



**AFRICAN ENERGY**  
RESOURCES LIMITED

(formerly African Energy Resources (Guernsey) Limited)

ARBN 123 316 781

Interim Financial Report  
for the six months ended  
31 December 2008

**AFRICAN ENERGY RESOURCES LIMITED**

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**Interim Financial Report - 31 December 2008**

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**AFRICAN ENERGY RESOURCES LIMITED**  
**Directors' Report**  
**Interim Financial Report - 31 December 2008**

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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 2008.

**DIRECTORS**

Mr Alasdair Cooke  
*Executive Chairman*

Mr Valentine Chitalu  
*Non-Executive Director*

Dr Charles Tabeart  
*Managing Director*

Mr Michael Curnow  
*Non-Executive Director*

Mr Gregory Fry  
*Executive Director*

Dr Ian Duncan (resigned 19 November 2008)  
*Non-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 2008.

The African Energy Group of companies are focused on identifying and developing uranium projects in southern Africa. It holds a quality portfolio of wholly owned tenements and joint venture projects in Zambia, Botswana and Malawi. 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 through South Africa, Malawi, Zambia and Zimbabwe.

In July 2006 the Group's initial drilling program at the Njame North Prospect, on the Chirundu Joint Venture in southern Zambia identified uranium mineralisation which was converted to an initial Inferred Resource of 2,200 tonnes U<sub>3</sub>O<sub>8</sub>. Since that time, the Company has defined additional mineralisation at Njame North, and discovered the Gwabe deposit approximately 25km to the northeast. The total Indicated and Inferred resources at these two deposits currently stands at 14.0 Mt @ 310 ppm U<sub>3</sub>O<sub>8</sub> for a contained total of 4,345 tonnes of U<sub>3</sub>O<sub>8</sub>. In March 2008 the Company completed a Prefeasibility Study on the Njame and Gwabe deposits in the Chirundu JV, thereby earning its 70% interest in the Chirundu JV. On the basis of the results of this Study, African Energy and joint venture partner Albidon Limited elected to commence a Bankable Feasibility Study (BFS) in May 2008.

The BFS is being undertaken by a consortium of respected engineering and metallurgical consultants in Johannesburg, managed by GRD Minproc. A major programme of infill drilling was completed in October 2008 to provide additional assays to define Measured and Indicated resources at Chirundu, and to provide samples for metallurgical test-work. Metallurgical test-work commenced at Mintek Laboratories in Johannesburg in September 2008 and will be ongoing during the first nine months of 2009. Other aspects of the BFS, including the mining study, leach pad design programme, hydrogeological assessment and detailed engineering design programmes have been temporarily suspended due to the impact of the global financial crisis on equity markets and associated decline in uranium prices. This decision is being reviewed on an ongoing basis, and the Company intends to recommence the BFS as soon as market conditions have improved and additional working capital has been raised.

In addition to the Chirundu JV, the Company has three other significant exploration projects in Botswana and Zambia where uranium mineralisation has been discovered. The Kariba Valley project is also a joint venture with Albidon Limited, with African Energy currently earning an initial 30% equity interest. The Company has discovered two mineralised systems in this project, Chisebuka where significant uranium mineralisation has been intersected in drilling, and Namakande where six surface geochemical soil anomalies have been defined and which require detailed evaluation through drill testing. In Botswana, the Company has the wholly owned Sese project where uranium mineralisation was discovered in reverse circulation percussion drilling in late 2007 and which requires additional drilling to evaluate its resource potential. Finally, the Company also has the wholly owned Northern Luangwa Valley

**AFRICAN ENERGY RESOURCES LIMITED**  
**Directors' Report**  
**Interim Financial Report - 31 December 2008**

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project in northern Zambia where an 8km long airborne radiometric anomaly has been recently discovered and evaluated with geochemical soil sampling and geological mapping. Further soil sampling and mapping is required to define targets for testing through a drilling program.

As outlined in the Group's December 2008 Quarterly Report, the Bankable Feasibility Study at Chirundu is due for completion by October 2009, subject to raising the necessary additional working capital.

The Company is well placed to rapidly advance its uranium exploration projects, with an excellent project portfolio and with an experienced exploration team based in Africa, complemented by an experienced project development and corporate team.

As at 31 December 2008 the Group's cash reserves were \$2.83m which will partially fund the continuation of the Chirundu bankable feasibility and additional exploration programs in 2009.

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's Independence Declaration is set out on page 7 and forms part of the Directors' report for the half year ended 31 December 2008.



