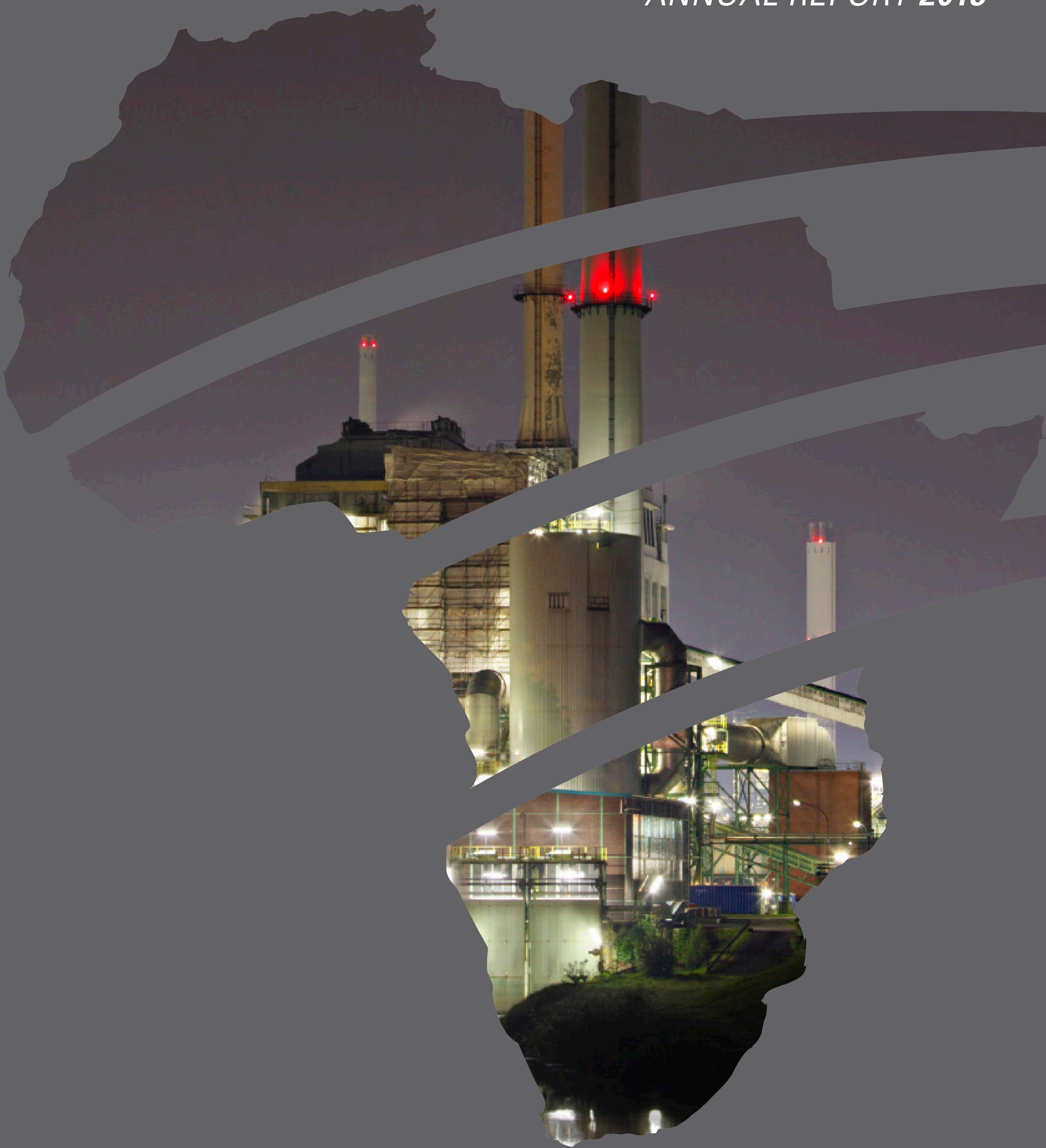
African Energy

ANNUAL REPORT **2013**



Delivering power to the people

CORPORATE DIRECTORY

DIRECTORS

Mr Alasdair Cooke Executive Chairman

Dr Charles (Frazer) Tabeart Managing Director

Mr Gregory (Bill) Fry Executive Director

Mr Valentine Chitalu Non-Executive Director

Mr Michael Curnow Non-Executive Director

Mr Philip Clark Non-Executive Director

Mr Vincent (Ian) Masterton-Hume Non-Executive Director

Company Secretary

Mr Daniel Davis

Registered Office

Granite House, La Grande Rue
St Martin, Guernsey GY1 3RS

Representative Office in Australia

Level 1, 8 Colin Street, West Perth WA 6005

Share Register

Link Market Services Limited
Ground Floor, 178 St Georges Terrace, Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange (ASX: AFR)
Botswana Stock Exchange (BSE: AFR)

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street, Subiaco WA 6008

Solicitors

Fairweather Corporate Lawyers
595 Stirling Hwy, Cottesloe, WA 6011

Bankers

HSBC Bank Australia Limited
188-190 St Georges Terrace, Perth WA 6000

Website

www.africanenergyresources.com

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MANAGING DIRECTOR'S LETTER

Dear Shareholder,

In the last twelve months your Company has made significant progress towards its first power project in Botswana and expanded its project portfolio to over 3.8 billion tonnes of coal. Major milestones reached during this period include:

- *The completion of prefeasibility studies into a 300MW power station and captive coal mine at Sese*
- *Progression of environmental studies for power generation and coal mining at Sese*
- *The formation of a consortium with a major international power developer and the joint submission of an Expression of Interest to the Government of Botswana for a 300MW coal-fired power station and coal mine*
- *Growth of the Company's coal resources through the acquisition of the 1.3 billion tonne Mmamantswe coal project*
- *Completion of prefeasibility studies and the practical trial of coal export logistics solutions through the northern rail corridor to Maputo*

We believe that the strong progress made in all of these areas has created a firm foundation from which the Company can submit further power project proposals in the coming years and continue its progress in delivering a viable export project.

In that regard I note that regional demand for electricity remains high for the foreseeable future, particularly in neighboring South Africa. Regional demand for thermal coal is also robust, and Indian demand has seen that country become the second largest global importer of thermal coal. Market demand for our products, export electricity and export coal, is thus likely to remain strong over the medium to long-term.

On behalf of the Board of Directors I would like to thank new and existing shareholders for your continued support during the year. I look forward to reporting further significant progress next year across multiple coal and power projects in Botswana.

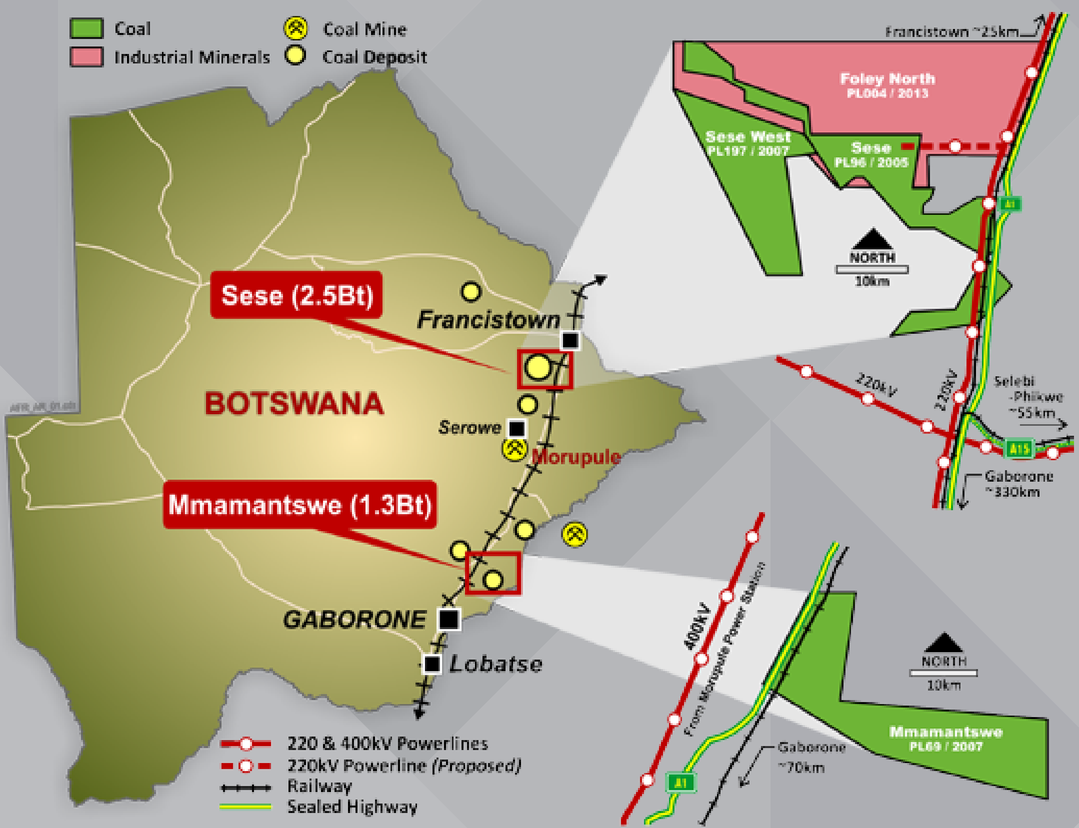
Frazer Tabeart
Managing Director

The 2004 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 Resources", "Inferred Resources" and "Indicated 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 Tabeart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart 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 Tabeart consents to the inclusion of the data in the form and context in which it appears

HIGHLIGHTS

- ***The Company has formed a consortium with a major international independent power producer, ACWA Power International, to submit an Expression of Interest to the Botswana Government for a 300MW power project and integrated coal mine at Sese***
- ***Significant progress made on the environmental and social impact assessment and other necessary permits for the 2.5Bt Sese Coal & Power project in Botswana***
- ***Completion of prefeasibility studies for a 300MW power station and integrated coal-mine at Sese have laid the foundation for the Company to submit several proposals for independent power projects in the region***
- ***Increase in total coal resources held by the Company to 3.8 Bt through the acquisition of the 1.3 Bt Mmamantswe Coal Project in south-east Botswana has provided further optionality for power and coal exports***
- ***Successful export trial to Maputo of an entire train of coal has demonstrated the practical viability of existing rail and port solutions for African Energy's coal***
- ***A completed prefeasibility study into the existing northern rail corridor to Maputo has provided further confidence that this is the best option for AFR to pursue for the medium to long term development of an export business***



