



African Energy Resources Limited

ARBN 123 316 781

Interim Financial Statements
for the six months ended
31 December 2012

AFRICAN ENERGY RESOURCES LIMITED

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AFRICAN ENERGY RESOURCES LIMITED
Directors' Report
Interim Financial Statements - 31 December 2012

The Directors of the Company present their report on the consolidated entity consisting of African Energy Resources Limited and the entities it controlled at the end, or during, the half-year ended 31 December 2012.

DIRECTORS

Mr Alasdair Cooke
Executive Chairman

Mr Valentine Chitalu
Non-Executive Director

Dr Charles (Frazer) Tabeart
Managing Director

Mr Michael Curnow
Non-Executive Director

Mr Gregory (Bill) Fry
Executive Director

Mr Philip Clark
Non-Executive Director

REVIEW OF OPERATIONS

African Energy Resources Limited ("African Energy") is a dual listed company on the Australian Securities Exchange and the Botswana Stock Exchange. The Company was incorporated on 29 September 2006 and is domiciled in Guernsey. The information presented in this report is for the six month period ended 31 December 2012.

African Energy owns 100% of the 2.5 billion tonne Sese Coal & Power Project, which contains over 650Mt of thermal coal in measured resources, 1700Mt in indicated resources and 150Mt in inferred resources in eastern Botswana.

The Company is 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 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.

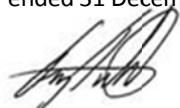
The Company is led by a highly experienced Board of Directors and management team who have been closely associated with successful exploration projects and mining developments, including current mining projects in Zambia and Botswana as well as large scale coal operations in Australia. The Company's projects are located over sedimentary basins of the Karoo Supergroup, which are host to uranium and coal projects in South Africa, Malawi, Zambia, Botswana, Tanzania and Zimbabwe.

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

Information in this report relating to exploration results is based on data compiled by Dr Frazer Tabeart (a full time employee of the Company), who is a member of The Australasian Institute of Mining and Metallurgy. 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2012.



Charles Frazer Tabeart
Director

AFRICAN ENERGY RESOURCES LIMITED

Directors' Declaration

Interim Financial Statements - 31 December 2012

- 1 In the opinion of the directors of African Energy Resources Limited :
 - a. The financial statements and notes set out on pages 8 to 15, are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
 - ii. Complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. there are reasonable grounds to believe that African Energy Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Charles Frazer Tabeart
Director
Perth, 14 March 2013

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AFRICAN ENERGY RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Energy Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of African Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.



Conclusion


Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of African Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2(c) in the half-year financial report which indicates the consolidated entity incurred a net loss of \$3,861,637 and had net cash outflows from operating activities of \$1,911,543 during the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the company'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.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch
Director

Perth, Western Australia
Dated this 14th day of March 2013

14 March 2013

African Energy Resources Limited
The Board of Directors
Granite House, La Grande Rue
St Martin Guernsey GY1 3RS

Dear Sirs,

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

As lead auditor for the review of African Energy Resources Limited for the half-year ended 31 December 2012, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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, Western Australia

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2012

	31-Dec-12	31-Dec-11
	USD	USD
Revenue from continuing operations	17,050	181,973
Personnel expenses	(963,315)	(734,093)
Employee share option expense	(351,817)	(367,990)
Professional & corporate expense	(855,924)	(815,951)
Exploration expensed	(183,003)	-
Impairment	(952,929)	-
Borrowing costs	(165,814)	(126,835)
Borrowing costs - equity settled	(542,486)	(486,256)
Foreign currency gain	96,109	212,906
Loss before tax	(3,902,129)	(2,136,246)
Income tax expense	-	-
Loss for the half year	(3,902,129)	(2,136,246)
Attributable to:		
Equity holders of the Company	(3,902,129)	(2,136,246)
Loss for the half year	(3,902,129)	(2,136,246)
Other comprehensive income		
Items that will be reclassified to profit and loss		
Foreign currency translation reserve	40,493	(954,786)
Total other comprehensive income / (loss) for the half year	40,493	(954,786)
Total comprehensive income / (loss) attributable to the ordinary equity holders of the Company:		
Total comprehensive (loss) for the half year	(3,861,637)	(3,091,032)
Loss per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	(1.16)	(0.66)

