AUSTRAL AFRICA RESOURCES LIMITED
(Formerly New World Alloys Limited)

ABN 36 060 774 227

ANNUAL FINANCIAL STATEMENTS

2009

AUSTRAL AFRICA RESOURCES LIMITED

REVIEW OF OPERATIONS

Austral Africa Resources Ltd (**AAF**) suspended processing operations of its Congolese copper smelting plant due to prevailing economic conditions. The Company continues to discuss the future of the plant with other parties with a view to possible sale, joint venture or other arrangements should the economic climate improve and are keeping all options open during these uncertain times. With a mild improvement in copper prices, we are hopeful of more active interest in these assets.

AAF holds eight mineral exploration concessions in the Katanga province in the Democratic Republic of Congo (**DRC**). The Company is in continuing talks with third parties regarding exploration activities on selected concessions. These talks are still in preliminary stages and full details will be provided as and when formal agreement is reached.

On 25 August 2008 a General Meeting of AAF shareholders approved the acquisition of Sino Asia Mining and Resources plc's (**SAMR**) 75% interest in two granted and two applications for mineral exploration concessions located in the Katanga province in the DRC, and the loan settlement; by the issue of 200 million shares in the capital of AAF at a deemed issue price of 1 cent each (**Consideration Shares**) to SAMR. SAMR advised that it intends to distribute the Consideration Shares in-specie to it shareholders.

Going forward AAF will concentrate on exploration of its concessions in the DRC and continue to seek new mineral exploration opportunities in Australia and Africa.

Nova Mining Sprl (Nova)

AAF is the sole owner of Nova Mining Sprl, a copper resource and smelting facility located in Lubumbashi, the capital city of Katanga Province in DRC. The Nova copper project was established on a 25,000 m² industrial site in Lubumbashi during 2003/2004 with three complete and one 80% complete blast furnaces and associated plant, extensive warehouse and administrative facilities to operate the smelter.

The only production during the year at the Nova copper smelting 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.

Smelting Technologies (Smeltech)

Smeltech, a Johannesburg based engineering business, which provided both key logistical support and engineered equipment (including furnaces), to the Company's Nova operations, has been closed down and any stock has been liquidated.

Other Activities

There have been no changes in the composition of the Board of AAF during the financial year, however, Mr Cornelius retired by rotation at the Annual General Meeting and was re-elected as a Director of the Company. Also, with the closing down of production operations, Mr Zytkow's role has reverted from Executive to Non-Executive Director.

In April 2009, AAF successfully completed the placement of 17,822,560 shares at an issue price of A$0.001 per share providing funds for the ongoing activities of the Company. Subsequent to year end a non-renounceable one for one rights issue at A$0.001 was successfully completed raising a further $903,000.

Future Prospects and Goals

The Company goals for the forthcoming year are to ensure the orderly disposal of the Nova furnaces.

The Company currently holds six granted and two applications for mineral exploration concessions in the Katanga province, providing AAF with an opportunity to explore the Katanga copper belt in the DRC. The Company is actively seeking new exploration opportunities as well as considering its many options in the DRC and other parts of Africa and in Australia.

DIRECTORS' REPORT

Your directors present their report of Austral Africa Resources Limited (**the Company**) and its controlled entities for the financial year ended 30 June 2009.

DIRECTORS

The names of directors in office at any time during or up to the date of this report were:

Lindsay Arthur Colless, CA, FCID, *Independent Non-Executive Chairman*

Lindsay Colless, aged 64, was appointed as a Non-Executive Director on 14 December 2006.

Lindsay is a Chartered Accountant with 15 years experience in the profession and a further 31 years experience in commerce, mostly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director.

Directorships held in other listed entities:
Alkane Resources Ltd – Director (August 1986 to July 2006)
Atom Energy Ltd – Non-Executive Chairman (April 2007 to April 2008)
Newland Resources Ltd - Director (April 1997 to present)

Ian Raymond Cornelius, *Independent Non-Executive Director*

Ian (Inky) Cornelius, aged 68, was appointed as a Non-Executive Director on 31 October 2003.

Ian worked for many years in the Western Australian Mines Department, then as Mining Titles Officer of a multi-national mining corporation, before going into business as a tenement consultant. He has had many years experience in the resources industry, and has had much success in the exploration of many mineral deposits.

Directorships held in other listed entities:
Alkane Resources Ltd – Non-Executive Director (June 1986 to present)
Pancontinental Oil and Gas NL – Director (October 1992 to present)
Montezuma Mining Company Ltd – Director (August 2006 to present)

Gerard Zytkow, ***B SocSci (Industrial Psychology)*****,** *Non-Executive Director*

Gerard Zytkow, aged 61, was appointed as an Executive Director on 21 September 2005. During the year ending 30 June 2009 his role reverted to that of Non-Executive Director with the winding down of production activities. Gerard continues to oversee the Company's operations in Africa.

Gerard has considerable experience with DRC based activities over many years, both socially and in a business capacity exporting equipment to the DRC, over a ten year period.

Gerard was instrumental in the establishment and development of the Nova operation since his engagement in July 2003.

Gerard is a director of all subsidiary companies based in Africa.

There was no change in the Directors of the Company during or since the end of the financial year.

COMPANY SECRETARY

Ms Karen Brown (49) is an honours graduate in economics from the University of Western Australia and is a director of Mineral Administration Services Pty Ltd which provides company secretarial, accounting, treasury and financial services to a number of listed public companies primarily in the resources sector.

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

The principal activities of the consolidated entity constituted by Austral Africa Resources Limited and the entities it controlled during the financial year consisted of mineral ore processing, production and operation of the Company's copper smelter in the Democratic Republic of Congo (**DRC**) (Nova Copper Project).

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Operating Overview

A review of the operations is included immediately prior to this Directors' Report.

Operating Results

The net loss of the consolidated entity for the financial year after income tax was $4,548,422 (2008: loss of $1,902,478).

During the financial year, Austral Africa Resources Limited's primary activities were production and operation of its Nova copper smelting operation in Lubumbashi in DRC. The operations in Lubumbashi have been suspended since August 2008 and the Company is seeking to sell its interest in Nova and the smelting operations.

SUMMARY OF MATERIAL TRANSACTIONS AND EVENTS SUBSEQUENT TO YEAR END

On 22 April 2009, the Company issued 117,822,560 shares by placement to raise $117,822. The funds were used for working capital.