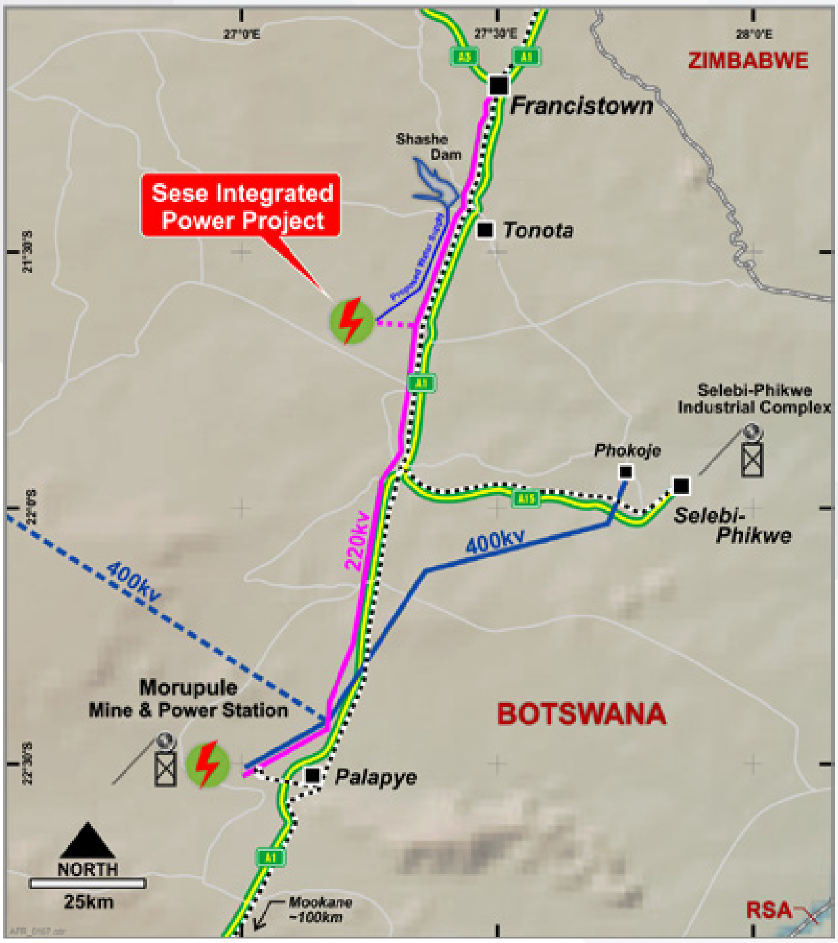
SESE INTEGRATED POWER PROJECT

- ***The Sese Integrated Power Project proposes an initial 300MW power station with a dedicated coal mine providing fuel for the life of the project***
- ***The Integrated Power Project will require approximately 50Mt of coal over the useful life of the power plant, representing a small fraction of the available 2,500Mt resource at Sese***
- ***African Energy has identified and secured access to nearby sources of water (used for mining and steam generation) and limestone (to reduce sulphur dioxide emissions)***
- ***The Environmental and Social Impact Assessment (ESIA) for the integrated power project is well advanced and is expected to be finished in early 2014***
- ***Prefeasibility studies have been completed for the mine and power station, in both cases indicating that the project is technically robust and suitable for a long term power purchase agreement***

Conceptual design for the 300MW Sese Power Station

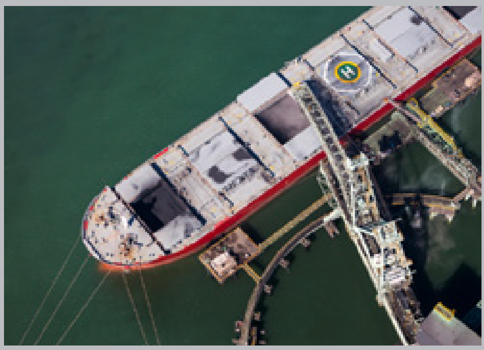
SESE INTEGRATED POWER PROJECT

- *African Energy has formed a consortium with ACWA Power International, one of the largest developers and operators of power projects in the Middle East*
- *The consortium has submitted an Expression of Interest in response to a tender request from the Botswana Government for a new 300MW coal-fired power station*
- *ACWA Power International will be the lead-developer and will fund the majority of all outstanding pre-development costs for the integrated power project, including completion of feasibility studies and the ESIA*
- *African Energy will be the co-developer and will take responsibility for local project permitting*
- *The 300MW integrated power project is scalable with more than adequate coal and water to build multiple 300MW or larger project modules to satisfy growing regional demand for electricity*
- *The 300MW integrated power project will be located close to the regional demand centres at Selebi-Phikwe and Francistown*



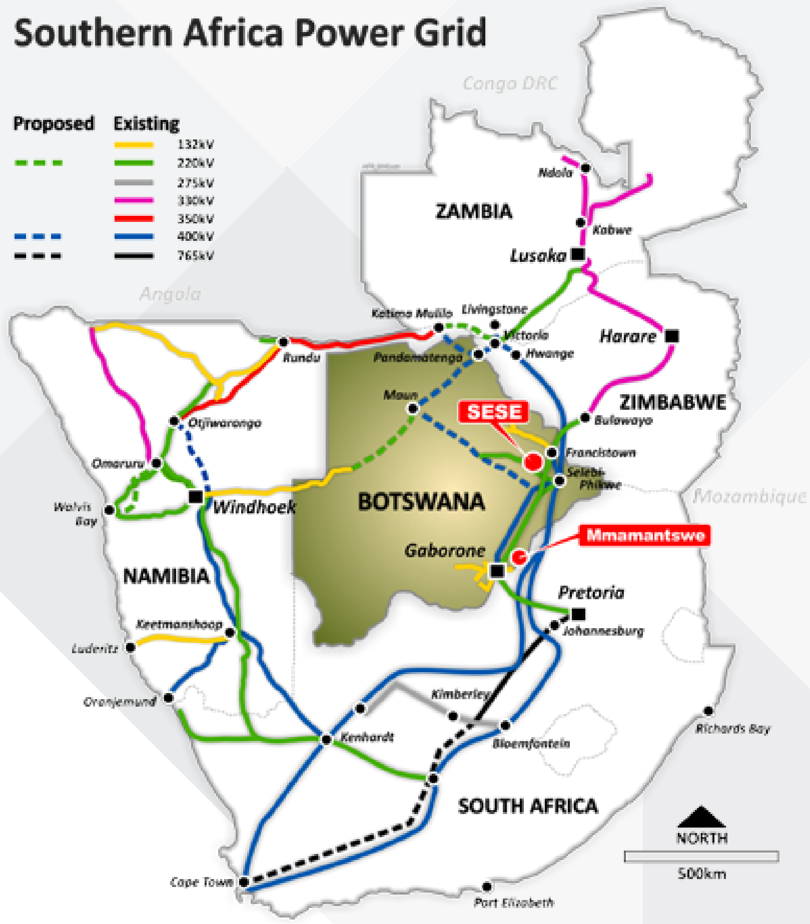
EXPORT PROJECT

- *Botswana contains large coal resources that have seen limited development due to a perceived lack of affordable access to suitable ports*
- *In 2013, the Company completed a prefeasibility study to assess the capacity of the existing northern rail corridor to the Matola Coal Terminal at Maputo (Mozambique)*
- *This study concluded that the rail and port had the potential to ship up to 20Mtpa through a series of staged expansions*
- *A successful export trial to Maputo of 1,600 tonnes of coal from Sese and Morupule Coal Mine was completed in under four days by a 34-wagon train, confirming the suitability of this northern rail corridor*
- *African Energy is working with government, the regional railway companies and the port operators to evaluate how to implement a viable rail and port solution*
- *Further expansions of the entire logistics chain to 100Mtpa may be possible through track-upgrades, moderate track realignment and a new coal terminal*



MMAMANTSWE COAL PROJECT

- *Mmamantswe is a large coal deposit containing 1.3Bt that was acquired by African Energy in mid-2013*
- *The coal at Mmamantswe occupies multiple seams within an overall package that reaches some 55m thickness, which coupled with a low strip ratio of 1:1, provides the potential for very low ROM operating costs*
- *Scoping studies have demonstrated that the Mmamantswe deposit is ideally suited to the creation of a washed coal product for use as power station fuel*
- *South Africa's Integrated Resource Plan contemplates adding approximately 1,000MW of new coal-fired generation capacity each year for the next ten years*
- *Mmamantswe is ideally located for such a purpose as it is only 20km from the South African border and is located close to transmission infrastructure*
- *Mmamantswe has an approved Environmental Impact Assessment for a 1,000MW power station and 10Mtpa ROM coal mine, and has a registered bore-field with 8GL/a water capacity, more than adequate for such a project*



TENEMENT SCHEDULE

Project Name	Tenement Name	Tenement Holder	Licence Number	African Energy Equity	Tenement Area (sq km)	Date Granted	Current Expiry Date
BOTSWANA							
Sese	Sese	African Energy Resources Botswana (Pty) Ltd	PL 96/2005	100%	287	26-Jul-05	30-Jun-14
Sese	Sese West	African Energy Resources Botswana (Pty) Ltd	PL197/2007	100%	229	01-Oct-07	30-Sep-14
Sese	Sese Industrial Minerals	African Energy Resources Botswana (Pty) Ltd	PL004/2013	100%	774	01-Jan-13	31-Dec-15
Mmamantswe	Mmamantswe	Mmamantswe Coal (Pty) Ltd	PL069/2007	100%	134	01-Jul-12	30-Jun-14
ZAMBIA							
North Luangwa Valley	Mulipo	Muchinga Energy Resources Ltd	18176-HQ-LPL	100%	485	23-May-13	22-May-15
Kariba Valley	Nangandwe	African Energy Resources Ltd (Zambia)	13764-HQ-LPL	100%	66	04-Dec-09	3-Dec-14
Chirundu	Chirundu ML	Chirundu Joint Ventures (Zambia) Ltd	12634-HQ-LML	100%	248	09-Oct-09	08-Oct-14
Chirundu	Chirundu PL	Chirundu Joint Ventures (Zambia) Ltd	13265-HQ-LPL	100%	236	03-Dec-09	Renewal Submitted
Kariba Valley	Munyumbwe	Chirundu Joint Ventures (Zambia) Ltd	13642-HQ-LPL	100%	270	03-Dec-09	3-Dec-15
Kariba Valley	Kariba Valley	Chirundu Joint Ventures (Zambia) Ltd	8264-HQ-LPL	100%	251	24-Jun-09	23-Jun-14
Sinazongwe	Sinazongwe E	Muchinga Energy Resources Ltd	13646-HQ-LPL	100%	38	23-Mar-10	3-Mar-15
Kariba Valley	Sinazongwe West	Chirundu Joint Ventures (Zambia) Ltd	17732-HQ-LPL	100%	13	22-Nov-12	21-Nov-14
Sinazongwe	Sinazongwe Central	Muchinga Energy Resources Ltd	16556-HQ-LPL	100%	13	04-Jul-12	03-Jul-14
Sinazongwe	Sinazongwe South	Muchinga Energy Resources Ltd	16775-HQ-LPL	100%	17	26-Sep-12	25-Sep-14

FINANCIAL REPORT
30 JUNE 2013

African Energy Resources Limited

ARBN 123 316 781

Directors Report

The Directors of the Company present their report for the financial year ended 30 June 2013.

1. Directors and Company Secretary

The Directors and the Company Secretary of the Company at any time during or since the end of the financial year are as follows.

Mr Alasdair Cooke BSc (Hons), MAIG – Executive Chairman
Mr Cooke has served as Chairman of the Board of the Company since its incorporation. Mr Cooke is a geologist with over 25 years' experience in the resource exploration industry throughout Australia and internationally. For the past 15 years Mr Cooke has been involved in mine development through various private and public resource companies, prior to which he held senior positions in BHP Billiton plc's international new business and reconnaissance group.

Mr Cooke is a founding director of Mitchell River Group, which over the past ten years has established a number of successful ASX listed resources companies, including Panoramic Resources Limited, operating the Savannah and Lanfranchi nickel projects in Australia; Albidon Limited, operating the Munali Nickel Mine in Zambia, Mirabela Nickel Limited, operating the Santa Rita nickel project in Brazil; Exco Resources Limited, developing copper and gold resources in Australia; and Energy Ventures Limited.

Mr Cooke is currently an Executive Director of Energy Ventures and a Non-executive Director of Anova Metals and a former Director of Albidon Limited and Exco Resources. During the last three years he has held no other public Directorships. Mr Cooke is a member of the Company's Remuneration Committee.

