet to be tested by drilling. A drilling programme commenced in September 2006 to test the areas of anomalous gravity.
- The exploration and drilling programme started up at the Tan Chaffao copper and gold prospect in Algeria in January 2006. The programme confirmed the presence of zinc-copper-gold mineralisation. A gravity survey has recently been completed and results are awaited.

Commenting on the results, Chairman Gordon Riddler said:

*"The period has been one of significant progress. We continue to expand the areas of known mineralisation in Tunisia and anticipate publishing new resource figures for these deposits. In addition, we are actively seeking to expand our portfolio of potential mine development projects. The past year has also seen interest from other companies that wish to partner with us and we continue to evaluate these opportunities. Following the fund raising in August we have sufficient monies to undertake our planned programmes. Overall, I am very pleased with the progress made and look forward to continued good news for shareholders in the coming year".*

### **ENQUIRIES:**

#### **Maghreb Minerals Plc**

Gordon Riddler, Executive Chairman

Tel: 020 7556 7038

#### **Hanson Westhouse LLP**

Tim Metcalfe / Richard Morrison

Tel: 0207 601 6100

**Notes to editors:**

Maghreb Minerals Plc is an AIM listed exploration company developing both base and precious metal deposits in Tunisia and Algeria where it holds the rights to several licence areas. The Company is targeting base metals, mainly lead and zinc, but has also identified areas containing barite and fluorite in Tunisia and gold and copper in Algeria. For further information, please visit [www.maghrebminerals.co.uk](http://www.maghrebminerals.co.uk)

The technical content of this press release has been reviewed by the Executive Chairman of Maghreb Minerals plc, Gordon Riddler, BSc, MBA, FIMMM, CEng, CSci, CMkt, MCIM, MCMI who has 40 years of experience in the mining sector and is a Fellow of the Institute of Materials, Minerals and Mining, a recognised professional association.

**CHAIRMAN'S STATEMENT**

Maghreb has made steady progress on its exploration permits in Tunisia and Algeria during the year continuing its exploration for Zn, Pb and Au, more details of which can be found in the Operations Report.

The exploration programme in Tunisia, carried out by our subsidiary High Marsh Holdings Limited ("HMH") at Fej Lahdoum and Djebba, combined with the computer compilation of a large quantity of historical mining and exploration data now available from the government authorities, continues to support the view that these are excellent Zn and Pb prospects that can go forward to the pre-feasibility stage in due course. Work is starting on the Group's other exploration permits which also hold promise through the application of modern exploration methodology in former mining areas. In Algeria, the initial drilling programme, carried out by the group, has confirmed the presence of zinc-copper-gold mineralisation, albeit at levels somewhat below expectations. Nonetheless, this is a highly prospective area and a decision on the approach to the next phase will follow the receipt of results from the recently completed geophysical survey. The Board is encouraged by the results of its exploration programmes undertaken to date.

Looking ahead to the coming year, the Group is developing its strategy on several fronts. It has a programme to advance work on existing exploration permits and extend its portfolio of exploration properties. In addition, the Group is strengthening its project portfolio through effective permit management and proactively seeking opportunities to develop, alone and in joint venture, early phase mining and processing operations. The Group will continue to ensure working capital levels are adequate to undertake the work contemplated.

The Group is acquiring four new exploration permits at Zaghouan in Northern Tunisia. The Zaghouan fluorite mine, which operated until 1990, has an Indicated Resource of 4Mt of fluorite. In addition, the Group is completing a joint venture agreement with the O.N.M. for an exploration permit which covers the former Bou Jabeur mining concession where the Office National des Mines ("O.N.M.") has previously established a 5.8Mt resource of high grade barite with associated fluorite, zinc and lead mineralisation, grading 3.60 per cent Zn, 1.5 per cent Pb, 33 per cent BaSO<sub>4</sub>, 9 per cent CaF<sub>2</sub>.

The Group has a strong focus on acquiring additional attractive exploration permits, delivering exploration results on existing projects and developing corporate opportunities, all aimed at the near term move from exploration to development and mining with the goal of creating significant value for shareholders. I believe the Group has the team and projects in place to deliver on these goals.

In order to pursue these opportunities, in August 2006, the Group raised £894,000 before costs by an issue of new ordinary shares and warrants. The new ordinary shares have been listed on AIM whilst the warrants remain unlisted, consequently the Group has some £1.1 million in cash resources as at 31 August 2006 available to pursue the next phase of its development programme in Tunisia and Algeria.

Finally, I would like to thank all members of the corporate and exploration teams of the Group for their diligent work carried out over the last year and for the co-operation and support of the government authorities in Tunisia and Algeria.

