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AFRICAN ENERGY

The Chirundu Uranium Deposits in Zambia; June Investor Update

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Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabcart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart 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 Tabcart consents to the inclusion of the data in the form and context in which it appears.



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Snapshot: African Energy at a Glance

Resources containing >9.5Mlb U₃O₈ at Chirundu JV (70% AFR) for a 5-6 year mine life

BFS Commenced May 2008

BFS and financing complete end 2008

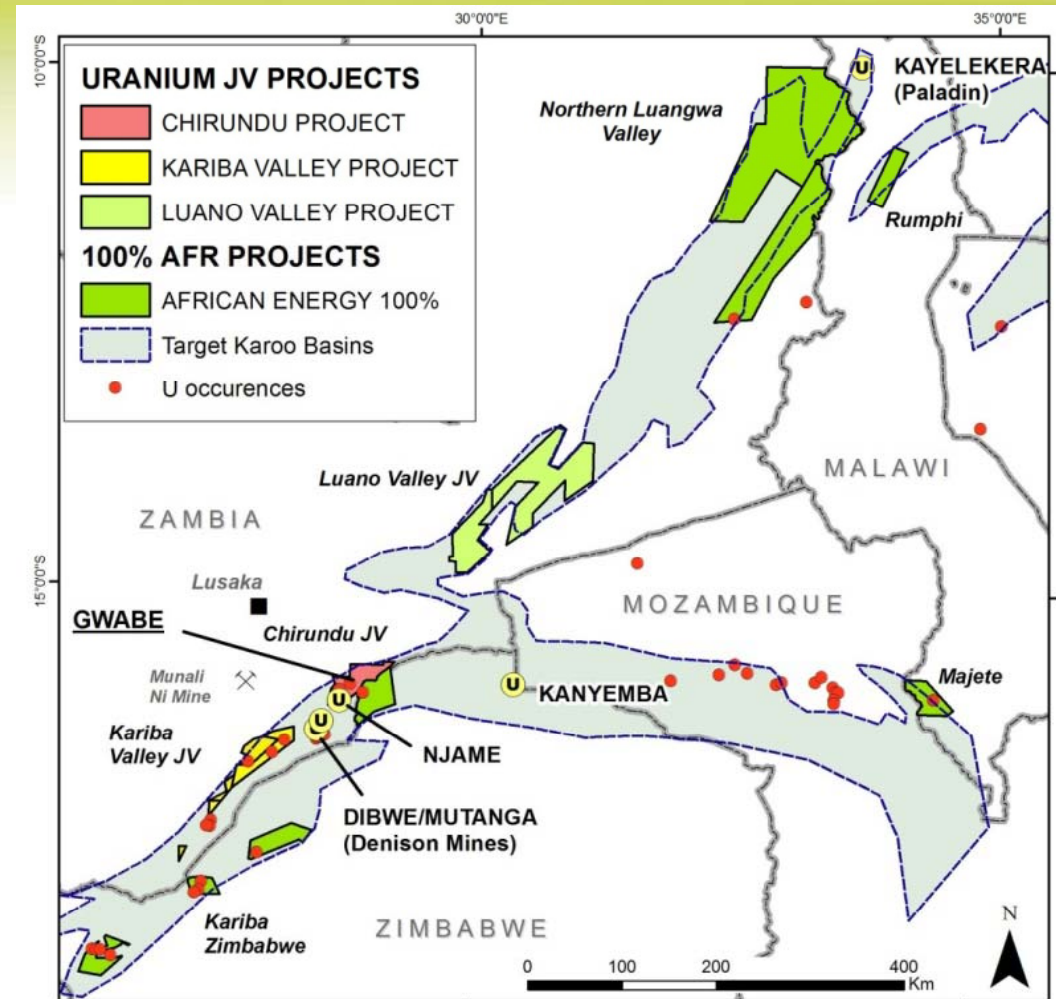
Commence construction in March 2009

Plant commissioning in early 2010

Production ramp-up in mid-2010

Significant exploration upside

Experienced management team



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Company Overview

Management

Executive Directors

Frazer Tabcart Managing Director
Alasdair Cooke Executive Chairman
Bill Fry Commercial Director

Non-Executive Directors

Ian Duncan
Valentine Chitalu
Michael Curnow

Senior Management

Wiscort Banda – Project Manager
Patrick Cullen – Exploration Manager
Mbita Chifunda – GM Community/Env
Brett Mitchell – Company Sec
Olivia Woodland - Legal

Capital Structure

173,219,350 Ordinary Shares

14,225,000 Options (ESOP)

Cash on hand - ~A\$8.5 million (May 08)

Market Cap Fully Diluted - ~A\$35 million

Key Shareholders

Energy Ventures – 60%

Stanlib – 10%

National Nominees

Geologic Resource Fund Ltd

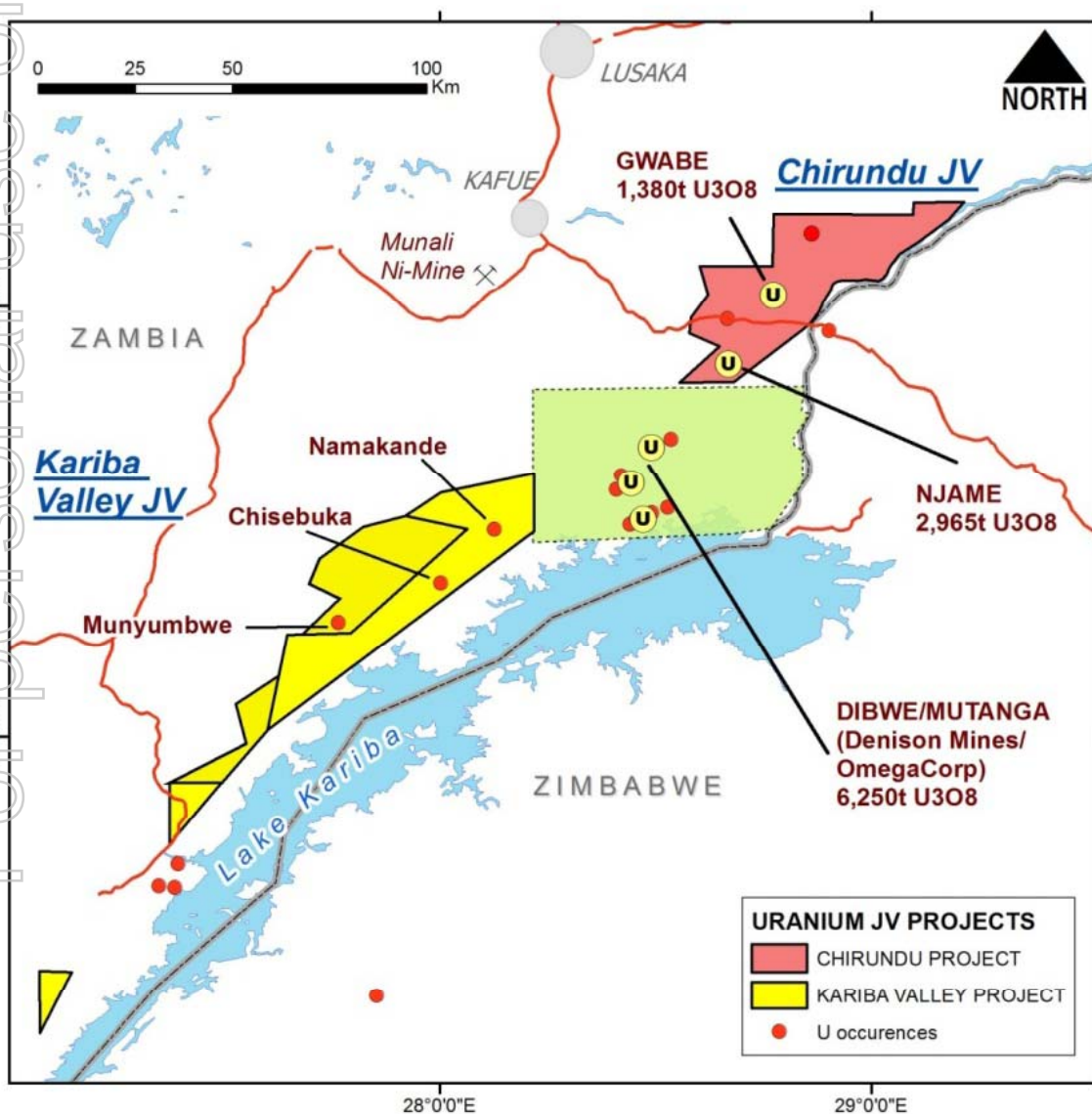
African Lion 2 Ltd

RAB Special Situations Fund Ltd



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JV Project Locations in the Kariba Region, Southern Zambia



