



Delivering power to the people

ASX RELEASE ASX:AFR

7 December 2012

Dear Shareholders,

NOTICE OF GENERAL MEETING

African Energy Resources will hold a General Meeting on Thursday 20th December 2012.

The Notice of Meeting includes resolutions for the approval of an Employee Share Plan ("Plan") and for the approval of the issue of shares to Directors under this Plan.

The Plan will reduce cash costs to the Company by allowing Directors and senior management to receive a portion of their salary or fees as equity. The value of shares issued under the plan would be the same as the pricing of the recent equity raising, \$0.14. This will assist the Company reduce cash outflows and allow a greater proportion of the Company's cash reserves to be allocated to the Company's projects.

The following table outlines the respective commitments made by Directors of the company in reducing the cash component of their salaries.

	Annual salary (AUD)	Percentage Salary paid in Shares	Salary paid in Shares	Total Shares to be Issued in 2013
Alasdair Cooke	100,000	100.00%	100,000	714,286
Charles Tabcart	400,000	22.50%	90,000	642,857
Gregory Fry	200,000	25.00%	50,000	357,143
Michael Curnow	50,000	100.00%	50,000	357,143
Valentine Chitalu	50,000	100.00%	50,000	357,143
Philip Clark	50,000	100.00%	50,000	357,143
			390,000	2,785,714

The full details of the Plan are explained in the Notice of General Meeting attached hereto.

Yours sincerely,

Alasdair Cooke
Chairman

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



ARBN 123 316 781

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

**For the General Meeting to be held on Thursday, 20 December 2012
at 2:30pm (Western Standard Time)
at Level 1, 8 Colin Street, West Perth, 6005, Western Australia**

**also via phone link with our Botswana office
Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana
which will commence at 8:30am (Central Africa Time) on Thursday, 20 December 2012**

**and also via phone link at the Company's registered office
Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS
which will commence at 6:30am (GMT) on Thursday, 20 December 2012**

***This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult your professional advisers.***

***If you are unable to attend the Meeting, please complete the proxy form
enclosed and return it in accordance with the instructions set out on that form.***

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

This General Meeting of the Shareholders of African Energy Resources Limited will be held at:

Level 1	Commencing at 2:30pm Western Standard Time (WST)
8 Colin Street	on 20 December 2012
West Perth	
Australia	

Also via phone link with our Botswana office, Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana which will commence at 8:30am Central Africa Time (CAT) on 20 December 2012.

And also via phone link with our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 6:30am GMT on 20 December 2012.

The Directors have set a date to determine who is entitled to attend, speak and vote at the Meeting. The date is 18 December 2012 at 2:30pm WST.

How you will be able to vote depends on if you are a Shareholder or a Chess Depositary Interest (CDI) holder. The majority of voters will be CDI holders. Both methods are listed below:

CHESS Depositary Interests

CDI Holders are invited to attend and speak at the Meeting but are not entitled to vote at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the Voting Instruction Form (as enclosed with the Notice of General Meeting) as per the information below so that CHESS Depositary Nominees Pty Ltd (CDN) can vote the underlying Shares on their behalf.

Shareholders

Ordinary Shareholders may vote by attending the Meeting in person, by proxy or by authorised representative. Shareholders of the Company, entitled to attend, speak and vote are entitled to appoint one or more proxies to attend, speak and vote at this Meeting. The completion and return of a valid form of proxy will not prevent holders of ordinary Shares from attending, speaking and voting in person at the Meeting if so desired. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

Voting in Person

To vote in person you need to attend the Meeting on the date and at the place (in Australia, Botswana or Guernsey) set out above. The meeting will commence at 2:30pm WST.

The phone link with our Botswana office, at Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana will commence at 8:30am CAT on 20 December 2012.

The phone link with our registered office, at Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS will commence at 6:30am GMT on 20 December 2012.

Attendance at Meeting

All holders of Shares appearing in the Company's Register of Shareholders at 2:30pm WST 18 December 2012 will be entitled to attend and vote at the Meeting.