**Gordon P. Riddler**  
Chairman  
**Maghreb Minerals Plc**

21 September 2006

## **OPERATIONS REPORT**

### TUNISIA

#### **Exploration Permits**

##### *Permits Renewed*

Further geological work on the Koudiat El Loutia, Djebba, Ouled Moussa and Jebel Fej Lahdoum exploration permits was reported to Direction General des Mines (“D.G.M.”) and these have been renewed for a period of three years.

##### *Permits Relinquished*

During the last financial year, a total of four exploration permits were relinquished in Tunisia, namely Kef Dougga, Kef Adhama, Aim Jemmala and Koudiat Sidii. These permits generated results that did not justify further investment, particularly when compared with the prospectivity of the other exploration permits and new acquisitions in the portfolio. The total land released through non-renewal of these permits was 140km<sup>2</sup>. Relinquishing permits in this fashion is normal practice and is expected by the licensing authority.

##### *Permits Acquired*

#### **Djebel Goraa**

The Group strategy was to concentrate on the Djebba exploration permit in 2006. The first phase of the gravity survey, which was completed in May 2006, led to the extension of the original Djebba exploration permit, to the north and east to cover emerging gravity anomalies which could indicate a similar degree of Zn and Pb mineralisation as seen on the original permit. The new Djebel Goraa exploration permit is 16km<sup>2</sup> and is the target for detailed exploration because of its mineral potential.

#### **Zaghouan**

The Group has acquired four exploration permits around the town of Zaghouan in North-Eastern Tunisia: Hammam Zriba – Jebel Guebli, Jebel el Kohol, Sidid et Taia and Jebel el Messella. The permits cover a total area of 52km<sup>2</sup>.

The Hammam Zriba – Jebel Guebli permit covers the historic Zaghouan fluorite mining and processing operations, which is reported to have produced between 35,000 and 40,000 tonnes

of fluorspar per annum, until it closed in 1990. The closure was the result of a period of exceptionally low fluorspar prices due to high level of exports of fluorspar by Chinese producers at that time. The rise in demand for fluorspar has seen prices rise from approximately US\$100 per tonne in 1990 to current levels of approximately US\$225 per tonne.

The indicated resources on the Hammam Zriba – Jebel Guebli permit were reported in 1988 to be to the order of 5Mt with a grade between 15 per cent and 30 per cent CaF<sub>2</sub>.

The Group believes that the strong rise in international fluorspar prices offers the potential to re-establish profitable mining operations at Zaghouan at a relatively modest capital cost. The Group believes that a mining operation at Zaghouan has the potential to generate annual revenue of around US\$9 million per annum from fluorite production in due course, based on historic annual production rates of chemical grade fluorspar.

To strengthen the Group's ability to evaluate and subsequently develop this opportunity cost effectively, the Group proposes to enter into negotiations on a joint venture with established mining companies to jointly evaluate re-opening the Zaghouan mine.

The Group acquired the Zaghouan properties in the face of intense competition from other interested parties.

The Group believes that Zaghouan offers an exciting possibility for Maghreb to move into early production.

Moreover, in addition to fluorite, the permits covering an area totalling 52km<sup>2</sup> are prospective for barite, zinc and lead mineralisation.

### ***Permits under Negotiation***

The Group has reached agreement with the O.N.M. to acquire a 95 per cent interest in the exploration permit covering the previous mine concession area at Fej Lahdoum. The Group completed its exploration obligations under the option agreement covering the prior mining concession at Fej Lahdoum in late 2005. Title to an exploration permit covering the previous mining concession has been granted in the name of the O.N.M.

The terms of the Group's earn-in rights to the Fej Lahdoum exploration permit have been agreed with the O.N.M. Under the agreement, the Group will earn a 95 per cent beneficial interest in the exploration licence with additional rights to increase the interest to 100 per cent. The agreement is expected to be signed shortly.

A similar agreement is being negotiated for the exploration permit which covers the former mining concession at Bou Jabeur. In addition to the known high grade Zn and Pb mineralisation at Bou Jabeur, the O.N.M. previously established a resource on the eastern end of the mining concession, known as the Gite Est deposit. The resource established at Gite Est was 5.8Mt of high-grade barite with associated fluorite, zinc and lead mineralisation at a grade of 3.6 per cent Zn, 1.5 per cent Pb, 33 per cent BaSO<sub>4</sub> and 9 per cent CaF<sub>2</sub>. Subsequently a mining operation established on the Gite Est deposit focused on Zn and Pb production with by-product barite production. The mine was put on a care and maintenance basis in the early 2000s due to then prevailing low metal prices.

