



AFRICAN ENERGY

ARBN 123 316 781

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**For the Annual General Meeting to be held on Tuesday, 23 November 2010
at 3.00pm (Western Standard Time)
at Level 1, 8 Colin Street, West Perth, 6005, Western Australia**

**and also via phone link at the Company's registered office
Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS
which will commence at 7.00am (Guernsey time) on Tuesday, 23 November 2010**

***This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult your professional advisers.***

***If you are unable to attend the Meeting, please complete the form of proxy enclosed
and return it in accordance with the instructions set out on that form.***

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TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

This Annual General Meeting of the Shareholders of African Energy Resources Limited will be held at:

Australia:

**Level 1
8 Colin Street
West Perth 6005
Western Australia**

Commencing:

**at 3.00pm (Western Standard Time)
on Tuesday, 23 November 2010**

And also via phone link at our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 7.00am (Guernsey time) on Tuesday, 23 November 2010.

The Directors have set a date to determine the identity of those entitled to attend, speak and vote at the Meeting. The date is 21 November 2010 at 3.00pm (Western Standard Time).

How you will be able to vote depends on if you a Shareholder or a Chess Depository Interest (CDI) holder, the majority of voters will be CDI holders. Both methods are listed below:

Shareholders

Ordinary Shareholders may vote by attending the Meeting in person, by proxy or by authorised representative.

Shareholders of the Company, entitled to attend, speak and vote are entitled to appoint one or more proxies to attend, speak and vote at this Meeting. The completion and return of a valid form of proxy will not prevent holders of ordinary Shares from attending, speaking and voting in person at the Meeting if so desired. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

Voting in Person

To vote in person you need to attend the Meeting on the date and at the place (in Australia or Guernsey) set out above. The meeting will commence at 3.00pm (Western Standard Time).

The phone link with our registered office, at Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS will commence at 7.00am (Guernsey time) on Tuesday, 23 November 2010.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and return to the company as per the information outlined below.

Attendance at Meeting

All holders of Shares appearing in the Company's Register of Shareholders at 3.00 pm (WST) on Sunday, 21 November 2010 will be entitled to attend and vote at the Meeting.

CHESS Depository Interests

Holders of CHESS Depository Interests (CDI) are invited to attend and speak at the Meeting but are not entitled to vote at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the CDI Notice of Direction (as enclosed with the Notice of General Meeting) as per the information below so that CHESS Depository Nominees Pty Ltd (CDN) can vote the underlying Shares on their behalf.

Proxy and CDI notice forms

- return the form (by delivery) to the Company's office at Level 1, 8 Colin Street, West Perth, Western Australia; or
- return the form (by post) to the Company's office at PO Box 886, West Perth, Western Australia, 6872; or
- send the form by email to email address info@africanenergyresources.com; or
- send the form by facsimile to facsimile number +61 8 6465 5599.

so that it is received not later than 3.00pm (Western Standard Time) on Sunday, 21 November 2010.

Your proxy form or CDI notice of direction form is enclosed with this notice, depending on your holder status.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of African Energy Resources Limited will be held at Level 1, 8 Colin Street, West Perth, Western Australia on Tuesday, 23 November 2010 at 3.00pm (Western Standard Time) and also via phone link at our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 7.00am (Guernsey time) on Tuesday, 23 November 2010 for the purpose of transacting the business set out below.

The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Resolution 1 – Receipt of Financial Statements and Reports

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the Company consider and receive the profit and loss account and the balance sheet of the Company for the financial year ended 30 June 2010 and the reports of the Directors and Auditors thereon."

Short Explanation: The Articles require that a profit and loss account, a balance sheet, a report of the Directors and a report of the Auditors be laid before the Company as its ordinary general meeting each year.

Resolution 2 – Re-election of Director – Gregory Fry

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Gregory Fry, who retires by rotation in accordance with article 129 of the Articles of Association of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a Director of the Company."

Short Explanation: Gregory Fry has been a Director of the Company since 22 August 2006. Gregory Fry is presented for re-election in accordance with the rotation requirements of the Articles.

Resolution 3 – Re-election of Director – Alasdair Cooke

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Alasdair Cooke, who retires in accordance with article 129 of the Articles of Association of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a Director of the Company."