Dr Charles (Frazer) Tabeart PhD, BSc (Hons) ARSM, MAIG – Managing Director
Dr Tabeart is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 25 years' experience in international exploration and mining projects, including 16 years with WMC Resources. Whilst at WMC, Dr Tabeart managed exploration portfolios in the Philippines, Mongolia and Africa, gaining considerable experience in a wide variety of commodities and operating with staff from diverse cultural backgrounds.

Dr Tabeart joined the Mitchell River Group in 2005, initially as Head of Exploration for Albidon Limited, and subsequently as General Manager for African Energy Resources Limited. Under his stewardship the Company delineated the coal resource at the Sese Coal Project and uranium resources in the Chirundu Uranium Project in addition to exploration discoveries in the Kariba Valley of Zambia and at Foley in Botswana. He was appointed Managing Director in November 2007.

During the last three years he has held no other public Directorships.

Mr Gregory (Bill) Fry – Executive Director
Mr Fry has more than 20 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has vast experience in project evaluation and development, project funding, management, finance and operations.

Over the past 15 years, Mr Fry has been a Director of several private and public companies with activities ranging from funds management, minerals exploration, mining and quarrying.

Mr Fry has been an Executive Director of African Energy Resources since listing and is responsible for the Company's commercial and financial business programs. He is currently a Director of Energy Ventures Limited and Anova Metals Limited. During the last three years he has held no other public Directorships. Mr Fry is a member of the Company's Audit Committee.

Mr Valentine Chitalu MPhil, BAcc, FCCA – Non-Executive Director
Mr Chitalu, a Zambian national and resident, is a Chartered Certified Accountant, Fellow of the Association of Chartered Certified Accountants (UK) and holds a practicing certificate from the Zambia Institute of Certified Accountants. He also holds a Masters Degree in Economics, Finance and Politics of Development and a Bachelor's Degree in Accounting and Finance.

Mr Chitalu has been a Non-Executive Director of African Energy Resources since listing and has assisted African Energy through his extensive business and Government contacts in the region. Mr Chitalu is a current Director of CDC Group, MTN (Zambia) Limited, Zambian Breweries Plc, Oval Biofuels Limited and a former Director of Albidon Limited. During the last three years he has held no other public Directorships.

Mr Michael Curnow – Non-Executive Director
Mr Curnow brings extensive experience in the resources sector in gold, platinum and mineral sands exploration to the Company, which is significant for the future development of African Energy. He has been involved in the ownership and management of a wide range of businesses in South Africa and Australia. He was a founding Director of Gallery Gold Limited and AGR Limited. Mr Curnow has been a Non-Executive Director of African Energy Resources since listing and is also a Non-Executive Director of Energy Ventures Limited and Citation Resources Limited (formerly Clean Global Energy Limited). During the past three years he has held no other public Directorships. Mr Curnow is Chairman of the Company's audit and Remuneration Committees.

Mr Philip Clark – Non-Executive Director BE (Mining), MBA, MAUSIMM, GAICD
Mr Clark brings a broad range of business skills to African Energy, with a particular focus on developing coal resources. He previously spent over 30 years working for BHP Billiton, culminating in five years as Vice President of Resource Development for BHP Billiton Energy Coal globally. He also held previous roles in coal mine management. Mr Clark is also the Chairman of Engineers Without Borders Australia Limited, a not-for-profit organisation which partners with developing communities, assisting them to gain access to the knowledge, resources and appropriate technologies to improve their livelihoods. During the past three years he has held no other public Directorships. Mr Clark is a member of the Company's Audit and Remuneration Committees.

Mr Vincent Ian Masterton-Hume - Non-Executive Director (appointed 13 September 2013)
Mr Hume's career in the resources industry stretches back several decades, primarily in the fields of managed fund investments, capital raising and project development. He currently sits on the boards of Silver City Mines; TSX-listed Golden Minerals; ASX and TSX-listed Marengo Mining and ASX-listed Iron Road.

Mr Hume was a Founding Partner of The Sentient Group ("Sentient"), an independent private equity investment firm that specialises in the global resource industry. He remains an independent advisor to Sentient, following his retirement from the fund in 2008. Sentient manages in excess of US $2.3 billion in the development of metal, mineral and energy assets across the globe. Sentient's current investment portfolio includes projects in power generation, energy storage, potash, and base, precious and ferrous metals mining, covering countries as diverse as China, Brazil, Canada, Papua New Guinea, Finland, Australia, Kenya and Botswana.

Prior to the founding of Sentient, Mr Hume was a consultant to AMP's Private Capital Division, working on the development of a number of Chilean mining investment joint ventures, as well as advising on a number of specific investments across a range of commodities and locations.

Mr Yan Zhao - Alternate Director (appointed 13 September 2013)

Mr Daniel Davis – Company Secretary BCom CPA
Mr Davis is a member of CPA Australia who graduated from the University of Western Australia in 2001 with a Bachelor of Commerce majoring in Accounting and Finance. Mr Davis has worked in the resources sector for the last nine years specialising in African based explorers and producers. Mr Davis was appointed to the role of Company Secretary in 2009.

1.1 Directors' Meetings
The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board of Directors		Remuneration Committee		Audit Committee	
	Present	Held	Present	Held	Present	Held
Alasdair Cooke	5	5	2	2	-	-
Charles Tabeart	5	5	-	-	-	-
Gregory Fry	5	5	-	-	2	2
Valentine Chitalu	4	5	-	-	-	-
Michael Curnow	5	5	2	2	2	2
Philip Clark	5	5	2	2	2	2

2. Review of Operations
African Energy Resources Limited ("African Energy" or "the Company") listed on the Australian Securities Exchange on 18 April 2007. The Company was incorporated on 29 September 2006 and is domiciled in Guernsey. The information presented in this report is for the year ended 30 June 2013.

African Energy and its subsidiaries ("Consolidated Entity") are focused on creating viable businesses from the Project through the following avenues:

- The Sese Integrated Power Project which aims to build an initial 300MW power station with its own dedicated coal mine based on a small portion of the Sese measured resource.
- The Sese Export Project focused on building a project to export processed Sese coal to Asia via the existing rail and port infrastructure to the east of the deposit.
- Corporate activities related to provision of funds to deliver the above two projects.
- Adding further coal resources to the total inventory from the nearby Sese West project.

Sese Integrated Power Project
The Sese Integrated Power Project will comprise one or more 300MW power stations, each with a dedicated ~1.5mtpa coal mine plus all related infrastructure required to deliver electricity into the Southern African Power Pool grid. A special purpose vehicle, Sese Power (Pty) Ltd ("Sese Power"), has been established to house this project. Sese Power is 100% owned by African Energy. The Company is in advanced discussions with multiple parties interested in pre-development partnering with African Energy through equity participation in Sese Power. Funds raised from this will be used to pay for the Definitive Feasibility Study for SIPP and for power off-take agreement negotiations.

Sese Power is holding discussions with potential consortium partners (EPC contractors, power developers, Operation and Maintenance contractors, BEE partners) to form one or more consortia to bid for several power project opportunities in southern Africa. African Energy's equity contribution to the project(s) will include the allocation of up to 60Mt of coal from Sese Block-C measured resource into one or more mining licences that will be owned by Sese Power. Block-C currently contains 330Mt of coal in measured resources and is thus capable of supporting multiple power projects.

Sese Export Project
Over the past twelve months the Company's export business focus has continued on infrastructure and logistics evaluation. The existing railway, approximately 25km to the east of Sese provides direct access to the Matola coal terminal in the port of Maputo in Mozambique and is suitable for initial volumes of approximately 2mtpa requiring only minimal track improvement.

A recently completed prefeasibility study into rail/port infrastructure has concluded that significant capacity increases to 10-20 million tonnes are possible for this line with a series of staged capital injections. Rail capacity for Botswana coal through South Africa has been reported as approximately 10mtpa, which combined with the 10-20mtpa on the Francistown-Maputo line indicate existing rail infrastructure could evacuate up to 30mtpa from Botswana once its coal industry has been expanded through the development of new mines.

Other Coal Projects
In early July, the Company completed the acquisition of the 1.3 billion tonne Mmamantswe Coal Project in south-east Botswana for a cash consideration of AUD $3.5m and is the process has now secured the full rights to 3.8 billion tonnes of coal in Botswana.

In March, the Company announced the potential for coking coal products from its Sinazongwe Coal project in southern Zambia. An assessment of local markets for coking coal fractions and thermal coal middlings is underway.

Uranium Projects
The Company is continuing to pursue divestment options of its non-core uranium project portfolio, which contains measured, indicated and inferred resources of over 11Mlb U3O8.

The declining uranium price over the past 12 months has forced the Company to review the carrying value of its uranium projects. This has resulted in an impairment charge of $7,265,881 which has been expensed during the period. The Company is now carrying it's Zambian uranium assets at $2,658,295, representing an enterprise value per pound of uranium similar to that of our peers.

Corporate
The Company raised AUD $8.1m during the financial year via share placements to institutional and sophisticated shareholders and an additional $3.5m in early July 2013. Of significance is the most recent placing of 70.83m shares at AUD $0.12c with Sentient Executive GP IV, Limited, acting for Sentient Global Resources Fund IV, L.P. ("Sentient"). Sentient is now the largest shareholder in AFR, owning approximately 17.3% of the issued capital.

3. Remuneration Report - Audited

This Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the Directors and key management personnel of African Energy Resources Limited.

The functional currency of the Company and each of the operating subsidiaries is US dollars which represents the currency of the primary economic environment in which the Consolidated Entity operates.

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

3.1 Principles of Compensation

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

3.2 Remuneration governance

The Remuneration Committee provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors. The Corporate Governance Statement provides further information on the role of the Board. Mr Curnow is the chairmen of the remuneration committee.

3.3 Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

The current base remuneration was last reviewed with effect from 1 January 2013 and was set at AUD 50,000 per annum but payable by the issue of 357,142 shares per annum.

3.4 Executive Directors

The executive pay and reward framework has two components:

- base pay; and
- long-term incentive through participation in the African Energy Resources Employee Share Option Plan and Performance Rights Plan.

Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the Remuneration Committee's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. There is no guaranteed base pay increases included in any executives' contract.

Employee Option Plan
Long-term incentives are provided to Non-Executive Directors and executives under the African Energy Employee Option Plan; more details are provided in section 3.4 Equity instruments of this report.

Performance Rights Plan
In August 2012 the Board adopted an employee performance right share plan ("Plan") to enable the Company to issue Performance Rights to employees and Directors. The Plan was developed by the Board to provide an opportunity to employees to participate in the Company's future growth and provide an incentive to contribute to that growth. The Plan is further designed to assist in retaining employees. Performance Rights were chosen as they allow the Company to incentivise employees and Directors. The Remuneration Committee has determined performance hurdles that will apply to each Performance Right issued.

Service Contracts
On appointment to the Board, Executive Directors enter into an executive service agreement with the Company. The agreement details the Board policies and terms, including compensation, relevant to the office of Director.

The Company currently has service contracts in place with the following four Board members. All contracts with Executive Directors are for a two year term but can be terminated by either party with three months' notice. Details of the service agreements are listed below.