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31-Dec-12 USD	30-Jun-12 USD
Assets			
Current assets			
Cash and cash equivalents		3,664,904	5,315,490
Trade and other receivables		321,533	704,322
Total current assets		3,986,436	6,019,812
Non-current assets			
Property, plant and equipment		466,663	783,062
Exploration and evaluation expenditure	5	24,708,019	23,288,057
Total non-current assets		25,174,682	24,071,119
Total assets		29,161,118	30,090,931
Liabilities			
Current liabilities			
Trade and other payables		816,754	1,702,258
Borrowings	8	5,000,000	5,000,000
Total current liabilities		5,816,754	6,702,258
Non-current Liabilities			
Provisions		250,000	250,000
Total non-current liabilities		250,000	250,000
Total liabilities		6,066,754	6,952,258
Net assets		23,094,364	23,138,673
Equity			
Contributed equity	6	45,269,592	42,346,557
Reserves	7	1,005,394	70,597
Accumulated losses		(23,180,622)	(19,278,481)
Total equity attributable to shareholders of the Company		23,094,364	23,138,673

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2012

	Contributed equity USD	Accumulated losses USD	Reserves USD	Total equity USD
For the half-year ended 31 December 2012				
Opening balance	42,346,557	(19,278,492)	70,597	23,138,662
Net loss for the period	-	(3,902,129)	-	(3,902,129)
Other Comprehensive loss				
Effect of translation of foreign operations to group presentation currency	-	-	40,493	40,493
Total comprehensive income (loss) for the period	-	(3,902,129)	40,493	(3,861,637)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	2,923,035	-	-	2,923,035
Equity settled share based payment transactions	-	-	894,304	894,304
	2,923,035	-	894,304	3,817,338
Balance at 31 December 2012	45,269,592	(23,180,622)	1,005,394	23,094,364

For the half-year ended 31 December 2011

Opening balance	26,726,320	(11,156,201)	3,035,349	18,605,468
Net loss for the period	-	(2,136,246)	-	(2,136,246)
Other Comprehensive income				
Effect of translation of foreign operations to group presentation currency	-	-	(954,786)	(954,786)
Total comprehensive loss for the period	-	(2,136,246)	(954,786)	(3,091,032)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	15,311,670	-	-	15,311,670
Equity settled share based payment transactions	-	-	969,149	969,149
	15,311,670	-	969,149	16,280,819
Balance at 31 December 2011	42,037,990	(13,292,447)	3,049,713	31,795,255

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2012

	31-Dec-12 USD	31-Dec-11 USD
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,911,543)	(1,465,606)
Net cash used in operating activities	(1,911,543)	(1,465,606)
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(149,541)
Proceeds from sale of assets	83,341	-
Payment for exploration and evaluation expenditure	(2,750,363)	(6,089,433)
Net cash used in investing activities	(2,667,021)	(6,238,974)
Cash flows from financing activities		
Proceeds from the issue of share capital	3,137,269	16,309,563
Interest and other finance costs paid	(165,814)	(96,046)
Payment of share issue costs	(214,234)	(888,339)
Interest received	17,050	148,542
Net cash from financing activities	2,774,271	15,473,721
Net increase / (decrease) in cash and cash equivalents	(1,804,294)	7,769,140
Cash and cash equivalents at 1 July	5,315,490	2,437,566
Effect of exchange rate fluctuations on cash held	153,707	171,130
Cash and cash equivalents at 31 December	3,664,904	10,377,836

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED

Notes to the consolidated financial statements

Interim Financial Statements - 31 December 2012

1. Reporting entity

African Energy Resources Limited (referred to as the 'parent entity' or the 'Company') is a company domiciled in Guernsey. The address of the Company's registered office is Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS. The address of the Company's representative office in Australia is Level 1, 8 Colin Street, West Perth, WA 6005. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2012 comprises 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

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2012.

These consolidated interim financial statements were authorised for issue by the directors on 14 March 2013.

(b) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies during the six months ended 31 December 2012 were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

(c) Going concern

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 Sese Coal & Power Project feasibility study costs, ongoing exploration commitments in Botswana and Zambia and for working capital. The Company is required to repay a \$5,000,000 loan facility to Macquarie Bank Limited no later than 31 December 2013. 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, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. Should the consolidated entity be unsuccessful in undertaking additional capital 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.

