



AFRICAN ENERGY
RESOURCES LIMITED

ARBN 123 316 781

Interim Financial Statements
for the six months ended
31 December 2009

AFRICAN ENERGY RESOURCES LIMITED

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AFRICAN ENERGY RESOURCES LIMITED

Directors' Report

Interim Financial Statements - 31 December 2009

The Directors of the Company present their report on the consolidated entity consisting of African Energy Resources Limited and the entities it controlled at the end, or during, the half-year ended 31 December 2009.

DIRECTORS

Mr Alasdair Cooke
Executive Chairman

Mr Valentine Chitalu
Non-Executive Director

Dr Charles (Frazer) Tabeart
Managing Director

Mr Michael Curnow
Non-Executive Director

Mr Gregory (Bill) Fry
Executive Director

REVIEW OF OPERATIONS

African Energy Resources Limited listed on the Australian Securities Exchange on 18 April 2007. The Company was incorporated on 29 September 2006 and is domiciled in Guernsey. The information presented in this report is for the six month period ended 31 December 2009.

The African Energy Group of companies are focused on identifying and developing energy resources projects in Africa. It holds a quality portfolio of tenements and joint venture projects in Zambia and Botswana. The Company is led by a highly experienced Board of Directors and management team who have been closely associated with successful exploration projects and mining developments, including current mining projects in Zambia as well as large scale uranium mining operations in Australia. The Company's projects are located over sedimentary basins of the Karoo Supergroup, which are host to uranium projects in South Africa, Malawi, Zambia, Botswana, Tanzania and Zimbabwe.

African Energy holds a vested 70% interest in the Chirundu Joint Venture Project with Albion Limited (ASX: ALB) holding the remaining 30%. The Chirundu JV comprises a large tenement package covering prospective uranium targets in the Kariba Valley region. The most advanced projects are the Gwabe and Njame uranium deposits which contain a total Measured and Indicated Resource of 7.4 million pounds of uranium at an average grade of 293 ppm U_3O_8 . In November, drilling identified a new Inferred Resource of 2.3 million pounds at an average grade of 237ppm U_3O_8 at Njame South.

African Energy commenced a Bankable Feasibility Study (BFS) on the Chirundu JV Project in May 2008, and indications to date are that the project could support a 5-6 year, low to medium cost acid heap leach operation delivering on average 1.2Mlb U_3O_8 per annum at an average cash cost of below US \$30/lb U_3O_8 . However, with the exception of certain aspects of the metallurgical test-work programme the BFS was suspended in October 2008 in response to deteriorating market conditions. This decision is continually under review.

In addition to the Chirundu Joint Venture project, African Energy is also maintaining active exploration programs for uranium on other projects in Zambia and Botswana. During the period, African Energy made a new discovery at the 100% owned Gojwane Prospect at the Sese Project in Botswana, where a programme of 92 drillholes on a broad spaced grid intersected a wide zone of potentially economic grade and thicknesses of near-surface uranium mineralisation.

African Energy raised \$7.72m (after costs) during the period by way of two separate share placements to sophisticated and institutional investors. The first placement in August raised \$4m at 5c per share whilst the second raising completed in December raised \$4.2m at 15c per share. As at 31 December 2009 the Group's cash reserves were \$5.99m which will fully fund additional exploration programs in 2010.

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in

AFRICAN ENERGY RESOURCES LIMITED

Directors' Report

Interim Financial Statements - 31 December 2009

accordance with the JORC Code and references to "Measured", "Indicated" and "Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report relating to exploration results is based on data compiled by Dr Frazer Tabeart (a full time employee of the Company), who is a member of The Australasian Institute of Mining and Metallurgy. Dr Tabeart has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabeart consents to the inclusion of the data in the form and context in which it appears.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2009.



Charles Frazer Tabeart
Director
Perth, 26 February 2010

AFRICAN ENERGY RESOURCES LIMITED

Directors' Declaration

Interim Financial Statements - 31 December 2009

- 1 In the opinion of the directors of African Energy Resources Limited :
 - a. The financial statements and notes set out on pages 9 to 15, are in accordance with the Corporations Act 2001, including:
 - i. 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
 - ii. Complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. there are reasonable grounds to believe that African Energy Resources Limited 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.



Charles Frazer Tabeart

Director

Perth, 26 February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AFRICAN ENERGY RESOURCES LIMITED

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of African Energy Resources Limited for the period ended 31 December 2009 included on African Energy Resources Limited's web site. The disclosing entity's directors are responsible for the integrity of African Energy Resources Limited's web site. We have not been engaged to report on the integrity of African Energy Resources Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Energy Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of African Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of African Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) 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) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over the printed name. Above the signature, the letters 'BDO' are handwritten in blue ink.