Charles Frazer Tabcart  
Director  
Perth, 26 February 2009

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**AFRICAN ENERGY RESOURCES LIMITED**

**Directors' Declaration**

**Interim Financial Report - 31 December 2008**

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- 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 2008 and of its performance for the half-year ended on that date; and
    - ii. Complying with Australian Accounting Standards, 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 Tabear  
*Director*

Perth  
26 February 2009

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## INDEPENDENT AUDITOR'S REVIEW REPORT

ABN 79 112 284 787

To the members of African Energy Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Energy Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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 entities it controlled at the half-year end or from time to time during the 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 control 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 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 2008 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.

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 2008 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.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to Note 2(c) in the interim financial report which indicates that African Energy Resources Limited incurred a net loss of \$1,412,332 and incurred net cash outflows of \$4,269,145. During the half year ended 31 December 2008, these conditions along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities at the amounts stated in the financial report.

### **BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  


**Peter Toll**  
Director

Perth, Western Australia  
Dated this 26th day of February 2009

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26<sup>th</sup> February 2009

ABN 79 112 284 787

The Directors  
African Energy Resources Limited  
Ground Floor, 8 Colin Street  
West Perth, Western Australia 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 2008, 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
- 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 Kendalls*

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, Western Australia

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**AFRICAN ENERGY RESOURCES LIMITED**  
**Consolidated Income Statement**  
**For the half-year ended 31 December 2008**

	Consolidated	
	31-Dec-08	31-Dec-07
Note	AUD	AUD
Revenue from continuing operations	91,278	195,164
Audit and accounting	(45,294)	(21,128)
Professional fees	(40,855)	(1,708)
Personnel expenses	(646,501)	(199,381)
Share-based payments	(232,881)	(117,699)
Administration fees	(437,305)	(683,852)
Foreign Currency Expenses	(100,774)	(83,545)
<b>Loss before Tax</b>	<b>(1,412,332)</b>	<b>(912,149)</b>
Income tax expense	-	-
<b>Loss for the period</b>	<b>(1,412,332)</b>	<b>(912,149)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(1,412,332)	(912,149)
<b>Loss for the period</b>	<b>(1,412,332)</b>	<b>(912,149)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share (cents per share)	(0.81)	(0.62)
Diluted loss per share (cents per share)	(0.81)	(0.62)

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

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**AFRICAN ENERGY RESOURCES LIMITED****Consolidated Balance Sheet**

As at 31 December 2008

	Note	Consolidated	
		31-Dec-08 AUD	30-Jun-08 AUD
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,827,158	7,039,566
Trade and other receivables		750,617	614,237
<b>Total current assets</b>		<b>3,577,775</b>	<b>7,653,803</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,025,497	608,942
Exploration and evaluation expenditure	5	16,843,396	10,133,391
<b>Total non-current assets</b>		<b>17,868,893</b>	<b>10,742,332</b>
<b>Total assets</b>		<b>21,446,668</b>	<b>18,396,136</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		453,858	885,480
<b>Total current liabilities</b>		<b>453,858</b>	<b>885,480</b>
<b>Non-current liabilities</b>			
Borrowings		619,389	624,893
<b>Total non-current liabilities</b>		<b>619,389</b>	<b>624,893</b>
<b>Total liabilities</b>		<b>1,073,247</b>	<b>1,510,373</b>
<b>Net assets</b>		<b>20,373,421</b>	<b>16,885,763</b>
<b>Equity</b>			
Contributed equity	6	21,036,677	21,001,958
Reserves	7	4,873,815	8,543
Accumulated losses		(5,537,071)	(4,124,738)
<b>Total equity attributable to shareholders of the Company</b>		<b>20,373,421</b>	<b>16,885,763</b>

*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 2008**

	<b>Contributed equity AUD</b>	<b>Accumulated Losses AUD</b>	<b>Reserves AUD</b>	<b>Total equity AUD</b>
<b>For the half-year ended 31 December 2008</b>				
Opening balance	21,001,958	(4,124,739)	8,543	16,885,762
Net loss for the period	-	(1,412,332)	-	(1,412,332)
Total recognised income and expense for the period	-	(1,412,332)	-	(1,412,332)
Share issue net of issue costs	34,719	-	-	34,719
Equity settled share based payment transactions	-	-	232,881	232,881
Effect of translation of foreign operations to group presentation currency	-	-	4,632,391	4,632,391
	34,719	-	4,865,272	4,899,991
Balance at 31 December 2008	21,036,677	(5,537,071)	4,873,815	20,373,421

