African Eagle Resources plc

Consolidated Half Year Financial Statements 30 June 2008

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Dear Shareholder

The six months covered by this interim report and, indeed, to September, has been a period in which the markets have recoiled from risk, actual or perceived, and smaller companies in general, and miners and explorers in particular, have been grouped together and seen as uniformly risky regardless of the qualities that distinguish one company from another. That it is, for the most part, a crisis generated by factors and actions outside of the resources world is irrelevant when we and our peers have been affected by it to the degree that we have.

However, despite our recent share price history, African Eagle's fundamentals have improved considerably since I wrote to you last in the 2007 Annual Report. There are two key points which I would like to make on your Company in the context of these markets:

- firstly, with regard to our assets, African Eagle has never been in a stronger position than it is now; and
- secondly, that market fundamentals are more likely than not to keep metals prices above long-term averages.

Mkushi is close to feasibility, we have the thrilling nickel discoveries at Dutwa and Zanzui, and cash in the bank. We have also made excellent progress at several of our other projects.

Demand from China and India remains

In the world outside, there are still a billion housewives in China and India who want that washing machine, refrigerator and air conditioner, and those nations will have to build the infrastructure to support these demands. History shows us that metal consumption per capita is far higher during this development phase of economies than it is when nations are already rich, and that remains a positive aspect for the minerals industry from where the metal and services required to meet those aspirations originate.

Of course, there will be troughs and peaks in market sentiment and metal prices as the current credit crisis resolves itself but with the current inability of juniors to raise financing, delays in exploring and bringing exploration discoveries to production and the ultimate demise of many cash poor explorers, it is my view that pressure will be brought to bear on the supply side of the equation. Companies like African Eagle which have cash resources and can resist returning to the markets will survive this downturn. With our assets, I believe we will emerge stronger as metal prices increase and sanity returns to a sector that needs explorers to provide for the future.

Major laterite discovery at Dutwa

From the beginning of the year to late September, we have made what we believe to be a major nickel laterite discovery at Dutwa, in the eastern Lake Victoria Goldfields in Tanzania.

RC drill results to date from Dutwa include:

- 30m at 2.26% nickel from 12m depth, including 15m at 3.60%
- 63m at 1.07% nickel from surface, including 30m at 1.35%
- 48m at 1.32% nickel from 3m depth, including 6m at 2.39%
- 51m at 1.22% nickel from surface, including 6m at 2.44%
- 36m at 1.67% nickel from 15m depth, including 12m at 3.15%

The grades we are seeing at Dutwa are comparable with those at many major nickel laterite deposits worldwide and these early results, coupled with the extent of the geochemical anomaly, suggest a substantial nickel endowment. This is a highly significant discovery, the first of its type in Tanzania, and appears very promising. I hope to bring you much more on this project on a regular basis over the coming months. Some 70 km to the south of Dutwa is the Zanzui project, which is also beginning to show similar signs of nickel mineralogy.

Mkushi feasibility nearing completion

The Mkushi Feasibility study is nearing completion and we will report on this separately in due course. During the period the resource at Mkushi was updated to 18.5 Mt at a grade of 0.83% copper, the full Mining Licence application was approved by the Government of Zambia and new drill results were reported which included:

- 9.0% copper over 6m from depth 180m
- 1.9% copper over 22m from depth 3m
- 2.4% copper over 18m from depth 53m
- 2.9% copper over 13m from depth 12m

Progress at Miyabi, Ndola, Sasare/Eagle Eye and Mokambo

We have regained unencumbered control of both the Miyabi gold project in Tanzania and the Ndola copper project in Zambia.

Randgold Resources' exploration at Miyabi was directed principally at testing their conceptual deposit model and was not intended to increase the existing 500,000+ oz resource in the Miyabi Gold Corridor. Their decision not to proceed was a function of their intention to focus exploration efforts on West Africa.

Now that African Eagle has regained full control and ownership of the project, we will resume work building on the existing gold resources, using the extensive results of the regional exploration, geological drilling and structural modelling generated by Randgold's team over the past 15 months, together with the gold mineralised targets identified from our own exploration.

We are currently in discussions with other groups on new joint ventures to take Miyabi forward.

At Ndola, whilst we are disappointed that Phelps Dodge Mining Zambia Limited (PDMZ) chose not to continue with the project, we recognise that they have different priorities. PDMZ injected $2.27M into exploration into the project, generating four copper exploration targets which we expect to follow up with new partners in due course.

At Mweze, in the Sasare/Eagle Eye project area we discovered high grade copper mineralisation with one drill hole intercept of 4.03% Cu over 33m. We have also begun an internal assessment of an iron ore occurrence in the south of the project area and uranium exploration continued in the north.