Subsequent to year end the Company completed a one for one pro rata rights offer to shareholders at $A0.001, issuing 471,000,798 shares to acceptors of the offer on 14 September 2009. Placement of 100% of the shortfall of the offer was successfully placed with final allotment being completed on 30 September 2009. The issue raised a total of A$903,306. The funds will be used (i) to meet the costs of conducting the orderly sale process in relation to the copper smelting plant in the DRC, (ii) to seek new mineral opportunities in Australia and Africa and (iii) as working capital for general purposes.

Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

STATE OF AFFAIRS

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the consolidated entity during the financial year in review, other than those matters referred to in the summary of material transactions.

LIKELY DEVELOPMENTS

The consolidated entity will continue to seek buyers for its copper smelting operation in the DRC. It is also actively seeking new mineral exploration opportunities as well as considering its many options in DRC and other parts of Africa and in Australia.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2009, nor have the directors recommended that any dividends be paid.

DIRECTORS' MEETINGS

Given the nature of the Company's business and the fact that its operations are based primarily in the DRC, the full Board has not been able to meet with greater regularity however, the directors frequently communicate with other management and personnel via telephone and email. In addition, the directors regularly communicate and hold informal meetings (including by telephone) regarding the financial and operational issues of the business.

The number of directors' and committee meetings held (but excluding operations meetings which are attended by the Chairman and Non-Executive Director from time to time) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors Meetings		Audit & Risk Committee	
	A	**B**	**A**	**B**
L Colless	3	3	-	-
I Cornelius	3	3	-	-
G Zytkow	3	3	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the reporting period.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr L Colless, Mr I Cornelius, and Mr G Zytkow, directors of controlled entities and executive officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

NON-AUDIT SERVICES

The Directors have considered the non-audit services provided during the year by Rothsay Chartered Accountants and are satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditors' independence requirements of the Corporations Act 2001..

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is attached to and forms part of this Directors' Report.

Details of the amounts paid (excluding goods and services tax) to Rothsay Chartered Accountants and its related practices for the audit and non-audit services provided during the year are set out below:

	2009 $	2008 $
Statutory audit		
- Statutory audit/review by the auditors of the Company	35,000	35,000
- Statutory audit/review by previous auditors (2008 prior year fee)	-	18,000
Services other than statutory audit		
- Taxation services by previous auditors	300	4,900
Remuneration of auditors of subsidiaries for audit or review of financial reports	2,558	7,029
	37,858	64,929

ENVIRONMENTAL ISSUES

The Company's operations are subject to various environmental regulations in Australia and the DRC. The Directors have complied with these regulations and are not aware of any breaches of the legislation during the current financial year, which are material in nature.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received, or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest other than those disclosed in Notes 25 and 26.

SHARE OPTIONS

Unissued shares under option and shares issued on the exercise of options
At the date of this report, the Company had no options over unissued ordinary shares in Austral Africa Resources Limited.

Shares issued on exercise of options
During the year and subsequent to the year end no options were exercised.

Options granted to directors' and executives of the Company
No options have been granted during or since the end of the financial year, to directors or executives as part of their remuneration.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Corporate Governance Section of the annual report.

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2009, is set out below:

Remuneration policies
Remuneration levels for directors, secretaries and senior managers of the Company ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may obtain independent advice on the appropriateness of remuneration packages and remuneration strategies.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the directors and senior executives ability to control the relevant segments' performance;
- the consolidated entity's performance including:
    - the consolidated entity's earnings;
    - the growth in share price and returns on shareholder wealth; and
- the amount of incentives within each directors and senior executive's remuneration.

Remuneration packages currently include a mix of fixed and variable remuneration and long-term performance-based incentives.

Fixed remuneration
Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and over performance of the consolidated entity. In addition, external consultants may be used to provide analysis and advice to ensure the director's and senior executive's remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration
Performance linked remuneration can include both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentives ("STI") would include an "at risk" bonus in the form of cash, while the long-term incentive ("LTI") is provided as options over ordinary shares of Austral Africa Resources Limited under the rules of the Employee Option Plan. The Employee Option Plan was last approved by shareholders in 2005.

Short-term incentive bonus
At the end of each financial year, the Board will assess the actual performance of the consolidated entity and individuals employed within the consolidated entity. However, the Board has determined that no bonuses will be paid until such time as the consolidated entity continues to successfully achieve a profitable smelting operation.

Long-term incentive
Options are issued under the Employee Option Plan and it provides for executive directors and senior executives to receive options over ordinary shares for no consideration. The ability to exercise the options may be conditional on the consolidated entity achieving certain performance hurdles and/or the continuing service of the directors and employees. Options granted to directors and employees, which have not vested on termination of services for the employee or director, are forfeited unless otherwise determined by the Board of Austral Africa Resources Limited.

Performance hurdles may comprise a number of components, including share price hurdles and personal Key Performance Indicators. Performance hurdles are set and assessed by the Board.

Non-executive directors
Total remuneration for all non-executive directors, is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive performance related remuneration other than incentive options, which must be approved by shareholders prior to them being granted. Directors' fees cover all main board activities and membership to committees.

From time to time, the Board may ask non-executive directors with appropriate skills and experience to consult to the Company on a daily basis to carry out particular tasks.

Directors' and key management personnel remuneration (audited)
Details on the nature and amount of each major element of remuneration of each director and executives of the Company are detailed below.

There was only one person deemed to be an executive director during the year and none at 30 June 2009.

	Year	Fees & Salary	Super-annuation	Other	Total
Directors		$	$	$	$
I Cornelius	**2009**	-	-	50,000	**50,000**
	2008	-	-	50,000	**50,000**
G Zytkow	**2009**	-	-	108,913	**108,913**
	2008	-	-	168,214	**168,214**
L Colless	**2009**	-	-	60,000	**60,000**
	2008	-	-	60,000	**60,000**

Directors' and key management personnel remuneration (audited) - continued

	Year	Fees & Salary	Super-annuation	Other	Total
Key Management Personnel		**$**	**$**	**$**	**$**
Gaetan (David) Kakudji	**2009**	-	**-**	87,392	**87,392**
	2008	-	**-**	79,413	**79,413**
David McArthur *(Resigned 13 March 2008)*	**2009**	-	**-**	-	**-**
	2008	-	**-**	9,250	**9,250**
Karen Brown *(Appointed 13 March 2008)*	**2009**	-	**-**	6,000	**6,000**
	2008	-	**-**	-	**-**
Totals	**2009**	**-**	**-**	**312,305**	**312,305**
	2008	**-**	**-**	**366,877**	**366,877**

Details of performance related remuneration
Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of share-based payments granted as remuneration
No options have been granted to directors or executives as remuneration.