Mr Alasdair Campbell Cooke - Executive Chairman, the Company

- Commencement date: 1 July 2013
- Base salary is AUD 100,000 payable in a combination of cash and shares as agreed
- Termination payment is the equivalent of three months consulting fees
- Mr Cooke's contract and remuneration is reviewed annually

Dr Charles Frazer Tabeart - Managing Director, the Company

- Commencement date: 1 July 2013
- Base salary is AUD 400,000 payable in a combination of cash and shares as agreed
- Termination payment is the equivalent of three months consulting fees
- Dr Tabeart's contract and remuneration is reviewed annually

Mr Gregory William Fry - Executive Director, the Company

- Commencement date: 1 July 2013
- Base salary is AUD 200,000 payable in a combination of cash and shares as agreed
- Termination payment is the equivalent of three months consulting fees
- Mr Fry's contract and remuneration is reviewed annually

Mr Philip Clark - Non-Executive Director, the Company

- Commencement date: 1 July 2013
- Base salary is AUD 2,500 per day on an "as required" basis
- Termination payment is the equivalent of one month consulting fees
- Mr Clark's contract and remuneration is reviewed annually

No other key management personnel have service contracts in place with the Consolidated Entity.

3.5 Directors and Executive Officers' Remuneration (Consolidated Entity)
Details of the remuneration of the Directors of the Consolidated Entity (as defined in AASB 124 Related Party Disclosures) of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity are the Directors of African Energy Resources Limited.

Details of remuneration
The following tables set out remuneration paid to key management personnel of the Consolidated Entity during the year.

Key Management Personnel remuneration - 2013	Short term employee benefits	Post-employment benefits	Share based payments	Total	Share based payments as a % of total
	Cash salary and fees	Superannuation	Options / Rights		
	USD	USD	USD	USD	
Non-Executive Directors					
Valentine Chitalu	25,678	-	16,315	41,993	39%
Philip Clark	175,462	-	16,315	191,777	9%
Michael Curnow	25,678	-	16,315	41,993	39%
Total Non-Executive Directors	226,818	-	48,945	275,763	18%
Key Management Personnel					
Executive Directors					
Gregory Fry	179,743	-	16,315	196,058	8%
Charles Tabeart	364,620	-	29,366	393,986	7%
Alasdair Cooke	51,355	-	43,004	94,359	46%
Total Key Management Personnel	595,718	-	88,685	684,403	13%
Total	822,536	-	137,630	960,166	14%

Key Management Personnel remuneration - 2012					
Non-Executive Directors					
Valentine Chitalu	51,625	-	-	51,625	-
Philip Clark	320,075	-	190,074	510,149	37%
Michael Curnow	51,625	-	-	51,625	-
Total Non-Executive Directors	423,325	-	190,074	613,399	31%
Key Management Personnel					
Executive Directors					
Gregory Fry	182,408	-	-	182,408	-
Charles Tabeart	386,843	-	-	386,843	-
Alasdair Cooke	103,250	-	-	103,250	-
Total Key Management Personnel	672,501	-	-	672,501	-
Total	1,095,826	-	190,074	1,285,900	15%

Note: The percentage of the value of remuneration consisting of options is based on the value of options expensed during the financial year

The Company and the Group currently have no performance based cash remuneration built into Director or executive packages. The total remuneration shown in the table above is fixed.

The Consolidated Entity did not engage a remuneration consultant during the year.

3.6 Share-based compensation

In August 2012 the Board introduced an employee performance right share plan ("Performance Rights Plan") to enable the Company to issue rights to employees and Directors. The Plan was developed by the Board to provide an opportunity to employees to participate in the Company's future growth and provide an incentive to contribute to that growth. The Plan is further designed to assist in retaining employees. Performance Rights were chosen as they allow the Company to incentivise employees and Directors of the Company without creating onerous up-front taxation obligations on them for a security (Share) they may not receive.

A summary of the Plan is set out in note 23, detailing the material terms of the Performance Rights that have been issued under the Performance Rights Plan.

The Performance Rights Plan has effectively replaced the AFR Employee Option Plan which was introduced in 2010.

No new options have been granted to Directors since 2011. Details of current options are listed below.

3.7 Additional Information

Details of vesting profile of the rights granted as remuneration to each Key Management Personnel is detailed below.

	Type	Year Granted	Number Granted	Value at Grant Date	Expiry Date	Number vested in year	Number forfeited in year	Vesting year	Value yet to vest US$	
									Min	Max
Philip Clark	Options	2011	375,000	157,500	30-Sep-17	375,000	-	2013	-	-
Alasdair Cooke	Rights	2013	1,000,000	175,000	30-Sep-17	-	500,000	various	175,000	175,000
Charles Tabeart	Rights	2013	3,000,000	525,000	30-Sep-17	-	-	various	525,000	525,000
Gregory Fry	Rights	2013	2,000,000	350,000	30-Sep-17	-	-	various	350,000	350,000
Valentine Chitalu	Rights	2013	100,000	17,500	30-Sep-17	-	-	various	17,500	17,500
Michael Curnow	Rights	2013	100,000	17,500	30-Sep-17	-	-	various	17,500	17,500
Philip Clark	Rights	2013	200,000	35,000	30-Sep-17	-	-	various	35,000	35,000

This is the end of the audited remuneration report.

4. Principal Activities

The principal activity of the Consolidated Entity during the course of the financial year consisted of evaluation and exploration of the Sese Coal & Power Project in Botswana.

5. Results and Dividends

The Consolidated Entity’s loss after tax attributable to members of the Consolidated Entity for the financial year ending 30 June 2013 was USD 12,547,719 (2012: USD 9,576,739).

No dividends have been paid or declared by the Company during the year ended 30 June 2013.

6. Loss Per Share

The basic loss per share for the Consolidated Entity for the year was 3.58 (2012: 2.95) cents per share.

7. Events Subsequent to Reporting Date

On 12 July, the Company raised AUD $3.5M by placing 32.7m new shares at AUD $0.12c with Sentient Executive GP IV, Limited, acting for Sentient Global Resources Fund IV, L.P. (“Sentient”). Sentient is now the largest shareholder in AFR, owning approximately 17.3% of the issued capital.

In early July, the Company completed the acquisition of the Mmamantswe Coal Project in south-east Botswana for a cash consideration of AUD $3.5M from Aviva Corporation. The Mmamantswe Coal Project is in south-eastern Botswana, and comprises a Measured and Indicated Resource of 1.3 billion tonnes of thermal coal, including 895Mt of Probable Reserves.

Other than the aforementioned events, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Group in future financial years which have not been disclosed publicly at the date of this report.

8. Likely Developments and Expected Results

The Group will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Group and the expected results of those operations in the future financial years has not been included in this report because disclosure would likely result in unreasonable prejudice to the Group.

9. Significant Changes in the State of Affairs

In the opinion of the Directors, other than stated under Review of Operations, and Events Subsequent to Reporting Date, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review and subsequent to the financial year end.

10. Environmental Regulations

The Consolidated Entity’s operations are not subject to any significant environmental regulations under either Commonwealth or State legislation or under the legislation of African countries in which it operates. However, the Board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

The Company is not subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

Directors Report (continued)

11. Directors' and Executives Interests

As at the date of this report, the interests of the Directors and Executives in the shares and options of the Company were:

	Shares	Performance Rights	Options				
			70c	80c	90c	110c	130c
Executive Directors							
Alasdair Cooke	34,348,162	500,000	-	-	250,000	250,000	250,000
Charles Tabeart	2,505,736	2,666,667	-	-	750,000	750,000	750,000
Gregory Fry	4,722,096	1,666,667	-	-	500,000	500,000	500,000
Non-executive Directors							
Valentine Chitalu	722,959	66,667	-	-	-	-	-
Michael Curnow	889,896	66,667	-	-	-	-	-
Philip Clark	198,572	200,000	250,000	750,000	-	-	-
Vincent Ian Masterton-Hume	1,330,001	-	-	-	-	-	-
Yan Zhao	-	-	-	-	-	-	-
Total	44,717,422	5,166,668	250,000	750,000	1,500,000	1,500,000	1,500,000

12. Share Options

12.1 Unissued shares under options

As at the date of this report, there were 30,899,304 unlisted incentive options on issue detailed as follows:

No. of options	Strike Price	Expiry Date
375,000	AUD $0.125	31-Dec-13
250,000	AUD $0.70	31-Dec-13
2,225,000	AUD $0.80	31-Dec-13
1,500,000	AUD $0.90	31-Dec-13
1,500,000	AUD $1.10	31-Dec-13
1,500,000	AUD $1.30	31-Dec-13
782,499	AUD $0.625	25-Jul-14
22,766,805	AUD $0.22	31-Dec-14

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

12.2 Shares issued on exercise of options

During the year 125,000 shares were issued as a result of the exercise of options raising USD 15,883 before costs.

Grant Date	Expiry Date	Exercise Price AUD cents	Number exercised during the year	Funds Raised USD
2/10/2009	31/12/2013	12.5	125,000	15,883
			125,000	15,883

13. Indemnification and Insurance of Officers and Auditors

13.1 Indemnification

An indemnity agreement has been entered into with each of the Directors and Company Secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

13.2 Insurance

During the financial year, the Company has taken out an insurance policy in respect of Directors' and officers' liability and legal expenses' for Directors and officers.

14. Corporate Structure

African Energy Resources Limited is a Company limited by shares that is incorporated and domiciled in Guernsey. The Company is listed on the Australian Securities Exchange and Botswana Stock Exchange under code AFR.

15. Non-Audit Services

During the year, there were no non-audit services provided by BDO Audit (WA) Pty Limited (2012: nil).

16. Lead Auditor's Independence Declaration

The lead auditor's Independence Declaration is set out on page 21 and forms part of the Directors' report for the financial year ended 30 June 2013.

Charles Frazer Tabeart
Managing Director

Perth, 27 September 2013

Directors' Declaration

African Energy Resources Limited and its Controlled Entities

The Directors of the Company declare that:

1 The financial statements, comprising the consolidated Statement of profit or loss and other comprehensive income , consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001; and

(a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory, professional reporting requirements; and

(b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Consolidated Entity.