Diamond drilling in partnership with Copperbelt Minerals has continued at Mokambo on the Zambian Copperbelt and we await a number of assays from this programme.

Strategic stake by TWP

In March, TWP, a major South African mining services contractor, took a strategic 5% shareholding in African Eagle. TWP has skills, capabilities and assets which complement African Eagle's own assets and skills.

Concentration of effort

There remain many more excellent assets in African Eagle's portfolio and we will continue to maintain these and seek other parties to assist us in progressing them but in these parlous times it is our first duty as a board to survive the downturn and to do so we must actively control our outgoings. Given the current markets we have decided to concentrate our efforts on a few advanced exploration programmes and joint venture partnerships in the second half of 2008 in order to drive these up the value curve and thus we will scale down exploration activities on a number of our other project areas.

Our principal exploration focus, therefore, over the next six months will be on the Dutwa and Zanzui projects where we expect to advance the nickel potential of the former to resource status, on a timely decision as to the development of the Mkushi copper project and on the securing of new partners for our other projects.

I look forward to reporting on all these in the Annual Report for 2008.

John Park
Chairman

Key Financial Data	**6 months to 30 June 2008 Unaudited**	**6 months to 30 June 2007 Unaudited**	**Year to 31 December 2007 Audited**
	£	**£**	**£**
Loss before tax	(808,647)	(444,709)	(1,126,868)
Cash and cash equivalents	4,631,777	1,711,806	7,051,744
Investment in associates	2,362,972	-	1,809,901
Deferred exploration costs	10,925,073	8,683,795	8,441,854
Net Assets	18,228,712	10,791,136	17,560,197
Loss per share – basic & diluted	(0.4p)	(0.3p)	(0.7p)
Headline loss per share – basic & diluted	(0.4p)	(0.3p)	(0.6p)

The loss for the 6 months to 30 June 2008 at £808,647 is £363,938 higher than for the corresponding period last year. This variance can be explained by: share based payments (+£278,353); impairment of deferred exploration expenditure (+£39,730); foreign exchange movement (+£63,102); professional fees (+£29,943) and conferences (+£24,751). The increase in costs was partly off-set by an increase in bank interest of (-£90,667).

Deferred exploration costs at £10.9M includes: Miyabi, Tanzania (£2.3M), Sasare/Eagle Eye, Zambia (£1.8M); Ndola, Zambia (£1.7M) and Mokambo, Zambia (£0.5M). The main operational activity undertaken by the Company during the first half of 2008 has been at Igurubi and Dutwa in Tanzania and Ndola and Mokambo in Zambia. This work has been financed through a combination of our own resources and those of our JV partners. Investment in Associates relates to the Company's 49% interest in Mkushi Copper Joint Ventures Ltd. Mkushi was treated under deferred exploration costs at June 2007.

Cash and cash equivalents at the end of June 2008 is £4.6M of which £3.3M is on deposit. Other receivables at £748k are £454k above last year mainly due to higher balances owing by JV partners. Expenditure in the second half of 2008 will be under tight control and focused on progressing our Nickel laterite discovery at Dutwa. Funding exploration at Miyabi, Ndola and Sasare/Eagle Eye will be dependant on securing partners for these projects.

Other payables at the end of June 2008 amounted to £707k which is £514k above the June 2007 level. This increase is principally due to drilling and other contractor costs.

Net assets at £18.2M are £7.4M up on June 2007. This variance arises from higher non-current assets (£4.6M) and higher cash (£2.8M).

Share capital and share premium increased by £7.5M over June 2007. This increase was a result of listing on the JSE Limited (AltX) in August 2007 at which time the Company raised £7.4M gross.

Condensed Consolidated Half Year Income Statement

Consolidated Half Year Financial Statements For the period ended 30 June 2008

	Note	6 months to 30 June 2008 Unaudited	6 months to 30 June 2007 Unaudited	Year to 31 December 2007 Audited
		£	£	£
Depreciation expense		(40,914)	(41,894)	(83,023)
Employee benefits expense		(545,192)	(271,099)	(622,395)
Impairment of deferred exploration expenditure		(83,738)	(44,008)	(131,668)
Other expenses		(252,760)	(174,100)	(534,542)
Operating loss		(922,604)	(531,101)	(1,371,628)
Finance costs:				
Bank interest receivable		149,977	59,310	216,623
Foreign exchange gain/(loss)		(36,020)	27,082	28,137
Loss before tax		(808,647)	(444,709)	(1,126,868)
Income tax expense		-	-	-
Loss for the period		(808,647)	(444,709)	(1,126,868)
Loss per share:				
Basic loss per share from total and continuing operations	4	(0.4p)	(0.3p)	(0.7p)
Diluted loss per share from total and continuing operations	4	(0.4p)	(0.3p)	(0.7p)
Headline loss per share from total and continuing operations	4	(0.4p)	(0.3p)	(0.6p)
Diluted headline loss per share from total and continuing operations	4	(0.4p)	(0.3p)	(0.6p)

All operations are continuing.

