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WATER RIGHTS APPLICATION FOR SESE RECOMMENDED FOR APPROVAL

The Directors are pleased to report that the Company's application for water rights for the Sese Coal & Power Project in Botswana have been recommended for approval by the board of the Water Utilities Corporation (WUC). Their recommendation has been passed on to the Minister for Minerals, Energy and Water Resources for final approval.

African Energy applied for water rights from Shashe Dam, seeking an allocation of up to 2.8 Gl/annum. This is sufficient to provide all water necessary for the Sese Integrated Power Project (300MW power station and 1.5 Mtpa coal mine) with the balance of the water rights being available for expansions of the power project, and/or an initial export project comprising mining and coal handling and processing facilities.

Shase Dam is approximately 30km north of the Sese coal deposit, and water will be taken to the project by pipeline.

The award of water rights for the 2.5 billion tonne Sese Coal & Power Project will represent a significant milestone for the Company. A further announcement will be made once final approval has been received.

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

For and on behalf of the board.