

**AUSTRAL AFRICA RESOURCES LIMITED**

**ABN 36 060 774 227**

**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

## AUSTRAL AFRICA RESOURCES LIMITED

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### CORPORATE DIRECTORY

#### **Directors**

Lindsay Colless	Non-Executive Chairman
Ian Cornelius	Non-Executive Director
Gerard Zytkow	Executive Director

#### **Company Secretary**

Karen Brown

#### **Registered Office**

129 Edward Street,  
Perth WA 6000  
Tel: (08) 9322 2744  
Fax: (08) 9227 8178

#### **Bankers**

Australia and New Zealand Banking Group  
Level 7, Allendale Square  
77 St Georges Terrace  
Perth WA 6000

#### **Auditors**

Rothsay Chartered Accountants  
Level 18, 6 O'Connell Street  
Sydney NSW 2000  
Tel: (02) 8815 5400  
Fax (02) 8815 5401

#### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
Tel: (08) 9323 2000  
Fax: (08) 9323 2033

#### **Home Stock Exchange**

Australian Securities Exchange (ASX)  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000  
ASX Code: AAF (Formerly NWA)

## AUSTRAL AFRICA RESOURCES LIMITED

### DIRECTORS' REPORT

Your directors present their report for the half-year ended 31 December 2008.

#### Directors

The following persons were directors of the company during the whole of the half-year and up to the date of this report:

Lindsay Colless (Non-Executive Chairman)  
Ian Cornelius (Non-Executive Director)  
Gerard Zytkow (Executive Director)

#### Review of Operations

The consolidated entity incurred an operating loss after tax of \$3,801,451 (2007: loss after tax of \$279,315) for the half-year ended 31 December 2008. The primary activities during the period were production and operation of the Company's copper smelter in the Democratic Republic of Congo "DRC" (Nova Copper Project). The operations in Lubumbashi had been operating one of the furnaces on a toll treatment basis but have suspended the operations of its smelting plant in the short term due to current economic conditions. As a consequence of placing the smelting plant on "care and maintenance" the consolidated entity has incurred a "one off" impairment charge of \$2,315,499 as the future of the plant remains uncertain during these difficult economic times, however the company is keeping all options open.

Austral Africa Resources Ltd ("AAF") holds eight mineral exploration concessions in the Katanga province in the DRC. The company is in talks with a third party regarding exploration activities on selected concessions; these talks are in preliminary stages. The Company is continuing to actively seek new mineral exploration opportunities as well as considering its many options in the DRC and other parts of Africa and Australia.

#### Nova Mining SPRL

The only production during the six months to 31 December 2008 at the Nova Mining copper smelting project in Lubumbashi, Congo ("the Nova Project") was in respect of one toll treatment customer in August 2008. Since then the processing operations have been suspended and the company continues to discuss the future of the plant with other parties with a view to a possible sale, joint venture or other arrangement.

The Company has decided to concentrate on the possible exploration of its existing and recently acquired concessions; and has retained a power source and some land in Lubumbashi for possible future downstream processing of material from the concessions.

#### Events occurring after reporting date

No other matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the half financial year and to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of the economic entity, or the state of affairs of the economic entity in the financial years subsequent to the half financial year ended 31<sup>st</sup> December 2008.

#### Corporate

The Company has approximately \$399,000 working capital available as at 31<sup>st</sup> December 2008.

#### Auditor's Independence Declaration

A copy of the auditor's independence declaration from Rothsay Chartered Accountants, as required under section 307C of the Corporations Act 2001 is set out on page 12.

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



Lindsay Colless  
Non-Executive Chairman  
Signed at Perth on the 16<sup>th</sup> day of March 2009

**AUSTRAL AFRICA RESOURCES LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**For the half-year ended 31 December 2008**

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>\$</b>	<b>\$</b>
Sales revenue	622,043	2,846,927
Cost of sales	<u>(472,061)</u>	<u>(2,404,398)</u>
Gross Profit	149,982	442,529
Other revenues	24,612	933,504
Employees, directors and contractor expense	(997,739)	(922,556)
Foreign exchange losses	(2,131)	(1,519)
Depreciation, amortisation and impairment	(2,644,213)	(209,001)
Write-off exploration	-	(17,718)
Administration expenses	<u>(331,962)</u>	<u>(504,554)</u>
<b>Loss from ordinary activities before income tax</b>	<b>(3,801,451)</b>	<b>(279,315)</b>
Income tax expense relating to ordinary activities	<u>-</u>	<u>-</u>
<b>Loss from ordinary activities after income tax expense</b>	<b>(3,801,451)</b>	<b>(279,315)</b>
Basic loss per share (cents per share)	<b>(0.48)</b>	(0.05)
Diluted loss per share (cents per share)	<b>(0.48)</b>	(0.05)