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Half Year Balance Sheet

Consolidated Half Year Financial Statements For the period ended 30 June 2008

	Note	30 June 2008 Unaudited	30 June 2007 Unaudited	31 Dec 2007 Audited
		£	£	£
ASSETS				
Non-current assets				
Property, plant and equipment		160,798	178,426	156,337
Goodwill		103,188	106,188	103,188
Available for sale investments		3,783	9,819	6,462
Investment in associates		2,362,972	-	1,809,901
Deferred exploration costs		10,925,073	8,683,795	8,441,854
Total non-current assets		13,555,814	8,978,228	10,517,742
Current assets				
Other receivables		747,774	294,364	383,339
Cash and cash equivalents		4,631,777	1,711,806	7,051,744
Total current assets		5,379,551	2,006,170	7,435,083
Total assets		18,935,365	10,984,398	17,952,825
LIABILITIES				
Current liabilities				
Other payables		(706,653)	(193,262)	(392,628)
Total liabilities		(706,653)	(193,262)	(392,628)
Net assets		18,228,712	10,791,136	17,560,197
EQUITY				
Equity attributable to equity holders of parent				
Share capital		2,125,402	1,540,341	2,123,402
Share premium account		19,325,622	12,415,012	19,311,622
Merger reserve		705,723	705,723	705,723
Available for sale revaluation reserve		(11,878)	(8,169)	(9,199)
Foreign currency reserve		(83,054)	(1,006,936)	(1,189,274)
Retained losses		(3,833,103)	(2,854,835)	(3,382,077)
Total equity		**18,228,712**	**10,791,136**	**17,560,197**

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital £	Share premium account £	Merger reserve £	Available for sale revaluation reserve £	Foreign currency reserve £	Retained Losses £	Total equity Audited £
Balance at 31 December 2006		1,478,249	11,803,913	705,723	(7,929)	(1,471,535)	(2,489,394)	10,019,027
Changes in equity for 2007								
Loss for year		-	-	-	-	-	(1,126,868)	(1,126,868)
Exchange differences on translation of foreign operations		-	-	-	-	282,261	-	282,261
Available for sale investments		-	-	-	(1,270)	-	-	(1,270)
Total recognised income and expense for the year		1,478,249	11,803,913	705,723	(9,199)	(1,189,274)	(3,616,262)	9,173,150
Issue of share capital		645,153	8,039,188	-	-	-	-	8,684,341
Share issue costs		-	(531,479)	-	-	-	-	(531,479)
Share based payments		-	-	-	-	-	234,185	234,185
Balance at 31 December 2007		**2,123,402**	**19,311,622**	**705,723**	**(9,199)**	**(1,189,274)**	**(3,382,077)**	**17,560,197**

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity (continued)

	Note	Share capital £	Share premium account £	Merger reserve £	Available for sale revaluation reserve £	Foreign currency reserve £	Retained losses £	Total equity Unaudited £
Balance at 31 December 2006		1,478,249	11,803,913	705,723	(7,929)	(1,471,535)	(2,489,394)	10,019,027
Changes in equity for first half of 2007								
Loss for period		-	-	-	-	-	(444,709)	(444,709)
Exchange differences on translation of foreign operations		-	-	-	-	464,599	-	464,599
Available for sale investments		-	-	-	(240)	-	-	(240)
Total recognised income and expense for the period		1,478,249	11,803,913	705,723	(8,169)	(1,006,936)	(2,934,103)	10,038,677
Issue of share capital		62,092	613,535	-	-	-	-	675,627
Share issue costs		-	(2,436)	-	-	-	-	(2,436)
Share based payments		-	-	-	-	-	79,268	79,268
Balance at 30 June 2007		**1,540,341**	**12,415,012**	**705,723**	**(8,169)**	**(1,006,936)**	**(2,854,835)**	**10,791,136**

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity (continued)