CHIRUNDU JV (Albidon Ltd)

Njame U Deposit
Gwabe U Deposit

AFR 70% interest

KARIBA VALLEY JV (Albidon Ltd)

Chisebuka U anomaly
Namakande U anomalies
Munyumbwe U anomalies

*AFR earning initial 30% by
spending AUD \$1million, can
increase to 70% by
completing a PFS and
delivering an Indicated
Resource*

Positive PFS Results

- **Pre-Feasibility Study on the Chirundu JV completed in March 2008**
- **PFS considered:**
 - Mine design, mining options, mine schedules, equipment lists
 - Process options, leach pad design and configuration, plant design
 - Mineralogy and metallurgical recovery
 - Capital costs associated with building the operation
 - Operating costs and sensitivities
 - Risks
 - Financial returns under a variety of scenarios
- **Very robust project with no fatal flaws, but project is marginal at current U_3O_8 price (strongly cash positive at long-term U_3O_8 price)**
- **Good understanding of further studies, optimisations and testwork required for BFS**
- **BFS approved by AFR Board**



Sandstone type Uranium deposits

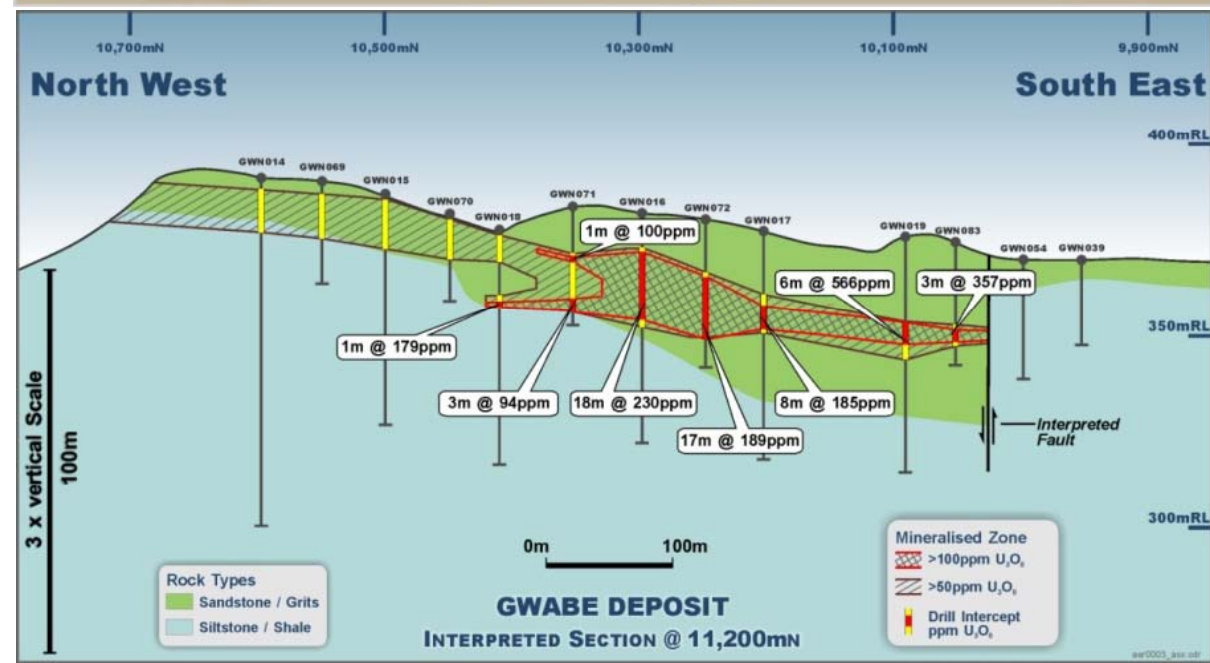
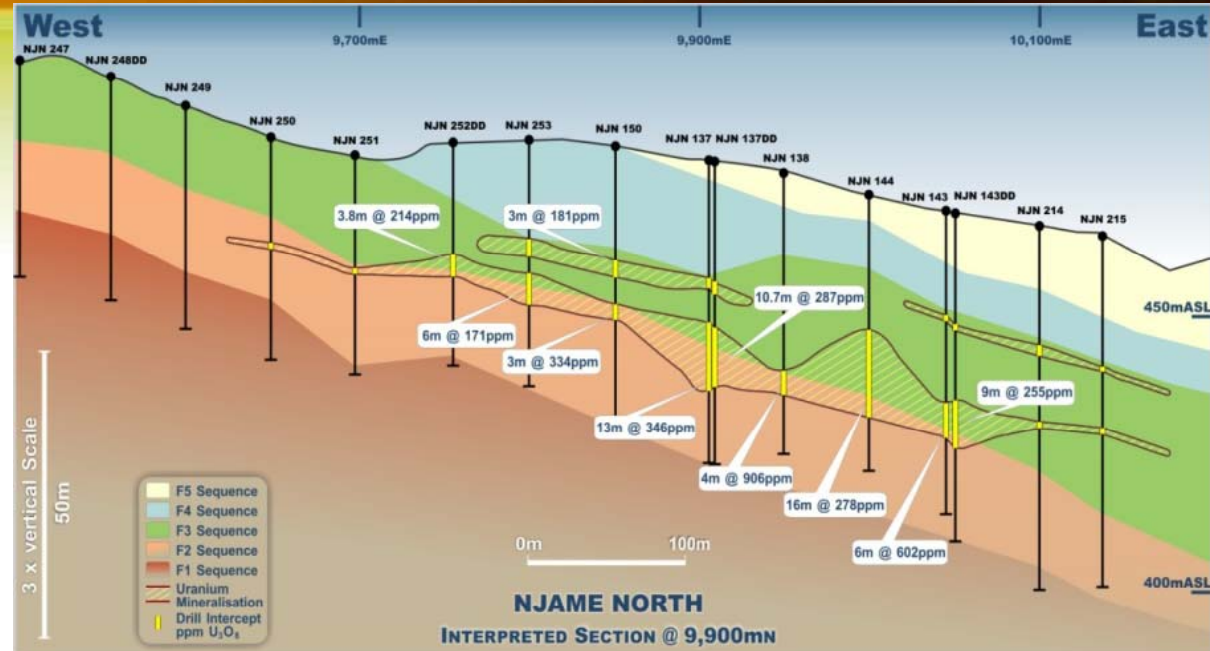
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- Shallow near-surface sandstone-type deposits, amenable to open pit mining

- Very gentle dips – low to moderate stripping ratios

- Tabular ore-bodies amenable to mining using surface mining technology

- Very soft host rocks and very soft ores will help minimise mining costs



Indicated Resource Upgrade

Njame Deposit:

Indicated: 3.9 Million Tonnes at 388 ppm U3O8 – 100 ppm U3O8 cut-off

Inferred: 5.2 Million Tonnes at 275 ppm U3O8 – 100 ppm U3O8 cut-off

Containing 2,965 Tonnes of U3O8 (6.5 Mlb U3O8)

Gwabe Deposit:

Indicated: 0.9 Million Tonnes at 196 ppm U3O8 – 100 ppm U3O8 cut-off

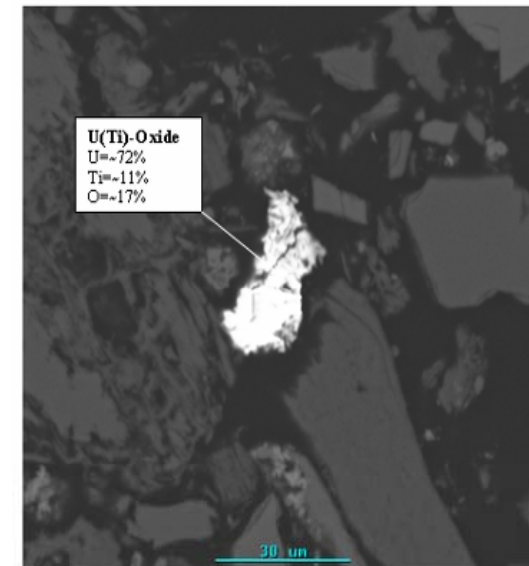
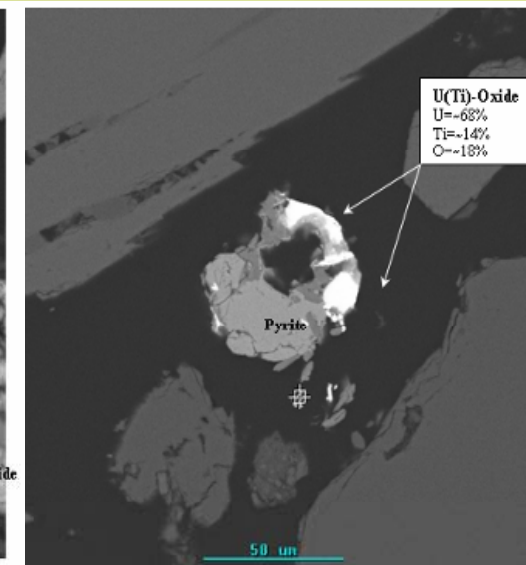
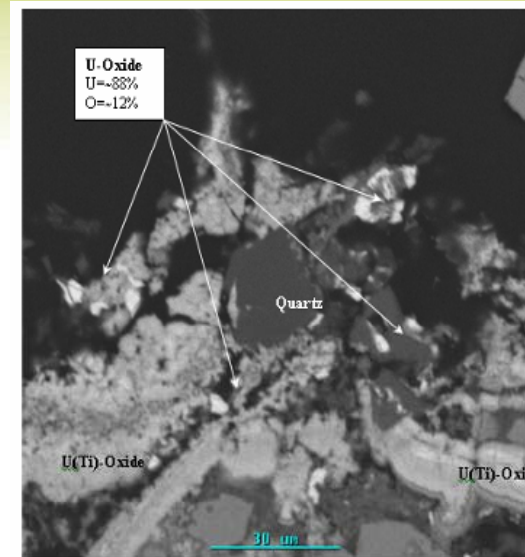
Inferred: 4.0 Million Tonnes at 304 ppm U3O8 – 100 ppm U3O8 cut-off

Containing 1,380 Tonnes of U3O8 (3.0 Mlb U3O8)

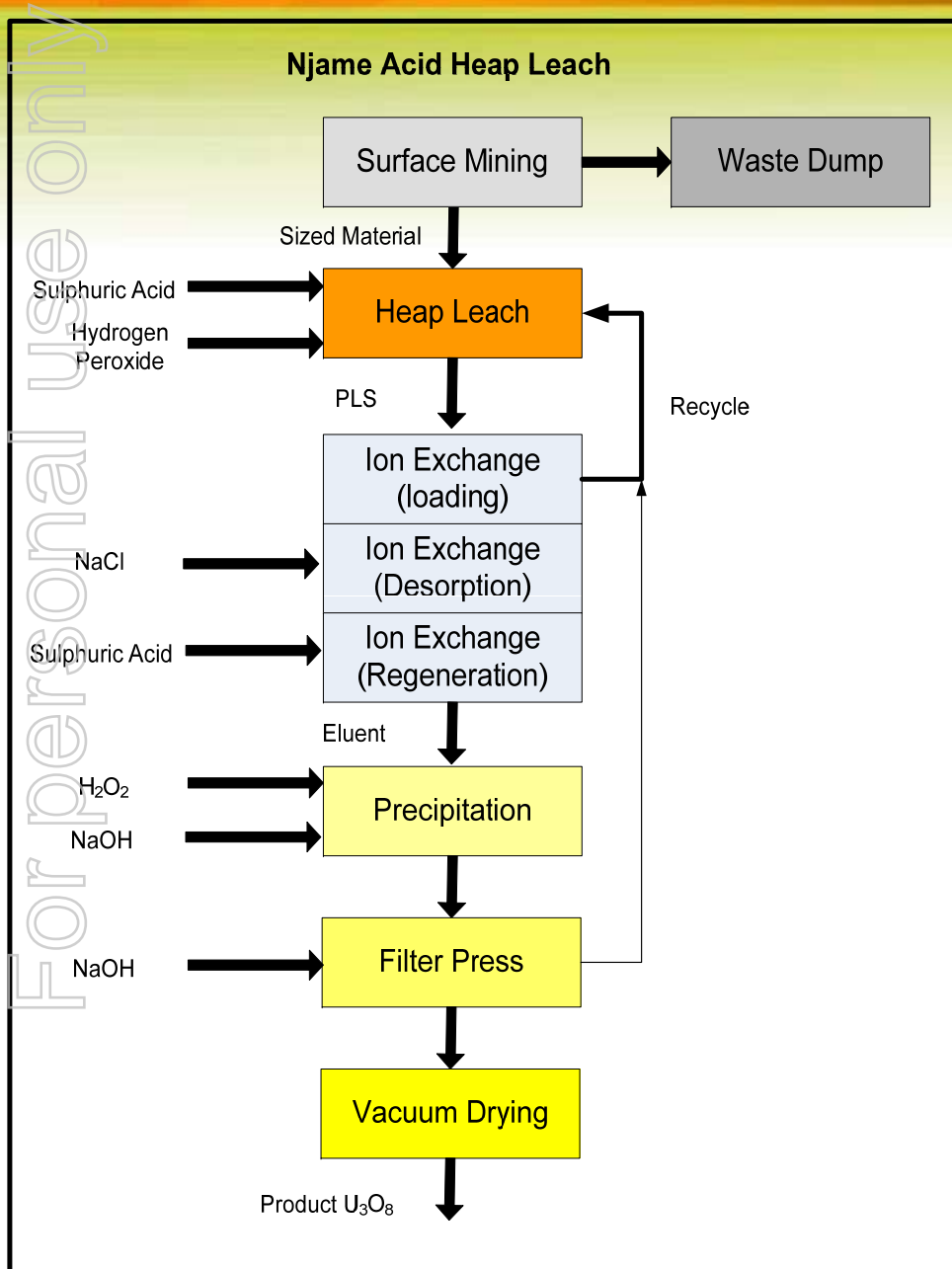


Ore and Gangue Mineralogy

- Ore mineralogy on Njame and Gwabe composite samples:
 - U-(Ti) oxides (44-72% U) and U-oxides (uraninite, 88% U)
 - U-bearing minerals mostly liberated or attached to silicates, very few locked in pyrite/silicates
 - Potential for high recovery using sulphuric acid, but oxidant addition is required
- Gangue mineralogy:
 - Predominantly quartz, feldspars and clays - generally non acid consuming
 - Presence of 2.0% calcite and 0.7% ankerite in Gwabe composite sample (footwall dilution)