Short Explanation: Alasdair Cooke has been a Director of the Company since 22 August 2006. Alasdair Cooke is presented for re-election in accordance with the rotation requirements of the Articles.

SPECIAL BUSINESS

Resolution 4 – Ratification of Options issued to Employees and Consultants

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, the Company approves and ratifies the issue of 625,000 options to acquire fully paid ordinary shares in the capital of the Company issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without Shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the options to employees and consultants, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold. Please refer to the Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue that is the subject of this Resolution and any associates of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 5 – Ratification of 15c Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 of the Listing Rules of the ASX Limited and for all other purposes, the Company approves and ratifies the issue of 27,969,998 fully paid ordinary shares in the capital of the Company at 15 cents each on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the securities to the allottees, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold. Please refer to the Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue that is the subject of this Resolution and any associates of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 6 – Approval of Employee Share Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the issue of securities under the employee share option plan called the "African Energy Resources Employee Share Option Plan", a summary of which is contained in the Explanatory Statement, as an exception to Listing Rule 7.1 of the Listing Rules of ASX Limited."

Short Explanation: Shareholders must approve the issue of securities under an employee incentive scheme to be an exception to the requirements of Listing Rule 7.1.

Voting exclusion: The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in the African Energy Resources Share Option Plan) and any associate of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD



Daniel Davis
Company Secretary
Dated: 22 October 2010

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

RESOLUTION 1 – RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

The Company's 2010 Annual Report contains the financial statements of the Company for the financial year ended 30 June 2010. It also contains a report by the Directors and the Company's auditors.

Pursuant to article 83 of the Articles, the ordinary business of an Annual General Meeting of the Company is to receive and consider the profit and loss account and the balance sheet of the Company and the reports of the Directors and the auditors. Article 206 requires a balance sheet and profit and loss to be laid before the Company at its Annual General Meeting each year together with a report by the Directors and a report by the Company's auditors.

The Directors recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GREGORY FRY

Mr Fry was appointed a director of the Company on 22 August 2006.

Pursuant to article 129 of the Articles, Mr Fry, being a Director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Details of the qualifications and experience of Mr Fry are set out in the 2010 Annual Report for the Company.

RESOLUTION 3 – RE-ELECTION OF DIRECTOR – ALASDAIR COOKE

Mr Cooke was appointed a director of the Company on 22 August 2006.

Pursuant to article 129 of the Articles, Mr Cooke, being a Director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Details of the qualifications and experience of Mr Cooke are set out in the 2010 Annual Report for the Company.

RESOLUTION 4 – RATIFICATION OF OPTIONS ISSUED TO EMPLOYEES AND CONSULTANTS

The Company has recently issued collectively 625,000 Options to acquire fully paid ordinary shares in the capital of the Company to employees and consultants of the Company using the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1.

Resolution 4 seeks to ratify this issue of Options.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides, subject to certain exceptions, without shareholder approval, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

The Company issued 625,000 Options within its 15% capacity under Listing Rule 7.1. The Company now seeks Shareholder approval to ratify this issue and refresh the 15% capacity.

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

- (a) The number of Options allotted was 625,000 Options.
- (b) The Options were issued for nil consideration.
- (c) 375,000 of the Options have an exercise price of 12.5 cents each and an expiry date 31 December 2013. For each allottee of the Options, 50% of the Options will vest on 16 March 2011 and the remaining 50% of the Options will vest on 1 July 2011 providing, each allottee is continuously employed or engaged (as the case may be) by the Company up until 1 July 2011. Otherwise, the full terms of the Options are set out in Annexure 1.
- (d) 250,000 of the Options have an exercise price of 12.5 cents each and an expiry date 31 December 2013. For each allottee of the Options, the Options will vest immediately. Otherwise, the full terms of the Options are set out in Annexure 2.
- (e) The Options were issued to employees and consultants of the Company.
- (f) No funds were raised from the issue of Options.

RESOLUTION 5 – RATIFICATION OF 15 CENT PLACEMENT

Background

On 4 December 2009, the Company issued 27,969,998 Shares at 15 cents each to raise \$4,195,500 using the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1. Resolution 5 seeks to ratify this private placement of securities.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides, subject to certain exceptions, without Shareholder approval, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

The Company issued 27,969,998 Shares under the placement within its 15% capacity under Listing Rule 7.1. The Company now seeks Shareholder approval to ratify this issue and refresh the 15% capacity.