2 In the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

4 The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:

Charles Frazer Tabeart

Managing Director

Perth

27 September 2013

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INDEPENDENT AUDITOR'S REPORT

To the members of African Energy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of African Energy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of African Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO

Opinion

In our opinion:

(a) the financial report of African Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(d) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding as required to meet ongoing exploration commitments and for working capital. These conditions, along with other matters as set out in Note 2(d), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of African Energy Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 27 September 2013

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor of African Energy Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of African Energy Resources Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2013

	Note	2013 USD	2012 USD
Revenue from continuing operations	*7*	50,282	263,567
Personnel expenses	*8*	(1,483,555)	(1,542,584)
Employee share based payment expense	*19*	(1,267,023)	(622,785)
Professional & corporate expense	*9*	(1,426,111)	(1,620,547)
Exploration & evaluation expensed		(219,180)	-
Impairment of exploration & evaluation	*15*	(7,265,881)	(5,441,587)
Borrowing costs		(321,490)	(261,631)
Borrowing costs - equity settled		(542,486)	(486,256)
Foreign currency loss		(72,275)	135,086
Loss before tax		(12,547,719)	(9,576,739)
Income tax expense	*10*	-	-
Loss after income tax for the year		(12,547,719)	(9,576,739)
Attributable to:			
Equity holders of the Company		(12,547,719)	(9,576,739)
Loss for the year		(12,547,719)	(9,576,739)
Other comprehensive income			
Foreign currency translation reserve	19	(1,021,576)	(884,137)
Total other comprehensive income / (loss) for the year		(1,021,576)	(884,137)
Total comprehensive income / (loss) attributable to the ordinary equity holders of the Company:			
Total comprehensive income / (loss) for the year		(13,569,295)	(10,460,876)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	*11*	(3.58)	(2.95)
Diluted loss per share (cents per share)	*11*	n/a	n/a

The Consolidated Statement of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes

Consolidated Statements of Financial Position
As at 30 June 2013

	Note	2013 USD	2012 USD
Assets			
Current assets			
Cash & cash equivalents	*12*	5,625,212	5,315,490
Trade & other receivables	*13*	83,129	704,322
Total current assets		5,708,341	6,019,812
Non current assets			
Property, plant & equipment	*14*	392,935	783,062
Exploration & evaluation	*15*	19,087,753	23,288,057
Total non-current assets		19,480,688	24,071,119
Total assets		25,189,029	30,090,931
Liabilities			
Current liabilities			
Trade & other payables	*16*	571,560	1,702,258
Borrowings	*17*	5,000,000	5,000,000
Total current liabilities		5,571,560	6,702,258
Non-current Liabilities			
Provisions		250,000	250,000
Total non-current liabilities		250,000	250,000
Total liabilities		5,821,560	6,952,258
Net assets		19,367,469	23,138,673
Equity			
Contributed equity	*18*	50,534,203	42,346,557
Reserves	*19*	167,872	70,597
Accumulated losses		(31,334,606)	(19,278,481)
Total equity attributable to shareholders of the Company		19,367,469	23,138,673

The consolidated statements of financial position are to be read in conjunction with the accompanying notes

Consolidated Statements of Changes in Equity
for the year ended 30 June 2013

	Note	Contributed equity	Accumulated losses	Reserves	Total equity
		USD	USD	USD	USD
At 1 July 2011		26,726,320	(11,156,202)	3,035,349	18,605,467
Net loss for the year		-	(9,576,739)	-	(9,576,739)
Effect of translation of foreign operations to group presentation currency	*19*	-	-	(884,137)	(884,137)
Total comprehensive (loss) for the year		-	(9,576,739)	(884,137)	(10,460,876)
Transactions with owners in their capacity as owners:					
Share issue net of issue costs	*18*	15,735,140	-	-	15,735,140
Options granted in settlement of capital raising costs		(114,903)	-	114,903	-
Options granted in settlement of financing costs		-	-	486,256	486,256
Equity settled share based payment transactions	*18*	-	-	622,785	622,785
Reserves adjustment on prior revaluation which is now impaired		-	-	(1,850,099)	(1,850,099)
Share based payments adjustment on exercise/expiry of options		-	1,454,460	(1,454,460)	-
		15,620,237	1,454,460	(2,080,615)	14,994,083
At 30 June 2012		42,346,557	(19,278,481)	70,597	23,138,673
At 30 June 2012		42,346,557	(19,278,481)	70,597	23,138,673
Net loss for the year		-	(12,547,729)	-	(12,547,729)
Effect of translation of foreign operations to group presentation currency	*19*	-	-	(1,021,577)	(1,021,577)
Total comprehensive income for the year		-	(12,547,729)	(1,021,577)	(13,569,306)
Transactions with owners in their capacity as owners:					
Share issue net of issue costs	*18*	8,063,492	-	-	8,063,492
Options granted in settlement of financing costs		-	-	542,486	542,486
Equity settled share based payment transactions	*18*	124,154	-	1,067,970	1,192,124
Share based payments adjustment on exercise/expiry of options		-	491,605	(491,605)	-
		8,187,646	491,605	1,118,851	9,798,102
At 30 June 2013		50,534,203	(31,334,606)	167,872	19,367,470

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes

Consolidated Statements of Cash Flows
for the year ended 30 June 2013

	Note	2013 USD	2012 USD
Cash flows from operating activities			
Interest received		50,282	255,331
Payment to suppliers and employees		(2,849,116)	(2,785,698)
Net cash (outflow) from operating activities	*21*	(2,798,835)	(2,530,366)
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	(134,356)
Proceeds from sale of property, plant and equipment		89,077	-
Payment for exploration and evaluation		(4,067,661)	(8,949,840)
Net cash (outflow) from investing activities		(3,978,585)	(9,084,196)
Cash flows from financing activities			
Proceeds from the issue of share capital		8,208,036	16,283,400
Proceeds from exercise of employee options		15,883	336,303
Payments for share issuance costs		(235,327)	(884,563)
Interest & legal fees on loan facility		(268,322)	(261,631)
Net cash inflow from financing activities		7,720,270	15,473,509
Net (decrease) / increase in cash and cash equivalents		942,851	3,858,946
Cash and cash equivalents at the beginning of the year		5,315,490	2,437,566
Effect of exchange rate fluctuations on cash held		(633,129)	(981,022)
Cash and cash equivalents at the end of the year	*12*	5,625,212	5,315,490

The consolidated statements of cash flows are to be read in conjunction with the accompanying notes

1. Reporting entity

African Energy Resources Limited (referred to as the ‘Parent Entity’ or the ‘Company’) is a company domiciled in Guernsey. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the ‘Consolidated Entity’ or the ‘Group’). The Group is primarily involved in coal exploration in Africa.

2. Basis of preparation

(a) Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The financial report of the Consolidated Entity also complies with IFRSs and interpretations as issued by the International Accounting Standards Board. African Energy Resources Limited is a for-profit entity for the purposes of preparing financial statements.

The financial report was authorised for issue by the Directors on 27 September 2013.

(b) Basis of measurement

The financial report is prepared under the historical cost convention.

(c) Functional and presentation currency

These consolidated financial statements are presented in US dollars (‘USD’).

The functional currency of the Company and each of the operating subsidiaries is USD which represents the currency of the primary economic environment in which the Company and each of the operating subsidiaries operates.

Subsidiaries denominated in Australian dollars (‘AUD’) are translated at the closing rate on reporting date. Profit and loss items are translated on the prevailing rate on the date of transaction.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the year, the Consolidated Entity incurred a net loss for the year of USD 12,547,719 and derived net cash outflows from operating and investing activities of USD$6,777,420.

The ability of the Consolidated Entity to continue as a going concern is dependent on the Consolidated Entity being able to raise additional funds as required to meet ongoing exploration commitments, repayment or renegotiating the terms of loans and for working capital. The Directors believe that they will be able to raise additional capital as required and are in the process of evaluating the Consolidated Entity’s cash requirements. The Directors believe that the Consolidated Entity will continue as a going concern. As a result the financial report has been prepared on a going concern basis. However, should the Consolidated Entity be unsuccessful in undertaking additional raisings, the Consolidated Entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

(e) Use of estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, 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. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

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. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 16 – Exploration & evaluation expenditure - The Group’s accounting policy for exploration and evaluation is set out in note 3(e). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.
- Note 20(e) – Share-based payment arrangements - The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exits when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Comparatives

Prior period comparatives are for the year from 1 July 2011 to 30 June 2012.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and other Comprehensive Income . Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of Australian subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to US dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve ("FCTR"), as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss, as part of the gain or loss on sale where applicable.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related effective hedges are taken to translation reserve and released into profit and loss upon disposal.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 5.

(iii) Impairment

The Group assesses at each reporting date whether there is objective evidence financial asset or group of financial assets is impaired.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the profit and loss as an expense as incurred.

(iii) Depreciation

With the exception of freehold land and mineral property and development assets, depreciation is charged to the profit and loss using a diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mineral property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	2.5 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(e) Exploration and development expenditure

(i) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the profit and loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

b) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mineral property and development assets within property, plant and equipment.

(ii) Development expenditure

Development costs are accumulated in respect of each separate area of interest. Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed in note 3(i).

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy note 3(i)). For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) Other financial assets

The Group classifies its investments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Investments in subsidiaries are carried at cost, net of any impairment losses (see note 3(c)(iii)).

(i) Impairment

The carrying amounts of the Consolidated Entity's assets, other than exploration assets (see accounting policy (e)), and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(l) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(m) Employee Benefits

(i) Share-based payment transactions

The share option program allows the Consolidated Entity employees and consultants to acquire shares of the Company. (see note 23) The fair value of options granted is recognised as an employee or consultant expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(n) Provisions

A provision is recognised in the Statement of Financial Position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Site restoration

In accordance with the Consolidated Entity's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the mineral reserve.

(o) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

(t) Net financial income

Net financial income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income is recognised in the profit and loss as it accrues, using the effective interest method. Management fees are recognised in the profit and loss as the right to a fee accrues, in accordance with contractual rights.

(u) Income tax

Income tax on the Statement of Profit or Loss and other Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) Segment reporting

AASB 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(w) Goods and Services Tax / Valued Added Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") or Value Added Tax ("VAT"), except where the amount of GST/VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST/VAT included. The net amount of GST/VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges foreign currency risks by holding cash in the currency that it is budgeted to be spent in.

(a) Market risk

i. Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Consolidated Entity has USD as its functional currency, which is also the denomination currency for the Group's transactions. Some exposure to foreign exchange risk exists in respect to the Australian subsidiaries which provides administrative and technical support to the Group and have transactions denominated in Australian Dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in USD, was:

	2013 USD	2012 USD
Cash held in Australian Dollars (AUD)	5,186,360	2,739,633
Cash held in South African Rand (ZAR)	157,213	864,145
Cash held in Botswana Pula (BWP)	19,617	394,730
Trade and other receivables (BWP)	31,616	513,574
Trade and other receivables (other foreign currencies)	51,513	173,914
Trade and other payables (BWP)	(133,906)	(855,823)
Trade and other payables (other foreign currencies)	(705,466)	(887,330)

ii. Price risk

The Group does not hold investments and therefore is not exposed to equity securities price risk.

iii. Interest rate risk

The Group has significant interest-bearing assets; however a change in interest rates would not have a material impact on the results.

		Interest rate risk				Foreign exchange risk			
		- 100 bps		+ 100 bps		-10%		+10%	
	Carrying amount	Profit USD	Equity USD	Profit USD	Equity USD	Profit USD	Equity USD	Profit USD	Equity USD
30 June 2013									
Financial assets									
Cash and cash equivalents	5,625,212	56,252	-	(56,252)	-	-	518,636	-	(518,636)
Trade and other receivables	83,129	831	-	(831)	-	-	5,151	-	(5,151)
Financial liabilities									
Trade and other payables	571,560	-	-	-	-	-	(13,391)	-	13,391
Borrowings	5,000,000	50,000	-	(50,000)	-	-	-	-	-

- Interest rate volatility was chosen to reflect expected short term fluctuations in market interest rates.
- Foreign exchange volatility was chosen to reflect expected short term fluctuations in the Australian Dollar.

iv. Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected. The Group does not have any material exposure to any single debtor or group of debtors, so no significant credit risk is expected. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rates:

	2013 USD	2012 USD
Cash at bank & short term bank deposits		
A-1+	5,561,981	4,874,845
FNB Botswana (not rated)	55,534	394,930
Standard Bank South Africa (not rated)	935	3,360
Stanbic Bank (Zambia) (not rated)	2,813	37,727
Cash on hand	3,949	4,628
	5,625,212	5,315,490

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are only invested in instruments that are tradeable in highly liquid markets.

The tables below analyse the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

2013	**Less than 6 months**	**6 - 12 months**	**Total contractual cash flows**
Trade Payables	571,560	-	571,560
Borrowings	-	5,000,000	5,000,000
	571,560	5,000,000	5,571,560
2012			
Trade Payables	1,702,258	-	1,702,258
Borrowings	-	5,000,000	5,000,000
	1,702,258	5,000,000	6,702,258

(c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. Segment information

(a) Description of Segments

The Company's Board receives financial information across two reportable segments. These are Botswana Exploration and Zambia Exploration.