Processing Option Overview



- Acid heap leach selected as preferred option due to reduction in capital costs and long lead-time items (no grinding circuits required)
- Metallurgical testwork assessed:
 - Acid vs. alkaline leaching efficiencies and consumption rates using bottle roll tests
 - Acid leaching dynamics, recoveries and reagent consumption rates using column leach tests

Processing – Column Leach Test Programme

• Composite sample head grades lower than typical ROM due to inclusion of dilution (represents worst case scenario, especially Gwabe where this introduces calcite from the footwall)

• Bottle roll tests show acid leaching is better than alkaline leach

• Column leach tests evaluated different feed size, use of acid pre-curing, addition of oxidant (ferric sulphate)

• Results exceeded scoping study assumptions on all levels

- Very fast leach dynamics where oxidant added, no pre-curing (agglomeration) required
- Njame recovery 85-93%
- Gwabe recovery 73% which may be increased if calcite removed through good grade control



Chirundu JV : conceptual project design

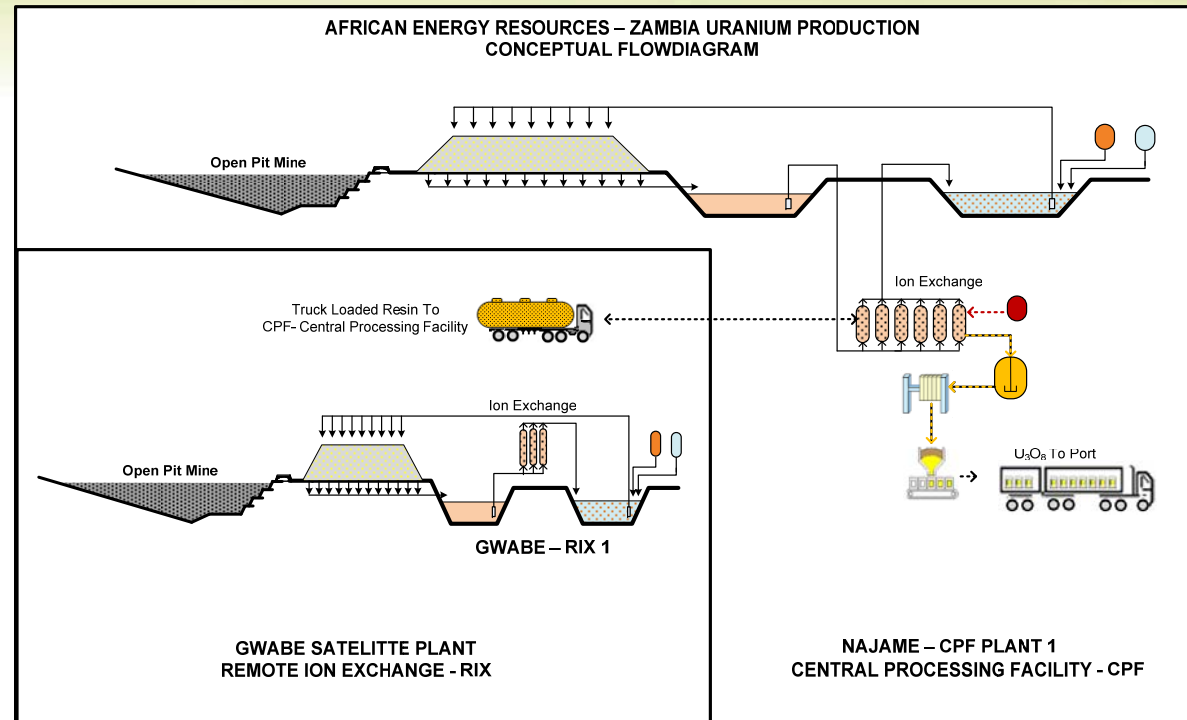
Sequential mining operations at:

NJAME DEPOSIT:

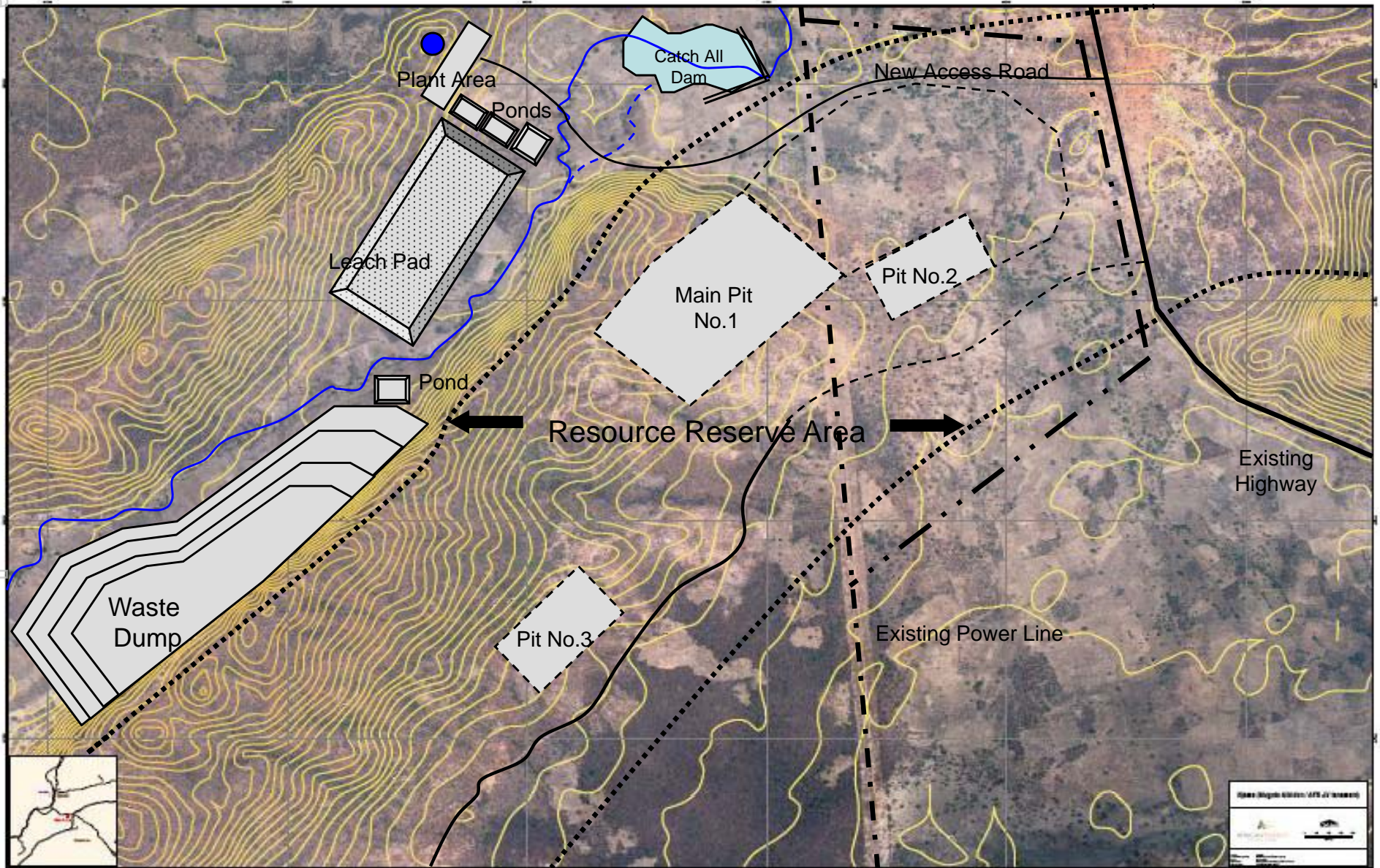
- Open pit “high-wall” mine (Yrs1-4)
- Acid heap leach operation
- Continuous surface mining equipment (no drill and blast or crushing)
- Central processing plant

