

24 December 2009

## **Central African Gold Plc ('CAG' or 'the Company')**

### **INTERIM RESULTS**

Central African Gold Plc ('CAG' or 'the Company'), the AIM traded gold mining and exploration company, announces its unaudited interim results for the six months ended 30 June 2009.

## **CHIEF EXECUTIVE OFFICER'S STATEMENT**

### **OVERVIEW**

The period under review has certainly proved to be one of the most challenging in CAG's history.

Despite undertaking a number of initiatives to improve the operational performance at the Company's Bibiani mine in Ghana ('Bibiani'), which were reported in more detail in the financial results for the year ended 31 December 2008, published today, the Company failed to improve the operational performance to commercialise the mine. As a result the Company had to raise additional capital via a loan from Investec Bank to its Ghanaian subsidiary and two equity placements in Central African Gold Plc, the parent company.

In January 2009, Central African Gold Ghana Limited ('CAG Ghana'), which owns the Bibiani mine, received a notice from Investec Bank Limited ('Investec Bank') regarding the non-payment of monies due on the Investec Bank project loan facility agreement and the non-payment of monies due under various gold forward transaction agreements. Investec Bank demanded a full repayment of more than \$20 million from the Company.

In addition to the demand for repayment, Investec Bank invoked its power of attorney under the charge over the Company's shares in the CAG Ghana and transferred the 90,000 shares in CAG Ghana to Investec Bank making it the legal owner of Bibiani.

The Company undertook a placing in April 2009 to raise £5.7 million (US\$8 million) before expenses to contribute to the settlement of the \$5 million guarantee to Investec Bank.

Simultaneously with the placing, the Company negotiated a partial conversion of the loan notes entered into in June and July 2008. Investec Asset Management ('IAM') converted \$1 million of the \$3 million advanced into new ordinary shares at 0.9p immediately following the placing. Emerging Capital Partners ('ECP') converted \$2.4 million of the \$3.94 million initially advanced into new ordinary shares at 0.9p immediately following the placing.

IAM and ECP agreed to defer the payment of the balance of \$2.2 million plus accrued interest to the earlier of the sale of the Mali assets or 14 April 2010.

As a consequence of the placement of shares and the partial conversion of the loan notes, the majority of the shares in the Company are now held by three shareholders – ECP, who now hold 50.02%, HBD Zim Investments Limited ('HBD'), who now hold 28.18% and IAM, who hold 10.48%.

The Board resolved to focus on the Zimbabwean assets and announced its intention to dispose of the Mali exploration portfolio. Our decision was based on their relatively early stage of development as well as the difficulty of managing them remotely.

CAG subsequently announced the disposal of the Mali portfolio for a total consideration of \$5 million on 21 December 2009.

## ZIMBABWE

In December 2008, the Company announced that, in common with a number of other mining operators in Zimbabwe, its subsidiaries Falcon Gold Zimbabwe Limited ('Falgold') and Olympus Gold Mines Limited ('Olympus') had ceased all operations in Zimbabwe due to the adverse political and economic climate that prevailed. A hopelessly inadequate system of gold payment by the Reserve Bank of Zimbabwe and chronic shortages of electricity contributed further to the decision to cease mining operations.

Following this decision 2009 has commenced relatively slowly for CAG, however, a number of far reaching policy decisions have been taken which could lead to the rejuvenation of the Zimbabwean gold industry.

On 2 February 2009, the Governor of the Reserve Bank of Zimbabwe ('RBZ') released a Monetary Policy Statement ('MPS') which proposed far reaching changes which have had a significant and positive impact on the Company's ability to resume its Zimbabwe gold mining operations:

- Gold producers, after receipt of a Gold Export Permit, are permitted to be in control of their gold sales: gold companies are able to produce and sell gold and receive payment for their bullion within normal trade terms; as such gold production may be marketed outside of the control of the RBZ.
- Proceeds from the sale of bullion in foreign exchange may be held indefinitely, as compared to the previous requirement to convert any remaining foreign exchange into local Zimbabwe currency within thirty days of receipt.
- Gold producers have been given the freedom to access certain financial instruments, such as gold loans from offshore markets that would then be collateralised by their own physical gold inventory.
- All current outstanding receivables owed to gold producers, have been converted into a 'Special Tradable Gold-Backed Foreign Exchange Bond', which will have a 12 month term and an eight per cent. coupon, payable at maturity. The interest owed is to be accrued from the time that the money has been outstanding and the RBZ will honour the full principal plus interest on maturity.

Furthermore, the RBZ has laid out certain measures to significantly de-regulate Zimbabwe's exchange control policies. These measures include the ability of gold producers to pay for goods and services offshore, as well as all genuine external debts and dividends without prior Exchange Control approval.

The Board believes that these reforms, together with political changes in Zimbabwe, including, *inter alia*, the agreement by all parties in February 2009 to establish a Government of National Unity, have enabled the Company to restart gold production in Zimbabwe.

The Dalny and Old Nic mines were re-opened to test the system in the hope that all Falgold and Olympus mines could be restarted. I can confirm that the system is working and that realistic prices are now being achieved. In June 2009, the Falgold and Olympus boards agreed to reopen Golden Quarry and Camperdown mines and are currently negotiating to raise further funds to cover the initial associated costs.