### **Exploration Programme and Results**

The Group has made substantial progress in furthering its exploration programme in Tunisia where it is evaluating Zn and Pb prospects. Gravity surveys have been completed at Djebba, Djebel Goraa and Ouled Moussa exploration permits. A total of 25 drill holes were completed in Tunisia at Fej Lahdoum and Djebba. The total metres drilled during the reporting period, was 7,129 metres, representing an average of 700 metres per month. In addition, four drill holes at Djebba (MDJ1 – MDJ4) and one at Fej Lahdoum (MFL8) were included in the meterage stated in the last Annual Report for 2005. A specialist report on a pre-drilling geological appraisal in the northern part of the Group's Jebel Fej Lahdoum exploration permit was received in January 2006.

### **Fej Lahdoum**

The drilling in 2005 confirmed and extended the known high-grade Zn and Pb mineralisation at the Fej Lahdoum, Dar N'Hal Sud and Dar N'Hal Nord deposits.

The Phase 1 drilling at the Fej Lahdoum prospect was completed in the last quarter of 2005.

The Group has reached agreement with the O.N.M. to acquire 95 per cent interest, with additional rights to increase this to 100 per cent in the exploration permit covering the previous mine concession area at Fej Lahdoum. Title to an exploration permit covering the previous mining concession has been granted in the name of the O.N.M. The agreement is expected to be signed shortly.

For the complete programme (including MFL1 to MFL8 drilled in the last financial year), a total of twenty four drill holes (MFL1 to MFL24) were completed for a total of 5,244 metres with depths ranging between 80 metres and 465 metres. Zn and Pb mineralisation was intersected in seventeen drill holes. The drilling programme has met the Group's 3,000 metre drilling commitment to the Tunisian Government.

Drill holes MFL1 – MFL7 were drilled around Dar N'Hal Sud. MFL2 confirmed the mineralisation previously identified by the O.N.M. The Dar N'Hal Sud measured resource was estimated by the O.N.M. at 400,000 tonnes at a grade of 7.7 per cent Zn and 5.6 per cent Pb (13.3 per cent combined Zn and Pb). The Dar N'Hal Sud deposit is a fault offset extension, situated some 100 metres south-east of the main Dar N'Hal Nord deposit. Work undertaken in 1991 estimated a reserve of 1.4Mt at a grade of 6.0 per cent Zn and 5.6 per cent Pb at Dar N'Hal Sud.

Ten drill holes (MFL8 to MFL17) were targeted principally to confirm the down-dip and lateral extent of the mineralisation over a strike length of 1,200 metres between the Dar N'Hal Nord mine and the Dar N'Hal Sud deposit. The drilling confirmed mineralisation but indicated structural complexity.

Seven drill holes (MFL18 to MFL24) in un-tested ground to the north of the Dar N'Hal Nord Mine, extended the projection of the surface area of the mineral resource at the Dar N'Hal Nord deposit by around 20 per cent. Three of these drill holes also verified the results from previous O.N.M. drill holes DNH25 (7 metres @ 16.4 per cent combined Zn and Pb) and DNH26 (5.8 metres @ 21.19 per cent combined Zn and Pb).

Seventeen of the twenty-four drill holes intersected Zn and Pb mineralisation. These were sampled and all assays have been received. Seven of these drill holes intersected significant Zn and Pb mineralisation and the best intervals are as follows:

Drill Hole	From (m)	To (m)	Interval (m)	Zn (%)	Pb (%)	Combined Zn+Pb (%)

MFL2	129.50	131.50	2.00	5.76	3.89	9.65
	135.50	138.50	3.00	10.72	3.13	13.85
	144.50	153.50	9.00	5.33	3.88	9.21
of which	144.50	147.50	3.00	7.43	2.67	10.10
	149.50	153.50	4.00	5.47	6.35	11.82
MFL8	321.00	400.80	79.80			5 intervals ranging from 3 to 5
of which	382.35	384.60	2.25	1.89	9.96	11.85
MFL9	289.45	322.20	32.75			3 intervals ranging from 4.5 to 5.98
of which	313.50	322.20	8.70	4.28	2.02	6.30
MFL11	251.60	257.60	6.00			13.00
MFL18	195.65	213.20	17.55	10.10	3.32	13.42
of which	197.65	199.35	1.70	16.38	8.54	24.92
	204.30	206.50	2.20	18.70	5.36	24.06
	209.70	212.90	3.20	22.32	9.09	31.41
	229.25	233.70	4.45	6.34	7.89	14.23
	231.00	232.00	1.00	5.60	21.61	27.21
of which	237.20	238.20	1.00	7.39	2.80	10.19
MFL21	276.10	300.55	24.45	6.50	0.95	7.45
of which	282.00	285.65	3.65	10.26	1.57	11.83
	284.30	285.65	1.35	19.84	3.76	23.60
	291.55	293.65	2.10	12.24	1.73	13.97
	299.40	300.55	1.15	18.03	0.69	18.72
MFL 22	246.50	247.50	1.00	12.74	1.36	14.10
	253.80	255.25	1.45	5.21	22.34	27.55
	260.70	265.70	5.00	4.33	2.48	6.81
	272.10	292.00	19.90	4.05	4.70	8.75
of which	275.50	278.50	3.00	7.93	3.86	11.79
	280.00	283.00	3.00	6.18	19.97	26.15

The results from the Phase 1 drilling programme, along with a large amount of information recently received from Dar N'Hal Nord mine archives, has highlighted structural complexity associated with the high-grade Zn and Pb mineralisation at Fej Lahdum. The Group is reviewing and modelling the extensive data set.