Proxy and Voting Instruction forms

To be effective, the proxy must be received by the Company no later than 2:30pm (WST) on Tuesday, 18 December 2012. The following methods of delivery for proxies are specified:

- Online: Visit www.linkmarketservices.com.au Select 'Investor Login' and enter African Energy Resources Limited or the ASX code (AFR) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Voting Instruction Form if you lodge it in accordance with the instructions given on the website, so that it is received not later than 2:30 pm (WST) on 18 December 2012.
- By post: African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
- By facsimile: +61 2 9287 0309
- By delivery: Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Your proxy form or voting instruction form is enclosed with this notice, depending on your holder status.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of African Energy Resources Limited will be held at Level 1, 8 Colin Street, West Perth, Western Australia on 20 December 2012 at 2:30pm WST; Also via phone link at our Botswana office, at Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana which will commence at 8:30am CAT on 20 December 2012; Also via phone link at our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 6:30am GMT on 20 December 2012 for the purpose of transacting the business set out below.

The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Resolution 1 - Ratification of Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 of the Listing Rules of the ASX Limited and for all other purposes, the Company approves and ratifies the issue of 17,857,144 fully paid ordinary shares in the capital of the Company at 14 cents each on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the securities to the allottees, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold. Please refer to the Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue that is the subject of this Resolution and any associates of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 2 – Approval of Placement to Alasdair Cooke

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, approval is given for the Company to allot and issue up to 3,571,428 fully paid ordinary shares in the capital of the Company at 14 cents each to Alasdair Cooke, a Director of the Company, (or his nominees) and on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the ASX Listing Rules an issue of securities to a director requires prior shareholder approval. Mr Alasdair Cooke is a Director of the Company and wishes to participate in the capital raising. For the purposes of ASX Listing Rule 10.11, shareholder approval is being sought to allow Mr Cooke (or his nominees) to be issued securities in the Company.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of the resolution and any of its associates of such an allottee or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 3 – Ratification of Macquarie Options Issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the Listing Rules and for all other purposes, the Company ratify the allotment and issue of 22,766,805 unlisted options exercisable at \$0.21 and expiring on 31 December 2014 on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without Shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the options, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold. Please refer to the Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue that is the subject of this Resolution and any associates of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 4 – Approval of Employee Share Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the issue of securities under the employee share plan called the "African Energy Resources Employee Share Plan", a summary of which is contained in the Explanatory Statement, as an exception to Listing Rule 7.1 of the Listing Rules of ASX Limited."

Short explanation: Shareholders must approve the issue of securities under an employee incentive scheme to be an exception to the requirements of Listing Rule 7.1.

Voting exclusion: The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any associate of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of Issue of Shares to Director Under Employee Share Plan – Mr Alasdair Cooke

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 714,286 Shares to Mr Alasdair Cooke or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any of associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or

- ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.

However, the above prohibition does not apply if:

- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 6 – Approval of Issue of Shares to Director Under Employee Share Plan – Dr Charles Tabear

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 642,857 Shares to Dr Charles Tabear or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any of associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or
 - ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.

However, the above prohibition does not apply if:

- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 7 – Approval of Issue of Shares to Director Under Employee Share Plan – Mr Gregory Fry

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 357,143 Shares to Mr Gregory Fry or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or
 - ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.

However, the above prohibition does not apply if:

- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 8 – Approval of Issue of Shares to Director Under Employee Share Plan – Mr Michael Curnow

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 357,143 Shares to Mr Michael Curnow or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any of associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or
 - ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.

However, the above prohibition does not apply if:

- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 9 – Approval of Issue of Shares to Director Under Employee Share Plan – Mr Valentine Chitalu

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 357,143 Shares to Mr Valentine Chitalu or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the African Energy Resources Employee Share Plan) and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or
 - ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.
However, the above prohibition does not apply if:
- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 10 – Approval of Issue of Shares to Director Under Employee Share Plan – Mr Philip Clark

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 357,143 Shares to Mr Philip Clark or his nominee pursuant to the Employee Share Plan in accordance with the terms and conditions of the Employee Share Plan, a summary of which is set out in the Explanatory Statement."