GWABE DEPOSIT:

- Satellite open pit and acid heap leach operation (Yrs 4-6)
- Remote ion-exchange plant (RIX)
- Loaded resin taken to Njame plant by truck for stripping



Njame "conceptual" mine site plan



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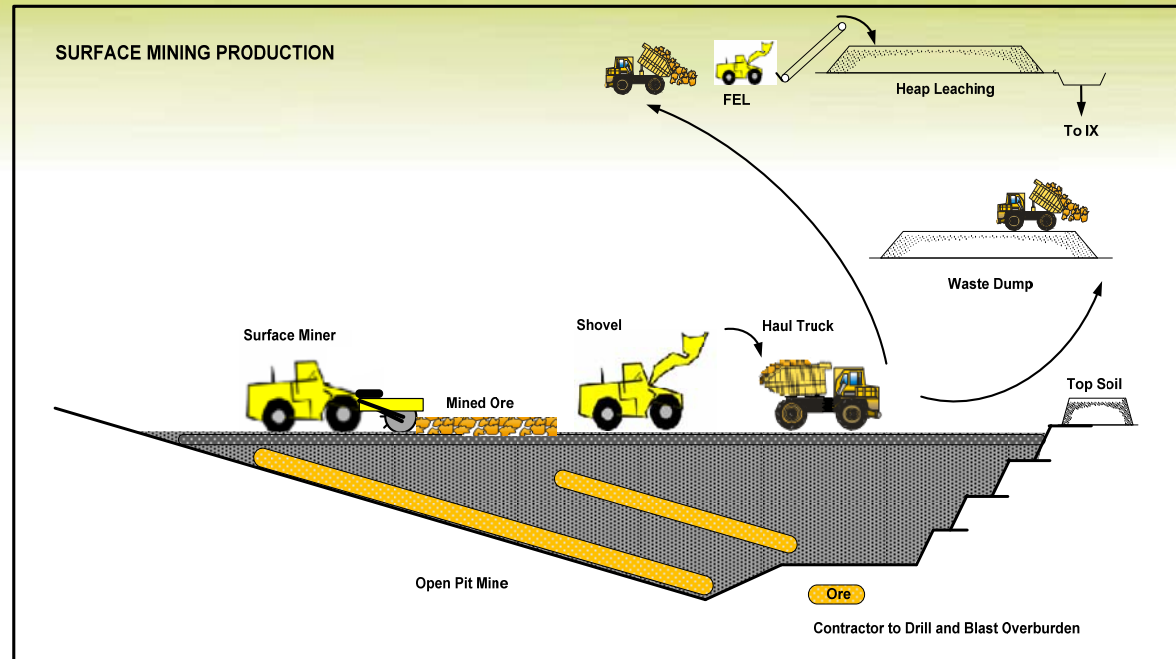
Mining Options – Vermeer Surface Miner

Operating cost benchmarked against Australian iron ore mines (a more relevant benchmark is being sought)

Mining costs used in the study: \$2.14 per tonne for Vermeer T1255 equipment, similar to or slightly cheaper than drill and blast

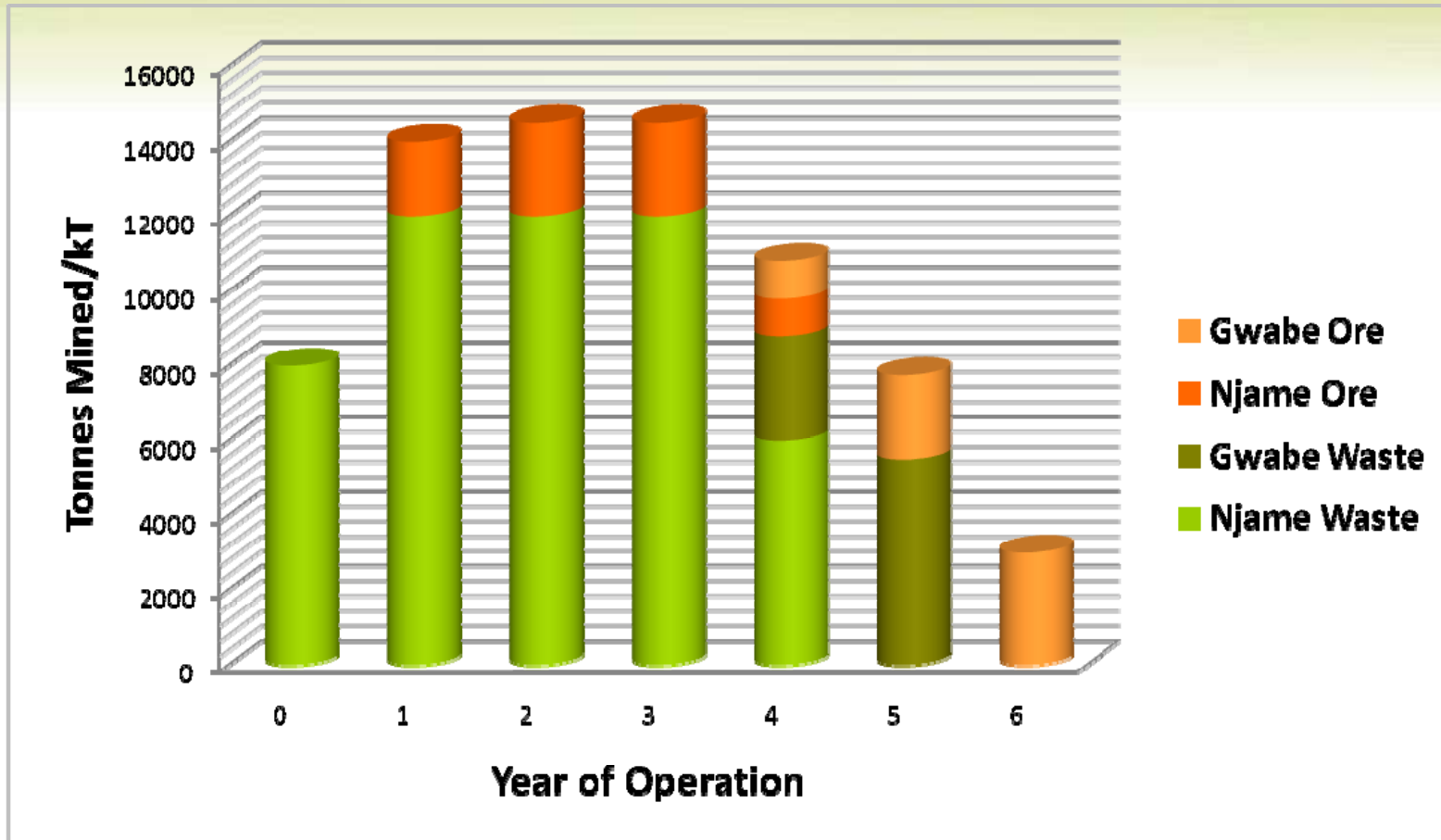
Samples from Njame sent to Vermeer for testing, along with results from ore characterisation testwork which indicated ore is very soft and mildly-abrasive

Surface miners allow for better dust suppression, better grade control and less crushing (none?) compared to drill and blast



Indicative Production Schedule

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Cost Estimates:

CAPITAL:

- **Njame Pre-Mining Total = \$71 million**
 - Construction and mining = \$60 million
 - EPCM = \$8 million
 - New village = \$3 million
- **Gwabe deferred capital = \$21 million**
- **Closure costs = \$5 million**
- **Plus contingency of 10-15%**

OPERATING:

- **\$30-\$40/lb U₃O₈, likely to reduce to lower end of this range with optimisation**
- **Project is sensitive to: Uranium price; Recovery; Acid consumption; Acid price; Mining costs**
- **Project is not sensitive to: Power costs; Labour costs; G&A costs**



Project Analysis

- Initial capital cost US \$71 million, operating cost US \$30-40/lb U₃O₈
- At uranium prices below current spot price (\$59/lb U₃O₈), project is marginal
- At uranium prices close to today's long-term price (\$90/lb U₃O₈), the project is very robust
- The Board of African Energy has a bullish view of mid- to long-term uranium prices, and has therefore committed to a Bankable Feasibility Study
- Key drivers to be assessed in BFS:
 - Uranium price (Offtake Terms to be managed)
 - Acid price/availability (Long term contracts vs. own acid plant)
 - Acid consumption (closed system column leach tests)
 - Recovery (geo-metallurgical domain mapping)
 - Mining costs



Chirundu JV: Permitting Requirements

- Large Scale Mining Licence Application to be lodged in mid-2008
- Negotiations with Zambian Government for an Investment Protection and Promotion Agreement (IPPA) to commence addressing:
 - Royalty and tax stability
 - Import duty exemptions on equipment
 - Commitments to malaria roll back programme, AIDS/HIV Education
 - Local business development programmes
- Zesco Agreements – discussions initiated
 - Power Supply Agreement/Commercial tariff arrangement
 - Power Connection Agreement
- Siavonga District Council Rates Agreement – discussions initiated
- Environmental Council of Zambia approvals in place for BFS
 - Draft EIS/EIA submitted, feedback awaited



Corporate Social Responsibility

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Relocation Action Plan (RAP)

- Significant stakeholder consultations, 155 households to relocate
- Conceptual village design and feedback process underway
- Sterilisation drilling completed on selected site

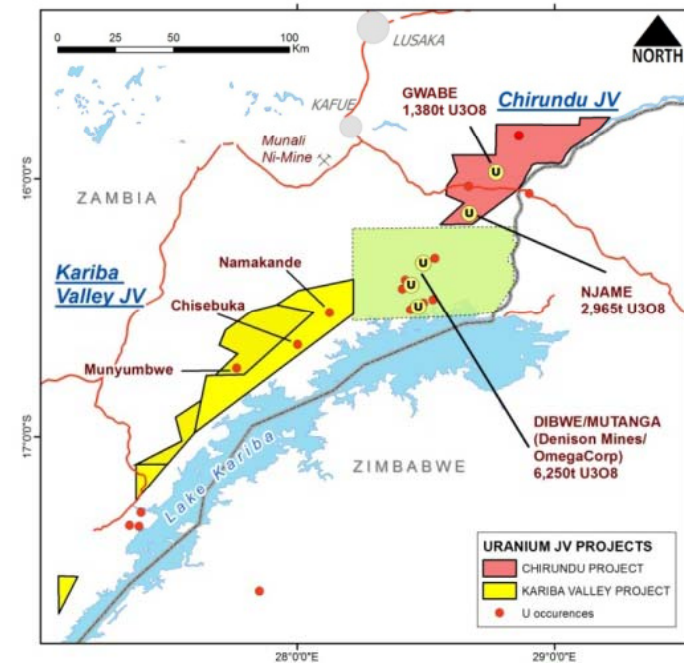
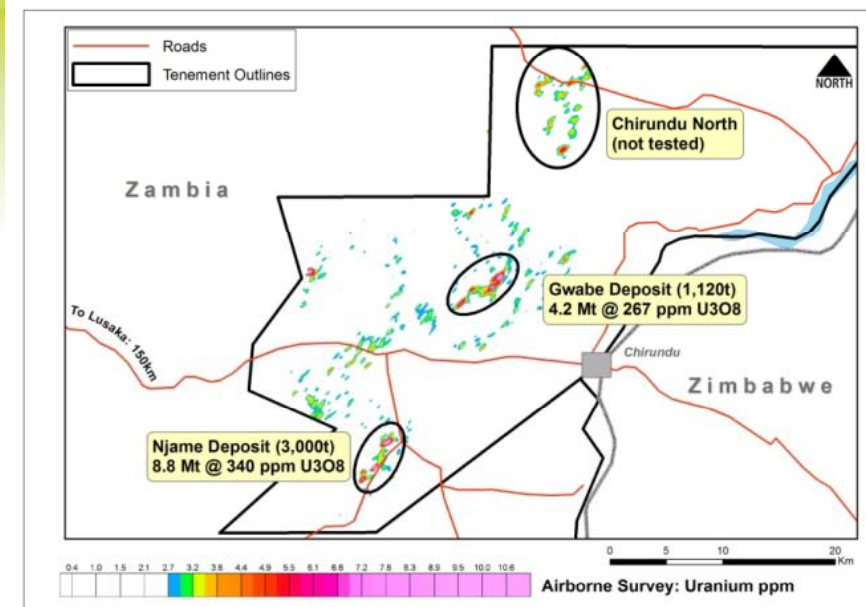
Sustainability Projects

- Community brick-making business, AFR seed funding and brick contract
- Community jatropha growing business, AFR providing initial seedlings and technical assistance, plus arranging sales agreement with Zambian bio-diesel company



Exploration Upside

- **Within trucking distance of Njame:**
 - Chirundu North (drilling has commenced)
 - Chisebuka: ore grades/thicknesses intersected in drilling in 2007
 - Namakande: ore grade surface rock-chip assays and soil sample anomalies
- **Additional exploration potential in:**
 - Sese Project (Botswana) where ore grades intercepted in drilling in late 2007
 - Luano and Luangwa Valley (Zambia): untested airborne radiometric anomalies
 - Malawi: untested airborne radiometric anomalies



Summary of 2008 Programme

- AFR Board approved BFS on 22nd April 2008
- Commenced Stage 1 of BFS (May)
- Finalise ultimate BFS programme and budget (June)
- Determine optimum balance between exploration, BFS and available funds – keen desire to keep funding exploration programmes
- ML application (June)
- Final EIS submission (July)
- Continue uranium marketing discussion with offtake customers
- Complete BFS and financing by end of 2008