- a) For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders: The number of securities allotted is 27,969,998 Shares.
- b) The Shares were issued at an issue price of 15 cents each.
- c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares.
- d) The allottees of the Shares were investors entitled to accept offers of securities under section 708 of the Corporations Act being institutional and sophisticated investors. None of the allottees are related parties of the Company.
- e) The Company utilised the funds raised from the issue of Shares to advance exploration at high priority uranium targets in Zambia and Botswana.

RESOLUTION 6 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

On 13 November 2006, the Directors resolved to adopt the Company's Employee Share Option Plan ("**Plan**"). ASX Listing Rule 7.1 provides that, without shareholder approval, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue. This rule does not apply to an issue of securities under an employee incentive scheme if the scheme was established before the entity was listed and a summary of the terms of the scheme were set out in a prospectus.

The Company was admitted to the Official List of ASX on 16 April 2007. A summary of the terms of the Plan were set out in the prospectus issued by the Company as part of the initial public offer and listing on ASX. Therefore the Company has been able to rely on this exception (exception 9 of ASX Listing Rule 7.2) for issues of securities made under the Plan.

However, exception 9 of ASX Listing Rule 7.2 is only effective for issues of securities made under a scheme for three years. Therefore, to continue to rely on exception 9 of ASX Listing Rule 7.2 Shareholders must approve the issue of securities under the Plan.

The Plan provides a means of attracting and retaining Directors, key employees and rewarding existing employees for their ongoing service to the Company. All Directors and permanent full-time and part-time employees will be eligible to participate in the Plan. The grant of employee options under the Plan is designed to provide meaningful incentives to those persons to pursue the optimal performance of the Company. The grant of options to any Director will require the specific approval of Shareholders.

Under the Plan, the Board may offer to eligible employees the opportunity to subscribe for employee options in the Company on the terms set out in the rules of the Plan, a summary of which is set out below. Participation in the Plan will be offered to eligible employees at the Board's discretion but based on a consideration of, among other things, the seniority of the person, the length of service of the eligible employee with the Company and the potential contribution of the eligible employee to the growth of the Company.

The Company has issued 2,000,000 employee options under the Plan since 16 April 2007 being the date of the Company was admitted to the Official List of ASX.

SUMMARY OF AFRICAN ENERGY RESOURCES EMPLOYEE SHARE OPTION PLAN

A summary of the terms of the Plan is set out below:

- (a) Under the Plan the Company may offer options to subscribe for shares in the Company to Eligible Persons. Directors and part-time or full-time employees of the Company are "Eligible Persons" for the purposes of the Plan. Eligible Persons may nominate a nominee to hold options in their place.

- (b) The Board may determine that an Eligible Person is entitled to participate in the Plan and the extent of that entitlement after consideration of specified matters.
- (c) Options offered under the Plan are to be offered on such terms as the Board determines and the offer must set out specified information including the number of options, the period of the offer, the period during which the options may be exercised and the expiry date and calculation of the exercise price. The exercise price is to be determined by the Board with reference to the market value of the shares at the time of resolving to offer the options. Eligible Persons may accept the whole or a lesser number of the options offered to them.
- (d) No consideration is payable for the grant of the options unless the Board decides otherwise and the Company will not apply for official quotation of the options.
- (e) The options are not transferable except to the options holder's personal representative in the event of the death of the holder of the options.
- (f) The options may be exercised in whole or part by notice to the Company accompanied by payment of the required exercise price. Within 10 business days of exercise the Board must issue the required number of shares, which will rank pari passu with previously issued shares.
- (g) The options may be exercised prior to the expiry date determined by the Board as the date on which an option will expire to be notified at the time of the offer of the relevant options but in any event no longer than five years from the date of grant of the options. Any options not exercised by that time will lapse.
- (h) Notwithstanding the terms of the options but subject to the Listing Rules and relevant laws, the options must be exercised in the event of specified occurrences including a change of control allowing replacement of all or a majority of the Board or during the period of a takeover bid for the Company or if a court orders a meeting for a proposed compromise or arrangement.
- (i) Unless the Board determines otherwise, if an Eligible Person ceases to be an Eligible Person prior to the earliest date for exercise of their options, for any other reason other than a "Specified Reason" (being retirement at age 60 or over, permanent disability, redundancy or death), the options held by them or their nominee will automatically lapse. If an Eligible Person ceases to be an Eligible Person prior to the earliest date for exercise of their options because of a Specified Reason, the Board may, in its absolute discretion, waive or vary any conditions of exercise in regard to the options held by that Eligible Person, in which case that Eligible Person or their nominee will have three months or such longer period as the Board determines to exercise their options. If an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their options for any other reason other than a Specified Reason, such Eligible Person or their nominee will have one month to exercise their options or such longer period as the Board determines. If an Eligible Person ceases to be an Eligible Person after the earliest date for exercise of their options because of a Specified Reason, such Eligible Person or their nominee is entitled to exercise any such option at any time prior to the expiry date of such option.
- (j) Option holders may only participate in new issues of securities if an option has been exercised and shares allotted before the record date for determining entitlements to the new issue. If there is a bonus issue the number of shares over which the options are exercisable will be increased by the number of shares the option holder would have received if the option had been exercised before the record date of the bonus issue. If there is a pro rata issue (other than a bonus issue), the exercise price of the options will be adjusted in the manner provided for in the Listing Rules. If there is a reorganisation of capital the options will be reorganised in the manner provided for in the Listing Rules.