Short explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

Voting exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the Employee Share Plan) and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as proxy must not vote, on the basis of that appointment, on this resolution if:

- a) the proxy is either:
 - i) a member of the key management personnel for the Company; or
 - ii) a closely related party of such a member; and
- b) the appointment does not specify the way the proxy is to vote on this resolution.

However, the above prohibition does not apply if:

- c) the proxy is the Chair of the Meeting; and
- d) the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

BY ORDER OF THE BOARD

Daniel Davis
Company Secretary
7 December 2012

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. RESOLUTION 1 – RATIFICATION OF SHARE PLACEMENT

Background

On 12 November 2012, the Company issued 17,857,144 Shares at 14 cents each to raise \$2,500,000 using the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1. Resolution 1 seeks Shareholder approval to ratify this issue under Listing Rule 7.4 and refresh the 15% capacity.

Information for Shareholders

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

- The number of securities allotted is 17,857,144 Shares.
- The Shares were issued at an issue price of 14 cents each.
- The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares.
- The allottees of the Shares were investors entitled to accept offers of securities under section 708 of the Corporations Act being institutional and sophisticated investors. None of the allottees are related parties of the Company.
- The Company will utilise the funds raised from the issue of Shares to advance feasibility studies at the Sese Coal & Power Project in Botswana.

2. RESOLUTION 2 – PARTICIPATION IN PLACEMENT BY ALASDAIR COOKE

Resolution 2 seeks Shareholder approval for Alasdair Cooke as a director of the Company (or his nominees) to participate in the Placement by the Company issuing to him (or his nominees) up to a total of 3,571,428 Shares.

ASX Listing Rule 10.11 requires the Company to obtain shareholder approval prior to the issue of securities to a related party. Mr Cooke as a Director of the Company is a related party of the Company. Accordingly, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of the securities will not be included in the 15% calculation of the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out the matters which must be included in the notice of meeting convened to seek shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 2:

- The Shares will be issued to Alasdair Cooke (or his nominees).
- The maximum number of securities the Company will issue is 3,571,428 Shares.
- The Shares will be issued no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The issue price of the Shares is 14 cents each and the Shares will be fully paid ordinary shares in the Company and will rank equally with the Company's current issued Shares.

- The Company will utilise the funds raised from the issue of Shares to advance feasibility studies at the Sese Coal & Power Project in Botswana.

3. RESOLUTION 3 – RATIFICATION OF MACQUARIE OPTIONS ISSUE

The Options, the subject of Resolution 2, were issued on 7 December 2012 to Macquarie Bank Limited as part of the convertible loan facility agreement provided by Macquarie Bank Limited as announced to ASX on 7 March 2011.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides, subject to certain exceptions, without Shareholder approval, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue.

ASX Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

The Company issued the 22,766,805 Options within its 15% capacity under Listing Rule 7.1. The Company now seeks Shareholder approval to ratify this issue and refresh the 15% capacity.

Information for Shareholders

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

- The number of securities allotted is 22,766,805 unlisted Options, exercisable at \$0.21 and expiring 31 December 2014;
- The Options were issued for nil consideration and therefore no funds were raised from the issue of the Options;
- The Options were issued to Macquarie Bank Limited, an unrelated party of the Company; and
- The terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum.

4. RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE PLAN

Background

ASX Listing Rule 7.1 requires a listed company to obtain Shareholder approval prior to the issue of equity securities representing more than 15% of the issued capital of that company in any rolling 12 month period.

An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (exception 9) which provides that issues under an employee incentive plan are exempt for a period of three years from the date on which Shareholders approve the issue of securities under that Plan as an exception to ASX Listing Rule 7.1.