Peter Toll
Director

Signed in Perth, Western Australia
Dated this 26th day of February 2010.

26th February 2010

Board of Directors
African Energy Resources Limited
Ground Floor, 8 Colin Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor of African Energy Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of African Energy Resources Limited and the entities it controlled during the period.



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2009

	Consolidated	
	31-Dec-09	31-Dec-08
Note	AUD	AUD
Revenue from continuing operations	46,638	91,278
Audit and accounting fees	(40,778)	(45,294)
Professional fees	(55,286)	(40,855)
Personnel expenses	(479,298)	(646,501)
Share-based payments	(165,679)	(232,881)
Administration fees	(416,118)	(437,305)
Impairment (expense) / reversal	114,543	-
Foreign currency expenses	(43,730)	(100,775)
Loss from operating activities	(1,039,708)	(1,412,332)
Loss before Tax	(1,039,708)	(1,412,332)
Income tax expense	-	-
Loss for the period	(1,039,708)	(1,412,332)
Other comprehensive income		
Foreign currency translation reserve	(2,524,265)	4,632,391
Total comprehensive income for the period	(3,563,973)	3,220,059
Loss attributable to:		
Equity holders of the Company	(1,039,708)	(1,412,332)
Loss for the period	(1,039,708)	(1,412,332)
Total comprehensive income attributable to the ordinary equity holders of the Company:		
Total comprehensive income for the period	(3,563,973)	3,220,059
Loss per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	(0.44)	(0.81)

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Financial Position
As at 31 December 2009

		Consolidated	
	Note	31-Dec-09 AUD	30-Jun-09 AUD
Assets			
Current assets			
Cash and cash equivalents		5,992,554	906,176
Trade and other receivables		879,260	687,945
Total current assets		6,871,814	1,594,121
Non-current assets			
Property, plant and equipment		655,190	715,180
Exploration and evaluation expenditure	5	13,602,487	14,391,662
Total non-current assets		14,257,677	15,106,842
Total assets		21,129,491	16,700,963
Liabilities			
Current liabilities			
Trade and other payables		377,970	265,478
Borrowings		617,898	617,898
Total current liabilities		995,868	883,376
Total liabilities		995,868	883,376
Net assets		20,133,623	15,817,587
Equity			
Contributed equity		28,683,135	20,968,804
Reserves	7	(720,796)	1,637,790
Accumulated losses		(7,828,716)	(6,789,007)
Total equity attributable to shareholders of the Company		20,133,623	15,817,587

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2009

	Contributed equity AUD	Accumulated Losses AUD	Foreign currency translation reserve AUD	Share based payment reserve AUD	Total equity AUD
For the half-year ended 31 December 2009					
Opening balance	20,968,804	(6,789,008)	(264,863)	1,902,653	15,817,586
Net loss for the period	-	(1,039,708)	-	-	(1,039,708)
Effect of translation of foreign operations to group presentation currency	-	-	(2,524,265)	-	(2,524,265)
Total comprehensive income for the period	-	(1,039,708)	(2,524,265)	-	(3,563,973)
Transactions with owners in their capacity as owners:					
Share issue net of issue costs	7,714,331	-	-	-	7,714,331
Equity settled share based payment transactions	-	-	-	165,679	165,679
	7,714,331	-	-	165,679	7,880,010
Balance at 31 December 2009	28,683,135	(7,828,716)	(2,789,128)	2,068,332	20,133,623

	Contributed equity AUD	Accumulated Losses AUD	Foreign currency translation reserve AUD	Share based payment reserve AUD	Total equity AUD
For the half-year ended 31 December 2008					
Opening balance	21,001,958	(4,124,738)	(1,853,664)	1,862,207	16,885,763
Net loss for the period	-	(1,412,332)	-	-	(1,412,332)
Effect of translation of foreign operations to group presentation currency	-	-	4,632,391	-	4,632,391
Total comprehensive income for the period	-	(1,412,332)	4,632,391	-	3,220,059
Transactions with owners in their capacity as owners:					
Share issue net of issue costs	34,718	-	-	-	34,718
Equity settled share based payment transactions	-	-	-	232,881	232,881
	34,718	-	-	232,881	267,600
Balance at 31 December 2008	21,036,677	(5,537,071)	2,778,727	2,095,088	20,373,421