- (k) The Company shall not offer options under the Plan if the total number of shares the subject of the options to be offered will exceed 5% of the total number of issued shares of that class when aggregated with:
- (i) the number of shares which would be issued were each outstanding offer or option, being an offer made or option acquired pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the company, exercised; and
 - (ii) the number of shares issued during the previous five years pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company,

but disregarding any offer made, option acquired or share issued by way of or as a result of an offer under the Plan to a person situated outside Australia or an offer made under a disclosure document.
- (l) The rules of the Plan do not form part of any contract of employment of the option holder and the holder has no rights of compensation or damages as a result of termination of his or her employment so far as those rights arise from the holder ceasing to have rights under the Plan.
- (m) The Plan is administered by the Board who have the power to determine procedures for administration of the Plan and resolve questions of fact or interpretation of the Plan. The Board may also alter, delete or add to the rules of the Plan at any time, subject to the Listing Rules.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

GLOSSARY

In this Explanatory Statement, the following expressions have the following meanings:

"**Annual General Meeting**" means this Meeting.

"**Articles**" means the Articles of Association of the Company as amended from time to time.

"**ASX**" means the ASX Limited, ABN 98 008 624 691.

"**ASX Listing Rules**" or "**Listing Rules**" means the listing rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Company**" or "**AFR**" means African Energy Resources Limited (ARBN 123 316 781).

"**Corporations Act**" means the Corporations Act 2001 (Cth) as amended from time to time.

"**Directors**" means the directors of the Company from time to time.

"**Explanatory Statement**" means this explanatory statement.

"**Meeting**" means the meeting convened by this Notice.

"**Notice**" or "**Notice of Meeting**" means the notice of meeting that accompanies this Explanatory Statement.

"**Resolution**" means a resolution contained in the Notice.

"**Share**" means a fully paid ordinary Share in the capital of the Company.

"**Shareholder**" means a registered holder of a Share in the Company.

"**WST**" means Western Standard Time, Perth, Western Australia.

Annexure 1

The terms of the issue of the Options are:

1. The Options will be issued for no consideration.
2. Each Option entitles the holder to one Share in the Company.
3. The exercise price of the Options is AUD 12.5 cents each.
4. The expiry date of the Options is 31 December 2013.
5. The Options will vest on the following conditions for the allottee:
 - a. 50% on 16 March 2011; and
 - b. 50% on 1 July 2011.
6. If the holder ceases to be a director, office, employee or engaged consultant of the Company, then unless an agreement is reached with the Board of Directors:
 - a. any Options that are then exercisable may be exercised within the next 21 days, failing which they lapse; and
 - b. any Options that are not then exercisable, automatically lapse.
7. The Options are not transferable except with the prior consent of the Board.
8. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Subject to any vesting criteria, Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
9. All Shares issued upon the exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares. The Company must apply within seven business days or the time period specified by the relevant stock exchange after the date of issue to the relevant exchange for all Shares issued pursuant to the exercise of Options to be admitted to quotation.
10. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure, for the purposes of determining entitlements to any issue, that Option holders will be notified of a proposed issue after the issue is announced –. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
11. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
12. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("**Bonus Issue**"), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) that number of securities which would have been issued to him or her under that bonus issue if the Options had been exercised before the record date for the Bonus Issue.
13. In the event of any pro-rata issue of securities (except a Bonus Issue) the exercise price of the Options will be adjusted to reflect the change in accordance with the ASX Listing Rules.
14. Notwithstanding any vesting criteria imposed on the Options, all Options may be exercised by the Option holder:
 - a. at any time after a Change of Control Event has occurred; or
 - b. if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