Resolution 3 seeks Shareholder approval for the Company to issue Shares under the African Energy Resources Limited Employee Share Plan ("Employee Share Plan" or "ESP") as an exception to ASX Listing Rule 7.1. The Employee Share Plan allows the Board to invite eligible employees to apply for Plan Shares from time to time. The issue price of the Plan Shares is to be determined by the Board at its discretion.

As at the date of this Notice, no shares have been issued under the Employee Share Plan.

A summary of the Employee Share Plan is set out in Annexure B.

Regulatory Requirements

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the establishment or operation of the Employee Share Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the 15% limit imposed by ASX Listing Rule 7.1 on the number of securities that may be issued without shareholder approval. ASX Listing Rule 7.2 exception 9(b) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by Shareholders and the issue of securities is within three years from the date of Shareholder approval of the issue of securities under the employee incentive scheme.

The Board proposes to make an offer to the Directors to participate in the Employee Share Plan. Resolutions 4 to 6 seek specific Shareholder approval for each of the members of the Board to apply for Shares under the Employee Share Plan.

Recommendation

The Board recommends that Shareholders approve the Plan. It will allow the Company to issue securities for the benefit of participants of the Employee Share Plan whilst preserving the Company's 15% limit of issuing securities and provide flexibility in the manner in which the Plan is managed.

5. RESOLUTIONS 5, 6, 7, 8, 9 and 10 – APPROVAL OF SHARES TO DIRECTORS UNDER EMPLOYEE SHARE PLAN

Background

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX'S opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

An exception to ASX Listing Rule 10.11 is set out in ASX Listing Rule 10.12 (exception 4) which provides that ASX Listing Rule 10.11 does not apply to issues made with the approval of shareholders under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must only allow Directors or their associates to acquire securities under an employee incentive plan with the approval of Shareholders and provided the Notice of Meeting complies with ASX Listing Rules 10.15 or 10.15A.

The Board proposes to invite each of the Directors to apply for Plan Shares in lieu of payment of cash remuneration that will accrue to each of the Directors over the 12 months from 1 January 2013 to 31 December 2013. The invitations will be made on a quarterly basis for services that have been provided to the Company during the previous quarter (payment in arrears). The Employee Share Plan can be therefore be used to reduce the cash costs of the Company by allowing the Directors to take a portion of their remuneration in equity. As a consequence, a greater proportion of the Company's cash reserves can therefore be allocated to advancing the Company's projects.

Resolutions 5 to 10 seek Shareholder approval for the issue of up to a total of 2,857,143 Shares to the Directors under Employee Share Plan as follows:

	Annual salary	Percentage Salary paid in Shares	Salary paid in Shares	Shares Issued Mar 2013	Shares Issued Jun 2013	Shares Issued Sep 2013	Shares Issued Dec 2013	Total Shares Issued
Alasdair Cooke	100,000	100.00%	100,000	178,571	178,571	178,571	178,573	714,286
Charles Tabeart	400,000	22.50%	90,000	160,714	160,714	160,714	160,715	642,857
Gregory Fry	200,000	25.00%	50,000	89,286	89,286	89,286	89,285	357,143
Michael Curnow	50,000	100.00%	50,000	89,286	89,286	89,286	89,285	357,143
Valentine Chitalu	50,000	100.00%	50,000	89,286	89,286	89,286	89,285	357,143
Philip Clark	50,000	100.00%	50,000	89,286	89,286	89,286	89,285	357,143
			390,000					2,785,714

The number of Plan Shares to be issued will be equal to the amount of directors' fees that have accrued and are owing to each respective Director at that time. The deemed issue price for the Plan Shares has been fixed at \$0.14.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required as the issue of Plan Shares forms part of the reasonable remuneration of the Directors.

Information required under ASX Listing Rule 10.15

For the purposes of ASX Listing Rules 10.15, the following information is provided to Shareholders:

- The Shares will be granted to Mr Cooke, the Executive Chairman of the Company, Dr Tabeart, the Managing Director of the Company, Mr Fry, an Executive Director of the Company, of the Company and Non-Executive Directors of the Company, Messrs Curnow, Chitalu and Clark, or their nominees.
- The maximum number of Shares that may be acquired by the Directors is 2,785,714 as set out in the table above. The formula for calculating the number of Shares is based on the amount of accrued but unpaid directors fees at a deemed issue price of \$0.14.