Notes to the Consolidated Financial Statements (continued)

(b) Segment Information

For the year ended 30 June 2013	Botswana Exploration	Zambia Exploration	All other segments	Consolidated
	USD	USD	USD	USD
Total segment revenue	-	-	50,282	50,282
Profit (loss) before income tax	(214,068)	(8,002,006)	(4,331,644)	(12,547,719)
Impairment of exploration expenditure	-	(7,265,881)	-	(7,265,881)
Segment Assets				
Property, plant and equipment	200,634	183,506	8,795	392,935
Exploration and evaluation expenditure	16,429,457	2,658,296	-	19,087,753
Other	87,787	3,021	5,617,533	5,708,341
Total Segment Assets	**16,717,878**	**2,844,823**	**5,626,328**	**25,189,029**
Segment Liabilities				
Borrowings	-	-	5,000,000	5,000,000
Provision for Rehabilitation	250,000	-	-	250,000
Other	383,114	1,118	187,328	571,560
Total Segment Liabilities	**633,114**	**1,118**	**5,187,328**	**5,821,560**
For the year ended 30 June 2012				
Total segment revenue	-	-	263,567	263,567
Profit (loss) before income tax	(236,165)	(5,827,428)	(3,513,146)	(9,576,739)
Impairment of exploration expenditure	-	(5,441,587)	-	(5,441,587)
Segment Assets				
Property, plant and equipment	224,250	551,078	7,734	783,062
Exploration and evaluation expenditure	13,397,441	9,890,616	-	23,288,057
Other	911,089	66,009	5,042,714	6,019,812
Total Segment Assets	**14,532,780**	**10,507,703**	**5,050,448**	**30,090,931**
Segment Liabilities				
Other	987,330	61,582	653,347	1,702,258
Borrowings	-	-	5,000,000	5,000,000
Provision for Rehabilitation	250,000	-	-	250,000
Total Segment Liabilities	**1,237,330**	**61,582**	**5,653,347**	**6,952,258**

7. Revenue from continuing operations

	2013 USD	2012 USD
Interest received	50,282	263,567
	50,282	263,567

8. Personnel expenses

	2013 USD	2012 USD
Wages and salaries	772,565	522,511
Superannuation	11,185	22,216
Directors fees	675,652	942,143
Recruitment	16,022	-
Payroll tax	8,132	55,715
	1,483,555	1,542,584

9. Professional & Corporate Expenses

	2013 USD	2012 USD
BDO Audit (WA) Pty Ltd: Audit and review of financial reports	51,065	57,165
	51,065	57,165
Other professional and corporate expenses		
Tax consulting services	3,917	3,627
Legal costs	27,094	13,725
Other professional fees	105,886	121,039
Depreciation	260,357	128,381
Other corporate and administration costs	977,791	1,296,610
	1,426,111	1,620,547

10. Income Taxes

	2013 USD	2012 USD
(a) Income tax expense:		
Current tax	-	-
Deferred tax	-	-
Overprovision in respect to prior years	-	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax	(12,547,719)	(9,576,739)
Prima facie income tax at 30%	(3,764,316)	(2,873,022)
Tax effect of amounts not deductible in calculating taxable income:		
Sundry items	1,325	2,081
Other	2,827,978	1,987,800
	(935,013)	(883,141)
Difference in overseas tax rates	325,004	479,477
Tax loss not recognised	610,009	403,664
Income tax expense/(benefit)	-	-
(c) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	(3,085,937)	(2,993,972)
Potential tax benefit @ 30%	(898,192)	(898,192)
Difference in overseas tax rates 10%	325,004	479,477
Potential tax benefit	(573,188)	(418,715)
(d) Unrecognised deferred tax assets arising on timing differences and losses		
Timing	10,025	15,246
Losses - Revenue	2,838,629	2,237,852

The tax benefits of the above deferred tax assets will only be obtained if:

i. The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
ii. The Consolidated Entity continues to comply with the conditions for deductibility imposed by law;
iii. No changes in income tax legislation adversely affect the Consolidated Entity from utilising the benefits.

11. Earnings per share

(a) Basic loss per share
The calculation of basic loss per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of USD 12,472,820 (2012: USD 9,576,739) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 350,606,423 (2012: 324,617,694) calculated as follows:

	2013 USD	2012 USD
Loss attributable to ordinary shareholders	(12,547,719)	(9,576,739)
Issued number of ordinary shares at 1 July	330,126,735	296,276,735
Effect of shares issued during the period	20,398,067	28,340,959
Weighted average number of shares for year to 30 June	350,524,802	324,617,694
Basic loss per share (cents per share)	(3.58)	(2.95)

(b) Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

12. Reconciliation to cash and cash equivalents

	2013 USD	2012 USD
Cash at bank & on hand	968,729	4,205,994
Term deposits	4,656,483	1,109,497
	5,625,212	5,315,490

The Group's exposure to interest rate risk is discussed in note 4.

13. Trade and other receivables

	2013 USD	2012 USD
Trade debtors	6,663	31,880
Prepaid expenses	-	105,282
GST and VAT receivable	72,275	558,056
Other receivable	4,191	9,104
	83,129	704,322

None of the trade and other receivables are past due or impaired.

Risk exposure
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 4.

14. Property, plant and equipment

	2013 USD	2012 USD
Plant and equipment at cost	681,255	1,045,725
Less: Accumulated depreciation	(288,320)	(262,663)
Carrying amount at 30 June	392,935	783,062

	2013 USD	2012 USD
PP&E movement reconciliation		
Plant and equipment at cost:		
Balance at the beginning of the year	1,045,725	911,369
Additions	-	290,174
Disposals	(364,470)	(155,645)
Effect of movements in foreign exchange	-	(173)
Carrying amount at 30 June	681,255	1,045,725
Accumulated depreciation:		
Balance at the beginning of the year	(262,663)	(245,852)
Depreciation charge for the year	(260,357)	(143,317)
Disposals	234,700	126,486
Effect of movements in foreign exchange	-	20
Carrying amount at 30 June	(288,320)	(262,663)

15. Exploration and evaluation expenditure

	2013 USD	2012 USD
Chirundu Uranium Project	2,658,295	8,428,448
Sitwe Uranium Project	-	922,792
Sinazongwe Coal Project	27,113	543,682
Sese Coal Project	16,402,344	13,393,135
Carrying amount of exploration and evaluation	19,087,752	23,288,057

	2013	2012
EE&D movement reconciliation		
Balance at the beginning of the year	23,288,057	21,038,572
Additions	3,322,186	8,734,463
Impairment of exploration & evaluation	(7,265,881)	(5,441,587)
Effect of movements in foreign exchange	(256,610)	(1,043,390)
Carrying amount at 30 June	19,087,752	23,288,057

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. In June the Board assessed the carrying value of the Chirundu Uranium Project and deemed that an impairment was necessary to reflect fair value of the project.

16. Trade and other payables

	2013 USD	2012 USD
Trade creditors	397,863	1,137,350
Accrued expenses	158,998	500,707
Payroll liabilities	(792)	12,480
Annual leave provisions	8,416	18,702
Other payables	7,076	33,019
	571,560	1,702,258

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Information about the Group's exposure to foreign exchange risk is provided in note 4.

17. Borrowings

	2013 USD	2012 USD
Loan from Macquarie Bank Limited	5,000,000	5,000,000
	5,000,000	5,000,000

On 7 December 2012, African Energy extended the repayment terms of a US$5m convertible loan facility with Macquarie Bank Limited. The loan facility is repayable at any time up until 31 December 2013. Interest is repayable by the Company on outstanding balances is equal to the USD LIBOR rate plus 6.0%.

Under the terms of the extension to the Facility, the Company issued Macquarie Bank Limited with 22,766,805 American call options, each with a strike price of AUD $0.21 and expiring 31 December 2014. Using a Black-Scholes option pricing model, the tranche of options issued to Macquarie Bank were valued at USD$542,486 on the date of issue.

Details of the Group's exposure to risks arising from current borrowings are set out in note 4.

18. Contributed equity

	2013 USD	2012 USD
Contributed equity	53,039,254	44,616,281
Cost of share issue	(2,505,051)	(2,269,724)
	50,534,203	42,346,557

Movement in share capital	Date	Number of shares	Issue price USD cents	USD
Balance 30 June 2011		296,276,735		26,726,320
Exercise of employee Options	07 Jul 2011	50,000	9.09	4,546
Share Placement	25 Jul 2011	30,000,000	54.28	16,283,400
Exercise of employee Options	25 Jul 2011	50,000	9.23	4,614
Exercise of employee Options	21 Nov 2011	200,000	8.50	17,003
Exercise of employee Options	16 Mar 2012	300,000	10.66	31,984
Exercise of employee Options	29 Jun 2012	3,250,000	8.56	278,156
Capital raising costs				(884,563)
Capital raising costs - equity settled				(114,903)
Balance 30 June 2012		330,126,735		42,346,557
Options exercise	13 Jul 2012	125,000	12.71	15,883
Placement	12 Nov 2012	17,857,144	14.54	2,595,925
Placement	20 Dec 2012	3,571,429	14.71	525,460
Shares in lieu of salary	26 Apr 2013	1,027,238	12.09	124,154
Placement	30 Apr 2013	41,666,667	12.39	5,161,550
Capital raising costs				(235,327)
Balance 30 June 2013		394,374,213		50,534,203

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in the proportion to the number and amount paid on the shares held.

Capital risk management
The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

19. Reserves

	2013 USD	2012 USD
Share-based payments reserve	4,273,582	3,154,731
Foreign currency translation reserve	(4,105,710)	(3,084,134)
	167,872	70,597
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of the year	3,154,731	3,385,247
Employee share option expense	1,067,970	622,785
Options granted in settlement of financing costs	542,486	601,158
Share based payments adjustment on exercise/expiry	(491,605)	(1,454,460)
Balance at 30 June 2013	4,273,582	3,154,731
Foreign currency translation reserve		
Balance at the beginning of the year	(3,084,134)	(2,199,997)
Effect of translation of foreign currency operations to group presentation currency	(1,021,576)	(884,137)
Balance at 30 June 2013	(4,105,710)	(3,084,134)

Share based payments reserve
The share based payments reserve represents the value of options issued under the compensation arrangement that the Consolidated Entity is required to include in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments.

Foreign currency translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

20. Key management personnel disclosures

(a) Compensation

The key management personnel compensation is as follows:

	2013 USD	2012 USD
Short-term employee benefits	822,536	1,095,826
Equity compensation benefits	137,630	190,074
	960,166	1,285,900

Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 16.