Signed in accordance with a resolution of the Board of Austral Africa Resources Limited.

Dated in Perth this 30th day of September 2009.

LINDSAY COLLESS
Non-Executive Director

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

The Directors
Austral Africa Resources Ltd
125 Edward St
Perth WA 6000

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 of the 30 June 2009 annual financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

GR Swan

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 30th September 2009

AUSTRAL AFRICA RESOURCES LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Entity		Parent Entity	
		2009	**2008**	**2009**	**2008**
	Note	**$**	**$**	**$**	**$**
Revenue	2	**1,103,771**	**7,483,924**	**25,372**	**66,668**
Cost of sales		(1,165,730)	(5,936,292)	-	-
Employees, directors and contractor expense		(2,030,391)	(1,926,457)	(782,312)	(508,816)
Legal claim		(59,906)	-	(59,906)	-
Depreciation expense		(509,280)	(425,789)	(4,695)	(7,121)
Impairment expense		(1,742,162)	-	-	-
Borrowing costs expense		(51,189)	(22,882)	(1,053)	(1,597)
Write off stock		(44,065)	-	-	-
Exploration expenditure		-	(17,718)	-	-
Provisions written back		496,890	-	-	-
Provision for non recovery of loans to subsidiaries		-	-	(1,746,299)	(3,133,222)
Rental expense on operating leases		(84,898)	(120,247)	(19,500)	(22,499)
Other expenses		(461,462)	(937,017)	(183,575)	(322,605)
(Loss)/Profit before income tax	3	**(4,548,422)**	**(1,902,478)**	**(2,771,968)**	**(3,929,192)**
Income tax expense	5	-	-	-	-
(Loss)/Profit attributable to members of the parent entity		**(4,548,422)**	**(1,902,478)**	**(2,771,968)**	**(3,929,192)**
Overall Operations					
Basic earning per share (cents per share)	6	**(0.60)**	**(0.32)**		
Diluted earnings per share(cents per share)	6	**(0.60)**	**(0.32)**		

The accompanying notes form part of these financial statements.

AUSTRAL AFRICA RESOURCES LIMITED

BALANCE SHEET
AS AT 30 JUNE 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	7	190,884	1,081,207	151,517	992,999
Trade and other receivables	8	355,647	949,786	1,949	2,170
Inventories	9	164,845	244,207	-	-
Other current assets	10	17,039	277,583	-	-
TOTAL CURRENT ASSETS		**728,415**	**2,552,783**	**153,466**	**995,169**
NON-CURRENT ASSETS					
Trade and other receivables	8	13,900	13,574	12,000	12,000
Property, plant and equipment	11	340,765	2,407,181	13,727	11,060
Financial assets	12	-	-	-	-
Intangibles	14	316,282	68,209	216,681	-
TOTAL NON-CURRENT ASSETS		**670,947**	**2,488,964**	**242,408**	**23,060**
TOTAL ASSETS		**1,399,362**	**5,041,747**	**395,874**	**1,018,229**
CURRENT LIABILITIES					
Trade and other payables	15	902,596	1,020,708	199,053	165,997
Short-term borrowings	16	273,099	1,891,757	-	-
Income tax liabilities	17	-	-	-	-
TOTAL CURRENT LIABILITIES		**1,175,695**	**2,912,465**	**199,053**	**165,997**
NON-CURRENT LIABILITIES					
Deferred tax liabilities	17	236	195	-	-
TOTAL NON-CURRENT LIABILITIES		**236**	**195**	**-**	**-**
TOTAL LIABILITIES		**1,175,931**	**2,912,660**	**199,053**	**165,997**
NET ASSETS		**223,431**	**2,129,087**	**196,821**	**852,232**
EQUITY					
Issued capital	18	36,649,722	34,533,165	36,649,722	34,533,165
Reserves	19	(779,463)	(1,305,672)	-	-
Retained earnings		(35,646,828)	(31,098,406)	(36,452,901)	(33,680,933)
TOTAL EQUITY		**223,431**	**2,129,087**	**196,821**	**852,232**

The accompanying notes form part of these financial statements.

AUSTRAL AFRICA RESOURCES LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2009

Consolidated Entity

	Issued Capital $	Accumulated Losses $	Foreign Exchange Reserve $	Total Equity $
As at 1 July 2007	**34,533,165**	**(29,195,928)**	**(937,014)**	**4,400,223**
Loss for the period	-	(1,902,478)	-	(1,902,478)
Shares issued (net)	-	-	-	-
Translations of foreign controlled entities	-	-	(368,658)	(368,658)
As at 30 June 2008	**34,533,165**	**(31,098,406)**	**(1,305,672)**	**2,129,087**
As at 1 July 2008	**34,533,165**	**(31,098,406)**	**(1,305,672)**	**2,129,087**
Loss for the period	-	(4,548,422)	-	(4,548,422)
Shares issued (net)	2,116,557*	-	-	2,116,557
Translations of foreign controlled entities	-	-	526,209	526,209
As at 30 June 2009	**36,649,722**	**(35,646,828)**	**(779,463)**	**223,431**

*During the 2009 financial year, 200,000,000 shares were issued for non – cash consideration amounting to $2,000,000 in settlement of loan

Parent Entity

	Issued Capital $	Accumulated Losses $	Foreign Exchange Reserve $	Total Equity $
As at 1 July 2007	**34,533,165**	**(29,751,741)**	**-**	**4,781,424**
Profit (Loss) for the period	-	(3,929,192)	-	(3,929,192)
Shares issued (net)	-	-	-	-
As at 30 June 2008	**34,533,165**	**(33,680,933)**	**-**	**852,232**
As at 1 July 2008	**34,533,165**	**(33,680,933)**	**-**	**852,232**
Profit (Loss) for the period	-	(2,771,968)	-	(2,771,968)
Shares issued (net)	2,116,557*	-	-	2,116,557
As at 30 June 2009	**36,649,722**	**(36,452,901)**	**-**	**196,821**

The accompanying notes form part of these financial statements.