- c) The Shares will be issued to Messrs Cooke, Tabcart, Fry, Curnow, Chitalu and Clark (or their respective nominees) on a quarterly basis no later than 12 months after the date of issue of the General Meeting.
- d) The Shares will be issued in lieu of cash remuneration that the Directors are entitled to be paid and, accordingly, no funds will be raised. The Plan Shares will be issued at a deemed price of \$0.14.
- e) No Shares have been issued under the Employee Share Plan.
- f) All Directors and their nominees are entitled to participate in the Employee Share Plan. As at the date of this Notice, the Directors are Messrs Cooke, Tabcart, Fry, Curnow, Chitalu and Clark.
- g) There are no loans provided to the Directors in relation to the acquisition of Shares under the Employee Share Plan.
- h) The Shares will be issued on the same terms as the fully paid ordinary shares of the Company and will rank equally with all of the Company's existing shares. The Company will apply for quotation on ASX for any Shares issued under the Employee Share Plan.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

GLOSSARY

In this Explanatory Statement, the following expressions have the following meanings:

"Articles" means the Articles of Association of the Company.

"ASX" means the ASX Limited (ABN 98 008 624 691).

"ASX Listing Rules" or **"Listing Rules"** means the listing rules of ASX.

"Board" means the board of directors of the Company.

"Company" means African Energy Resources Limited (ARBN 123 316 781).

"Directors" mean the directors of the Company from time to time.

"Explanatory Statement" means this explanatory statement.

"Meeting" means the meeting convened by this Notice.

"Notice" means the notice of meeting that accompanies this Explanatory Statement.

"Option" means an option to subscribe for a Share.

"Resolution" means a resolution contained in the Notice.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a registered holder of Shares in the Company.

"WST" means Western Standard Time, Perth, Western Australia.

ANNEXURE A
TERMS OF OPTIONS ISSUED TO MACQUARIE BANK LIMITED

1. No consideration is payable by the Option holder for the issue of the Options.
2. Each Option entitles the Option holder to one Share in the Company.
3. The exercise price of the Options is AUD \$0.21 per Option.
4. The expiry date of the Options is 31 December 2014 (Expiry Date).
5. The Optionholder may exercise the Options at any time (including on multiple occasions, if it so determines) before 5.00pm (Perth time) on the Expiry Date.
6. The Options will vest immediately upon issue.
7. In order to Exercise, the Optionholder must deliver to the registered office of the Company in Australia a notice in writing in the form set out in Annexure B of the Facility Agreement stating the Optionholder's intention to Exercise all or a specified number of Options ("Notice of Exercise").
8. Any Notice of Exercise must:
 - a. if clause 9.5(2) of the Facility Agreement applies, incorporate an undertaking by the Option holder to promptly remit, to an account nominated by the Company, payment in the amount of that part of the aggregate Exercise Price for those Options that are to be Exercised which will not be Converted under clause 9.5(1) of the Facility Agreement; or
 - b. if clause 9.5(1) of the Facility Agreement applies, incorporate a written statement from the Optionholder that the aggregate Exercise Price for those Options will be Converted under clause 9.5(1) of the Facility Agreement.
9. The Optionholder may at its discretion Exercise only some of the Options and may do so in any multiple it chooses. If it does so, this will not affect any of the Optionholder's rights relating to the balance of the Options held by the Optionholder. The Company must issue to the Optionholder a replacement holding statement for the balance of any unexercised Options, and must provide this to the Option holder by no later than the date falling 3 Business Days after the date of the relevant Exercise.
10. Following any Exercise, the Company must:
 - a. immediately issue to the Optionholder (or its nominee) the resultant Shares (free of Encumbrances) that are the subject of that Exercise;
 - b. either:
 - i. execute and lodge with ASX a notice under section 708A(5)(e) of the Corporations Act in respect of the Shares issued on Exercise (Cleansing Notice) within 3 Business Days after the issue of the Shares; or
 - ii. if the Company is unable to issue a Cleansing Notice for whatever reason, within 5 Business Days after the issue of the Shares, execute and lodge with ASIC and ASX a prospectus which complies with Chapter 6D of the Corporations Act in accordance with the requirements of section 708A(11), to ensure that all Share issued upon Exercise are freely tradeable;
 - c. deliver to the Optionholder a holding statement for the resultant Shares by 5pm (Perth time) 2 Business Days after the issue of the Shares; and
 - d. apply to ASX for quotation of the Shares by no later than the earlier of:
 - i. 5pm (Perth time) 3 Business Days after the date of Exercise; and
 - ii. the time required by the Listing Rules.
11. All Shares issued upon the exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares.

