

**AUSTRAL AFRICA RESOURCES LIMITED**  
**(formerly New World Alloys Limited)**

**ABN 36 060 774 227**

**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

## AUSTRAL AFRICA RESOURCES LIMITED

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### CORPORATE DIRECTORY

#### **Directors**

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

#### **Auditors**

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

#### **Company Secretary**

Karen Brown

#### **Registered Office**

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

#### **Share Registry**

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

#### **Bankers**

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

#### **Home Stock Exchange**

Australian Stock Exchange Limited  
Level 2, Exchange Plaza  
2 The Esplanade  
Perth WA 6000  
ASX Code: AAF (Formerly NWA)

## AUSTRAL AFRICA RESOURCES LIMITED

### DIRECTORS' REPORT

Your directors present their report for the half-year ended 31 December 2007.

#### Directors

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

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

#### Review of Operations

The consolidated entity incurred an operating loss after tax of \$279,315 (2006: loss after tax of \$2,563,734) for the half-year ended 31 December 2007. The primary activities during the period were production and operation of the Company's copper smelter in the Democratic Republic of Congo "DRC"(Nova Copper Project); the operations in Lubumbashi have been operating up to two furnaces on a toll treatment basis as well as treating ore on a proprietary basis.

#### Nova Mining SPRL

During the six months to 31 December the Nova Mining copper smelting project at Lubumbashi, Congo ("the Nova Project") recommenced operations and produced 164 tonnes of 95% grade blister copper, generating revenues of \$2.8 million from copper sales and additional tonnage produced under toll treatment arrangements.

The high price of copper and exceptional demand for high grade ore in the Congo is continuing to present difficulties for Nova to control feedstock ore supply. Chinese operators have taken over a number of furnace smelting operations and have monopolized the ore supply from artisanal miners. Coke prices have increased dramatically and the supply has become unreliable; both these matters changed the dynamics of the business model. Accordingly, Sino deferred its AIM listing and did not complete the purchase of the furnace business from AAF. Sino-Asia have handed the business back to AAF.

The use of electric arc furnaces has been considered as a viable alternative to the coke problem. EAF's can treat a variety of ores and are not as restricted to grade problems. A reliable power source has been negotiated which makes this alternative not only viable but attractive. Whilst these alternatives are attractive in the longer term, the Company has decided to sell off the furnace business and concentrate on exploration of its concessions and further new concessions it is negotiating for. The company will retain the power source and some land for future downstream processing of material from the concessions.

#### Bachelor Joint Venture

In September 2007 the company sold its interests in all the Bachelor tenements for an amount of \$900,000 cash and a 5% net smelter royalty return.

#### Events occurring after reporting date

Options – at 31<sup>st</sup> December 2007 there were 23,656,598 options exercisable at 10 cents per share over unissued capital in the Company, which were exercisable on or before 1 March 2008. At the date of signing this report no options were exercised and they have all expired.

#### Corporate

The Company has approximately \$1.5million working capital available as at 31<sup>st</sup> December 2007.

#### Auditor's Independence Declaration

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

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



Lindsay Colless  
Non-Executive Chairman  
Signed at Perth on the 13<sup>th</sup> day of March 2008

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED INCOME STATEMENT**

**For the half-year ended 31 December 2007**

	<b>Consolidated</b>	
	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>\$</b>	<b>\$</b>
Sales revenue	2,846,927	13,187,762
Cost of sales	<u>(2,404,398)</u>	<u>(12,092,794)</u>
Gross Profit	442,529	1,094,968
Other revenues	933,504	71,642
Employees, directors and contractor expense	(922,556)	(2,048,480)
Foreign exchange losses	(1,519)	(56,253)
Depreciation and amortisation	(209,001)	(229,980)
Write-off exploration	(17,718)	-
Administration expenses	<u>(504,554)</u>	<u>(1,395,631)</u>
<b>Loss from ordinary activities before income tax</b>	<b>(279,315)</b>	<b>(2,563,734)</b>
Income tax expense relating to ordinary activities	<u>-</u>	<u>-</u>
<b>Loss from ordinary activities after income tax expense</b>	<b>(279,315)</b>	<b>(2,563,734)</b>
Basic loss per share (cents per share)	<b>(0.05)</b>	(1.00)
Diluted loss per share (cents per share)	<b>(0.05)</b>	(1.00)

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2007

	Consolidated	
	31 December 2007 \$	30 June 2007 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,546,482	1,142,057
Trade and other receivables	1,669,373	564,810
Inventory	1,232,765	835,271
Other assets	461,875	63,595
<b>TOTAL CURRENT ASSETS</b>	<u>4,910,495</u>	<u>2,605,733</u>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	36,739	36,741
Property, plant and equipment	2,884,876	3,139,912
Intangibles	77,222	52,103
Mineral exploration and evaluation expenditure	-	17,718
<b>TOTAL NON CURRENT ASSETS</b>	<u>2,998,837</u>	<u>3,246,474</u>
<b>TOTAL ASSETS</b>	<u><b>7,909,332</b></u>	<u><b>5,852,207</b></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,837,727	976,364
Interest bearing liabilities	-	475,371
Tax liabilities	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,837,727</u>	<u>1,451,735</u>
<b>NON CURRENT LIABILITIES</b>		
Deferred tax liabilities	249	249
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>249</u>	<u>249</u>
<b>TOTAL LIABILITIES</b>	<u><b>3,837,976</b></u>	<u><b>1,451,984</b></u>
<b>NET ASSETS</b>	<u><b>4,071,356</b></u>	<u><b>4,400,223</b></u>
<b>EQUITY</b>		
Contributed equity	34,533,165	34,533,165
Foreign exchange reserve	(986,566)	(937,014)
Accumulated losses	(29,475,243)	(29,195,928)
<b>TOTAL EQUITY</b>	<u><b>4,071,356</b></u>	<u><b>4,400,223</b></u>