The area between the known Dar N'Hal Nord and Dar N'Hal Sud deposits is emerging as an important target for infill drilling with the potential to add significant tonnages to the known resources.

As a consequence of the structural complexity, and to progress exploration on the Djebel Fej Lahdoum exploration permit, the Group commissioned an external review of structural data for the area along strike to the north east of the Dar N'Hal Nord mine. This area between Bou Kcherida and Tabet Lahssan, north of the Fej Lahdoum mine area, was mapped during late July 2005 in order to identify prospective mineralised zones ahead of exploration drilling. The results of the mapping have been integrated with the results from previous O.N.M. drilling to determine the regional structure and develop a model for the origin of the known mineralisation in the area.

There is considerable evidence that Cretaceous sedimentation was controlled by extensional fault tectonics, as in the Dar N'Hal Nord-Fernana area, although in other places there is evidence of passive flooding of an irregular, locally karstified, Triassic erosional surface. The region has been extensively modified by Miocene thrusting and a key aspect of the review has been to identify the locations and depths of these thrust planes. In addition, a number of areas have undergone down-to-the-west, extensional collapse of the thrust-tip monoclines.

Old workings in the area occupy sedimentary transition zone deposits, associated fractured limestones or associated splay faults. Much of the mineralisation appears to be associated with and confined to the probable karst permeability in the uppermost Triassic dolomites where they are present. It is believed that these deposits were fed by flow along the underlying thrust planes and, consequently, the proposed follow up drilling programme is heavily biased towards intercepting these thrust plane surfaces. In addition, there is evidence of a possible buried extensional fault under the east flank of Bou Derouaia which will also be tested. An initial drilling programme of nine drill holes across the region has been recommended.

### **Djebba and Djebel Goraa**

At Djebba, previous work by the O.N.M. in the 1980s and by the Canadian Group SIDAM-Minorex in 1987-1989, resulted in a positive feasibility study for an open pit mining operation at Djebba based on a resource estimate of 2.7Mt at a grade of 6.14 per cent Zn and 3.34 per cent Pb within which there was an open pit reserve estimate of 800,000 tonnes at a grade of 6.59 per cent Zn and 4.09 per cent Pb. Preliminary metallurgical test-work on samples from the principal host Miocene Basin demonstrated good recoveries for Zn and Pb to concentrates using conventional flotation.

#### *Drilling*

The drilling programme at Djebba started with four shallow drill holes in July 2005 to test stratigraphy, to verify the grade of known mineralisation and to extend exploration to cover the postulated brecciated feeder structure for the previously delineated Zn and Pb mineralisation. In 2006 the drilling campaign was designed to trace a major northerly trending brecciated feeder structure and to establish if it was mineralised. The best intervals were as follows:

<b>DRILL HOLE</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Zn (%)</b>	<b>Pb (%)</b>	<b>Combined Zn and Pb%</b>
MDJ1	23.05	28.25	5.20	5.91	13.24	19.15
	including		2.05	6.63	25.86	32.49

MDJ2	21.85	32.30	10.45	17.52	1.57	19.09
	including		6.80	24.58	1.04	25.62
MDJ3	37.70	58.90	21.20	5.66	7.58	13.24
	including		13.10	8.15	10.92	19.07
	including		2.90	8.58	32.18	40.76
	Max					
	value Pb		0.45	10.31	50.90	61.21
	Max					
	value Zn		1.15	13.19	4.13	17.32
MDJ4	42.15	70.05	27.90	9.28	2.56	11.84
	including		17.60	12.73	3.69	16.42
	including		3.95	23.38	6.43	29.81
	Max					
	value Zn		1.15	31.07	4.35	35.42
	Max					
	value Pb		0.03	11.26	16.00	27.26
	74.30	95.65	21.35	4.05	1.57	5.62
	Max					
	value Pb		0.95	6.51	9.74	16.25
	Max					
	value Zn		1.00	6.74	1.49	8.23
MDJ7	32.85	41.40	8.55	9.55	0.81	10.36
including	34.00	38.55	4.55	14.25	1.11	15.36
	44.44	64.44	20.00	2.36	0.42	2.78
including	47.40	49.40	2.00	6.25	1.46	7.71
	96.80	100.15	3.35	5.23	0.21	5.44
including	97.95	100.15	2.20	6.08	0.20	6.28
MDJ9	63.40	82.65	19.25	3.54	0.56	4.10
including	65.40	69.15	3.75	5.13	0.76	5.89
including	79.60	80.00	0.40	4.52	1.54	6.06