12. In the event of any re-organisation of the issued share capital of the Company including by way of consolidation, subdivision, reduction, return or cancellation, the rights of the Optionholder in respect of the Options will be changed to the extent necessary to:
- comply with the applicable Listing Rules governing reorganisations in force at the time of the reorganisation in which case the terms and conditions applicable to the Options as contained in this Option Certificate will be construed accordingly; and
 - ensure that, following that re-organisation, the Option holder's rights in respect of the Options will not be adversely affected (including by way of issuing further options) so that the proportion the Options bear to the re-organised share capital of the Company is the same as the proportion the Options would have borne to the share capital of the Company had that re-organisation not occurred.
13. The Optionholder is entitled to participate in the issue of new Shares, or any other class of securities offered to shareholders of the Company, to the extent that the Optionholder has Exercised at any time before either the record date for the purposes of determining entitlements to any such issue (Record Date) or the closing date for the relevant issue, whichever is applicable (Relevant Date). The Company must give the Option holder at least 15 Business Days' written notice prior to the Relevant Date for any such offer of securities which, for the avoidance of doubt, includes any pro-rata issue of Shares, Bonus Issues and any other issues of Shares (however described)) in order to enable the Optionholder to Exercise prior to that Relevant Date and participate in the issue or offering at its discretion.
14. If the Company offers Shares by way of a pro-rata issue (except a Bonus Issue) to shareholders, the Exercise Price of an Option that is not exercised prior to the Record Date will be reduced in accordance with the formula set out in Listing Rule 6.22.2.
15. If there is a Bonus Issue to the holders of Shares then the number of Shares over which each Option that is not Exercised prior to the Record Date is exercisable will be increased by the number of Shares that the Optionholder would have received under the Bonus Issue if the Option had been Exercised before the Record Date for the Bonus Issue.
16. The Company must ensure that sufficient nominal but unissued share capital is available at all times to enable the Option holder to Exercise.
17. The Company warrants that section 708A(5) of the Corporations Act will apply to offers of the Shares issued on Exercise for re-sale and that those Shares will be freely tradeable and the issue of the Options will not contravene or result in a breach of Chapter 7 of the Listing Rules.
18. The Optionholder may at any time and in its absolute discretion assign or otherwise transfer any or all of the Options without the consent of the Company, provided that the offer or invitation giving rise to the assignment or transfer does not constitute an offer or invitation for which disclosure is required to be made to investors under Part 6D.2 of the Corporations Act.

In these terms "Facility Agreement" means the Convertible Loan Facility Agreement between African Energy Resources Limited and Macquarie Bank Limited signed 4 March 2011.