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the half-year ended 31 December 2007**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Foreign Exchange Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	<b>30,999,127</b>	<b>(24,228,536)</b>	<b>(352,612)</b>	<b>6,417,979</b>
Loss for the period	-	(2,563,734)	-	(2,563,734)
Shares issued	692,740	-	-	692,740
Transaction costs from issue of shares	(12,500)	-	-	(12,500)
Translation of foreign subsidiaries	-	-	(492,773)	(492,773)
<b>Balance at 31 December 2006</b>	<b>31,679,367</b>	<b>(26,792,270)</b>	<b>(845,385)</b>	<b>4,041,712</b>
	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Foreign Exchange Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<b>34,533,165</b>	<b>(29,195,928)</b>	<b>(937,014)</b>	<b>4,400,223</b>
Loss for the period	-	(279,315)	-	(279,315)
Shares issued	-	-	-	-
Transaction costs from issue of shares	-	-	-	-
Translation of foreign subsidiaries	-	-	(49,552)	(49,552)
<b>Balance at 31 December 2007</b>	<b>34,533,165</b>	<b>(29,475,243)</b>	<b>(986,566)</b>	<b>4,071,356</b>

The accompanying notes form part of these financial statements

**AUSTRAL AFRICA RESOURCES LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the half-year ended 31 December 2007**

	<b>Consolidated</b>	
	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,846,927	12,974,094
Payments to suppliers and employees	(5,762,744)	(16,137,591)
Interest received	32,904	4,757
Interest and other costs of finance paid	(22,913)	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,905,826)</b>	<b>(3,158,740)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(15,360)	(514,394)
Payments for purchase of concessions	(26,722)	-
Proceeds from the sale of tenements	900,000	-
Proceeds from the sale of other fixed assets	600	10,410
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>858,518</b>	<b>(503,984)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	680,238
Proceeds from borrowings	2,451,733	1,580,763
Repayments of borrowings	-	(123,315)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>2,451,733</b>	<b>2,137,686</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	404,425	(1,525,038)
Cash at beginning of the financial period	1,142,057	1,498,094
<b>CASH AT END OF THE FINANCIAL PERIOD</b>	<b>1,546,482</b>	<b>(26,944)</b>

The accompanying notes form part of these financial statements

## AUSTRAL AFRICA RESOURCES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

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

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Australian Accounting Standard AASB134: *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Austral Africa Resources Limited (formerly New World Alloys Limited) and controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

##### (a) Basis of accounting

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

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

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

**AUSTRAL AFRICA RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2007**

**2. CONTRIBUTED EQUITY**

	Consolidated	
	31 December 2007	30 June 2007
	\$	\$
a) Paid up capital	34,533,165	34,533,165
<hr/>		
b) Movements	<b>No of Shares</b>	<b>Paid-Up Capital</b>
		\$
Balance 1 July 2007	587,383,734	34,533,165
Shares issued in lieu of services	-	-
Conversion of debt to shares	-	-
Working Capital raised	-	-
Conversion of options	-	-
Transaction costs from issue of shares	-	-
Balance 31 December 2007	587,383,734	34,533,165

c) Options

As at 31 December 2007, there are 23,656,598 options exercisable at 10 cents per share over unissued capital in the Company, which are exercisable on or before 1 March 2008.

**3. SEGMENT INFORMATION**

**Geographical segments**

	Australia		Africa		Consolidated	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Segment Revenue						
Sales to customers outside the consolidated entity	32,904	-	2,846,927	13,254,647	2,879,831	13,254,647
Other revenues from customers outside the consolidated entity	900,600	4,757	-	-	900,600	4,757
Total segment revenue	933,504	4,757	2,846,927	13,254,647	3,780,431	13,259,404
Segment result	473,164	(450,058)	(752,479)	(2,113,676)	(279,315)	(2,563,734)
Unallocated expenses					-	-
Loss from ordinary activities before income tax expense					(279,315)	(2,563,734)

**Business segments**

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

**AUSTRAL AFRICA RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2007**

**4. CONTINGENT LIABILITIES**

Since the last annual reporting date, there has been no material change in contingent liabilities.

**5. EVENTS SUBSEQUENT TO REPORTING DATE**

On 18<sup>th</sup> January 2008 pursuant to shareholder approval and the necessary change by the Australian Securities & Investment Commission, the company name was changed from New World Alloys Limited to: "Austral Africa Resources Limited". The new ASX stock code is AAF.

The registered office of the Company has also changed to 129 Edward Street, Perth WA, 6000.

**AUSTRAL AFRICA RESOURCES LIMITED**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Lindsay Colless  
Non-Executive Chairman

Signed at Perth on the 13<sup>th</sup> day of March 2008

# ROTHSAY

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

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

### **The financial report and directors' responsibility**

The interim financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity Austral Africa Resources Ltd for the half-year ended 31 December 2007.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated half yearly financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austral Africa Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

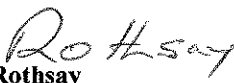
### **Independence**

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

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the consolidated half yearly financial report of Austral Africa Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
Rothsay



Graham R Swan

Partner

Dated this 13<sup>th</sup> day of March 2008



Chartered Accountants

# *R*OTHSA Y

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 Limited  
129 Edward St  
Perth WA 6000

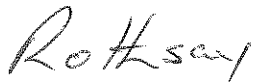
Dear Sirs,

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 review of the 31 December 2007 half yearly financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)



Rothsay Chartered Accountants

13 March 2008



Chartered Accountants

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