*Note: In MDJ3, the highest combined Zn and Pb value of 61.21 per cent (10.31 per cent Zn and 50.90 per cent Pb) over 0.45 metres was recorded at a depth below surface of 57 metres.*

Drill holes MDJ1 and MDJ2, located 400 metres south of the previously established 2.7Mt grading 6.14 per cent Zn and 3.34 per cent Pb measured mineral resource in Miocene sediments and significantly extended the target zone for mineralisation. MDJ1 reported 5.2 metres grading 19.2 per cent combined Zn and Pb and MDJ2 10.45 metres grading 19.1 per cent combined Zn and Pb, at depths of just over 20 metres below surface. Computer modelling suggests this mineralisation falls within a narrow graben structure. Zn and Pb sulphide mineralisation has also been discovered nearby in a recently dug waterwell to the east of these drill holes.

The results from verification drill holes MDJ3 and MDJ4 give strong corroboration of the data from previous programmes over a strike length of 200 metres, where the original 2.7Mt estimate had been made.

The next phase of drilling was planned to target possible extensions of the identified mineral resource at Djebba, and test for new zones of mineralisation. This drilling programme extended the zinc-lead target zone at Djebba beyond the area where a 2.7Mt resource is known.

Drill holes MDJ7 and MDJ 9 intersected strong mineralisation in part of a 3km long brecciated contact zone between the Cretaceous and Triassic rocks, interpreted as the probable feeder structure for the mineralisation, and in addition intersected a zone of previously unknown mineralisation associated with faulting within impure Cretaceous limestones which has hitherto not been evaluated and closed off. Drill hole MDJ7 reported mineralisation over 20 metres grading better than 3 per cent Zn with the best intersection being 8.55 metres at a grade of 9.55 per cent Zn and 10.36 per cent combined Zn and Pb at a depth of 32.85 metres from surface including 4.55 metres at a grade of 14.25 per cent Zn and 15.35 per cent combined Zn and Pb. Drill hole MDJ8, which intersected the Cretaceous and the brecciated Cretaceous-Triassic contact zone, reported low-grade zinc mineralisation over an interval of 14 metres.

Drill holes MDJ10 to MDJ13 were drilled to trace structures and stratigraphic distribution. Drill holes MDJ10 and MDJ11 were to the north of the main gravity anomaly on the new Djebel Goraa exploration permit, testing for the Cretaceous/Triassic contact. Only Cretaceous rocks were found with no mineralisation. MDJ12 and MDJ13 traced the Cretaceous/Triassic contact near MDJ7 but found no mineralisation. The rest of this 3km brecciated contact remains to be explored to the north and to the south.

During the MDJ10 – MDJ13 campaign the drill data was fed into the computer model along with earlier O.N.M. data. A pattern of graben structures is emerging which appear to control the distribution of the mineralisation. To the north and northeast in the Djebel Goraa exploration permit the final gravity interpretation just received indicates several high gravity anomalies, which may relate to mineralisation. The next drilling phase over the coming months at Djebba and Djebel Goraa will include the testing of these targets.

### *Geophysics*

A gravity and magnetic survey was completed at Djebba and Djebel Goraa aimed at delineating the possible extent of the massive Zn and Pb mineralisation and a possible brecciated feeder structure confirmed from previous and current drilling.

Results of the first phase of geophysical surveys showed anomalous high gravity over the known extent of the massive Zn and Pb mineralisation at Djebba and extended beyond it to the north and east of the known mineralised area where the strong gravity anomaly was still open and remained to be closed off and tested by drilling.

Following on from this, the gravity and magnetic survey lines were extended and infill lines added to close off anomalies to the north and the east (Phase 2). Following a quality control process this second phase has been combined with the earlier survey data and the interpretation has just been received and is being introduced to the computer model. The residual gravity interpretation suggests high anomalies which may reflect extensions to the Zn and Pb mineralisation.

The Company's drilling programme at Djebba and Djebel Goraa has significantly extended the zone of known mineralisation and has confirmed three types of target:

- the Miocene Basin to the west of the Triassic-Cretaceous contact;
- the brecciated zone at the unconformable Cretaceous/Triassic contact itself which may represent the feeder structure for the mineralisation at Djebba; and
- the discovery of mineralisation by drill holes MDJ7 and MDJ9 in impure limestones of Cretaceous age.