It must be stated that the country is still a tough environment in which to operate. The Board anticipates further electricity shortages, as well as a lack of supply of skilled labour. Furthermore, the country's decision to dispense with the Zimbabwean dollar and use the US dollar as the legal tender means that there is virtually no history of costs in the 'new' currency.

Once the initial production levels are achieved, plans will be put in place, to update the plant, and increase gold production to better reflect the potential of the extensive gold deposits owned by the Company. The Board has actively engaged in the identification of suitable sources of finance with which to develop the Zimbabwe assets in full.

#### OUTLOOK

The Board continues to remain cautiously optimistic about the recovery of Zimbabwe's mining sector.

Mines in Zimbabwe have suffered from years of under-capitalisation, as well as a lack of development and exploration. The gold industry is very fragmented and would benefit from consolidation. The hyper-inflationary environment, together with the state's monopoly on gold, has eroded the working capital of companies. Despite initial optimism, the expected flow of funds to restore liquidity to the financial sector has not taken place. External investors have avoided investing further, pending clarification of proposed policy changes. The recapitalisation of the mines is therefore constrained by their operating cash flows.

Power supplied to the mines remains erratic, which negatively affects production and plant efficiencies. The frequency of unscheduled power outages has decreased, although scheduled power outages have increased in recent times.

The exodus of skills from Zimbabwe has had a profound effect on operations and has resulted in the requirement to pay a premium to retain and attract suitably skilled staff, particularly in the mining discipline. This has created an artificial level of remuneration which is not sustainable in the longer term.

Implementation of the Indigenisation Act, which forces companies to hand over 51% of their equity to local Zimbabweans, has not taken place, despite being enacted. The Board does not believe this requirement will be implemented, given the mining sector's ability to play a leading role in the reconstruction of Zimbabwe.

#### BOARD CHANGES

Roy Lander stepped down from the Board as Chairman on 11 December 2009 and Bryce Fort replaced Navaid Burney as ECP's representative as a Non-Executive Director on the Board. I would like to take this opportunity, on behalf of the Company, to thank Roy Lander and Navaid Burney for their services to CAG and the support they have provided to the Board, particularly during CAG's recent difficulties, and wish them well in their future endeavours.

#### ANNUAL AND INTERIM RESULTS

The delay in the publication of the annual results for the year ended 31 December 2008 and interim results for the period ended 30 June 2009 was the result of accounting issues that arose from:

- a lack of complete accounting information for CAG Ghana, control of which passed to Investec Bank on 14 January 2009, as a result of Investec invoking its power of attorney under a charge and transferring the 90,000 shares in CAG Ghana to Investec (as previously announced on 14 January 2009); and
- the correct accounting and foreign exchange treatment relating to the consolidation of Falgold and Olympus, given the cessation of the Zimbabwe dollar as the working currency in Zimbabwe.

Having successfully resolved these issues, the Board needed to demonstrate that CAG remained a going concern, failing which, the Company would be delisted.

The support provided by the major shareholders has been remarkable. IAM and ECP have agreed to extend the terms of their convertible loan notes, as described in the March 2009 circular to shareholders, and defer the repayment of the outstanding balance of the loan notes, repayable on the earlier of the sale of Mali or 14 April 2010, to 29 April 2011. In addition thereto, the Company has entered into new convertible loan agreements, for

an amount of \$1.25 million, from ECP, HBD and IAM. The new loan notes carry interest at 10 per cent. per annum, compounded monthly in arrears, and are repayable in full on 29 April 2011.

As a result of the support of the major shareholders, the Company is now able to demonstrate that its cash resources are sufficient to meet the expected outflows for the 12 months ended 31 December 2010. The Board is currently assessing new sources of finance and identifying suitable partners with which to develop the Zimbabwean assets fully to ensure their long term sustainability.

I would like to take this opportunity to apologise to shareholders for the late publishing of the Annual Report and this Interim Report and the highly unfortunate circumstances that have arisen.

#### APPRECIATION

In concluding this summary I would like to record my appreciation of the hard work and determination with which my fellow directors and the Company's staff have addressed our problems this year.

**Roy Pitchford**

**Acting Chairman and Chief Executive**

## FINANCIAL REVIEW

### INTRODUCTION

The first half of the year was impacted by a number of significant events:

- On 14 January 2009, the Company's wholly owned subsidiary, CAG Ghana received a notice of default from Investec Bank, regarding the non-payment of monies due on the Investec Bank project loan facility agreement and the non-payment of monies due under various gold forward transaction agreements with Investec Bank. Investec Bank demanded a full repayment of more than \$20 million from the Company.

In addition to the demand for repayment, Investec invoked its power of attorney under the charge over the Company's shares in the CAG Ghana and transferred the 90,000 shares in CAG Ghana to Investec Bank, making it the legal owner of Bibiani.