AUSTRAL AFRICA RESOURCES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		726,569	6,517,256	-	-
Payments to suppliers and employees		(2,286,589)	(8,896,512)	(403,763)	(910,935)
Interest received		25,373	66,931	25,373	66,931
Other income		-	-	-	-
Borrowing costs		(51,189)	(22,882)	(1,053)	(1,597)
Net cash (used in)/ provided by operating activities	22(a)	**(1,585,836)**	**(2,335,207)**	**(379,443)**	**(845,601)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Deposits refunded		-	22,734	-	7,734
Investment in concessions		(237,358)	(22,213)	(216,681)	-
Loans to controlled entities		-	-	(354,552)	624,208
Proceed from the sale of tenements		-	900,000	-	-
Proceeds from the sale of fixed assets		550,837	785	137	785
Payments for property, plant and equipment		(7,622)	(43,334)	(7,500)	-
Purchase of investment		-	-	-	-
Net cash (used in) investing activities		**305,857**	**857,972**	**(578,596)**	**632,727**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		273,099	1,416,385	-	-
Repayment of borrowings		-	-	-	-
Proceeds from the issue of shares		117,833	-	117,833	-
Payment of share issue costs		(1,276)	-	(1,276)	-
Net cash provided by financing activities		**389,656**	**1,416,385**	**116,557**	**-**
NET (DECREASE)/ INCREASE IN CASH HELD		**(890,323)**	**(60,850)**	**(841,482)**	**(212,874)**
CASH AT BEGINNING OF FINANCIAL YEAR		**1,081,207**	**1,142,057**	**992,999**	**1,205,873**
CASH AT END OF FINANCIAL YEAR	22(b)	**190,884**	**1,081,207**	**151,517**	**992,999**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report of Austral Africa Resources Limited and controlled entities, and Austral Africa Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Austral Africa Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the consolidated entity's assets and the discharge of their liabilities in the normal course of business.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Revenue recognition

Sale of goods is recognised when control has passed to the buyer.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Property: Freehold land and buildings are measured on the cost basis.

Plant and Equipment: Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	***Depreciation Rate***
Buildings	2.5%
Plant and equipment	13-40%

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Property, Plant and Equipment (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(g) Intangibles

Intangibles are recognised at cost of acquisition. Intangibles are carried at cost less any accumulated amortisation and any impairment losses. Intangibles are amortised, where there is a definitive life, on a straight line basis over the period of benefit.

(h) Share-based Payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less..

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(k) Lease

Lease payment for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(l) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Financial instruments (Cont.)

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(n) Borrowing cost

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(o) Employee Benefits

Wages, salaries, annual and long service leave

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Related on-costs have also been included in the liability.

Superannuation plan

The consolidated entity contributes to several defined contribution superannuation plans Contributions to employee superannuation funds are charged against income statement as they are made.

(p) Foreign Currency

Functional and presentation currency
The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The financial report is presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Subsidiary companies
The financial results and position of foreign operations whose functional currency is different from Austral Africa Resources Limited's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(p) Foreign Currency (Cont.)

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(u) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial reports based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2009. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2009 amounting to $316,282

The financial report was authorised for issue on 30 September 2009 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

2 REVENUE

Sale of goods	726,569	6,517,256	-	-
Interest received	25,373	66,931	25,373	66,931
Revenue from outside operating activities:				
Other income *	351,829	899,737	(1)	(263)
	1,103,771	7,483,924	25,372	66,668

***** Other Income in 2009 represents profit on sale of land $300,802 and profit on sale of plant & equipment $51,027
The consolidated net gain in 2008 includes a $900,000 gain on sale of tenements to Korab Resources Ltd and a $263 loss on sale of plant & equipment.

3 PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(Loss) before income tax expense has been arrived at after charging/(crediting) the following items:

Loss (Gain) on foreign currency transactions	4,224	3,073	4,224	3,073
Provision for non-recovery of loan to controlled entity	-	-	1,746,299	3,133,222
Provision for diminution in investment in subsidiaries	-	-	-	-
Write off of inventory	44,065	-	-	-
Provision for impairment of other debtor	(496,890)	-	-	-
Rental expense on operating leases	84.898	120,247	19,500	22,499
Borrowing costs – external parties	51,189	22,882	1,053	1,597
Depreciation& Impairment charges:				
Depreciation on Plant and equipment	509,280	422,071	4,695	3,403
Impairment of Plant & Equipment	1,742,162	-	-	-
Leasehold improvements	-	3,718	-	3,718
	2,251,442	425,789	4,695	7,121

4. AUDITORS' REMUNERATION

Remuneration of auditors of the parent entities for:				
- Auditing or reviewing the financial reports	35,000	53,000	35,000	53,000
- Taxation services	300	4,900	300	4,900
	35,300	57,900	35,300	57,900
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial reports	2,558	7,029	-	-
	37,858	64,929	35,300	57,900

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

5. INCOME TAX EXPENSE

The prima facie tax on (loss)/profit before income tax is reconciled to the income tax expense as follows:

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Operating (loss)/profit before tax	(4,548,422)	(1,902,478)	(2,771,968)	(3,929,192)
Prima facie income tax expense/(benefit) calculated at 30% (2008: 30%) on the profit/(loss) before tax	(1,364,527)	(570,743)	(831,590)	(1,178,758)
Tax effect of permanent differences	-	-	-	-
Tax effect of timing differences	-	-	-	-
Amount not brought to account as a carried forward future income tax benefit	-	-	831,590	1,178,758
Tax losses of non-resident controlled entities not recognised	1,364,527	570,743	-	-
Tax losses utilised	-	-	-	-
Income Tax Expense	-	-	-	-

Deferred Tax Asset

Deferred tax asset not brought to account comprises the estimated future benefit at the applicable tax rates:

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Tax losses	10,701,540	9,337,013	6,309,878	5,478,288

The potential deferred tax asset will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the asset.

Given the various capital raisings that have taken place since 2007 the availability of tax losses will need to be determined by the ATO.

