

**AUSTRAL AFRICA RESOURCES LIMITED**

**ABN 36 060 774 227**

**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

# AUSTRAL AFRICA RESOURCES LIMITED

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## CORPORATE DIRECTORY

### **Directors**

Lindsay Colless      Non-Executive Chairman  
Ian Cornelius        Non-Executive Director  
Gerard Zytkow       Non-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 1, 12 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 2009.

### 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 (Non-Executive Director)

### Review of Operations

The consolidated entity incurred an operating loss after tax of \$323,816 (2008: loss after tax of \$3,801,451) for the half-year ended 31 December 2009.

Austral Africa Resources Limited ("AAF") is the sole shareholder of Nova Mining SPRL which owns a copper resource and smelting facility in Lubumbashi, the capital city of Katanga Province in the Democratic Republic of Congo ("DRC"). Operation of the smelting plant was suspended due to economic conditions ensuing from the Global Financial Crisis of 2008 and the Company is seeking to divest the plant and associated infrastructure by way of sale, joint venture or other arrangement.

The Company retains eight mineral exploration concessions in the Katanga province in the DRC and is in talks with a third party regarding exploration activities on selected concessions. 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.

In November 2009 AAF entered into a Binding Terms Sheet with Tanganyika Uranium Corp ("TUC") pursuant to which the Company has made offers to TUC shareholders to acquire 100% of the issued shares in TUC on the basis of 64 fully paid ordinary shares in AAF for every one share held by TUC shareholders at a deemed issue price of \$0.0025 cents per share up to a total of 1,342,205,760 shares.

Following the approval by shareholders at a general meeting held on 23 February 2010 for the issue of AAF shares in consideration for the acquisition of shares in TUC and, having received acceptances in respect of more than 95% of the issued capital of TUC, conditions precedent for the transaction have been substantially met. The remaining conditions are largely procedural and are anticipated to be finalised shortly allowing the transaction to proceed.

TUC is a private unlisted Canadian company with interests in two regional uranium exploration assets in Tanzania, East Africa. The southern area known as the "Madaba-Mkuju" covers an area of approximately 950km<sup>2</sup> and has targeted sandstone roll-front style uranium mineralisation whilst the area located in the north of the country known as the "Eastern Rift", covers an area of 2,420km<sup>2</sup> and has targeted calcrete-style uranium mineralization. Additional applications cover extensions to the above granted tenure

### Events occurring after reporting date

No other matters or circumstances, not otherwise dealt with in the Directors' Report and 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 2009.

### Corporate

The Company has approximately \$385,618 working capital available as at 31<sup>st</sup> December 2009.

### 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 15<sup>th</sup> day of March 2010

**AUSTRAL AFRICA RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2009**

	<b>Consolidated</b>	
	<b>31 December 2009 \$</b>	<b>31 December 2008 \$</b>
Sales revenue	<b>18,092</b>	622,043
Cost of sales	<b>27,462</b>	(472,061)
	<hr/>	<hr/>
Gross Profit	<b>45,554</b>	149,982
Other revenues	<b>9,029</b>	24,612
Employees, directors and contractor expense	<b>(158,766)</b>	(997,739)
Foreign exchange losses	<b>(43,210)</b>	(2,131)
Depreciation, amortisation and impairment	<b>(138,526)</b>	(2,644,213)
Write-off exploration	-	-
Administration expenses	<b>(37,897)</b>	(331,962)
	<hr/>	<hr/>
<b>Loss from ordinary activities before income tax</b>	<b>(323,816)</b>	(3,801,451)
Income tax expense relating to ordinary activities	-	-
	<hr/>	<hr/>
<b>Loss from ordinary activities after income tax expense</b>	<b>(323,816)</b>	(3,801,451)
	<hr/>	<hr/>
<b>Other comprehensive income for the half - year</b>		
Translations of foreign subsidiaries	<b>(10,908)</b>	875,940
	<hr/>	<hr/>
<b>Total comprehensive income for the half - year</b>	<b>(334,724)</b>	(2,925,511)
Basic loss per share (cents per share)	<b>(0.02)</b>	(0.48)
Diluted loss per share (cents per share)	<b>(0.02)</b>	(0.48)