	Note	Share Capital £	Share premium account £	Merger reserve £	Available for sale revaluation reserve £	Foreign currency reserve £	Retained Losses £	Total equity Unaudited £
Balance at 31 December 2007		**2,123,402**	**19,311,622**	**705,723**	**(9,199)**	**(1,189,274)**	**(3,382,077)**	**17,560,197**
Changes in equity for first half of 2008								
Loss for period		-	-	-	-	-	(808,647)	(808,647)
Exchange differences on translation of foreign operations		-	-	-	-	1,106,220	-	1,106,220
Available for sale investments		-	-	-	(2,679)	-	-	(2,679)
Total recognised income and expense for the period		2,123,402	19,311,622	705,723	(11,878)	(83,054)	(4,190,724)	17,855,091
Issue of share capital		2,000	14,000	-	-	-	-	16,000
Share issue costs		-	-	-	-	-	-	-
Share based payments		-	-	-	-	-	357,621	357,621
Balance at 30 June 2008		**2,125,402**	**19,325,622**	**705,723**	**(11,878)**	**(83,054)**	**(3,833,103)**	**18,228,712**

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Half Year Cash Flow Statement

	Note	6 months to 30 June 2008 Unaudited	6 months to 30 June 2007 Unaudited	Year to 31 December 2007 Audited
		£	£	£
Cash flows from operating activities				
Loss after taxation		(808,647)	(444,709)	(1,126,868)
Adjustments for:				
Depreciation		40,914	41,894	83,023
Exchange loss		1,298	-	(25)
Profit on disposal of property, plant and equipment		-	(512)	(516)
Interest received		(149,977)	(59,310)	(216,623)
Impairment of deferred exploration expenditure		83,738	44,008	131,668
Share based payments		357,621	79,268	234,185
MCJV – Group share of the loss		-	-	4,118
Impairment of investments for resale		-	-	2,335
Impairment of goodwill		-	-	3,000
Increase in other receivables		(320,049)	(43,149)	(135,999)
(Decrease)/increase in other payables		(9,488)	21,315	32,068
Net cash used in operating activities		(804,590)	(361,195)	(989,634)
Cash flows from investing activities				
Payments to acquire property, plant and equipment		(31,391)	(55,917)	(78,280)
Payments for deferred exploration expenditure		(1,571,051)	(1,134,568)	(2,775,401)
Investments in associates		(194,519)	-	-
Proceeds from sale of tangible assets		-	512	516
Interest received		149,977	59,310	216,623
Net cash used in investing activities		(1,646,984)	(1,130,663)	(2,636,542)
Cash flows from financing activities				
Proceeds from issue of share capital		16,000	673,191	8,152,862
Net cash used from financing activities		16,000	673,191	8,152,862
Net (decrease)/increase in cash and cash equivalents		(2,435,574)	(818,667)	4,526,686
Cash and cash equivalents at beginning of period		7,051,744	2,516,712	2,516,712
Exchange gain		15,607	13,761	8,346
Cash and cash equivalents at end of period		4,631,777	1,711,806	7,051,744

The accompanying notes form an integral part of these consolidated financial statements.

1 Nature of Operations and General Information

African Eagle Resources plc ("African Eagle" or the "Company") is a public limited company incorporated and domiciled in England and is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and the Alternative Exchange of the JSE Limited (AltX). African Eagle is a holding company of a mineral exploration and development group of companies (the "Group"). The principal activities of the Group are the exploration and development of mineral deposits, especially copper, gold and nickel, in Tanzania, Zambia and Mozambique.

African Eagle's unaudited consolidated half year financial statements ("Financial Statements") are presented in pounds sterling (£), which is also the functional currency of the parent company. The Financial Statements were approved for issue by the Board of Directors on 25 September 2008.

2 Basis of Preparation

The Financial Statements are for the six months ended 30 June 2008. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2007, which were prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements have been prepared under the historical cost convention except for share based payments which are valued at the date of grant.

The Directors have adopted the going concern basis in preparing the Financial Statements and in accordance with accounting policies consistent with those set out in the Group's financial statements for the year ended 31 December 2007, which were prepared in accordance with IFRS as adopted by the EU.

The comparative amounts in the Financial Statements include extracts from the Company's consolidated financial statements for the year ended 31 December 2007. These extracts do not constitute statutory accounts under s240 of the Companies Act 1985 (the "Act").