The Miocene Basin which lies to the north-west of the main Triassic-Cretaceous contact and Miocene brecciated clays and sandstones, which increase in thickness to the west, remain open and untested for mineralisation.

### **Ouled Moussa**

A gravity survey was completed on the Ouled Moussa permit. The data is being processed and results are awaited. The purpose of the gravity survey was to establish continuity between the adjacent Bou Jabeur mine open pit and the large gravity anomaly previously discovered to the east of it. Gravity anomalies will be followed up by geochemistry and drilling to establish the presence of near-surface barite-fluorite, Zn and Pb mineralisation.

### **Other Permits**

It is planned to start geological investigation, gravity, geochemistry and follow-up drilling on the Koudiat El Louatia (Lorbeus) and El Hammala exploration permits in September 2006. The Lorbeus permit covers an old lead-zinc mine and extensions of the geological structures which hosted the nearby Bougrine Mine Zn and Pb mineralisation. The El Hammala permit also covers a former mining area where a similar work programme is planned.

### **Outlook**

In Tunisia, the Group has made significant progress with increased drilling rates, key geological and structural studies, geophysical surveys and computer modelling of mineralisation. The results from our Phase 1 drilling at Fej Lahdoum indicated continuity but also structural complexity between the known deposits. All available data at Fej Lahdoum has been compiled and is in the process of being modelled prior to proceeding with a second phase of drilling. Positive results from drilling and geophysics continue to be acquired at the Djebba and Djebel Goraa properties and the Group is focusing its attention on drilling that prospect guided by the results of geophysical surveys. The Group believes that Djebba and Djebel Goraa provide the best opportunity to reach the pre-production stage of lead-zinc mining, in the shortest time frame. The Group plans to commence a pre-feasibility study on the development of a mining operation at Djebba as soon as possible, aimed at mining high-grade near surface mineralisation in the Miocene Basin rocks and extensions to the mineralisation to the north and south discovered in the recent drilling programme, in the contact zone between the Triassic and Cretaceous rocks and in the Cretaceous limestones.

## **ALGERIA**

### **Tan Chaffao**

The Tan Chaffao exploration licence is located about 250km northwest of Tamanrasset in the Hoggar region of Algeria and is considered to be prospective for Cu and Au mineralisation.

At Tan Chaffao, the geology comprises acid volcanics (porphyritic rhyolites) along the southern eastern edge of the licence area overlain by a volcano-sedimentary unit, including volcanic tuffs, with mafic volcanics (diabase) lateral to and overlying the volcano-sedimentary unit to the North. Major fault structures traverse the area.

The polymetallic (Zn, Pb, Cu, Au) mineralisation of Tan Chaffao was discovered in 1971, and explored during two field seasons (1972 and 1973) by Russian supervised Office National de Recherche Geologique et Miniere ("O.R.G.M.") teams. The work consisted of geological and geophysical studies and a 10-hole drill programme. The ten holes were drilled to depths of between 100 metres to 200 metres on several mineral-bearing zones over a strike length of 1,450 metres. The lenses vary in length from 50 metres to 300 metres with widths of between

0.6 metres and 16.5 metres. Of the ten drill holes, six holes were assayed and appear to have intersected significant mineralisation. Core from some of these drill holes is located on the ground adjacent to the drill collars. This core has been logged and where appropriate confirmatory drilling will be undertaken.

An Algerian subsidiary company is expected to be formed in July 2006 called the Tan Chaffao Mining Company SARL. Maghreb will hold an 85 per cent equity interest with the Algerian O.R.G.M. having an effective equity interest of 15 per cent.

A work programme commenced in early November 2005. A base camp was established with the assistance of the O.R.G.M. The exploration programme included mapping, gravity and magnetic surveys and drilling.

The drilling programme which started in January 2006 was aimed at verifying the grades of mineralisation identified by previous work by the O.R.G.M. and possible extensions along strike to the north and south. An O.R.G.M. drill rig was mobilised to Tan Chaffao and five drill holes have been completed for a total of 823 metres. The first two drill holes MTC001 (40 metres west of DDHS21) and MTC002 (40 metres west of MTC001) were located west of the O.R.G.M. drill hole DDHS21, to test the down dip extension of the mineralisation. DDHS21 reported 17 metres at a grade of 3.5 grams per tonne (“gpt”) Au and 1 per cent Cu, and 21 metres grading 2.0 gpt Au within 100 metres from the surface. Visual inspection of the drill core from these drill holes indicated a similar geological sequence to that recorded from DDHS21, of altered volcano-sedimentary rocks with quartz veins and secondary pyrite in chlorite-sericite schists. MTC003 (40 metres south of MTC001), MTC004 (80 metres north of MTC001) and MTC005 (40 metres west of MTC004) were drilled to test the mineralisation along strike.