- Commence building mine in March 2009 with commissioning in early 2010

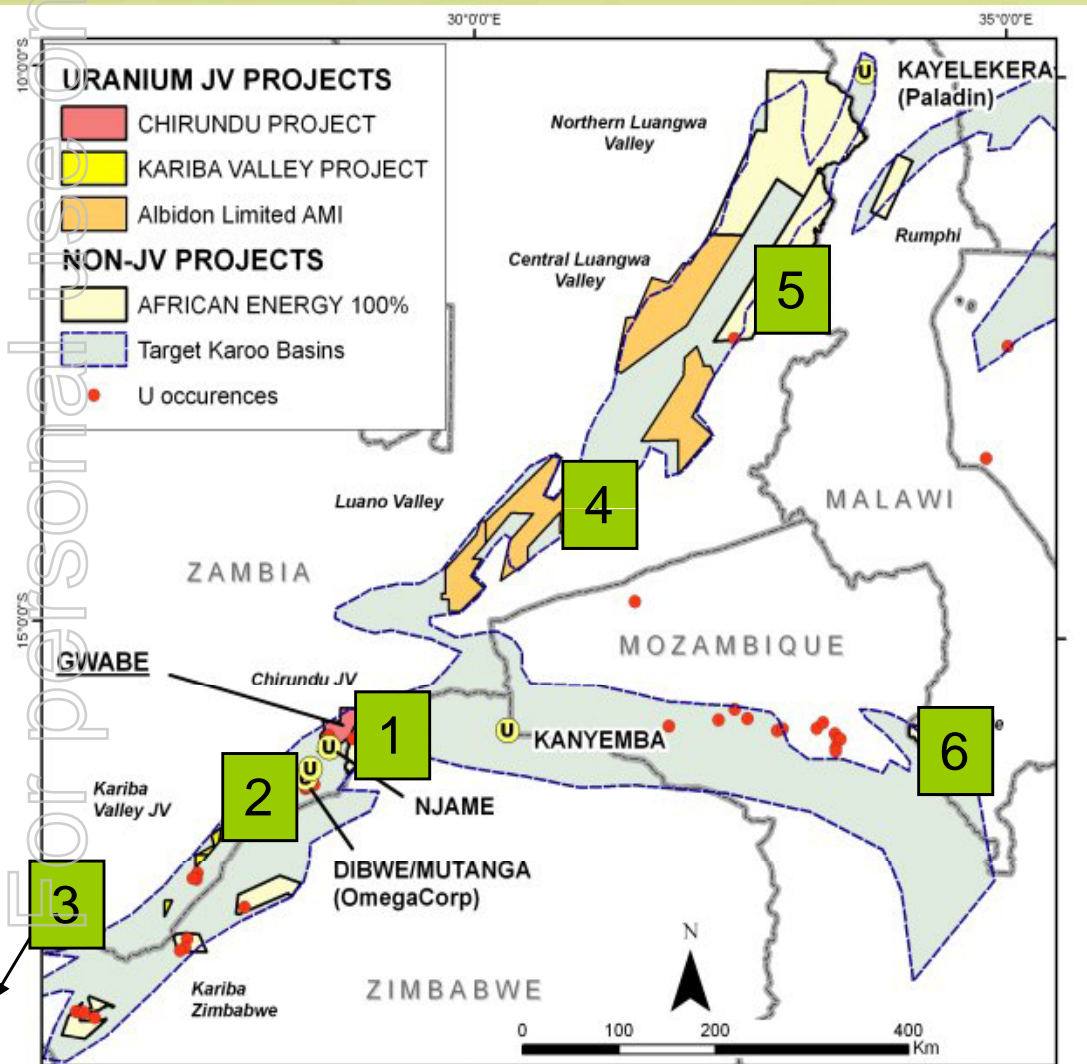
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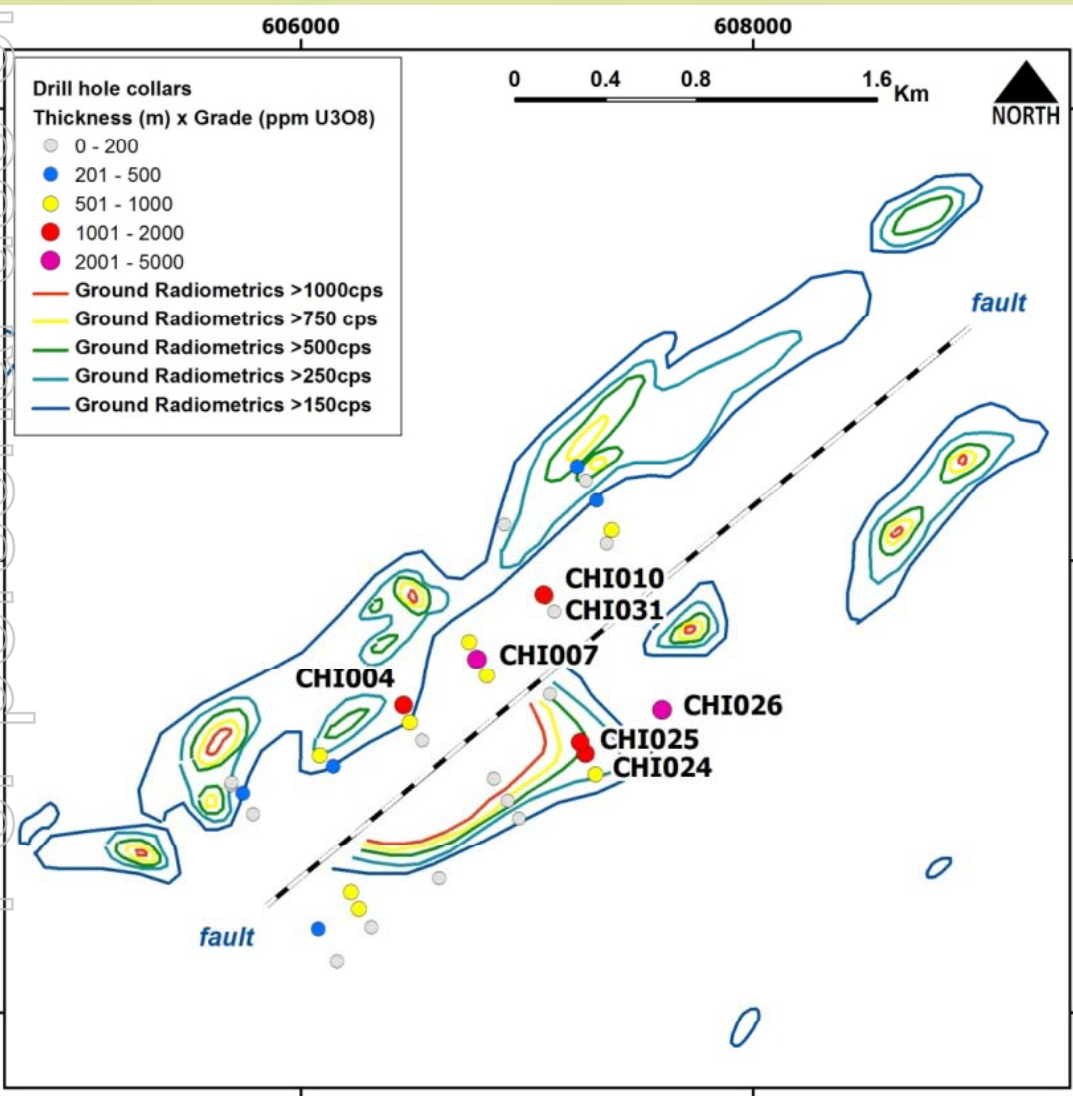
Additional Slides; exploration upside