- The Company's liability to Investec Bank, arising from a parent company guarantee issued to secure the bank loan, was confirmed as US\$5 million, in accordance with what had been previously reported.
- Zimbabwe's Government of National Unit introduced a number of economic reforms which provided the confidence to restart gold production and exploration and development programmes at certain of the Zimbabwe mines.
- The Board resolved to focus on the development of its Zimbabwe assets and opted to dispose of the Mali exploration portfolio through a formal process.
- Shareholders approved the placement of approximately £5.7 million (US\$8 million) before expenses, which proceeds of which contributed to the settlement of the US\$5 million guarantee to Investec Bank and provided working capital for the enhancement of its remaining assets.
- Convertible loan notes issued in June and July 2008, totalling \$6.94 million, which were repayable in January 2009, were partially converted into new ordinary shares. Repayment of the liabilities not converted into equity, were rescheduled to the earlier of the disposal of Mali or April 2010.

### ANALYSIS OF RESULTS

The Company's turnover for the 6 months to 30 June 2009 was £0.3 million, generated from the sale of 504 oz Au from the Company's Zimbabwean subsidiaries. Production recommenced in mid March 2009, following the cessation of mining activities in December 2008, due to the adverse political and economic climate that prevailed.

The production of gold resulted in a gross loss of £0.6 million. Operations were adversely affected by power outages and breakdowns of aged equipment. The lack of available spare equipment components and sufficient quantities of consumables compounded this further.

Administrative expenses totalled £1.5 million (June 2008: £3.6 million) and are reflective of the measures taken to address the Company's difficulties. The operating loss for the period was £8.8 million (June 2008: £2.8 million). The loss for the period amounts to 1.64p per share (June 2008: 3.58p per share). This loss includes the loss arising from the forced divestment of CAG Ghana, totalling £7.2 million. The loss on the divestment of CAG Ghana comprises the payment of the parent company guarantee to Investec Bank of £3.4 million (\$5 million), as well as

the non-cash loss arising from the release of the foreign currency translation reserve of £3.9 million accumulated at 31 December 2008. In the year ended 31 December 2008, the Company recorded an impairment of £14.45 million in respect of the assets at Bibiani. No charge for share based payments (June 2008: £0.4 million) has been included.

#### CENTRAL AFRICAN GOLD GHANA

The Company's subsidiary, CAG Ghana, had a loan facility with Investec Bank. On 14 January 2009, the Company announced that CAG Ghana had defaulted on payment of monies due on the loan. The security on the loan was the shareholding in CAG Ghana, which owned the Bibiani mine, as well as a guarantee from CAG, the parent company. Subsequently, Investec Bank took control of CAG Ghana. CAG agreed to pay Investec US\$5.0 million. A placing was subsequently undertaken in April 2009 to raise £5.7 million (US\$ 8 million) before expenses to settle the guarantee and to provide working capital for the development of the Company's remaining assets.

#### PARTIAL CONVERSION OF LOAN NOTES AND ISSUE OF NEW ORDINARY SHARES

Shareholder approval was sought and received in April 2009 for an increase in the authorised share capital to accommodate the issue of 565,970,992 new ordinary shares at 1.00 pence ('the Placing') and to issue shares at 0.9 pence per share in respect of the partial conversion of the loan notes ('the Conversion'). The net proceeds of approximately £5.7 million before costs were used predominantly to settle the outstanding liability to Investec Bank.

In June and July 2008, the Company entered into convertible loan agreements, under the terms of which the Company borrowed \$3.94 million (approximately £2.17 million using the rate of exchange prevailing on the date of the agreement) from ECP and \$3 million (approximately £1.67 million, using the rate of exchange prevailing on the date of the agreement) from IAM. The funds received by the Company under the convertible loan agreements carried interest at 10 per cent. per annum, compounded monthly in arrears and payable on maturity.

The terms of the convertible loan agreements provide that the monies received by the Company under the convertible loan agreements can be converted, at the election of the lender, in the event that the Company allotted any new shares prior to the date for repayment of the loan. The convertible loan agreements further provided that they would be automatically converted in the event that the Company raised at least \$10 million (approximately £5.7 million, using the rate of exchange prevailing at the date that the convertible loan agreements were announced to the market) in an equity fundraising prior to the date for repayment of the loan, in which case the convertible loan agreements and accrued interest would convert automatically at a price which is 10 per cent. below the issue price of such fundraising. The repayment date for the loans under the terms of the convertible loan agreements was in January 2009 but the loans have not been repaid and therefore the \$6.94 million (being \$3.94 million due to ECP and \$3.0 million due to IAM respectively) and accrued interest thereon (being approximately \$0.5 million) is due and payable by the Company.

While the proceeds under the Placing were, in the Directors' opinion, both sufficient to repay the \$5 million owed to Investec Bank and fulfil the Company's working capital needs, the proceeds were not sufficient to repay the monies due under the convertible loan agreements. Accordingly, the Company has entered into the new loan agreements with IAM and ECP as detailed below.

Under the terms of the new IAM loan agreement, the Company has agreed with IAM, subject to shareholder approval, for the disapplication of pre-emption rights and the granting of the authority to Directors to allot shares, to amend and supersede the terms of the IAM Convertible Loan Agreement, so that \$1 million (being approximately £0.7 million) of the monies lent, pursuant to the IAM Convertible Loan Agreement, shall convert

into new ordinary shares at 0.9p per share immediately following the Placing, with the outstanding amount of \$2.2 million (plus interest accruing at a rate of 10 per cent. per annum) being repayable in cash on the earlier of the sale of the Mali assets or 14 April 2010.