Austral Africa Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Austral Africa Resources Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

6 EARNINGS PER SHARE

	Consolidated entity	
	2009	2008
	$	$
Earnings used to calculate basic and dilutive earnings per share	(4,548,422)	(1,902,478)
No.	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	756,475,334	587,383,734
Weighted average number of ordinary shares used in the calculation of dilutive earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	756,475,334	587,383,734
Effect of options on issue, which are exercisable at less than the market price for ordinary shares as at 30 June	-	-
Number for Diluted Earnings per share – Ordinary Shares	756,475,334	587,383,734

The amount used as the numerator in calculating basic earnings per share is the same as the net profit/(loss) reported in the income statement.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
7 CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	190,884	1,081,207	151,517	1,205,873
8 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	-	-	-	-
Other receivables	556,101	1,348,076	1,949	2,170
Less: Provision for impairment	(200,454)	(398,290)	-	-
	355,647	949,786	1,949	2,170
Non Current				
Loans to controlled entities	-	-	21,727,752	19,981,453
Less: Provision for non-recovery	-	-	(21,715,752)	(19,969,453)
	-	-	12,000	12,000
Security bonds	13,900	13,574	-	-
	13,900	13,574	12,000	12,000

The security bonds are supported by cash deposits held by suppliers or the mines department for the rehabilitation of exploration tenements.

9 INVENTORIES

Raw materials	-	41,281	-	-
Work in progress	-	-	-	-
Finished goods	164,845	202,926	-	-
	164,845	244,207	-	-

10 OTHER CURRENT ASSETS

Prepayments	17,039	277,583	-	-

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
11 PROPERTY, PLANT AND EQUIPMENT				
Land:				
At cost	200,876	387,258	-	-
Plant and equipment:				
At cost	3,507,148	3,160,609	41,194	33,966
Accumulated depreciation	(1,625,097)	(1,140,686)	(27,467)	(22,906)
Impairment	(1,742,162)	-	-	-
	139,889*	2,019,923	13,727	11,060
Total property, plant and equipment	340,765	2,407,181	13,727	11,060

Reconciliations
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Land				
Carrying amount at beginning of the year	387,258	409,001	-	-
Additions/Disposals	(186,382)	-	-	-
Foreign exchange movement	-	(21,743)	-	-
Carrying amount at end of year	200,876	387,258	-	-
Leasehold Improvements				
Carrying amount at beginning of the year	-	3,718	-	3,718
Additions	-	-	-	-
Depreciation / Amortisation	-	(3,718)	-	(3,718)
Carrying amount at end of year	-	-	-	-
Plant and equipment				
Carrying amount at beginning of the year	2,019,923	2,727,193	11,060	15,511
Additions	7,622	43,334	7,500	-
Foreign exchange movement	397,213	(362,377)	-	-
Disposals	(33,427)	33,844	(138)	(1,048)
Impairment of assets	(1,742,162)	-	-	-
Depreciation	(509,280)	(422,071)	(4,695)	(3,403)
Carrying amount at end of year	139,889	2,019,923	13,727	11,060
Total property, plant and equipment	340,765	2,407,181	13,727	11,060

*Non – Current Assets held for sale in accordance with AASB 5 included in the consolidated figures in above table for the year ended 2009 are as follows:
Property, Plant & Equipment: $126,162

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
12 FINANCIAL ASSETS				
Investments in subsidiaries	-	-	2,881,267	2,881,267
Provision for impairment of investment in subsidiaries	-	-	(2,881,267)	(2,881,267)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

13 CONTROLLED ENTITIES

Name of Entity	Percentage Owned		Class of Share	Cost of Parent's Investments		Contribution to Consolidated Profit/(Loss) From Operating Activities After Income Tax Expense		Loans to Controlled Entities	
	2009 %	2008 %		2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Parent entity									
Austral Africa Resources Limited				-	-	(2,690,873)	(795,970)	-	-
Controlled Entities									
Savanna Mineral Resources Pty Ltd	100	100	Ordinary	1,200,000	1,200,000	-	882,282	4,235,198	4,235,198
Smelting Technologies (Australia) Pty Ltd*	100	100	Ordinary	640,000	640,000	-	-	93,490	93,490
Mihlayonke Consulting Services (Pty) Ltd**	100	100	Ordinary	750,000	750,000	-	-	207,945	207,945
Nova Mining SPRL	100	100	Ordinary	290,108	290,108	(1,834,368)	(1,712,809)	15,319,586	13,645,481
Hertz Electrical Technologies (Pty) Ltd	100	100	Ordinary	-	-	205,624	(1,650)	-	-
New World Alloys (SA) (Pty) Ltd	100	100	Ordinary	-	-	(151,846)	(274,331)	1,871,533	1,799,339
Mogwele Trading 10 (Pty) Ltd*	100	100	Ordinary	-	-	-	-	-	-
Nsele Trading 47 (Pty) Ltd*	100	100	Ordinary	-	-	-	-	-	-
KCM Services Pty Ltd*	60	60	Ordinary	-	-	-	-	-	-
Macro Mining Sprl	100	100	Ordinary	-	-	-	-	-	-
Phoenix Resources Sprl	80	80	Ordinary	-	-	-	-	-	-
Nova Mining Zambia Ltd*	100	100	Ordinary	1,159	1,159	-	-	-	-
				2,881,267	**2,881,267**	**(4,471,463)**	**(1,902,478)**	**21,727,752**	**19,981,453**

	COUNTRY OF INCORPORATION
Parent entity:	
Austral Africa Resources Limited	Australia
Subsidiary entities:	
Savanna Mineral Resources Pty Ltd	Australia
Smelting Technologies (Australia) Pty Ltd*	Australia
KCM Services Pty Ltd*	Australia
Macro Mining Sprl	Democratic Republic of Congo
Phoenix Resources Sprl	Democratic Republic of Congo
Nova Mining Sprl	Democratic Republic of Congo
Nova Mining Zambia Ltd*	Zambia
Mihlayonke Consulting Services (Pty) Ltd**	South Africa
Hertz Electrical Technologies (Pty) Ltd	South Africa
New World Alloys (SA) (Pty) Ltd	South Africa
Mogwele Trading 10 (Pty) Ltd*	South Africa
Nsele Trading 47 (Pty) Ltd*	South Africa