For the purposes of this clause a "Change of Control Event" means a Shareholder, or group of associated Shareholders, being entitled to sufficient Shares in the Company to give it or them the ability, and that ability is successfully exercised, to replace all or a majority of the Board.

Annexure 2

The terms of the issue of the Options are:

1. The Options will be issued for no consideration.
2. Each Option entitles the holder to one Share in the Company.
3. The exercise price of the Options is AUD 12.5 cents each.
4. The expiry date of the Options is 31 December 2013.
5. The Options vest immediately.
6. If the holder ceases to be a director, office, employee or engaged consultant of the Company, then unless an agreement is reached with the Board of Directors:
 - a. any Options that are then exercisable may be exercised within the next 21 days, failing which they lapse; and
 - b. any Options that are not then exercisable, automatically lapse.
7. The Options are not transferable except with the prior consent of the Board.
8. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Subject to any vesting criteria, Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
9. All Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company must apply within seven business days or the time period specified by the relevant stock exchange after the date of issue to the relevant exchange for all Shares issued pursuant to the exercise of Options to be admitted to quotation.
10. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure, for the purposes of determining entitlements to any issue, that Option holders will be notified of a proposed issue after the issue is announced –. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
11. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
12. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("**Bonus Issue**"), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) that number of securities which would have been issued to him or her under that bonus issue if the Options had been exercised before the record date for the Bonus Issue.
13. In the event of any pro-rata issue of securities (except a Bonus Issue) the exercise price of the Options will be adjusted to reflect the change in accordance with the ASX Listing Rules.
14. Notwithstanding any vesting criteria imposed on the Options, all Options may be exercised by the Option holder:
 - a. at any time after a Change of Control Event has occurred; or
 - b. if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

For the purposes of this clause a "Change of Control Event" means a Shareholder, or group of associated Shareholders, being entitled to sufficient Shares in the Company to give it or them the ability, and that ability is successfully exercised, to replace all or a majority of the Board.

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AFRICAN ENERGY

ARBN 123 316 781

CDI Voting Instruction Form

I/We

being a holder of CHESS Depository Interests of African Energy Resources Limited, hereby direct CHESS Depository Nominees Pty Ltd to vote the shares underlying my/our holding at the Annual General Meeting of African Energy Resources Limited to be held at Level 1, 8 Colin Street, West Perth, Western Australia on **Tuesday, 23 November 2010** at 3.00pm (WST) and at any adjournment of that meeting.

By execution of this CDI Voting Form, the undersigned hereby authorises CHESS Depository Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

Business:

		FOR	AGAINST	ABSTAIN
Resolution 1	Receipt of Financial Statements and Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Gregory Fry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director – Alasdair Cooke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Options issued to Employees and Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of 15c Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Instructions:

How to Vote on Items of Business

Each CHESS Depository Interest (CDI) is equivalent to one share of Company Common Stock, so that every one (1) CDI that you own at 21 November 2010 entitles you to one vote.

You can vote by completing, signing and returning you CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depository Nominees Pty Ltd, which will vote the underlying shares on your behalf.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

To be effective, forms must be received by not less than 48 hours before the time appointed for the holding of this Meeting, that is by 3.00pm WST on Sunday, 21 November 2010 by email, post or fax. You need to return the form no later than the time and date shown above to give CHESS Depository Nominees Pty Ltd enough time to tabulate all CHESS Depository Interest votes and to vote on the underlying shares.

Email: info@africanenergyresources.com

Mail: PO Box 886
West Perth WA 6872

Fax Number: +61 8 6465 5599

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory. ie Sole Director, Sole Company Secretary or Director and Company Secretary.

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

Signature of securityholder/s:

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name: _____ Contact Telephone: _____ Date: ____/____/____