Under the terms of the new ECP Loan Agreement, the Company has agreed with ECP Africa, subject to shareholder approval, for the disapplication of pre-emption rights and the granting of the authority to Directors to allot shares, to amend and supersede the terms of the ECP Convertible Loan Agreement, so that \$2.4 million (being approximately £1.7 million) of the monies lent, pursuant to the ECP Convertible Loan Agreement shall, convert into new ordinary shares at 0.9p per share immediately following the Placing, with the outstanding amount of \$1.8 million (plus interest accruing at a rate of 10 per cent. per annum) being repayable in cash on the earlier of the sale of the Mali assets or 14 April 2010.

Following the Conversion the Company owed \$1.8 million (plus accrued interest) to ECP and \$2.2 million (plus accrued interest) to IAM.

Subject to shareholder approval for the disapplication of pre-emption rights and the granting of the authority to directors to allot shares, the Conversion will give rise to the issue of a further 267,264,081 new ordinary shares, representing 26.62 per cent. of the resulting share capital. Following the Conversion, ECP has a beneficial interest in 50.02 per cent. of the resulting share capital and IAM has a beneficial interest in 10.48 per cent. of the resulting share capital.

The resolutions were duly passed and admission of the placing shares and the conversion shares to trading on AIM resulted in the lifting of the suspension on the Company's shares on 22 April 2009.

Whereas the Board had announced its intention to dispose of the Mali properties, it became apparent subsequent to 30 June 2009, that the cash component of the offers received was less than the Board anticipated. As a result, the Board believes that the cash likely to be available to the Company, subsequent to the disposal, will not be sufficient to repay fully amounts due to IAM and ECP of US\$2.2 million and US\$1.8 million, respectively, under the New Loan Agreements, together with the other creditors of the Company as they fall due.

The disposal will immediately trigger cash shortfalls in the Company as a result of other creditors, currently deferred pending the disposal, becoming due for payment. The Board believes CAG will therefore require additional funding to support the Company's working capital and funding commitments.

To this end, CAG approached both IAM and ECP to seek a deferral of the Company's obligations under the new loan agreements.

IAM and ECP have agreed to extend the terms of the loans made available to the Company as described in a circular sent to shareholders on 27 March 2009, amounting to US\$2.2 million and US\$1.8 million respectively. These loans now have a new maturity date of 29 April 2011 (previously the earlier date of 14 April 2010 or within five days of the receipt of funds by the Company from the sale of its entire shareholding in Mali Goldfields SA and Songhoi Resources SA).

Additionally, as reported on 21 December 2009, CAG has entered into new Convertible Loan Agreements ('the Convertible Loan Agreements') with HBD (the 'New HBD Loan Agreement'), ECP (the 'New ECP Loan Agreement') and IAM (the 'New IAM Loan Agreement'), (together, 'the Lenders'). The Convertible Loan Agreements total circa US\$1.25 million (approximately £816,000) and amount to US\$397,267 from HBD (approximately £238,924), US\$705,070 from ECP (approximately £424,048) and US\$147,662 from IAM (approximately £88,808). (All loan

amounts used the rate of exchange prevailing on the date of the agreement). The funds received by the Company under the Convertible Loan Agreements carry interest at 10 per cent. per annum, compounded monthly in arrears with the full amount payable on the maturity date, 29 April 2011. There is no penalty for early repayment of the loans. HBD entered into a further loan agreement with the Company on 23 December 2009 (the 'Further HBD Loan Agreement') which superseded the New HBD Loan Agreement. The Further HBD Loan Agreement provides that the US\$397,267 loaned by HBD would be provided on the same terms as the loans made under the New ECP Loan Agreement and the New IAM Loan Agreements (as announced on the 21 December 2009).

The terms of the New IAM Loan Agreement, the New ECP Loan Agreement and the Further HBD Loan Agreement provide that the Lenders have the right to convert all but not part only of the loans at the conversion price of the lesser of 0.9 pence per ordinary share and ten (10) percent below the USD equivalent of any price at which the borrower issues shares, while any amount of the loan remains repayable to the lender. Under the terms of New IAM Loan Agreement, the New ECP Loan Agreement and the Further HBD Loan Agreement, each of the Lenders acknowledge that the Company does not have the capacity to issue the full number of shares issuable should they wish to convert the loans and that, should the Company not receive the required shareholders approval needed to create and issue all of the shares issuable on conversion, the Lenders shall only be able to exercise their conversion rights to the extent that such shares exist and the directors have the relevant authorities.

#### MALIAN ASSETS DISPOSAL

As announced on 18 December, the Company has entered into a binding agreement to dispose of (i) its 80 per cent. equity interest in Mali Goldfields SARL, together with all net claims on loan account of the Company or any of its subsidiaries against Mali Goldfields SARL and (ii) its 80 per cent equity interest in Songhoï Resources SARL together with all net claims on loan account of the Company or any of its subsidiaries against Songhoï Resources SARL (together 'the Malian Assets') ('the Disposal') to Colonial Resources ('the Agreement') for a total consideration of US\$5.0 million ('the Consideration'). As at 31 December 2008, the Malian Assets, which are early stage gold exploration assets, consisting, as at 30 November 2009, of 18 prospective permits spanning circa 1,883km<sup>2</sup>, located within the Kedougou-Kenieba window, a major Lower Proterozoic Birimian outlier on the north east margin of the West African Shield, were recorded as having a book value of £4.4million.