(b) Equity Holdings

(i) Share Holdings

	Balance at 30/06/2011	Purchases	Exercised options	Balance at 30/06/2012	Purchases	Sales	Issued in lieu of cash remuneration	Balance at 30/06/2013
Non-executive Directors								
Michael Curnow	644,555	33,436	-	677,991	-		89,286	767,277
Valentine Chitalu	388,673	-	100,000	488,673	55,714		89,286	633,673
Philip Clark	20,000	265,000	-	285,000	-		89,286	374,286
Executive Directors				-				
Alasdair Cooke	25,945,775	2,407,150	400,000	28,752,925	5,071,429		178,571	34,002,925
Charles Tabeart	1,558,575	100,000	1,000,000	2,658,575		(807,600)	160,714	2,011,689
Gregory Fry	3,600,192	-	700,000	4,300,192	-		89,286	4,389,478
	32,157,770	2,805,586	2,200,000	37,163,356	5,127,143	(807,600)	696,429	42,179,328

(ii) Options Holdings

2013	Balance at 30/06/2011	Exercised	Expired	Balance at 30/06/2012	Movements in year	Balance at 30/06/2013	Vested and exercisable	Unvested
Non-executive Directors								
Michael Curnow	899,736	-	(899,736)	-	-	-	-	-
Valentine Chitalu	999,736	(100,000)	(899,736)	-	-	-	-	-
Philip Clark	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000	-
Executive Directors				-		-		
Alasdair Cooke	2,337,652	(400,000)	(1,187,652)	750,000	-	750,000	750,000	-
Charles Tabeart	5,222,824	(1,000,000)	(1,972,824)	2,250,000	-	2,250,000	2,250,000	-
Gregory Fry	3,018,160	(700,000)	(818,160)	1,500,000	-	1,500,000	1,500,000	-
	13,478,108	(2,200,000)	(5,778,108)	5,500,000	-	5,500,000	5,500,000	-

(iii) Performance Rights

2013	Balance at 30/06/2012	Granted as compensation	Expired	Balance at 30/06/2013	Vested and exercisable	Unvested
Non-executive Directors						
Michael Curnow	-	100,000	-	100,000	-	100,000
Valentine Chitalu	-	100,000	-	100,000	-	100,000
Philip Clark	-	200,000	-	200,000	-	200,000
Executive Directors				-		
Alasdair Cooke	-	1,000,000	(500,000)	500,000	-	500,000
Charles Tabeart	-	3,000,000	-	3,000,000	-	3,000,000
Gregory Fry	-	2,000,000	-	2,000,000	-	2,000,000
	-	6,400,000	(500,000)	5,900,000	-	5,900,000

(c) Loans to key management personnel

There were no loans made to key management personnel during the year ended 30 June 2013 (2012: nil).

(d) Other transactions with key management personnel

Other transactions with key management personnel are discussed in related parties disclosure (note 23 (d)).

21. Reconciliation of loss after income tax to net cash inflow from operating activities

Cash flows from operating activities	2013 USD	2012 USD
Profit/(loss) for the year	(12,547,719)	(9,576,739)
Adjustments for:		
Equity-settled share-based payment expenses	1,267,023	622,785
Depreciation and amortisation expense	261,046	128,381
Borrowing costs classified as financing	863,976	747,887
Exploration & evaluation expensed	219,180	
Impairment charge	7,265,881	5,441,587
Foreign exchange losses	72,275	(135,086)
Change in operating assets & liabilities		
(Increase)/decrease in trade and other receivables	76,321	(19,562)
(Decrease)/increase in trade and other payables	(276,817)	260,380
Net cash used in operating activities	(2,798,835)	(2,530,366)

22. Parent Entity

	2013 USD	2012 USD
Current Assets	-	-
Non-Current Assets	24,522,868	28,235,390
Total Assets	24,522,868	28,235,390
Current Liabilities	5,080,168	5,096,717
Total Liabilities	5,080,168	5,096,717
Contributed equity	50,589,598	42,346,557
Reserves	4,133,286	3,154,731
Accumulated losses	(35,280,185)	(22,362,615)
Total Equity	19,442,699	23,138,673
Loss for the year	(13,409,174)	(12,310,976)
Other comprehensive income / (loss) for the year	-	(2,731)
Total comprehensive income / (loss) for the year	(13,409,174)	(12,313,707)

There were no commitments, contingent liabilities or contingent assets at the parent level at 30 June 2013.

23. Related parties

(a) Parent entities

The parent entity within the Group is African Energy Resources Limited.

(b) Subsidiaries

	Country of incorporation	Ownership interest 2013	Ownership interest 2012
African Energy Holdings SRL	Barbados	100%	100%
African Energy Holdings SRL 2	Barbados	100%	100%
African Energy Holdings SRL 3	Barbados	100%	100%
A E Resources Pty Ltd	Australia	100%	100%
AFR Australia Pty Ltd	Australia	100%	100%
African Energy Resources (SA) (Pty) Ltd	South Africa	100%	100%
African Energy Resources Mozambique Ltd	Mozambique	100%	100%
African Energy Resources Botswana (Pty) Ltd	Botswana	100%	100%
Sese Power (Pty) Ltd (formerly AER Minerals (Pty) Ltd	Botswana	100%	100%
Sese Power 2 (Pty) Ltd (formerly Sese Coal (Pty) Ltd)	Botswana	100%	100%
Sese Power Subsidiary (Pty) Ltd	Botswana	100%	100%
African Energy Resources Ltd	Zambia	100%	100%
Chirundu Joint Ventures Zambia Ltd	Zambia	100%	100%
Muchinga Energy Resources Ltd (formerly Sitwe Uranium Exploration Ltd)	Zambia	100%	100%

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 20.

(d) Other related party transactions

The terms and conditions of the transactions with Directors, key executives and associates and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

	Charges from		Charges to	
	2013 USD	2012 USD	2013 USD	2012 USD
Mitchell River Group Pty Ltd Provision of a fully serviced office and admin staff Alasdair Cooke, Frazer Tabeart, Gregory Fry	983,553	826,430	4,097	-
Exco Resources Ltd Recharge of office overhead costs Alasdair Cooke	586	8,186	295	5,970
Energy Ventures Ltd Recharge of office overheads and wages Alasdair Cooke, Gregory Fry, Michael Curnow	1,393	72,532	165	7,106
Albidon Ltd Recharge of office overheads and wages Alasdair Cooke, Valentine Chitalu				133,678

Assets and liabilities at 30 June arising from transactions with related parties

	2013 USD	2012 USD
Trade and other receivables	-	-
Trade and other payables	19,751	219,310

(e) Employee Share Option Plan

The establishment of the AFR Employee Option Plan was approved by shareholders at the 2010 Annual General Meeting. The Employee Option Plan is designed to provide long-term incentives for key staff and consultants to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

At 30 June 2013

Grant Date	Expiry Date	Exercise Price cents	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at year end
16/09/2010	31/12/2013	12.5	500,000	-	(125,000)	-	375,000	100%
2/02/2012	31/12/2013	70	250,000	-	-	-	250,000	100%
18/02/2012	31/12/2013	90	1,500,000	-	-	-	1,500,000	100%
18/02/2012	31/12/2013	110	1,500,000	-	-	-	1,500,000	100%
18/02/2012	31/12/2013	130	1,500,000	-	-	-	1,500,000	100%
28/03/2012	31/12/2013	80	1,625,000	-	-	-	1,625,000	100%
16/05/2012	31/12/2013	80	600,000	-	-	-	600,000	100%
			7,475,000	-	(125,000)	-	7,350,000	
Weighted average exercise price							94.58 cents	

At 30 June 2012

Grant Date	Expiry Date	Exercise Price cents	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at year end
1/07/2007	30/06/2012	31.25	9,152,981	-	-	(9,152,981)	-	-
20/11/2007	30/06/2012	40	300,000	-	-	(300,000)	-	-
12/12/2007	30/06/2012	40	200,000	-	-	(200,000)	-	-
22/04/2008	30/06/2012	40	600,000	-	-	(600,000)	-	-
2/07/2009	30/06/2012	8.5	1,525,000	-	(1,525,000)	-	-	-
27/08/2009	30/06/2012	8.5	2,200,000	-	(2,200,000)	-	-	-
16/09/2010	31/12/2013	12.5	625,000	-	(125,000)	-	500,000	50%
2/02/2011	31/12/2013	70	250,000	-	-	-	250,000	100%
18/02/2011	31/12/2013	90	1,500,000	-	-	-	1,500,000	100%
18/02/2011	31/12/2013	110	1,500,000	-	-	-	1,500,000	100%
18/02/2011	31/12/2013	130	1,500,000	-	-	-	1,500,000	100%
7/03/2011	31/12/2013	103	4,843,230	-	-	(4,843,230)	-	-
28/03/2011	31/12/2013	80	1,650,000	-	-	(25,000)	1,625,000	50%
16/05/2011	31/12/2013	80	600,000	-	-	-	600,000	50%
			26,446,211	-	(3,850,000)	(15,121,211)	7,475,000	
Weighted average exercise price							93.21 cents	

(f) Fair value of options granted

No options were granted during the year.

(g) Employee Performance Rights Plan

The establishment of the AFR Employee Performance Rights Plan was approved by shareholders at the 2012 Annual General Meeting. The Employee Performance Rights Plan is designed to provide long-term incentives for key staff and consultants to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Rights are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share.

On 1 October 2012, The Company issued 6,400,000 Performance Rights to Directors and 3,600,000 to employees and consultants. The following table summarises the performance hurdles that apply to each Performance Right and the number of Performance Rights subject to each performance hurdle for each Director of the Company:

	Performance Hurdles								
Directors Name	A	B	C	D	E	F	G	H	Total
Charles Tabeart	333,333	333,333	333,334	666,666	666,667	666,667	-	-	3,000,000
Alasdair Cooke	166,666	166,666	166,667	166,667	166,667	166,667	-	-	1,000,000
Gregory Fry	333,333	333,333	333,334	333,333	333,333	333,334	-	-	2,000,000
Michael Curnow	33,333	33,333	33,334	-	-	-	-	-	100,000
Philip Clark	-	-	-	-	-	-	100,000	100,000	200,000
Valentine Chitalu	33,333	33,333	33,334	-	-	-	-	-	100,000
	899,998	899,998	900,003	1,166,666	1,166,667	1,166,668	100,000	100,000	6,400,000

Performance Hurdles

A. continued service with the Company until 1 July 2013
B. continued service with the Company until 1 July 2014
C. continued service with the Company until 1 July 2015
D. the company achieving a JORC compliant resource base greater than 5Bt
E. execution of a power purchase agreement for the full output of a 300MW coal fired power station
F. coal sales exceeding 100,000t
G. successful completion of a bankable feasibility study on the Sese Coal Project
H. successful completion of an environmental impact study on the Sese Coal Project

(h) Expenses arising from share-based payment transactions

	2013 USD	2012 USD
Performance rights issued under AFR Performance Rights Plan*	879,717	-
Shares issued under AFR employee share scheme	199,053	-
Options issued under AFR Employee Option Plan	188,253	622,785
Options granted in settlement of capital raising costs	-	114,903
Options granted in settlement of financing costs	542,486	486,256
	1,809,509	1,223,944

- Performance rights are valued at face value of the share on the date of issue and expensed of the expected life of the right

24. Subsequent events

On 12 July, the Company raised AUD $3.5M by placing 32.7m new shares at AUD $0.12c with Sentient Executive GP IV, Limited, acting for Sentient Global Resources Fund IV, L.P. ("Sentient"). Sentient is now the largest shareholder in AFR, owning approximately 17.3% of the issued capital.

In early July, the Company completed the acquisition of the Mmamantswe Coal Project in south-east Botswana for a cash consideration of AUD $3.5M from Aviva Corporation. The Mmamantswe Coal Project is in south-eastern Botswana, and comprises a Measured and Indicated Resource of 1.3 billion tonnes of thermal coal, including 895Mt of Probable Reserves.

Other than the abovementioned events, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Group in future financial years which have not been disclosed publicly at the date of this report.

In July 2,036,594 new shares were issued as follows

- 863,095 shares were issued to Directors in lieu of cash salary.
- 340,167 shares were issued to staff in lieu of cash salary under the employee share plan.
- 733,332 shares were issued to Directors upon vesting of performance rights.
- 100,000 shares issued to staff upon vesting of performance rights.