The core assays received for three of these drill holes while confirming the presence of mineralisation produced results below expectations, the best of which are:

Drill Hole	From (m)	To (m)	Interval (m)	Assay
MTC001	84.60	94.50	9.90	2.27%Zn; 0.53%Pb; 0.23% Cu 0.72 gpt Au
including	90.10	91.10	1.00	
	115.00	121.70	6.70	1.42%Zn; 0.34% Cu 0.53 gpt Au
including	118.50	119.50	1.00	
MTC003	101.00	119.00	18.00	2.4%Zn; 0.79% Pb; 0.17% Cu 3.02 gpt Au 8.04 gpt Au
including	107.00	110.00	3.00	
of which	108.00	109.00	1.00	

Assay results for MTC004 and MTC005 are awaited. The gold mineralisation may have a separate structural control from the base metals and further work is required to establish the controls of mineralisation. Tan Chaffao is still considered a highly prospective area and a decision on the approach to the next phase will follow the receipt of further assay results and the interpretation from the recently completed geophysical surveys.

Gravity and magnetic surveys were completed in June 2006 to test the southern area of mineral potential. The data has been processed and the results are expected shortly.

## Outlook

In Algeria, the exploration programme undertaken during the first half of 2006 consisted of 5 drill holes and a gravity survey completed.

The results of the recent drilling at Tan Chaffao are currently being reviewed. The gravity survey interpretation is due shortly and will be incorporated with other available data, in a computer model prior to a decision being made on the approach to be adopted for the next stage of exploration.

The Tan Chaffao property represents an interesting development for the Group, presenting an opportunity to leverage off earlier work by the O.R.G.M., which has indicated potential for a large tonnage orebody.

In addition, it provides the Group with a platform to acquire additional properties, some potentially representing near term production, in this large underdeveloped mineral rich country.

A number of other initiatives are underway with respect to acquiring additional properties prospective for Cu, Au, Zn and Pb mineralisation.

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2006

	Notes	Year Ended 30 June 2006 £'000	13 Months Ended 30 June 2005 £'000
Revenue	2	-	-
Exploration expenses		<u>(791)</u>	<u>(446)</u>
Gross loss		(791)	(446)
Administrative expenses		(434)	(403)
Listing and company formation expenses		<u>-</u>	<u>(496)</u>
Operating loss		(1,225)	(1,345)
Investment income		<u>41</u>	<u>32</u>
Loss before tax		(1,184)	(1,313)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the year/period		<u>(1,184)</u>	<u>(1,313)</u>
Earnings per share			
Basic loss per share (pence)	4	<u>(2.99)</u>	<u>(3.32)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

Share capital	Share premium	Retained earnings	Total
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	£'000	£'000	£'000	£'000
Balance at 7 June 2004	-	-	-	-
Loss for the period	-	-	(1,313)	(1,313)
Issue of shares in the period	237	-	-	237
Premium on shares issued	-	3,067	-	3,067
Balance at 1 July 2005	237	3,067	(1,313)	1,991
Loss for the year	-	-	(1,184)	(1,184)
Balance at 30 June 2006	237	3,067	(2,497)	807

There were no items of recognised income and expense in the year other than the loss for the financial year.

## CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Group 2006 £'000	Group 2005 £'000
<b>Non-current assets</b>		
Intangible assets	82	82
Property, plant and equipment	177	200
Investments	<u>-</u>	<u>-</u>
	259	282
<b>Current assets</b>		
Trade and other receivables	42	19
Cash and cash equivalent	<u>561</u>	<u>1,766</u>
<b>Current liabilities</b>	603	1,785
Trade and other payables	<u>(55)</u>	<u>(76)</u>
<b>Net current assets</b>	<u>548</u>	<u>1,709</u>
<b>Total assets less current liabilities</b>	<u>807</u>	<u>1,991</u>
<b>Net assets</b>	<u>807</u>	<u>1,991</u>
<b>Equity</b>		
Share capital	237	237
Share premium account	3,067	3,067

Retained loss	<u>(2,497)</u>	<u>(1,313)</u>
<b>Total equity</b>	<u>807</u>	<u>1,991</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2006