The Consideration is made up of an initial non-refundable payment of US\$0.6 million in cash ('the Down Payment'), which is to be paid within two business days of the signing of the Agreement; a further US\$3.4 million payable in cash to the Company on completion of the disposal ('Completion') ('the Completion Payment'); and a further US\$1.0 million contingent payment, which will only be payable to the Company in cash upon the achievement of a JORC compliant Indicated or Measured Resource of collectively at least 500,000 ounces gold in respect of the areas covered by the licences granted to each of Songhoï Resources SARL and Mali Goldfields SARL ('the JORC Payment').

Completion must occur on or before 11 March 2010 and is subject to, *inter alia*, CAG and Colonial Resources shareholder approval, and the completion of a capital raising by Colonial Resources to raise sufficient funds to satisfy the Completion Payment and the JORC Payment (if payable) and to seek shareholder approval for the necessary issue of equity. A circular containing notice of the General Meeting to approve, *inter alia*, the Disposal and associated matters will be sent to CAG shareholders for approval shortly.

CAG will use the Consideration, as it is received, to satisfy its general working capital requirements, to meet certain creditor balances that will fall due on Completion and to develop its Zimbabwean gold assets.

## FINANCIAL RISK MANAGEMENT

The Company and its subsidiaries (together 'the Group') has exposure to the following risks from its use of financial instruments in the normal course of the Groups' business, credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks, the group's objectives, policies and process for measuring and managing risk and the Groups' management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### CREDIT RISK

Credit risk is the risk of financial loss to the Group if that a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers and investment securities.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able meet its financial obligations as they fall due.

It is the Group's policy to finance its business by means of internally generated funds supported by the Group's bankers and external share capital. Facilities are regularly reviewed by the Board.

The Group manages its cash flows on a day to day basis from the centre, considering currencies in each market. As a result the liquidity risk is monitored closely throughout the Group.

### MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks being currency risk, interest rate risk and other price risk.

### CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales, purchases and expenditures that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily the U.S. Dollar, Malian FCFA's and the South African Rand.

In respect of other monetary assets and liabilities held in currencies other than the functional currency, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

**UN-AUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE 6 MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	<b>293</b>	8,620	14,101
Cost of sales	<b>(908)</b>	(7,840)	(24,312)
<b>Gross profit / (loss)</b>	<b>(615)</b>	780	(10,211)
Other operating income	<b>564</b>	17	4
Administrative charges	<b>(1,589)</b>	(3,646)	(5,671)
Other administrative expenses	<b>(1,589)</b>	(3,189)	(4,915)
Share based payments	-	(457)	(756)
<b>Operating loss before impairment</b>	<b>(1,640)</b>	(2,849)	(15,878)
Impairment	-	-	(14,620)
Loss on divestment of Ghana	<b>(7,156)</b>	-	-
<b>Operating loss</b>	<b>(8,796)</b>	(2,849)	(30,498)
Financial income	<b>781</b>	460	5,785
Financial expenses	<b>(226)</b>	(3,574)	(2,270)
Other financial expenses	<b>( 226)</b>	(463)	(2,272)
Gold sale agreement fair valuation	-	(3,111)	2
<b>Loss before taxation</b>	<b>(8,241)</b>	(5,963)	(26,983)
Taxation	-	67	449
<b>Loss for the period</b>	<b>(8,241)</b>	(5,896)	(26,534)
<b>Attributable to:</b>			
Equity holders of the parent	<b>(8,159)</b>	(5,896)	(26,684)
Minority interest	<b>(82)</b>	-	150
Loss for the period	<b>(8,241)</b>	(5,896)	(26,534)
Basic and diluted loss per share (pence)	<b>(1.64p)</b>	(3.58p)	(15.91p)

**UN-AUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES  
FOR THE 6 MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Foreign exchange translation differences	<b>991</b>	472	(10)
<b>Income and expense recognized directly in equity</b>	<b>991</b>	472	(10)
<b>Loss for the period</b>	<b>(8,241)</b>	(5,896)	(26,534)
<b>Total recognised income and expense for the period</b>	<b>(7,250)</b>	(5,424)	(26,544)
<b>Attributable to:</b>			
Equity holders of the parent	<b>(7,168)</b>	(5,424)	(26,694)
Minority interest	<b>(82)</b>	-	150
<b>Total recognised income and expense for the period</b>	<b>(7,250)</b>	(5,424)	(26,544)