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2008

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2008</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	398,705	1,081,207
Trade and other receivables	1,009,784	949,786
Inventory	402,945	244,207
Other assets	821,982	277,583
<b>TOTAL CURRENT ASSETS</b>	<b>2,633,416</b>	<b>2,552,783</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	13,844	13,574
Property, plant and equipment	409,624	2,407,181
Intangibles	249,957	68,209
Mineral exploration and evaluation expenditure	-	-
<b>TOTAL NON CURRENT ASSETS</b>	<b>673,425</b>	<b>2,488,964</b>
<b>TOTAL ASSETS</b>	<b>3,306,841</b>	<b>5,041,747</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,758,351	1,020,708
Non interest bearing liabilities	-	1,891,757
Interest bearing liabilities	344,675	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,103,026</b>	<b>2,912,465</b>
<b>NON CURRENT LIABILITIES</b>		
Deferred tax liabilities	229	195
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>229</b>	<b>195</b>
<b>TOTAL LIABILITIES</b>	<b>2,103,255</b>	<b>2,912,660</b>
<b>NET ASSETS</b>	<b>1,203,586</b>	<b>2,129,087</b>
<b>EQUITY</b>		
Contributed equity	36,533,175	34,533,165
Foreign exchange reserve	(429,732)	(1,305,672)
Accumulated losses	(34,899,857)	(31,098,406)
<b>TOTAL EQUITY</b>	<b>1,203,586</b>	<b>2,129,087</b>

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the half-year ended 31 December 2008**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Foreign Exchange Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<b>34,533,165</b>	<b>(29,195,928)</b>	<b>(937,014)</b>	<b>4,400,223</b>
Loss for the period	-	(279,315)	-	(279,315)
Shares issued	-	-	-	-
Transaction costs from issue of shares	-	-	-	-
Translation of foreign subsidiaries	-	-	(49,552)	(49,552)
<b>Balance at 31 December 2007</b>	<b>34,533,165</b>	<b>(29,475,243)</b>	<b>(986,566)</b>	<b>4,071,356</b>

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Foreign Exchange Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	<b>34,533,165</b>	<b>(31,098,406)</b>	<b>(1,305,672)</b>	<b>2,129,087</b>
Loss for the period	-	(3,801,451)	-	(3,801,451)
Shares issued (in lieu of debt)	2,000,000	-	-	2,000,000
Transaction costs from issue of shares	10	-	-	10
Translation of foreign subsidiaries	-	-	875,940	875,940
<b>Balance at 31 December 2008</b>	<b>36,533,175</b>	<b>(34,899,857)</b>	<b>(429,732)</b>	<b>1,203,586</b>

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the half-year ended 31 December 2008**

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	622,043	2,846,927
Payments to suppliers and employees	(1,493,164)	(5,762,744)
Interest received	22,047	32,904
Interest and other costs of finance paid	(13,234)	(22,913)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(862,308)</b>	<b>(2,905,826)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(7,622)	(15,360)
Payments for purchase of concessions	(159,822)	(26,722)
Proceeds from the sale of tenements	-	900,000
Proceeds from the sale of other fixed assets	2,565	600
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(164,879)</b>	<b>858,518</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	10	-
Proceeds from borrowings	344,675	2,451,733
Repayments of borrowings	-	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>344,685</b>	<b>2,451,733</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(682,502)</b>	<b>404,425</b>
Cash at beginning of the financial period	1,081,207	1,142,057
<b>CASH AT END OF THE FINANCIAL PERIOD</b>	<b>398,705</b>	<b>1,546,482</b>

The accompanying notes form part of these financial statements

# AUSTRAL AFRICA RESOURCES LIMITED

## 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 interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Australian Accounting Standard AASB134: *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial 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 any public announcements made by Austral Africa Resources Limited and controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, position and financing activities of the consolidated entity as the full financial report.