During the half-year ended 31 December 2012, the consolidated entity incurred a net loss of \$3,861,637 and had net operating cash outflows of \$1,911,543. The cash position of the consolidated entity at 31 December 2012 was \$3,664,904.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2012
4. Segment information

The Company's Board receives segment information across two reportable business segments. These are Botswana exploration and Zambian exploration. The chief operating decision maker is the Managing Director, Frazer Tabcart.

For the period ended 31 December 2012	Botswana Exploration USD	Zambia Exploration USD	All other segments USD	Consolidated USD
Total segment revenue	-	-	17,050	17,050
Profit (loss) before income tax	(1,392,065)	(1,535,482)	(974,582)	(3,902,129)
At 31 December 2012				
Segment Assets				
Property, plant and equipment	201,054	254,459	11,150	466,663
Exploration and evaluation expenditure	13,457,033	8,977,611	2,273,374	24,708,019
Other	711,851	118,829	3,155,757	3,986,436
Total Segment Assets	14,369,938	9,350,899	5,440,281	29,161,118
Segment Liabilities				
Borrowings	-	-	5,000,000	5,000,000
Provision for Rehabilitation	250,000	-	-	250,000
Other	719,711	9,857	87,186	816,754
Total Segment Liabilities	969,711	9,857	5,087,186	6,066,754

For the period ended 31 December 2011

Total segment revenue	-	-	181,973	181,973
Profit (loss) before income tax	(236,926)	(62,502)	(1,836,818)	(2,136,246)

At 30 June 2012
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

5. Exploration & Evaluation Expenditure

Reconciliation of movement in Exploration & Evaluation Expenditure	2012 USD	2011 USD
Balance at the beginning of the period	23,288,057	21,038,572
Additions	2,257,373	6,089,433
Impairment of Sitwe uranium project	(922,797)	-
Effect of movements in foreign exchange	85,386	(1,070,646)
Balance at 31 December	24,708,019	26,057,359

The ultimate recoverability of Exploration and Evaluation Expenditure is dependent upon its successful development or sale.

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2012
6. Equity securities issued

	31-Dec-12 USD	30-Jun-12 USD
Contributed equity	47,753,550	44,616,281
Cost of share issue	(2,483,958)	(2,269,724)
	45,269,592	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
Exercise of employee Options	13 Jul 2012	125,000	12.71	15,883
Share Placement	12 Nov 2012	17,857,144	14.54	2,595,925
Share Placement	20 Dec 2012	3,571,429	14.71	525,460
Capital raising costs				(214,234)
Balance 31 December 2012		351,680,308		45,269,592

7. Reserves

	2012 USD	2011 USD
Share-based payments reserve	4,049,035	4,354,396
Foreign currency translation reserve	(3,043,641)	(1,304,683)
	1,005,394	3,049,713
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of the period	3,154,731	3,385,247
Equity settled share-based payment transactions	894,304	969,149
Balance at 31 December	4,049,035	4,354,396
Foreign currency translation reserve		
Balance at the beginning of the period	(3,084,134)	(349,897)
Effect of translation of foreign currency operations to group presentation currency	40,493	(954,786)
Balance at 31 December	(3,043,641)	(1,304,683)

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2012

8. Borrowings

Loan from Macquarie Bank Limited

2012 USD	2011 USD
5,000,000	5,000,000
5,000,000	5,000,000

On 7 December 2012, African Energy Resources extended the repayment terms of a \$5,000,000 convertible loan facility with Macquarie Bank Ltd. The new loan facility is repayable at any time up until 31 December 2013. Interest is payable by the Company on outstanding balances at the USD LIBOR rate plus 6.0%.

Under the terms of the extension, the Company has issued Macquarie with 22,766,805 American call options, each with a strike price of AUD \$0.22 and expiring 31 December 2014.

9. Dividends

No dividends were paid by the consolidated entity.

10. Related parties

On 1 October 2012, The Company issued 6,400,000 Performance Rights to Directors. 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:

Directors Name	Performance Hurdles								Total
	A	B	C	D	E	F	G	H	
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

All other transactions with related parties are consistent with those disclosed in the 30 June 2012 financial report.

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities in the consolidated entity at 31 December 2012.

12. Events Occurring After Reporting Period

No matters or circumstances have arisen since the end of the interim financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity or the parent company in future reporting periods.