**UN-AUDITED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2009**

	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
<b>ASSETS</b>			
Goodwill	<b>620</b>	501	691
Property, plant and equipment	<b>3,960</b>	38,186	37,424
Exploration and other evaluation assets	<b>3,577</b>	2,884	4,405
<b>Total non-current assets</b>	<b>8,157</b>	41,571	42,520
Inventories	<b>48</b>	4,067	1,003
Trade and other receivables	<b>414</b>	1,847	1,452
Cash and cash equivalents	<b>962</b>	3,265	3,905
<b>Total current assets</b>	<b>1,424</b>	9,179	6,360
<b>Total assets</b>	<b>9,581</b>	50,750	48,880
<b>EQUITY</b>			
Share capital	<b>5,020</b>	841	854
Share premium	<b>47,268</b>	43,131	43,625
Foreign currency translation reserve	<b>760</b>	250	(231)
Accumulated loss	<b>(48,843)</b>	(20,195)	(40,684)
<b>Total equity attributable to equity holders of the parent</b>	<b>4,205</b>	24,027	3,564
Minority interest	<b>68</b>	-	150
<b>Total equity</b>	<b>4,273</b>	24,027	3,714
<b>LIABILITIES</b>			
Loans and other borrowings	-	8,310	-
Other financial liabilities	-	4,671	1,694
Deferred taxation	<b>556</b>	828	563
Provisions	<b>14</b>	3,682	5,260
<b>Total non-current liabilities</b>	<b>570</b>	17,491	7,517
Loans and borrowings – current portion	<b>2,502</b>	3,227	19,709
Other financial liabilities – current portion	-	2,272	2,137
Trade and other payables	<b>2,253</b>	3,681	14,729
Bank overdraft	-	-	1,061
Taxation	<b>(17)</b>	52	13
<b>Total current liabilities</b>	<b>4,738</b>	9,232	37,649
<b>Total liabilities</b>	<b>5,308</b>	26,723	45,166
<b>Total equity and liabilities</b>	<b>9,581</b>	50,750	48,880

**UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTHS ENDED 30 JUNE 2009**

<i>In thousands of pounds sterling</i>	Share capital	Share premium	Foreign currency translation reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2009	854	43,625	(231)	(40,684)	3,564	150	3,714
Recognised income and expense	-	-	-	(8,159)	(8,159)	(82)	(8,241)
Share based payments	-	-	-	-	-	-	-
Shares issued	4,166	3,643	-	-	7,809	-	7,809
Translation reserve	-	-	991	-	991	-	991
Balance at 30 June 2009	5,020	47,268	760	(48,843)	4,205	68	4,273
Balance at 1 January 2008	530	28,352	(221)	(14,756)	13,905	-	13,905
Recognised income and expense	-	-	-	(5,896)	(5,896)	-	(5,896)
Share based payments	-	-	-	456	456	-	456
Shares issued	311	14,779	-	-	15,090	-	15,090
Translation reserve	-	-	471	-	471	-	471
Balance at 30 June 2008	841	43,131	250	(20,196)	24,026	-	24,026
Balance at 1 January 2008	530	28,352	(221)	(14,756)	13,905	-	13,905
Recognised income and expense	-	-	-	(26,684)	(26,684)	150	(26,534)
Share based payments	-	-	-	756	756	-	756
Shares issued	324	15,273	-	-	15,597	-	15,597
Translation reserve	-	-	(10)	-	(10)	-	(10)
Balance at 31 December 2008	854	43,625	(231)	(40,684)	3,564	150	3,714

**UN-AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 6 MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
<b>Cash flow from operating activities</b>			
Loss before tax	<b>(8,241)</b>	(5,963)	(26,983)
Adjusted for:			
Financial income	<b>(781)</b>	(460)	(5,785)
Financial expenses (including gold sale agreement)	<b>226</b>	3,574	2,270
Share-based payment	-	457	756
Depreciation		1,251	2,084
Exchange rate adjustment	-	305	-
Loss on divestment of CAG Ghana	<b>7,156</b>	-	-
Impairment of Ghanaian assets	-	-	14,620
(Increase)/decrease in inventories	<b>(45)</b>	(1,110)	(529)
(Increase)/decrease in trade and other receivables	<b>10</b>	(1,267)	(1,991)
(Decrease)/increase in trade and other payables	<b>605</b>	(1,651)	3,971
<b>Net cash (used in)/ from operating activities</b>	<b>(1,070)</b>	(4,864)	(11,587)
<b>Cash flows from investing activities</b>			
Interest received	-	151	112
Interest expense	<b>(226)</b>	(78)	(192)
Divestment of CAG Ghana net of cash	<b>(2,377)</b>	-	
Acquisition of exploration assets	<b>(215)</b>	(826)	(1,360)
Acquisition of property, plant and equipment		(7,511)	(4,901)
<b>Net cash used in investing activities</b>	<b>(2,816)</b>	(8,264)	(6,341)
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	<b>5,404</b>	15,090	15,597
Loans and borrowings received	-	(1,514)	3,593
Repayment of loans	<b>(3,398)</b>	-	(1,946)
<b>Net cash from financing activities</b>	<b>2,006</b>	13,576	17,244
Net increase in cash and cash equivalents	<b>(1,882)</b>	448	(684)
Cash and cash equivalents at 1 January	<b>2,844</b>	2,821	2,821
Cash acquired (restricted)	-	-	-
Effect of exchange rate fluctuations on cash held	-	(4)	707
<b>Cash and cash equivalents</b>	<b>962</b>	3,265	2,844
<b>Restricted cash include in cash and cash equivalents</b>	<b>-</b>	2,169	2,978

## **NOTES TO THE INTERIM ACCOUNTS FOR THE 6 MONTHS ENDED 30 JUNE 2009**

### **1. Basis of preparation**

Central African Gold Plc ('CAG' or 'the Company') is a company domiciled and incorporated in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months to 30 June 2009 comprise the Company and its subsidiaries (together referred to as 'the Group').

