

16th April 2014

MOU EXECUTED WITH ZAMBIA'S STATE ELECTRICITY UTILITY

African Energy Resources Limited (African Energy) advises that the Company has entered into a non-binding Memorandum of Understanding (MOU) with Zambia's electricity utility ZESCO Limited, and Maysen and Borowski Investments Pty Ltd (M&B), an Australian based investment and corporate advisory firm.

Zambia is currently experiencing a period of strong economic growth centred on new mine and smelter developments in the Copperbelt in the northern part of the country. These new developments, plus the expansion of several existing large-scale mines is leading to a substantial increase in demand for power.

Key aspects of the MOU are:

- **The parties have agreed to work together to explore the potential for the delivery of 300MW of base-load electrical power from African Energy's Sese Coal & Power project (Sese) into ZESCO's grid in southern Zambia, 500km to the north of Sese.**
- **African Energy will undertake a desktop study to evaluate preferred options for the transmission and integration of 300MW of power supply from Sese into southern Zambia. Preliminary studies have confirmed that there no fatal flaws in the transmission options under evaluation.**
- **ZESCO will provide access to its technical capability and information to assist African Energy with the transmission and integration study.**
- **M&B will assist African Energy and ZESCO to meet the objectives of the MOU.**

For and on Behalf of the Board