#### *(a) Basis of accounting*

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report covers the consolidated entity of Austral Africa Resources Limited and controlled entities. Austral Africa Resources Limited is a listed public company domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### *(b) 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.



## AUSTRAL AFRICA RESOURCES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2008

(c) *Going Concern Note*

The Group experienced losses from ordinary activities after income tax for the half year of \$3,801,451 and net cash outflows from operating activities for the half year of \$862,308 whilst current assets exceeded current liabilities by \$530,390.

The copper smelting plant has been placed on “care & maintenance” and the assets in the Democratic Republic of Congo have been offered for sale. Operating and administrative costs have been substantially reduced and the Board is examining various ways to continue to meet its business objectives which may include raising additional equity to meet future funding requirements.

The Directors therefore believe it appropriate to prepare the financial report on the going concern basis however if the measures noted above are unsuccessful the Group may be unable to continue as a going concern and may be unable to realise its assets and extinguish its liabilities in the normal course of business at the amount stated in the financial report

## 2. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
a) Paid up capital	36,533,175	34,533,165
b) Movements	<b>No of Shares</b>	<b>Paid-Up Capital</b>
		\$
Balance 1 July 2008	587,383,734	34,533,165
Shares issued in lieu of services	-	-
Conversion of debt to shares	200,000,000	2,000,000
Working Capital raised	-	-
Conversion of options	-	-
Transaction costs from issue of shares	-	10
Balance 31 December 2008	787,383,734	36,533,175
c) Options		

As at 31 December 2008, there are no options over unissued capital in the Company.

**AUSTRAL AFRICA RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2008**

**3. SEGMENT INFORMATION**

**Geographical segments**

	<b>Australia</b>		<b>Africa</b>		<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment Revenue						
Sales to customers outside the consolidated entity	22,047	32,904	624,608	2,846,927	646,655	2,879,831
Other revenues from customers outside the consolidated entity	-	900,600	-	-	-	900,600
Total segment revenue	22,047	933,504	624,608	2,846,927	646,655	3,780,431
Segment result	(246,716)	473,164	(3,554,735)	(752,479)	(3,801,451)	(279,315)
Unallocated expenses					-	-
Loss from ordinary activities before income tax expense					(3,801,451)	(279,315)

**Business segments**

The company operates predominantly in only one business segment, being mineral processing.

**4. CONTINGENT LIABILITIES**

Since the last annual reporting date, there has been no material change in contingent liabilities; except that “The Company has been asked to respond to ASIC in relation to its disclosure of a claim against the Company by a former director. The Company has refuted all matters the subject of the claim made by the said director and is not aware of a further claim referred to by ASIC, but believes any claim by the said director to be unsubstantiated and vexatious. The Company has made certain counterclaims which have not been responded to and is continuing its ongoing investigations into certain transactions entered into by the said director whilst the Company was under his stewardship.”

**5. EVENTS SUBSEQUENT TO REPORTING DATE**

No other matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the half financial year and to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of the economic entity, or the state of affairs of the economic entity in the financial years subsequent to the half financial year ended 31<sup>st</sup> December 2008.

**AUSTRAL AFRICA RESOURCES LIMITED**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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 Directors.



Lindsay Colless  
Non-Executive Chairman

Signed at Perth on the 16<sup>th</sup> day of March 2009

# ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001  
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

## Independent Review Report to the Members of Austral Africa Resources Ltd

### 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 Austral Africa Resources Ltd 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 Austral Africa Resources Ltd, 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 Austral Africa Resources Ltd 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*.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, the Group incurred a net loss of \$3,801,451 during the half year and net cash outflows of \$862,308. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern, and realise its assets and extinguish its liabilities in the normal course of business.

  
Rothsay



Graham R Swan  
Partner

Dated 16 MARCH 09



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).

# ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001  
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

## Independent Review Report to the Members of Austral Africa Resources Ltd

### 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 Austral Africa Resources Ltd 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 Austral Africa Resources Ltd, 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 Austral Africa Resources Ltd 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*.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, the Group incurred a net loss of \$3,801,451 during the half year and net cash outflows of \$862,308. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern, and realise its assets and extinguish its liabilities in the normal course of business.

  
Rothsay



Graham R Swan  
Partner

Dated 16 MARCH 09



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).