***Dormant, still registered**
****In liquidation from Feb 2007**

The carrying values of the controlled entities recorded in the books of the parent entity are at the lower of cost or net asset backing of the subsidiaries at balance date.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
14 INTANGIBLES				
Concessions				
Balance at beginning of year	41,220	29,661	-	-
Foreign exchange movement	8,026	(3,477)	-	-
Additions	263,619	15,036	216,681	-
Amortisation	-	-	-	-
	312,865	41,220	216,681	-
Licences				
Balance at beginning of year	26,989	22,442	-	-
Foreign exchange movement	557	(2,630)	-	-
Additions/ (Disposals)	(24,129)	7,177	-	-
	3,417	26,989	-	-
	316,282	68,209	216,681	-
15 TRADE AND OTHER PAYABLES				
Current				
Trade creditors and accruals	883,596	985,379	180,053	130,668
Amount owed to Directors/ Director-related entities	19,000	35,329	19,000	35,329
	902,596	1,020,708	199,053	165,997
16 SHORT-TERM BORROWINGS				
Debtor loan – secured – non interest bearing	-	1,891,757	-	-
Bank	273,099	-	-	-
17 TAX LIABILITIES				
Current				
Income tax	-	-	-	-
Non Current				
Provision for deferred tax	236	195	-	-
18 ISSUED CAPITAL				
Issued and paid-up share capital				
903,306,294 (2008: 587,383,734) ordinary shares, fully paid	36,649,722	34,533,165	36,649,722	34,533,165
(a) Movements during the year				
Ordinary shares				
Balance at the beginning of year	34,533,165	34,533,165	34,533,165	34,533,165
200,000,000 shares issued for payment of debt*	2,000,000	-	2,000,000	-
117,822,560 shares issued for capital raising	117,823	-	117,823	-
Shares issue costs	(1,266)	-	(1,266)	-
Balance at end of year	36,649,722	34,533,165	36,649,722	34,533,165

*Issued for non–cash in lieu of debt.

18 ISSUED CAPITAL – (Cont.)

(b) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(c) Share Options

During the financial period, the parent entity issued no options.

Unissued shares

At the end of the year, there were no options over unissued shares.

(d) Issued Shares

During the financial period, the parent entity issued shares as follows:

- 200,000,000 shares issued for payment of debt
- 117,822,560 shares issued for capital raising

19 RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary

20 FINANCIAL RISK MANAGEMENT

Overview:
The company and consolidated entity have exposure to the following risks from their use of financial instruments:

(a) liquidity risk

(b) credit risk

(c) market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

(a) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Company manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows. The Company has no financing facilities available to it.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average rate for classes of financial assets and liabilities is set out below:

30 June 2009	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	weighted average interest rate
		1 year or less	Over 1 to 5 years				
		$	$	$	$	$	
Financial assets							
Cash	7	-	-	190,884	-	190,884	0.25%
Receivables	8	-	-	-	355,647	355,647	
Total financial assets		-	-	190,884	355,647	546,531	
Financial liabilities							
Payables	15	-	-	-	902,596	902,596	
Non interest bearing loan	16	-	-	-	-	-	
Interest bearing borrowings	16	273,099	-		-	273,099	24%
Total financial liabilities		273,099	-		902,596	1,175,695	

30 June 2008	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	weighted average interest rate
		1 year or less	Over 1 to 5 years				
		$	$	$	$	$	
Financial assets							
Cash	7	-	-	1,081,207	-	1,081,207	1.0%
Receivables	8	-	-	-	949,786	949,786	
Total financial assets		-	-	1,081,207	949,786	2,030,993	
Financial liabilities							
Payables	15	-	-	-	1,020,708	1,020,708	
Non interest bearing loan	16	-	-	-	1,891,757	1,891,757	
Interest bearing loans	16	-	-	-	-	-	
Total financial liabilities		-	-	-	2,912,465	2,912,465	

20 FINANCIAL RISK MANAGEMENT (Cont.)

(b) Credit risk exposures

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

(i) Investments: The group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The Company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the group undertakes exploration and evaluation activities in Australia and in Africa. At the balance sheet date there were no significant concentrations of credit risk.

(iii) Exposure to credit risk:

The carrying amount of financial assets recorded in the financial statements and notes, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained. The Company has no financial assets that are neither past due nor impaired therefore credit qualities have not been disclosed.

The Company's maximum exposure to credit risk at the reporting date was:

	Consolidated Entity $		Parent Entity $	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents	**190,884**	1,081,207	**151,517**	992,999
Trade and other receivables	**355,647**	949,786	**1,949**	2,170
Total exposure	**546,531**	2,030,993	**153,466**	995,169

Impairment losses

An impairment loss of $1,746,299 in respect of inter-group loans was recognised during the current year from a net asset analysis of the subsidiaries positions. None of the company's other receivables are past due (2008: nil).

The movement in the allowance for impairment in respect of the inter-group loans on a non-consolidated basis during the year was as follows:

	Parent Entity $	
	2009	**2008**
Balance at 1 July	**19,969,453**	16,836,231
Impairment loss/ (write-back) recognised	**1,746,299**	3,133,222
Balance at 30 June	**21,715,752**	19,969,453

Whilst the loans were not payable as at 30 June 2009, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

20 FINANCIAL RISK MANAGEMENT (Cont.)

(c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Price risk: The Company does not have investments in equity securities and is not exposed to price risk.

(ii) Currency risk:

The Company is exposed to currency risk on investments in subsidiaries in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD).

The Company has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk: The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	Consolidated Entity		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
	$	$	**$**	$
Revenue	**1,103,771**	7,483,924	**25,372**	66,668
Expenditure	**(5,652,193)**	(9,386,402)	**(2,797,340)**	(3,995,860)
Net exposure	**(4,548,422)**	(1,902,478)	**(2,771,968)**	(3,929,192)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
AUD:	**2009**	**2008**	**2009**	**2008**
USD	**0.7480**	0.8965	**0.8048**	0.9615
ZAR	**6.6725**	6.5648	**6.3433**	7.6579

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and reduced the loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated Entity		**Parent Entity**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
	$	**$**	**$**	**$**
30 June 2009 - AUD	**189,214**	**189,214**	**-**	**-**
30 June 2008 - AUD	180,799	180,799	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

20 FINANCIAL RISK MANAGEMENT (Cont.)

Interest rate risk:

At balance date the group had minimal exposure to interest rate risk, through its cash and equivalents held within financial institution and borrowings.