	Year Ended 30 June 2006 £'000	13 Months Ended 30 June 2005 £'000
<b>Cash flows from operating activities</b>		
Operating loss before interest and tax	(1,225)	(1,345)
Add : Depreciation charges for the year / period	<u>57</u>	<u>22</u>
Operating loss before working capital change	(1,168)	(1,323)
Increase in receivables	(23)	(19)
(Decrease)/ increase in payables	<u>(21)</u>	<u>76</u>
<b>Net cash from operating activities</b>	<b>(1,212)</b>	<b>(1,266)</b>
<b>Cash from investing activities</b>		
Purchases of plant and equipment	(34)	(222)
Interest income received	<u>41</u>	<u>32</u>
<b>Net cash from investing activities</b>	<b>7</b>	<b>(190)</b>
<b>Financing activities</b>		
Proceeds on issue of share capital	-	3,304
Shares issued in exchange for investments	-	<u>(82)</u>
<b>Net cash received from financing</b>	<b>-</b>	<b>3,222</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(1,205)</b>	<b>1,766</b>
Cash and cash equivalents at the beginning of the year / period	1,766	-
<b>Cash and cash equivalents at the end of the year / period</b>	<b><u>561</u></b>	<b><u>1,766</u></b>

## NOTES TO THE ACCOUNTS

### 1. Significant accounting policies

The financial statements have been prepared in accordance with IFRS as adopted for use in the European Union, therefore complying with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

It has not been necessary to reclassify the comparative figures following the adoption of IFRS.

### Adoption of new and revised International Financial Reporting Standards

The Group has decided on early adoption of all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and endorsed by the European Union that are relevant to its operations. The Group's transition date was 7 June 2004. The Group is not aware of any International Financial Reporting Standards ("IFRSs") which have been issued since the year end date that will materially affect the financial statements.

The adoption of these new and revised standards and interpretations has not resulted in any significant changes to the Group's accounting policies. IFRS6 Exploration for and Evaluation of Mineral Resources permits an entity adopting IFRS to change its accounting policies for exploration and evaluation expenditures if the change makes the financial statements more relevant to the economic decision making needs of the users. Equally, IFRS6 permits an entity to continue to use the accounting policies applied immediately before adopting the IFRS if this is considered more relevant. The directors believe it is more relevant to continue with the existing accounting policies.

### 2. Revenue

The Group has not generated any turnover in the year ended 30 June 2006 (Nil – 13 months ended 30 June 2005).

### 3. Income tax expense

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

The total charge for the year / period can be reconciled to the accounting profit as follows:

Year Ended 30 June 2006 £'000	13 Months Ended 30 June 2005 £'000
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Loss before taxation, from continuing activities	<u>(1,184)</u>	<u>(1,313)</u>
Loss on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 30% (2005 – 30%)	(355)	(394)
Losses not utilised	<u>355</u>	<u>394</u>
Tax expense and effective tax rate for the year / period	<u>-</u>	<u>-</u>

#### 4. Earnings per ordinary share (basic and diluted)

The calculation of the basic and the diluted loss per share attributable to the ordinary equity holders of the parent has been calculated on the net loss after tax of £1,184,000 (2005 - £1,313,000), using the following weighted averages:

	Year Ended 30 June 2006 Number of shares	13 Months Ended 30 June 2005 Number of shares
Weighted average number of ordinary shares for the purposes of basic loss per share	39,559,002	39,559,002
Effect of dilutive potential ordinary shares:		
Warrants	8,529,501	8,529,501
Share options	3,800,000	2,450,000
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>51,888,503</u>	<u>50,538,503</u>

<b>Loss from continuing operations</b>	Year Ended 30 June 2006 Pence	13 Months Ended 30 June 2005 Pence
Loss for the purposes of basic loss per share	(2.99)	(3.32)
Loss for the purposes of diluted loss per share	(2.99)	(3.32)

#### 5. Events after the balance sheet date

On 3 August 2006, the Company raised £894,000 by a new issue of 11,175,000 new ordinary shares of 0.6 pence per share which were issued at a price of 8 pence per share and 11,175,000 warrants were also issued to the new shareholders in equal proportions. See note 20.

#### 6. Reconciliation of the opening position per UK GAAP as previously reported to IFRS and changes in equity

	Share capital £'000	Share premium £'000	Retained Loss £'000	Total £'000
Balance at 1 July 2005 (under	237	3,067	(1,313)	1,991

**UK GAAP)**

Changes in accounting policy:

The adoption of IFRS had no impact on the equity of the group

	-	-	-	-
<b>Balance at 1 July 2005 (under IFRS)</b>	237	3,067	(1,313)	1,991
Loss for the year	-	-	(1,184)	(1,184)
<b>Balance at 30 June 2006 (under IFRS)</b>	237	3,067	(2,497)	807

**Reconciliation of equity**

	<b>As at 7 June 2004 £'000</b>	<b>As at 30 June 2005 £'000</b>
Shareholders' equity (under UK GAAP)	-	1,991
Adjustments: None required	-	-
Shareholders' equity (under IFRS)	-	1,991

*The Annual Report will be posted to shareholders on 21 September 2006 and will also be available on the Company's website. Copies will also be available from Maghreb Minerals plc's head office: Suite 107, 1st Floor, 75 Cannon Street, London EC4N 5BN*