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2009

	Consolidated	
	31 December 2009 \$	30 June 2009 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	596,779	190,884
Trade and other receivables	379,875	355,647
Inventory	157,846	164,845
Other assets	15,269	17,039
<b>TOTAL CURRENT ASSETS</b>	<b>1,149,769</b>	<b>728,415</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	13,766	13,900
Property, plant and equipment	326,181	340,765
Intangibles	311,246	316,282
Mineral exploration and evaluation expenditure	-	-
<b>TOTAL NON CURRENT ASSETS</b>	<b>651,193</b>	<b>670,947</b>
<b>TOTAL ASSETS</b>	<b>1,800,962</b>	<b>1,399,362</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	764,151	902,596
Non interest bearing liabilities	271,357	273,099
Interest bearing liabilities	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,035,508</b>	<b>1,175,695</b>
<b>NON CURRENT LIABILITIES</b>		
Deferred tax liabilities	226	236
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>226</b>	<b>236</b>
<b>TOTAL LIABILITIES</b>	<b>1,035,734</b>	<b>1,175,931</b>
<b>NET ASSETS</b>	<b>765,228</b>	<b>223,431</b>
<b>EQUITY</b>		
Contributed equity	37,526,243	36,649,722
Foreign exchange reserve	(790,371)	(779,463)
Accumulated losses	(35,970,644)	(35,646,828)
<b>TOTAL EQUITY</b>	<b>765,228</b>	<b>223,431</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 2009

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2008	34,533,165	(31,098,406)	(1,305,672)	2,129,087
Total comprehensive income for the half year	-	(3,801,451)	875,940	(2,925,511)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity net of transaction costs	2,000,010	-	-	2,000,010
<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>

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	<b>36,649,722</b>	<b>(35,646,828)</b>	<b>(779,463)</b>	<b>223,431</b>
Total comprehensive income for the half year	-	(323,816)	(10,908)	(334,724)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity net of transaction costs	876,521	-	-	876,521
<b>Balance at 31 December 2009</b>	<b>37,526,243</b>	<b>(35,970,644)</b>	<b>(790,371)</b>	<b>765,228</b>

The accompanying notes form part of these financial statements

# AUSTRAL AFRICA RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOW

For the half-year ended 31 December 2009

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	35,068	622,043
Payments to suppliers and employees	(606,908)	(1,493,164)
Interest received	4,317	22,047
Interest and other costs of finance paid	(43,352)	(13,234)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(610,875)</u>	<u>(862,308)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	-	(7,622)
Payments for intangible assets	(4,815)	-
Payments for purchase of concessions	-	(159,822)
Proceeds from the sale of tenements	-	-
Proceeds from the sale of other fixed assets	119,796	2,565
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>114,981</u>	<u>(164,879)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	876,521	10
Proceeds from borrowings	25,268	344,675
Repayments of borrowings	-	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<u>901,789</u>	<u>344,685</u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	405,895	(682,502)
Cash at beginning of the financial period	<u>190,884</u>	<u>1,081,207</u>
<b>CASH AT END OF THE FINANCIAL PERIOD</b>	<u>596,779</u>	<u>398,705</u>

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 2009

### 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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 2009, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. 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 2009:

- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
- 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 2009

(c) *Going Concern Note*

The Group experienced losses from ordinary activities after income tax for the half year of \$323,816 and net cash outflows from operating activities for the half year of \$610,875 whilst current assets exceeded current liabilities by \$114,261.

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 2009	30 June 2009
	\$	\$
a) Paid up capital	37,526,243	36,649,722
b) Movements	<b>No of Shares</b>	<b>Paid-Up Capital</b>
		\$
Balance 1 July 2009	903,306,294	36,649,722
Rights issue during the period	903,306,294	876,521-
Shares issued during the period	-	-
Balance 31 December 2009	1,806,612,588	37,526,243

c) Options

As at 31 December 2009, 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 2009

### 3. SEGMENT INFORMATION

#### Geographical segments

	Australia		Africa		Consolidated	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Segment Revenue						
Sales to customers outside the consolidated entity	4,317	22,047	18,092	624,608	22,409	646,655
Other revenues from customers outside the consolidated entity	-	-	4,712	-	4,712	-
Total segment revenue	4,317	22,047	22,804	624,608	27,121	646,655
Segment result	(364,334)	(246,716)	40,518	(3,554,735)	(323,816)	(3,801,451)
Unallocated expenses					-	-
Loss from ordinary activities before income tax expense					(323,816)	(3,801,451)

#### 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.

### 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 2009.

# 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 2009 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 15<sup>th</sup> day of March 2010

# ROTHSAY

96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9227 0552 www.rothsay.com.au

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

### The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, 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 2009.

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 2009 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 2009 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



Graham R Swan  
Partner

Dated 15 March 2010



Chartered Accountants

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

# ROTHSAY

96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9227 0552 www.rothsay.com.au

The Directors  
Austral Africa Resources Ltd  
PO Box 8178  
Perth Business Centre WA 6849

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 2009 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 15 March 2010



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).