	Consolidated Entity		Parent Entity	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	$	$	$	$
Fixed rate instruments				
Financial assets	-	**-**	-	**-**
Variable rate instruments				
Financial assets	**190,884**	**1,081,207**	**151,517**	**992,999**
Fixed rate borrowings				
Financial liabilities	**273,099**	**-**	**-**	**-**

Fair value sensitivity analysis for fixed rate instruments:

There was no exposure to fixed rate instruments at balance date or at the previous reporting period.

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

Consolidated Entity	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
30 June 2009				
Cash and cash equivalents	**1,909**	**(1,909)**	**1,909**	**(1,909)**
Borrowings	**(2,731)**	**2,731**	**(2,731)**	**2,731**
30 June 2008				
Cash and cash equivalents	10,812	(10,812)	10,812	(10,812)
Borrowings	-	-	-	-

Net fair value

For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets of the investment.

For other assets and other liabilities the net fair value approximates their carrying value, as disclosed in the Balance Sheet.

21 SEGMENT INFORMATION

The parent entity operates predominantly in one segment involved in the mineral exploration and development industry. Geographically, the consolidated entity operates in Australia and Southern Africa.

30 June 2009

	Australia $	Africa $	Consolidated $
REVENUE			
Segment revenue from operating activities	25,372	1,078,399	1,103,771
RESULT			
Profit/(loss) after income tax	(464,658)	(4,083,764)	(4,548,422)
ASSETS			
Segment assets	383,874	1,015,488	1,399,362
LIABILITIES			
Segment liabilities	199,053	976,878	1,175,931
OTHER			
Segment assets acquired	7,500	122	7,622
Segment depreciation and amortisation	4,695	504,585	509,280
Segment impairment	-	1,742,162	1,742,162

30 June 2008

	Australia $	Africa $	Consolidated $
REVENUE			
Segment revenue from operating activities	966,668	6,517,256	7,483,924
RESULT			
Profit/(loss) after income tax	86,312	(1,988,790)	(1,902,478)
ASSETS			
Segment assets	1,006,229	4,035,518	5,041,747
LIABILITIES			
Segment liabilities	165,997	2,746,663	2,912,660
OTHER			
Segment assets acquired	(39,397)	(478,984)	(518,381)
Segment depreciation and amortisation	7,121	418,668	425,789

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

22 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit after income tax to net cash used in operating activities

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(Loss)/Profit after income tax	(4,548,422)	(1,902,478)	(2,771,968)	(3,929,192)
Non-cash items:				
Impairment of assets	1,742,162	-	-	-
Depreciation	509,280	425,789	4,695	7,121
Translation foreign exchange gains/(losses)	91,579	(12,891)	-	-
Provision for diminution of:				
- Other debtor	(496,890)	-	-	-
- Subsidiaries	-	-	-	-
-Inventory	44,065			
Provision for non-recovery of loans to subsidiaries	-	-	1,746,299	3,133,222
Exploration	-	17,718	-	-
(Profit) loss on sale of non-current assets	(351,828)	(899,737)	-	263
Non cash expenses	608,252	-	608,252	-
Net cash (used in) provided by operating activities before change in assets and liabilities	(2,401,802)	(2,371,599)	(412,722)	(788,586)
Change in assets and liabilities:				
(Increase) decrease in net receivables	594,137	(407,710)	221	1,683
(Increase) decrease in net inventories	79,362	591,065	-	-
(Increase) decrease in other current assets	260,538	(213,988)	-	-
(Increase) decrease in bonds	-	22,734	-	7,734
Increase (decrease) in payables and provisions	(118,112)	44,345	33,058	(66,432)
Increase (decrease) in tax liabilities	41	(54)	-	-
Net cash provided from/(used in) operating activities	(1,585,836)	(2,335,207)	(379,443)	(845,601)

(b) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash at bank and on hand	190,884	1,081,207	151,517	992,999

23 COMMITMENTS

(a) Non cancellable operating lease commitments

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Future operating leases rentals for premises not provided for in the financial statements and payable:				
Within one year	-	-	-	-
One year or later but not later than five years	-	-	-	-
	-	-	-	-

(b) Exploration

The parent entity and consolidated entity have certain obligations to perform minimum exploration work on mineral leases held; however the parent entity currently does not hold any tenements within Australia. These obligations may vary over time, depending on the parent entity's and the consolidated entity's exploration programs and priorities. As at balance date, total exploration work commitments on tenements held by the parent entity and the consolidated entity have not been provided for in the financial statements and have not been quantified as a monetary amount. These obligations are also subject to variations by farm-out arrangements and the purchase or sale of the relevant tenements.

24 EMPLOYEE ENTITLEMENTS

Employee Share Option Plan (ESOP)

The parent entity has an Employee Share Option Plan (Plan), which was approved by shareholders on 30 November 2005. Options are issued at the discretion of the Directors at no consideration. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. All options expire on the earlier of their expiry date or on termination of the employee's employment if not exercised.

No options were granted under the Plan during the financial year. No options are outstanding at the end of the financial year under the Plan.

The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan over a period of five years to a maximum of 20% in any one financial year.

Details of options issued under the ESOP

No options were issued under the ESOP for the year ended 30 June 2009.

25 KEY MANAGEMENT PERSONNEL

(a) Details of Specified Directors and Key Management Personnel during the year ended 30 June 2009

(i) ***Specified Directors***

Lindsay Colless	Non Executive Director/Chairman
Ian Cornelius	Non Executive Director
Gerard Zytkow	Executive Director/CEO – reverted to Non Executive Director during the year

(ii) ***Key Management Personnel***

Gaetan (David) Kakudji	Resources Manager DRC
Karen Brown	Company Secretary

There are no other key management personnel within Austral Africa Resources Limited and or its controlled entities at 30 June 2009.

(b) Compensation Practices

The remuneration policy of the parent entity as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

25 KEY MANAGEMENT PERSONNEL (Cont.)

(c) Key Management Personnel Compensation

	Year	Fees & Salary $	Super-annuation $	Other $	Share-based payments $	Total $
Directors						
I Cornelius	**2009**	-	-	50,000	**-**	**50,000**
	2008	-	-	50,000	**-**	**50,000**
G Zytkow	**2009**	-	-	108,913	**-**	**108,913**
	2008	-	-	168,214	**-**	**168,214**
L Colless	**2009**	-	-	60,000	**-**	**60,000**
	2008	-	-	60,000	**-**	**60,000**
Key Management Personnel						
Gaetan (David) Kakudji	**2009**	-	-	87,392	-	**87,392**
	2008	-	-	79,413	-	**79,413**
David McArthur	**2009**	-	-	-	-	**-**
(resigned 13 March 2008)	**2008**	-	-	9,250	-	**9,250**
Karen Brown (appointed 13 March 2008)	**2009**	-	-	6,000	-	**6,000**
	2008	-	-	-	-	**-**
Totals	**2009**	**-**	**-**	**312,305**	**-**	**312,305**
	2008	**-**	**-**	**366,877**	**-**	**366,877**

(d) Options Granted As Compensation

No compensation options were issued to specified directors or key management personnel during the year.