ANNEXURE B
SUMMARY OF THE TERMS OF THE EMPLOYEE SHARE PLAN

1. Eligible Employee	An Eligible employee is a full or part-time employee or Director of the Company or a related body corporate (" Eligible Employees ").
2. Offers	Subject to the rules of the Employee Share Plan, the Board may invite Eligible Employees to apply for Plan Shares. The number and issue price of Plan Shares will be determined by the Board in its discretion.
3. Rights of Plan Shares	Each Plan Share issued under the Employee Share Plan ranks equally with all other Shares issued by the Company. Each holder of a Plan Share is entitled to all voting rights, rights to dividends, and rights to participate in bonus issues and rights issues made by the Company on the same basis as other Shareholders.
4. ASX quotation	The Company will apply for official quotation on ASX on the issue of Plan Shares.
5. Restrictions on transfer	The Board may, at its discretion, require a participant to agree to not sell, transfer or assign the Plan Shares for 12 months after the date of issue. During such restriction period, the Plan Shares will be subject to a holding lock.
6. Amendments	The Board may make such amendments to the Employee Share Plan as it sees fit.
7. Limitation on number of Plan Shares	Plan Shares when aggregated with the number of Shares issued during the five years under any other employee share plan of the Company must not exceed 5% of the total number of Shares on issue at the time of the relevant invitation. Various excluded offers may be disregarded so as to not count for the 5% limit.
8. Operation	The operation of the Employee Share Plan is subject to the laws of Western Australia.



ARBN 123 316 781

LODGE YOUR VOTE



ONLINE >

www.linkmarketservices.com.au



By mail:

African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



By hand:

delivering it to Link Market
Services Limited, 1A Homebush
Bay Drive, Rhodes NSW 2138



All enquiries to: Telephone: 1300 554 474 Overseas: +61 2 8280 7111



X99999999999

VOTING INSTRUCTION FORM

STEP 1

DIRECTION TO CHESS DEPOSITORY NOMINEES PTY LTD

I/We being a holder of CHESS Depository Interests (CDI) of African Energy Resources Limited (the Company) hereby direct CHESS Depository Nominees Pty Ltd (CDN) to vote the shares underlying my/our CDI holding at the Annual General Meeting of the Company to be held at **2:30pm (WST) on Thursday, 20 December 2012 at Level 1, 8 Colin Street, West Perth, 6005, Western Australia** and at any adjournment of that meeting, in the manner set out below.

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING INSTRUCTIONS

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Ratification of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6 Approval of Issue of Shares to Director Under Employee Share Plan - Dr Charles Tabcart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of Placement to Alasdair Cooke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7 Approval of Issue of Shares to Director Under Employee Share Plan - Mr Gregory Fry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of Macquarie Options Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8 Approval of Issue of Shares to Director Under Employee Share Plan - Mr Michael Curnow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9 Approval of Issue of Shares to Director Under Employee Share Plan - Mr Valentine Chitalu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Issue of Shares to Director Under Employee Share Plan - Mr Alasdair Cooke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10 Approval of Issue of Shares to Director Under Employee Share Plan - Mr Philip Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



If you do not mark either the "FOR", "AGAINST" and "ABSTAIN" box your vote will be cast in favour of the Resolution(s).

STEP 3

SIGNATURE OF CDI HOLDERS - THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

Sole Director and Sole Company Secretary

Joint CDI Holder 2 (Individual)

Director/Company Secretary (Delete one)

Joint CDI Holder 3 (Individual)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

AFR PRX201



HOW TO COMPLETE THIS VOTING INSTRUCTION FORM

Your Name and Address

This is your name and address as it appears on the company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDI's using this form.**

Direction to CHESS Depository Nominees Pty Ltd

Each CHESS Depository Interest (CDI) is evidence of an indirect ownership in a Common Share. The underlying Common Shares are registered in the name of CHESS Depository Nominees Pty Ltd (CDN). As holders of CDI's are not the legal owners of the Common Shares, CDN is entitled to vote at meetings of shareholders on the instruction of the registered holder of the CDI's. For voting purposes each CDI is equivalent to one Common Share.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either CDI Holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Lodgement of a Voting Instruction Form

This Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:30pm (WST) on Tuesday, 18 December 2012**, being not later than 48 hours before the commencement of the meeting. Any Voting Instruction Form received after that time will be invalid.

Voting Instruction Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, CDI Holders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.