

29 March 2012

The Manager
ASX Market Announcements
ASX Limited
Exchange Centre, 20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

Dear Sir/Madam,

OPERATIONS UPDATE

- **Excavation of the bulk sample of coal from a 320m long box-cut is now complete.**
- **15,000t of coal has been stockpiled, including coal from all sections of the Sese Main Seam.**
- **Testwork on the coal from the bulk sample has now commenced.**
- **Appointment of Industrial Coal Africa (ICA) as Coal Marketing and Sales Manager, with responsibility for managing marketing, sales and logistics services for Sese coal.**
- **Coal export trials will commence early next month. The first shipment will be railed to the east coast port of Maputo.**
- **Community consultation programs have commenced as part of the Environmental Impact Assessment with the project being well received by the local communities.**
- **Feasibility studies are progressing well and are on schedule for delivery by the end of 2012.**

**African Energy
Resources Limited**

ASX : AFR, BSE : AFR

**Issued Capital
326,876,735**

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Alasdair Cooke
Executive Chairman

Frazer Tabearth
Managing Director

Bill Fry
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BACKGROUND TO PROJECT

The Sese Coal Project comprises one wholly owned prospecting licence and six prospecting licence applications located in northeast Botswana, approximately 50km southwest of the town of Francistown (Diagram 1). The project is situated close to the sealed highway between Francistown and Gaborone and is easily accessible. Rail, road and power infrastructure is close to the project area.

African Energy discovered a large deposit of thermal coal at Sese in June 2010 and announced an updated Indicated Resource estimate of 2.5 billion tonnes of coal within Prospecting Licence PL96/2005 in February 2012. Infill drilling is complete in portions of Block B and C with results pending, and the Company expects to upgrade these portions of the resource to Measured Resource category during the April-June quarter.

The Company has since commenced a bankable feasibility study and Environmental Impact Assessment (EIA) to evaluate a mining operation of up to 5Mtpa coal with the option for an associated mine-mouth power station of up to 600MW.

TESTWORK ON THE COAL BULK SAMPLE

Excavation and stockpiling of the 15,000 tonne bulk sample has now been completed (Diagrams 2 and 3), with the full 18m seam exposed in the high-wall. Coal from the bulk sample will be used for a series of test-work programmes and marketing initiatives. A site has been identified in South Africa to undertake the first combustion trials of Sese coal in an industrial boiler. This trial is being undertaken to confirm the combustion characteristics of Sese coal for typical industrial users that form part of African Energy's regional target market. This initial trial is a key step before undertaking further trials at specific industrial coal consumers in Botswana and in neighbouring countries such as South Africa, Zambia and Namibia.

APPOINTMENT OF COAL MARKETING MANAGER

African Energy is pleased to announce the appointment of Industrial Coal Africa (ICA) as Coal Marketing Manager, with responsibility for managing marketing and logistics service with respect to the Sese Coal Project. Mr Andrew Rayment, the Managing Director of ICA, has in excess of 22 years of experience and specific industry expertise in coal marketing and logistics.

The most recent service provided by ICA was to Riversdale Mining, who owned and operated Zululand Anthracite Colliery (ZAC) prior to its takeover by Rio Tinto in 2011. ZAC is the producer of high quality anthracite with an annual saleable tonnage of around 750,000 tonnes. ICA provided an exclusive marketing and logistics service to Riversdale and the mine for six years. This included all aspects of marketing including supply contracts and negotiations, customer service and market development, and logistics which included railings to the port, arranging vessels and export documentation. ICA assumed responsibility for the entire supply chain from the point where the product was stockpiled at the mine through to CIF at the customer.

EXPORT TRIALS USING EXISTING INFRASTRUCTURE

During the past six months African Energy has been assessing options for exporting coal from Botswana to ports on the east and west coasts of Africa utilising the existing rail network that passes within 25km of the Sese Coal Project. As part of this process an agreement has been reached with Botswana Rail Corporation to undertake a trial shipment of Sese coal to the Matola Coal Terminal at the east coast port of Maputo in Mozambique. This trial shipment is to be dispatched in the coming weeks and will help determine the freight and logistical issues associated with delivering Sese coal to a port.

COMMUNITY CONSULTATION

In February successful community consultation meetings were held with the members of the communities that surround the Sese Coal Project (Diagram 4). The reception of African Energy's proposal was very positive and no material adverse issues were raised by the community. This consultation has been undertaken as part of the Environmental Impact Assessment process.

The Project Scoping Study Report which sets out the full terms of the EIA and highlights the issues raised by the community is soon to be delivered to the Government.

SESE COAL PROJECT FEASIBILITY STUDIES

The feasibility study programme is advancing well with all key consultants engaged and work progressing rapidly. A Pre-feasibility Study document is scheduled to be complete by the end of June this year and the Company remains on-track for delivery of a Bankable Feasibility Study by December 2012.

For any further information, please refer to the Company's website or contact the Company directly on +61 8 6465 5500.

For and on behalf of the board

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabearth (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabearth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabearth consents to the inclusion of the data in the form and context in which it appears.



AFRICAN ENERGY



Diagram 1 Location map of the Sese coal project



Diagram 2 Overview of box cut excavation showing 18m-thick coal seam below 15m of overburden



Diagram 3 Coal exposed in box cut



Diagram 4 Community consultation meeting held at Mabesekwa