(e) Shares Issued on Exercise of Compensation Options

No options were exercised during the year that were received as compensation in prior periods.

(f) Shareholdings of Specified Directors and Key Management Personnel

	Balance at Beginning of period	Acquisitions	On exercise of Options	Sales	Net Change Other *	Balance at End of Period
Lindsay Colless	200,000	-	-	-	-	200,000
Ian Cornelius	5,429,864	-	-	-	-	5,429,864
Gerard Zytkow	7,693,756	-	-	-	-	7,693,756
Gaetan (David) Kakudji	-	-	-	-	-	-
Karen Brown*	-	-	-	-	-	-
	13,323,620	**-**	**-**	**-**	**-**	**13,323,620**

* The shareholding as disclosed in relation to Mr Colless is held in an entity in which Ms Brown also has a beneficial interest.

26 RELATED PARTY TRANSACTIONS

Other Transactions and Balances with Specified Directors and Specified Executives Services

The following transactions with Directors and Director-related entities occurred during the year on normal commercial terms and conditions:

(i) During the year, the parent entity paid $50,000 (2008: $50,000) in consulting fees to Goldtrek Pty Limited, a company associated with Mr I Cornelius.

(ii) During the year, the parent entity paid fees totalling $60,629 and a further $48,284 was paid by Nova Mining to Mr G Zytkow (2008: $168,214)

(iii) During the year, the parent entity paid financial service fees for Mr L Colless totalling $60,000 (2008: $60,000) and $6,000 to Karen Brown (2008: Nil) to Mineral Administration Services Pty Limited, a company in which Mr L Colless and Ms K Brown are directors and shareholders

(iv) During the year, the parent entity paid company secretarial service fees totalling $Nil (2008: $9,250) to DAS Australia Pty Limited, a company associated with Mr D McArthur.

The above information disclosed is shown as follows:

	Director/ Executive Concerned	Consolidated		Parent Entity	
		2009	2008	2009	2008
Transaction Type		$	$	$	$
Consulting services	L Colless	60,000	60,000	60,000	60,000
Consulting Services	G Zytkow	108,913	168,214	60,629	118,018
Consulting services	I Cornelius	50,000	50,000	50,000	50,000
Secretarial service fees	D McArthur	-	9,250	-	9,250
Secretarial service fees	K Brown	6,000	-	6,000	-

27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities: There were no contingent liabilities not provided for in the financial statements of the parent entity and the consolidated entity as at 30 June 2009 other than:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(a) Bonds				
The consolidated entity has entered into bonds for the rehabilitation of exploration tenements	12,000	12,000	-	-

(b) Native Title and Aboriginal Heritage

There is the risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over the land over which the parent entity and the consolidated entity hold tenements in Western Australia. It is impossible at this stage to quantify the impact (if any), which native title may have on the operations of the parent entity.

A controlled entity, Savanna Mineral Resources Pty Limited also sold tenements it held in the Northern Territory; although it still retains a 5% net smelter return royalty on all mineral production from these tenements. These tenements lie predominantly on private freehold land, which the Directors consider is not subject to native title. However it is impossible at this stage to quantify the impact (if any), which native title (on other than freehold land) or aboriginal heritage issues may have on the operations of this controlled entity.

(c) Legal Claims

i) As disclosed in the Company's 2008 annual report, International Engineers Sdn Bhd, an entity associated with a former director, Mr Laurence Findlay, has brought legal proceedings against the Company, in respect of alleged sums owed for services rendered to the Company. The Company has refuted the claim and further, has issued certain counterclaims against Mr Findlay.

The Company is also aware that Mr Findlay has made an application to the Courts in the Democratic Republic of Congo (DRC) to commence proceedings in relation to matters which are already the subject of the claim before the Australian courts referred to above.

Whilst there is no assurance that the Company will be successful in defending the claims, the Directors believe that: (i) there is no merit in the claims brought by International Engineers Sdn Bhd/Mr Findlay and (ii) given the quantum of the claims, even if a judgment is obtained against the Company, this will not have a material effect on the Company's business, prospects or financial position and no provision has been made in the accounts.

ii) During the year the Company had a judgement awarded against it, including costs, in a Pretoria Court in South Africa. This has been accrued in the accounts at 30 June 2009. The Company has an action against this plaintiff for hearing in South Africa in November.

28 SUBSEQUENT EVENTS

Subsequent to year end the Company completed a one for one pro rata rights offer to shareholders at $A0.001, issuing 471,000,798 shares to acceptors of the offer on 14 September 2009. Placement of 100% of the shortfall of the offer was successfully placed with final allotment being completed on 30 September 2009. The issue raised a total of A$903,306. The funds will be used (i) to meet the costs of conducting the orderly sale process in relation to the copper smelting plant in the DRC, (ii) to seek new mineral opportunities in Australia and Africa and (iii) as working capital for general purposes.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2009

in the opinion of the Directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001 including:

(i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2009 and of their performance for the financial year ended on that date

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Lindsay Colless
Non-Executive Director

Perth, Western Australia,
30 September 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 AUDIT REPORT TO THE MEMBERS OF AUSTRAL AFRICA RESOURCES LIMITED

We have audited the accompanying financial report of Austral Africa Resources Limited (the Company") which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

The Company has disclosed information as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures") under the heading "Remuneration Report" in the directors' report as permitted by the Corporations Regulations 2001.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

Audit opinion

In our opinion the financial report of Austral Africa Resources Limited is in accordance with the Corporations Act 2001, including:

a) (i) giving a true and fair view of the Company's and the group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the consolidated financial report also complies with International Financial Reporting Standards.

c) the remuneration disclosures in the Directors' report comply with AASB 124

Rothsay

Rothsay

Graham R Swan FCA
Partner

Dated 30th September 2009