25. Capital and other commitments

	2013 USD	2012 USD
Minimum tenement commitments within one year		
within one year	3,844,235	51,135
later than one year	23,529	5,241,291
Minimum payments in relation to non-cancellable operating leases		
within one year	3,036	23,969
later than one year	-	3,036
	3,870,801	5,319,431

26. Contingencies

There were no contingent assets or liabilities in the Group at 30 June 2013.

This Statement reflects African Energy Resources Limited's corporate governance policies and practices as at 30 June 2013 and which were in place throughout the year. The Board's philosophy is to adopt practices that are consistent with the best practice recommendations of the ASX Corporate Governance Council and in the best interests of the Company. The governance practices are reviewed regularly.

A description of the Company's corporate governance practices is set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1**: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Company's practice:

The Board considers that the essential responsibility of Directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Managing Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Managing Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives; Overseeing and monitoring:
    - Organisational performance and the achievement of strategic goals and objectives
    - Compliance with the Company's code of conduct
    - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of Directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate.

Senior executives are responsible for the ongoing management of the Company's operations and reporting to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior executives' incentive based key performance indicators and their performance is reviewed on a regular basis by the Board.
Based on the above information, the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the Board should be independent Directors.
- **Recommendation 2.2:** The Chair should be an independent Director.
- **Recommendation 2.3:** The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.
- **Recommendation 2.4:** The Board should establish a Nomination Committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

Corporate Governance Statement (continued)

The Company's practice:

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment. The Company does not comply with this recommendation as the majority of the Board is not independent.

Corporate Governance Recommendation 2.2 requires that the Chairperson should be an independent Director. The Company does not comply with this recommendation and the current Chairperson role is filled by an Executive Director.

The Board believes this current structure is best suited to enable the Company to deliver shareholder value and manage the operations for a company of its size. The Company will continue to review its Board structure in light of these recommendations as it continues to grow to ensure that it is in the best position to deliver value to its shareholders, key stakeholders and the communities in which it operates.

The Directors have been chosen for their particular expertise to provide the Company with a competent and well-rounded decision-making body and which will assist the Company and shareholders in meeting their objectives.

The term in office held by each Director in office at the date of this report is as follows and details of the professional skills and expertise of each of the Directors are set out in the Directors' Report.

Name	Position	Term in Office
Mr A C Cooke	Executive Chairman	7 years
Dr C F Tabeart	Managing Director	6 years
Mr G W Fry	Executive Director	7 years
Mr V Chitalu	Non-Executive Director	7 years
Mr M J Curnow	Non-Executive Director	7 years
Mr P D Clark	Non-Executive Director	2 years

The Directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of Directors. Directors are given access to, and encouraged to participate in, continuing education opportunities to update and enhance their skills and knowledge.

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other board members.

The Company does not currently have a separate Nomination Committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information, the Company believes it is fully compliant with Recommendations 2.3, 2.5 and 2.6. The Company is not compliant with Recommendations 2.1, 2.2 and 2.4 as outlined.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1**: Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:
  - the practices necessary to maintain confidence in the Company's integrity;
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

- **Recommendation 3.2**: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to:
  - establish measurable objectives for achieving gender diversity;
  - assess annually both the objectives set for achieving gender diversity; and
  - assess annually the progress made towards achieving the objectives set.

- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Company's practice:

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company has not at this time established a formal policy in relation to diversity. The board has considered its approach to diversity in the context of the new diversity requirements set out in the ASX Corporate Governance Principles and Recommendations.

The Company is committed to a workplace environment that promotes diversity and recognises the key competitive benefits of recruiting, developing and retaining a talented, diverse and motivated workforce. The board recognises the benefits of diversity at board level, senior management level and within the organisation generally and recognises the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity may bring.

The board believes that given the size and nature of the Company's activities, and the existing diversity profile of the organisation, that an informal approach is appropriate at this time. Senior management roles and positions are filled by the best candidates available without discrimination. The Company aims to increase diversity in senior appointments as positions and appropriate candidates become available.

The Company will review this position annually and, as activities expand, plans to establish a formal diversity policy and set measurable objectives for achieving diversity in relation to gender.

At the date of this report the proportion of women in the organisation is as follows:

Level	Male	Female	Female %
Board	6	0	0%
Staff	10	5	33%

The Company has made the relevant material available in the Corporate Governance Statement within its Annual Report and its website disclosure in accordance with this recommendation.

Based on the above information, the Company believes it is fully compliant with Recommendations 3.1, 3.4 and 3.5. The Company is not compliant with Recommendations 3.2 and 3.3 as outlined.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The Board should establish an Audit Committee.
- **Recommendation 4.2**: The Audit Committee should be structured so that it:
  - consists only of Non-Executive Directors;
  - consists of a majority of independent Directors;
  - is chaired by an independent Chair, who is not Chair of the Board; and
  - has at least three members.
- **Recommendation 4.3:** The Audit Committee should have a formal charter.

- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Company's practice:

The Board has a separate Audit Committee to assist the Board, its responsibilities are set out in a formal charter approved by the Board. Due to the size and structure of the Company, the Audit Committee consists of both Executive and Non-Executive Directors and therefore the Company is not compliant with Recommendation 4.2

The Committee's responsibilities under the charter include the following:

- Reviewing internal control and recommending enhancements;
- Monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- Reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and International jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The Board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Managing Director and Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2013 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information, the Company believes it is fully compliant with Recommendations 4.1, 4.3 and 4.4. The Company is not compliant with Recommendation 4.2 as outlined.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- **Recommendation 5.1**: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

The Company's practice:

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company's website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Company Secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all Directors, officers and employees of the Company coordinate disclosures through the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Based on the above information, the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at General Meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Company's practice:

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in General Meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of Directors, approval of the amount of funds available for remunerating Non-Executive Directors and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present and be available to shareholders at the Annual General Meeting.

Information is communicated to shareholders through:

- The Annual Report which is distributed to all shareholders;
- Half-yearly reports, quarterly reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- The Annual General Meeting and other meetings so called to obtain approval for board action as appropriate; and
- Compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on the Company's website.

Based on the above information, the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
- **Recommendation 7.3:** The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company's practice:

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has no formal policy in place to recognise and manage risk as required by Recommendation 7.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate Risk Management Committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholders' needs and manage business risks.

The Managing Director and Company Secretary have declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information, the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1**: The Board should establish a Remuneration Committee.
- **Recommendation 8.2:** The Remuneration Committee should be structured so that it:
  - consists of a majority of independent Directors;
  - is chaired by an independent chair; and
  - has at least three members.
- **Recommendation 8.3**: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company's practice:

The Board has a separate Remuneration Committee to make recommendations to the Board about the remuneration of Executive and Non-Executive Directors as well as senior management of the Company.

Its responsibilities are set out in a formal Remuneration Committee charter approved by the Board. Due to the size and structure of the Company, the Remuneration Committee consists of both Executive and Non-Executive Directors and therefore the Company is not compliant with Recommendation 8.2

Remuneration of Executive Directors are formalised in service agreements. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Executive Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of senior executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits to Non-Executive Directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 14 to 17 of the Financial Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information, the Company believes it is fully compliant with Recommendations 8.1, 8.3 and 8.4 and not compliant with 8.2 as outlined.

Incorporation and General Information

African Energy Resources Limited was incorporated in Guernsey and is subject to Guernsey law.

In Australia, the Company is registered as a foreign company under the Australian Corporations Act (ARBN 123 316 781). It is not subject to Chapter 6 of the Australian Corporations Act dealing with the acquisition of shares (including substantial shareholdings and takeovers). However, the Company has inserted into its Articles of Association ("Articles") some restrictions on the ability to acquire shares in the Company. These sections of the Articles reflect the restrictions on acquisitions of shares contained in Parts 6.1 and 6.2 of the Australian Corporations Act. The Company has undertaken to comply with the Listing Rules of the ASX.

Guernsey law does not impose any limitation on the acquisition of securities in the Company.

Exchange Listings

African Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX) and Botswana Stock Exchange (BSE). The Company's ASX and BSE code is AFR.

Substantial Holders

As notified to the Company as at 17 October 2013

Name of Shareholder	Number of Shares Held	% Held
Sentient Executive GP IV Limited	74,375,001	17.31
Mr Alasdair Campbell Cooke	26,245,825	8.86

Class of shares and voting rights

At 17 October 2013, there were 3,763 holders of 429,577,474 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

Distribution of Shareholders

Range	Securities	No of Holders	%
100,001 and Over	370,665,102	411	10.93
10,001 to 100,000	51,253,870	1,414	37.59
5,001 to 10,000	4,810,089	597	15.87
1,001 to 5,000	2,712,226	866	23.02
1 to 1,000	136,187	474	12.60
Total	429,577,474	3,762	100.00
Unmarketable Parcels	2,990,408	1,368	36.40

Additional Shareholder Information (continued)

Unquoted Equity Securities

Number of securities on issue	Option Exercise Price	Expiry Date of Option	Number of Holders	Names of Holders Holding More Than 20%	Number Held
Unlisted Options					
375,000	AUD $0.125	31-Dec-13	4		
250,000	AUD $0.70	31-Dec-13	1		
2,225,000	AUD $0.80	31-Dec-13	5		
1,500,000	AUD $0.90	31-Dec-13	3		
1,500,000	AUD $1.10	31-Dec-13	3		
1,500,000	AUD $1.30	31-Dec-13	3		
782,499	AUD $0.625	25-Jul-14	6		
22,766,805	AUD $0.22	31-Dec-14	1	Macquarie Bank	100%
Performance Rights					
6,916,668	nil	30-Sep-17	11		

Largest 20 shareholders at 17 October 2013

Rank	Name	Number of Shares Held	%IC
1	Sentient Executive GP IV Limited	74,375,001	17.31%
2	J P Morgan Nominees Australia Limited	17,337,840	4.04%
3	Mr Stacey Radford	17,099,852	3.98%
4	HSBC Custody Nominees (Australia) Limited	15,944,871	3.71%
5	Mr Alasdair Campbell Cooke	14,987,297	3.49%
6	Glenlaren Pty Ltd	8,871,014	2.07%
7	Mr David George Metford	8,500,000	1.98%
8	PS Consulting Pty Ltd	7,100,000	1.65%
9	HSBC Custody Nominees (Australia) Limited - A/C 3	6,500,000	1.51%
10	Mr Donal Paul Windrim	5,904,337	1.37%
11	Mr Henry John Deburgh & Mrs Elizabeth Margaret Deburgh	5,886,851	1.37%
12	J A Advisory Services Pty Ltd	5,100,000	1.19%
13	Ms Melissa Louise Cooke	4,221,429	0.98%
14	Raejan Pty Ltd	4,100,000	0.95%
15	General Advisory Pty Ltd	4,000,000	0.93%
16	Mr Anthony Alfred Detata	4,000,000	0.93%
17	Mr Gregory William Fry	3,793,575	0.88%
18	Helmet Nominees Pty Ltd	3,500,000	0.81%
19	Mr Brian Henry Mccubbing & Mrs Adriana Maria Mccubbing	3,000,000	0.70%
20	Mr Robert Campbell Cooke & Mrs Elizabeth Minna Cooke	2,987,884	0.70%
		217,209,951	50.56%

Other information

There is no current on-market buyback of the Company's securities and the Company does not have any securities on that issue that are subject to escrow restriction.

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AfricanEnergy

Delivering power to the people

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