	<b>Contributed equity AUD</b>	<b>Accumulated Losses AUD</b>	<b>Reserves AUD</b>	<b>Total equity AUD</b>
<b>For the half-year ended 31 December 2007</b>				
Opening balance	13,927,421	(2,000,003)	801,827	12,729,245
Net loss for the period	-	(912,149)	-	(912,149)
Total recognised income and expense for the period	-	(912,149)	-	(912,149)
Share issue net of issue costs	-	-	-	-
Equity settled share based payment transactions	-	-	117,699	117,699
Effect of translation of foreign operations to group presentation currency	-	-	(405,084)	(405,084)
	-	-	(287,385)	(287,385)
Balance at 31 December 2007	13,927,421	(2,912,152)	514,442	11,529,711

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

**AFRICAN ENERGY RESOURCES LIMITED**  
**Consolidated Cash Flow Statement**  
**For the half-year ended 31 December 2008**

	Consolidated	
	31-Dec-08 AUD	31-Dec-07 AUD
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(1,101,020)	(910,902)
<b>Net cash used in operating activities</b>	(1,101,020)	(910,902)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(299,407)	(305,487)
Payment for exploration and evaluation expenditure	(2,997,558)	(3,671,643)
Loan repayments received	8,348	265,989
<b>Net cash used in investing activities</b>	(3,288,617)	(3,711,141)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	43,497	-
Share issue costs	(8,778)	-
Loan repayments	(5,505)	-
Interest received	91,278	171,932
<b>Net cash from financing activities</b>	120,492	171,932
<b>Net increase in cash and cash equivalents</b>	(4,269,145)	(4,450,111)
<b>Cash and cash equivalents at 1 July</b>	7,039,566	8,785,457
Effect of exchange rate fluctuations on cash held	56,737	(70,018)
<b>Cash and cash equivalents at 31 December</b>	2,827,158	4,265,328

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

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## **AFRICAN ENERGY RESOURCES LIMITED**

### **Notes to the consolidated financial statements**

#### **Interim Financial Report - 31 December 2008**

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#### **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 Ground Floor, 8 Colin Street, West Perth, WA 6005. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 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 report is 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 report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the period ended 30 June 2008.

This consolidated interim financial report was authorised for issue by the directors on 27 February 2009.

##### **(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 2008 were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

##### **(c) Going concern**

The Consolidated Entity has incurred a net loss after tax for the period ended 31 December 2008 of \$1,412,332 (2007: \$912,149) and has experienced net cash outflows from operating activities of \$4,269,145 (2007: \$4,450,111). As at the 31 December 2008, the Group had net current assets of \$3,123,917 (30 June 2008: \$6,768,323).

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The ability of the Company to continue as a going concern will be dependent on the ability to raise further funds as required to facilitate the ongoing development of the Chirundu Joint Venture BFS and other exploration activities.

#### **3. Significant accounting policies**

The accounting policies adopted are consistent with those of the previous financial year.

#### **4. Segment information**

During the year the Group operated in one business segment – mineral exploration, and in one geographical area – Africa.

**5. Exploration & Evaluation Expenditure**

	Consolidated	
	31-Dec-08 AUD	31-Dec-07 AUD
Carrying amount of exploration and evaluation expenditure	16,843,396	8,155,868
<b>EE&amp;D movement reconciliation</b>		
<b>Balance at the beginning of the year</b>	10,133,391	4,654,698
Additions	2,997,558	3,671,643
Effect of movements in foreign exchange	3,712,447	(170,473)
<b>Balance at the end of the year</b>	16,843,396	8,155,868

The ultimate recoverability of Exploration and Evaluation Expenditure is dependent upon its successful development or sale (refer Note 1(b)).

**6. Contributed Equity**

	Consolidated	
	31-Dec-08 AUD	30-Jun-08 AUD
Contributed equity	21,911,874	21,868,377
Cost of share issue	(875,197)	(866,419)
	21,036,677	21,001,958

**7. Reserves**

	Consolidated	
	31-Dec-08 AUD	30-Jun-08 AUD
Share-based payments reserve	2,095,088	1,458,841
Foreign currency translation reserve	2,778,727	(1,467,384)
	4,873,815	8,543
<b>Reconciliation of movement in reserves</b>		
<b>Share-based payments reserve</b>		
Balance at the beginning of the year	1,862,207	1,341,142
Equity settled share-based payment transactions	232,881	117,699
Balance at 31 December	2,095,088	1,458,841
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the year	(1,853,664)	(539,315)
Effect of translation of foreign currency operations to group presentation currency	4,632,391	(928,069)
Balance at 31 December	2,778,727	(1,467,384)

**8. Capital and other commitments**

Commitments relating to minimum tenement expenditure in Malawi are currently indeterminable as they are currently in the process of being renewed.

All other tenement commitments have been met.

**9. Related parties**

Transactions with the related parties are consistent with those disclosed in the 30 June 2008 financial report.

**10. Subsequent events**

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 2008.