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2009

	Note	Consolidated	
		31-Dec-09 AUD	31-Dec-08 AUD
Cash flows from operating activities			
Cash paid to suppliers and employees		(957,313)	(1,101,020)
Net cash used in operating activities		(957,313)	(1,101,020)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,331)	(299,407)
Payment for exploration and evaluation expenditure		(1,670,773)	(2,997,558)
Loan repayments received		848	8,348
Net cash used in investing activities		(1,674,256)	(3,288,617)
Cash flows from financing activities			
Proceeds from the issue of share capital		8,186,731	43,497
Share issue costs		(472,400)	(8,778)
Loan repayments		-	(5,504)
Interest received		46,638	91,278
Net cash from financing activities		7,760,969	120,492
Net increase / (decrease) in cash and cash equivalents		5,129,400	(4,269,145)
Cash and cash equivalents at 1 July		906,176	7,039,566
Effect of exchange rate fluctuations on cash held		(43,022)	56,736
Cash and cash equivalents at 31 December		5,992,554	2,872,158

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED

Notes to the consolidated financial statements

Interim Financial Statements - 31 December 2009

1. Reporting entity

African Energy Resources Limited (referred to as the 'parent entity' or the 'Company') is a company domiciled in Guernsey. The address of the Company's registered office is Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS. The address of the Company's representative office in Australia is Level 1, 8 Colin Street, West Perth, WA 6005. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity' or the 'Group'). The Group is primarily involved in uranium exploration in Africa.

2. Basis of preparation

(a) Statement of Compliance

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the consolidated entity as at and for the period ended 30 June 2009.

These consolidated interim financial statements were authorised for issue by the directors on 26 February 2010.

(b) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies during the six months ended 31 December 2009 were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2009.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Group has applied AASB 8 *Operating Segments* from 1 July 2009, this standard requires a 'management approach' to the reporting of segment information. Operating segments are now reported on the same basis as they are used for internal reporting purposes.

4. Segment information

The Company's Board receives segment information across two reportable business segments. These are Chirundu JV and Africa. The chief operating decision maker is the Managing Director, Charles Frazer Tabcart.

For the six months ended 31 December 2009

	Chirundu JV	Africa	Consolidated
Total segment revenue	81,697	(35,059)	46,638
Segment result from continuing operations	(88,456)	(951,252)	(1,039,708)

For the six months ended 31 December 2008

Total segment revenue	-	91,278	91,278
Segment result from continuing operations	-	(1,412,332)	(1,412,332)

Total Assets

31 December 2009	7,132,293	13,997,198	21,129,491
30 June 2009	4,676,977	12,023,986	16,700,963

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2009
5. Exploration & Evaluation Expenditure

	Consolidated	
	31-Dec-09 AUD	30-Jun-09 AUD
Carrying amount of exploration and evaluation expenditure	13,602,487	14,391,662

EE&D movement reconciliation

Balance at the beginning of the year	14,391,662	10,133,391
Additions	1,670,773	4,138,401
Impairment (expense) / reverse	114,543	(750,770)
Transfer of EE&D to joint venture	(785,172)	-
Effect of movements in foreign exchange	(1,789,320)	870,640
Balance at the end of the year	13,602,487	14,391,662

The ultimate recoverability of Exploration and Evaluation Expenditure is dependent upon its successful development or sale.

6. Equity securities issued

	2009 Shares	2008 Shares	2009 AUD	2008 AUD
Issues of ordinary shares during the half-year				
Share placement	108,277,998	114,255	7,239,488	43,497
	108,277,998	114,255	7,239,488	43,497

7. Reserves

	Consolidated	
	31-Dec-09 AUD	30-Jun-09 AUD
Share-based payments reserve	2,068,332	1,902,653
Foreign currency translation reserve	(2,789,128)	(264,863)
	(720,796)	1,637,790
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of the year	1,902,653	1,862,207
Equity settled share-based payment transactions	165,679	40,447
Balance at 31 December	2,068,332	1,902,654
Foreign currency translation reserve		
Balance at the beginning of the year	(264,863)	(1,853,664)
Effect of translation of foreign currency operations to group presentation currency	(2,524,265)	1,588,800
Balance at 31 December	(2,789,128)	(264,864)

8. Capital and other commitments

There are no tenement commitments as at 31 December 2009.

9. Related parties

Transactions with the related parties are consistent with those disclosed in the 30 June 2009 financial report.

10. Subsequent events

On 14 January 2009 African Energy received payment of \$815,181 from Albidon Limited, being the value of all outstanding funds owed to the Group for cash calls to the Chirundu Joint Venture.

On 19 January 2009 African Energy repaid the entire convertible note owing to Energy Ventures, this included a principal repayment of \$617,898 and accrued interest of \$7,663.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity or the parent company in future financial years other than disclosed in the Directors' report.

11. Contingencies

There were no contingent assets or liabilities in the consolidated entity at 31 December 2009.