3 Share Issues

During the period to 30 June 2008, 200,000 shares were issued to satisfy share options previously granted under the Company's employee share option scheme. Shares allotted in 2007 and 2008 are detailed below:

6 months to 30 June 2008	**Number**	**Share Capital (£)**	**Share Premium (£)**
At 1 January 2008	212,340,128	2,123,402	19,311,622
Issue of shares	200,000	2,000	14,000
Expenses on share issues	-	-	-
At 30 June 2008	**212,540,128**	**2,125,402**	**19,325,622**

6 months to 30 June 2007	**Number**	**Share Capital (£)**	**Share Premium (£)**
At 1 January 2007	147,824,890	1,478,249	11,803,913
Issue of shares	6,209,254	62,092	613,535
Expenses on share issues	-	-	(2,436)
At 30 June 2007	**154,034,144**	**1,540,341**	**12,415,012**

3 Share Issues (continued)

Year to 31 December 2007	Number	Share Capital (£)	Share Premium (£)
At 1 January 2007	147,824,890	1,478,249	11,803,913
Issue of shares	64,515,238	645,153	8,039,188
Expenses on share issues	-	-	(531,479)
At 31 December 2007	**212,340,128**	**2,123,402**	**19,311,622**

4 Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in issue during the period. In calculating the diluted loss per share potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be anti-dilutive.

Loss per share	6 months to 30 June 2008 £	6 months to 30 June 2007 £	Year to 31 December 2007 £
Loss for the period	(808,647)	(444,709)	(1,126,868)
Weighted average number of shares in issue	212,394,524	152,144,955	172,383,883
Basic & diluted headline loss per share	(0.4p)	(0.3p)	(0.7p)

(b) Headline loss per share

Headline loss per share has been calculated in accordance with the Institute of Investment Management and Research's ("IIMR") Statement of Investment Practice No.1 entitled 'The Definition of Headline Earnings' and the South African Institute of Chartered Accountants Circular 8/2007 entitled Headline Earnings. The calculation of headline loss per share is net of tax at the UK prevailing rate of 30% for 2007 and 28% for 2008. No diluted headline loss per share has been calculated as it would be anti-dilutive by reducing the headline loss per share.

Headline loss per share	6 months to 30 June 2008 £	6 months to 30 June 2007 £	Year to 31 December 2007 £
Loss for the period	(808,647)	(444,709)	(1,126,868)
Adjusted for:			
Less profit on sale of fixed assets	-	(358)	(361)
Plus impairment of exploration assets	60,291	30,086	92,168
Plus Group share of associated loss	-	-	2,883
Plus impairment of goodwill	-	-	2,100
Plus impairment of available for sale financial assets	-	-	1,635
Headline loss (Net) for the period	(748,355)	(414,262)	(1,028,443)
Weighted average number of shares in issue	212,394,524	152,144,955	172,383,883
Basic & diluted headline loss per share	(0.4p)	(0.3p)	(0.6p)

5 Intangibles

At 30 June 2008

	Goodwill on consolidation £	Deferred Exploration costs £	Total £
Cost:			
At 1 January 2008	103,188	8,441,854	8,545,042
Foreign currency exchange differences	-	694,451	694,451
Additions	-	1,872,506	1,872,506
Impairment costs	-	(83,738)	(83,738)
At 30 June 2008	**103,188**	**10,925,073**	**11,028,261**

At 30 June 2007

	Goodwill on consolidation £	Purchased goodwill £	Deferred Exploration costs £	Total £
Cost:				
At 1 January 2007	103,188	3,000	7,172,869	7,279,057
Foreign currency exchange differences	-	-	430,622	430,622
Additions	-	-	1,124,312	1,124,312
Impairment costs	-	-	(44,008)	(44,008)
At 30 June 2007	**103,188**	**3,000**	**8,683,795**	**8,789,983**

At 31 December 2007

	Goodwill on consolidation £	Purchased goodwill £	Deferred Exploration costs £	Total £
Cost:				
At 1 January 2007	103,188	3,000	7,172,869	7,279,057
Foreign currency exchange differences	-	-	260,330	260,330
Additions	-	-	2,954,342	2,954,342
Transfer to investment in associates	-	-	(1,814,019)	(1,814,019)
Impairment costs	-	(3,000)	(131,668)	(134,668)
At 31 December 2007	**103,188**	**-**	**8,441,854**	**8,545,042**

Goodwill is reviewed annually for impairment or when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill on consolidation relates to the acquisition of Katanga Resources Ltd in 2002. The goodwill is linked to the recovery of the deferred exploration costs on the Katanga mineral licences. The directors have reviewed the Katanga deferred exploration costs by licence in conjunction with the goodwill on consolidation and believe the goodwill to be fairly valued.

Following the incorporation of Mkushi Copper Joint Ventures Ltd in 2007 the Mkushi exploration licences were transferred to the joint venture company. The Mkushi intangible asset was in turn transferred to investments under Non-current assets in the consolidated balance sheet.