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The financial information contained in this interim report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2008 are not the Group's full statutory accounts for that financial year. Those accounts, released on 24 December 2009, have been reported on by the Group's auditors and will be delivered imminently to the Registrar of Companies. The report of the auditors was:

- (i) qualified based on the limitation of information available to them in respect of one subsidiary, CAG Ghana. While KPMG's work was not limited in respect of the other assets, liabilities, income and expenses of the group and they were able to obtain sufficient appropriate audit evidence over those amounts, because of the significance of the CAG Ghana balances to the group as a whole, KPMG have been unable to form a view on the consolidated financial statements.
- (ii) drew attention to the going concern assumption by way of emphasis of matter without qualifying their report, and
- (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company's registered office at Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AJ.

These condensed consolidated interim financial statements were approved by the Board of Directors ('the Board') on 23 December 2009.

The consolidated financial statements incorporate those of Central African Gold Plc and its subsidiary undertakings for the period. The current and the comparative half year financial statements to June have not been audited and have been prepared using accounting policies and practices consistent with those adopted in the audited financial statements for the year ended 31 December 2008.

The financial statements are presented in pounds sterling, rounded to the nearest thousand. The preparation of financial statements in conformity with adopted International Financial Reporting Standards ('IFRS') requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors believe, after making inquiries that they consider to be appropriate, that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board continues to adopt the going concern basis in preparing the financial statements for the following reasons:

- The Board have performed a detailed review of current trading which has included consideration of the Company's funding position as at the date of these interim results and the projected funding requirement covering the next 12 months.
- The repayment of the interim funding advanced during the period leading up to the capital raise has been deferred by the Company's major shareholder.
- The Company has no significant debt repayment obligations in the short term. The liability to Investec Bank has been settled. Repayment of the convertible loan notes, deferred until the sale of the Mali assets or April 2010, whichever is the earlier, has been deferred to April 2011.
- The major shareholders have committed additional funding to the Company in the form of new convertible loan notes.
- CAG has disposed of its Mali assets as announced on 18 December 2009 for a consideration of \$5 million.

The Board have held informal discussions with a number of the Company's shareholders and, in light of the value of the Company's gold reserves and the independent confirmation that those reserves can be successfully recovered, are confident of the continuing support of shareholders and therefore the continued funding of the business.

However, there is no assurance that the Group will be successful in these actions. These financial statements do not reflect the adjustments, which could be material, to the carrying value of assets and liabilities, the reported revenues, expenses and balance sheet classifications that would be necessary were the going concern assumption to be inappropriate.

#### **New standards, amendments and interpretations that are relevant to the Group but have not yet been adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2009, and have not been applied in preparing these condensed consolidated interim financial statements. The new standards that management believes will have an effect on the financial statements in future are as follows:

##### **IAS 1 – Presentation of Financial Statements**

The changes made require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from "non-owners" changes. The revision also includes changes in the titles of some of the financial statements to reflect their function more clearly.

##### **IAS 23 – Borrowing Costs (revised)**

The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

##### **IFRS 8 – Operating Segments**

This standard introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Group’s 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segment information by geographical location.

The Group does not expect the adoption of other new, or revisions to existing, standards or interpretations, issued by the IASB but not listed above, to have a material impact on the consolidated results or financial position of the Group.

## 2. Segmental information

Ghana	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	-	6,674	13,490
Profit / (loss) before tax	-	(4,102)	(26,541)
Income tax	-	72	471
Profit / (loss) for the period	-	(4,030)	(26,070)
Segment assets	-	42,854	37,369
Segment liabilities	-	(21,293)	(37,617)
Total net assets	-	21,561	(248)
Additions to non-current assets	-	7,279	4,608
Depreciation	-	1,138	1,895
Impairments	<b>(7,156)</b>	-	14,450
Zimbabwe	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	<b>293</b>	1,946	611
Profit / (loss) before tax	<b>(1,001)</b>	588	(683)
Income tax	-	(5)	(22)
Profit / (loss) for the period	<b>(1,001)</b>	583	(705)
Segment assets	<b>4,684</b>	882	6,268
Segment liabilities	<b>(2,104)</b>	(681)	(1,464)
Total net assets	<b>2,580</b>	201	3,347
Additions to non-current assets	-	243	1
Depreciation	-	-	-
Impairments	-	-	-

Mali	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	-	-	-
Profit / (loss) before tax	<b>(411)</b>	133	749
Income tax	-	-	-
Profit / (loss) for the period	<b>(411)</b>	133	749
Segment assets	<b>3,702</b>	3,994	4,715
Segment liabilities	<b>(65)</b>	(4,170)	(61)
Total net assets	<b>3,637</b>	(176)	4,654
Additions to non-current assets	<b>199</b>	793	1,377
Depreciation	<b>26</b>	25	53
Impairments	-	-	-
Botswana	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	-	-	-
Profit / (loss) before tax	-	-	-
Income tax	-	-	-
Profit / (loss) for the period	-	-	-
Segment assets	-	-	-
Segment liabilities	<b>(8)</b>	(150)	(8)
Total net assets	<b>(8)</b>	(150)	(8)
Additions to non-current assets	-	-	-
Depreciation	-	-	-
Impairments	-	-	-

Corporate	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	-	-	-
Profit / (loss) before tax	<b>327</b>	(2,582)	(508)
Income tax	-	-	-
Profit / (loss) for the period	<b>327</b>	(2,582)	(508)
Segment assets	<b>1,195</b>	3,020	528
Segment liabilities	<b>(3,131)</b>	(426)	(6,016)
Total net assets	<b>(1,936)</b>	2,594	(5,488)
Additions to non-current assets	-	22	25
Depreciation	-	88	136
Impairments	-	-	170
Group	<b>Unaudited Six months ended 30 June 2009</b>	Unaudited Six months ended 30 June 2008	Audited Twelve months ended 31 December 2008
<i>In thousands of pounds sterling</i>			
Revenue	<b>293</b>	8,620	14,101
Profit / (loss) before tax	<b>(1,085)</b>	(5,963)	(26,983)
Income tax	-	67	449
Profit / (loss) for the period	<b>(1,085)</b>	(5,896)	(26,534)
Segment assets	<b>9,581</b>	50,750	48,880
Segment liabilities	<b>(5,308)</b>	(26,723)	(45,106)
Total net assets	<b>4,273</b>	24,027	3,714
Additions to non-current assets	<b>158</b>	8,337	6,011
Depreciation	<b>114</b>	123	2,084
Impairments	<b>(7,156)</b>	-	14,620

### 3. Basic and diluted loss per share

Basic and diluted loss per share was based on the loss attributable to ordinary equity holders of the Company of £5.2 million (June 2008: £5.8 million) and the weighted average number of ordinary shares outstanding during the period of 495,319,139 (June 2008: 164,557,783).

#### 4. Subsequent events

Subsequent to the date of these financial statements, the Board conducted a formal disposal process in respect of the Mali exploration portfolio, pursuant to the statements issued in the circular to shareholders in March 2009. Whilst a number of offers were received, the cash component of the offers was considerably less than the Board anticipated. As a result, the Board believed that the cash likely to be available to the Company, subsequent to the disposal, would not be sufficient to repay the amounts due to Investec Asset Management and ECP Africa under the new loan agreements, together with the other creditors of the Company as they fell due.

To this end, CAG approached both Investec Asset Management Pty ('IAM') and ECP Africa ('ECP') seeking a deferral of the Company's obligations under the new loan agreements. IAM and ECP have agreed to extend the terms of the loans made available to the Company as described in a circular sent to shareholders on 27 March 2009, amounting to US\$2.2 million and US\$1.8 million respectively. These loans now have a new maturity date of 29 April 2011 (previously the earlier date of 14 April 2010 or within five days of the receipt of funds by the Company from the sale of its entire shareholding in Mali Goldfields SA and Songhoï Resources SA).

Additionally, CAG has entered into new Convertible Loan Agreements ('the Convertible Loan Agreements') with HBD Zim Investments Limited ('HBD'), ECP and IAM, (together, 'the Lenders'). The Convertible Loan Agreements total circa US\$[1.35 million] (approximately £816,000) and amount to US\$397,267 from HBD (approximately £238,924), US\$705,070 from EPC (approximately £424,048) and US\$250,000 from IAM (approximately £151,167). All loan amounts used the rate of exchange prevailing on the date of the agreement). The funds received by the Company under the Convertible Loan Agreements carry interest at 10 per cent. per annum, compounded monthly in arrears with the full amount payable on the maturity date, 29 April 2011. There is no penalty for early repayment of the loans.

The terms of the Convertible Loan Agreements provide that the Lenders have the right to convert all, but not part only, of the loans at the conversion price of the lesser of 0.9 pence per ordinary share and ten (10) percent below the USD equivalent of any price at which the Borrower issues Shares while any amount of the Loan remains repayable to the Lender. Under the terms of the Convertible Loan Agreements, each of the Lenders acknowledge that the Company does not have the capacity to issue the full number of shares issuable should they wish to convert the loans and that, should the Company not receive the required shareholders approval needed to create and issue all of the shares issuable on conversion, the Lenders shall only be able to exercise their conversion rights to the extent that such shares exist and the directors have the relevant authorities.

As announced on 18 December 2010, the Company has entered into a binding agreement to dispose of its 80 per cent. equity interests in each of Mali Goldfields SARL and Songhoï Resources SA (together 'the Malian Assets') ('the Disposal') to Colonial Resources Limited ('Colonial') ('the Agreement') for a total consideration of US\$5.0 million ('the Consideration'). As at 31 December 2008, the Malian Assets, which are early stage gold exploration assets, consisting of 17 prospective permits spanning circa 2,600km<sup>2</sup> of the Birimian strata, were recorded as having a book value of £3.8 million.

5. Contingent liabilities

There were no contingent liabilities at 30 June 2009 required to be disclosed in the Group's financial statements.

6. Approval of accounts

These interim financial statements were approved by the directors on 20 December 2009.

**RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM FINANCIAL REPORT**

The Board confirms that to the best of their knowledge:

- the condensed set of financial statements have been prepared in accordance with IAS34 Interim Financial Reporting as adopted by the EU,
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principle risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**\*\* ENDS \*\***

**For further information please visit [www.centralafricangold.com](http://www.centralafricangold.com) or contact:**

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