Exploration project pipeline



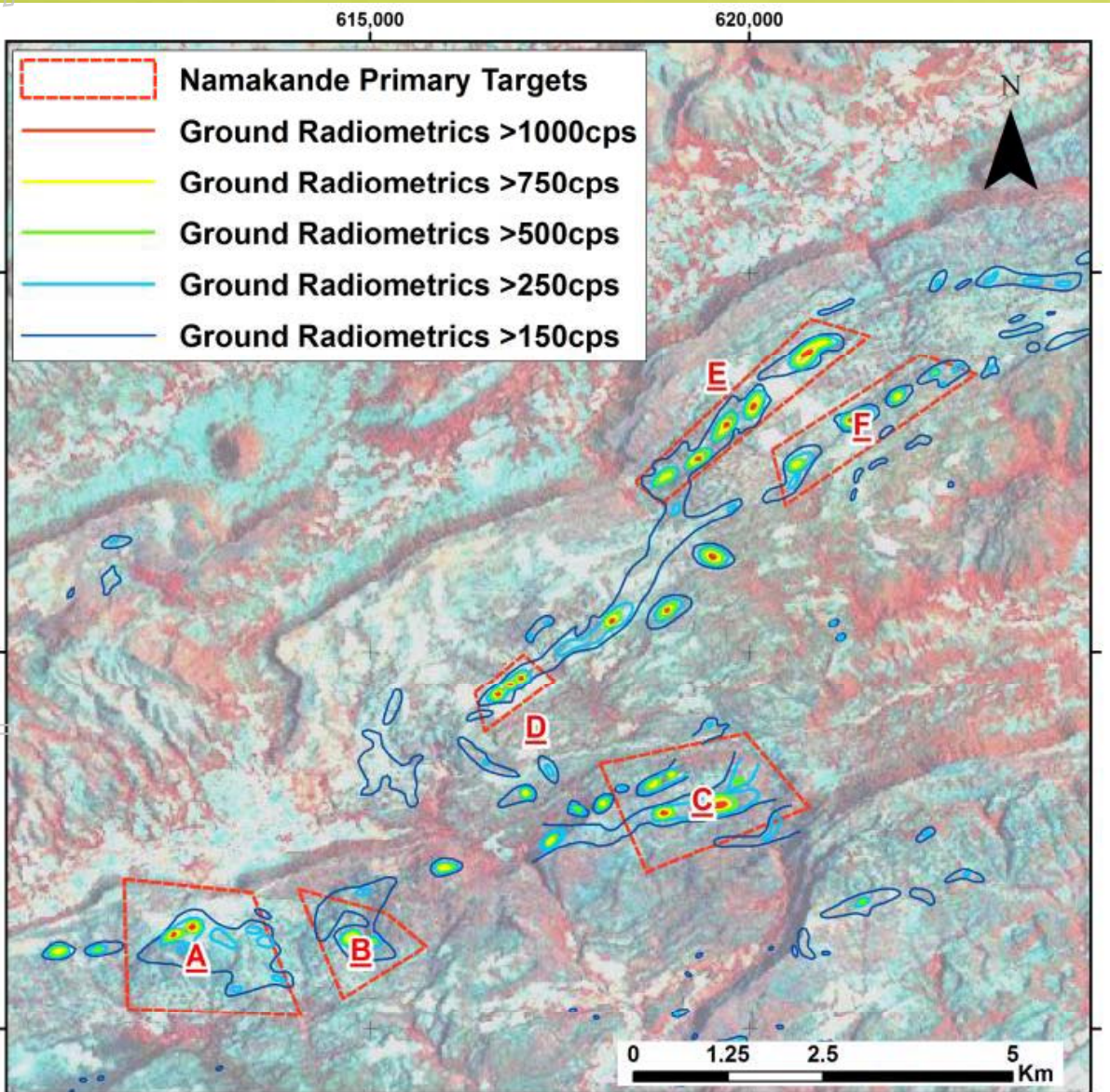
Chisebuka Drilling Results; Kariba Valley JV

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CHI007		7m @ 445 ppm U ₃ O ₈ from 11m
	incl	2m @ 762 ppm U ₃ O ₈ from 11m
	and	2m @ 642 ppm U ₃ O ₈ from 16m
CHI004		2m @ 740 ppm U ₃ O ₈ from 66m
CHI026		7m @ 465 ppm U ₃ O ₈ from 57m
CHI025		7m @ 260 ppm U ₃ O ₈ from 92m
CHI024		7m @ 208 ppm U ₃ O ₈ from 60m
CHI031		11m @ 175 ppm U ₃ O ₈ from 60m
CHI015		4m @ 228 ppm U ₃ O ₈ from 76m

Namakande Prospect, Kariba Valley JV

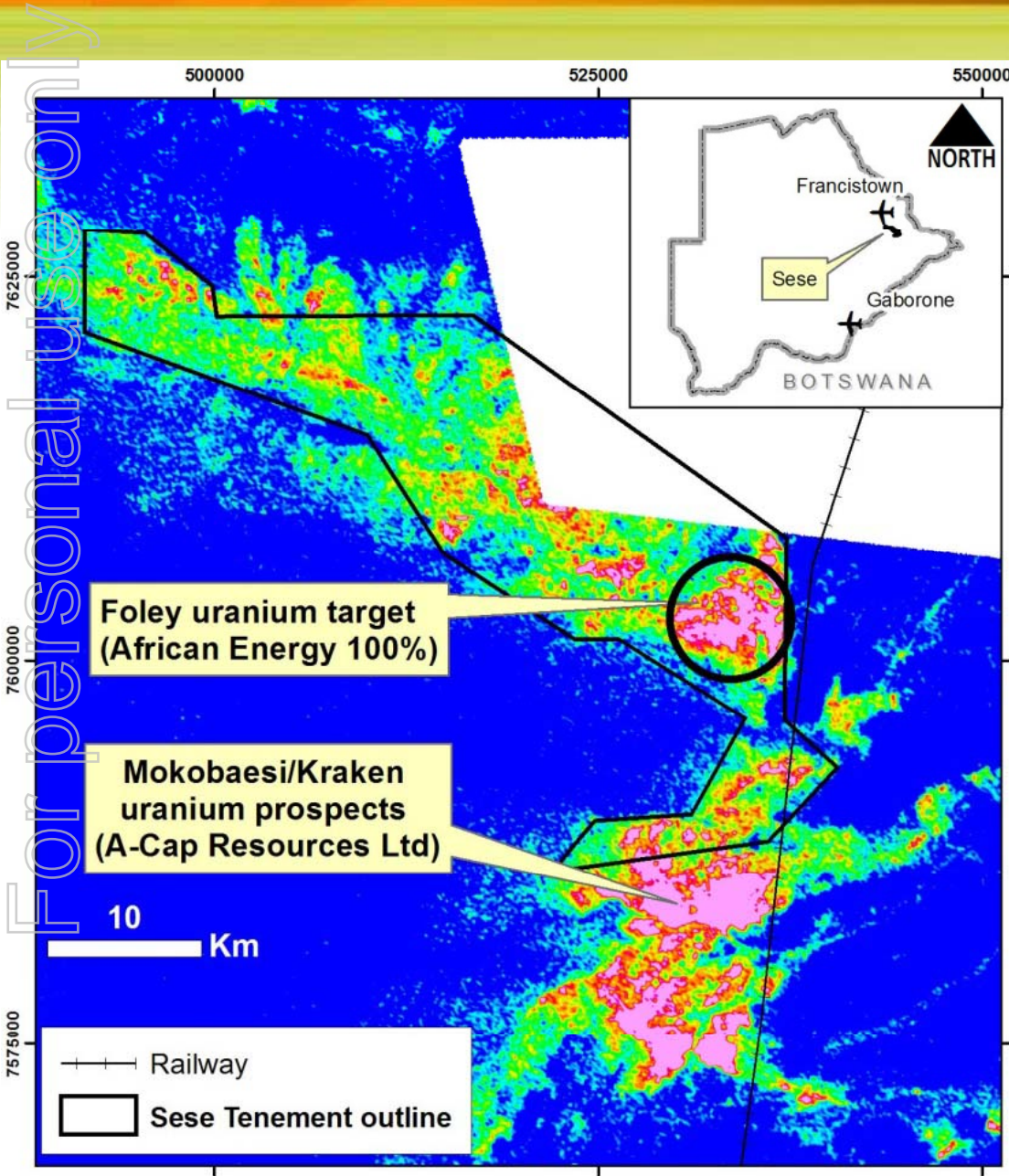


Fault-bound blocks of Escarpment Grit

Ground radiometric anomalies – similar to Chisebuka, Njame, Gwabe

Programme of geological mapping, radiometric surveys, soil sampling and rock-chip sampling to prioritise drilling targets now completed at Namakande A, D, E and F

Sese Project, NE Botswana



50km south of Francistown, <5km from major highway and railway

Mokobaesi and Kraken uranium deposits (A-Cap Resources, 15km to the south) in Karoo sediments AND overlying calcretes

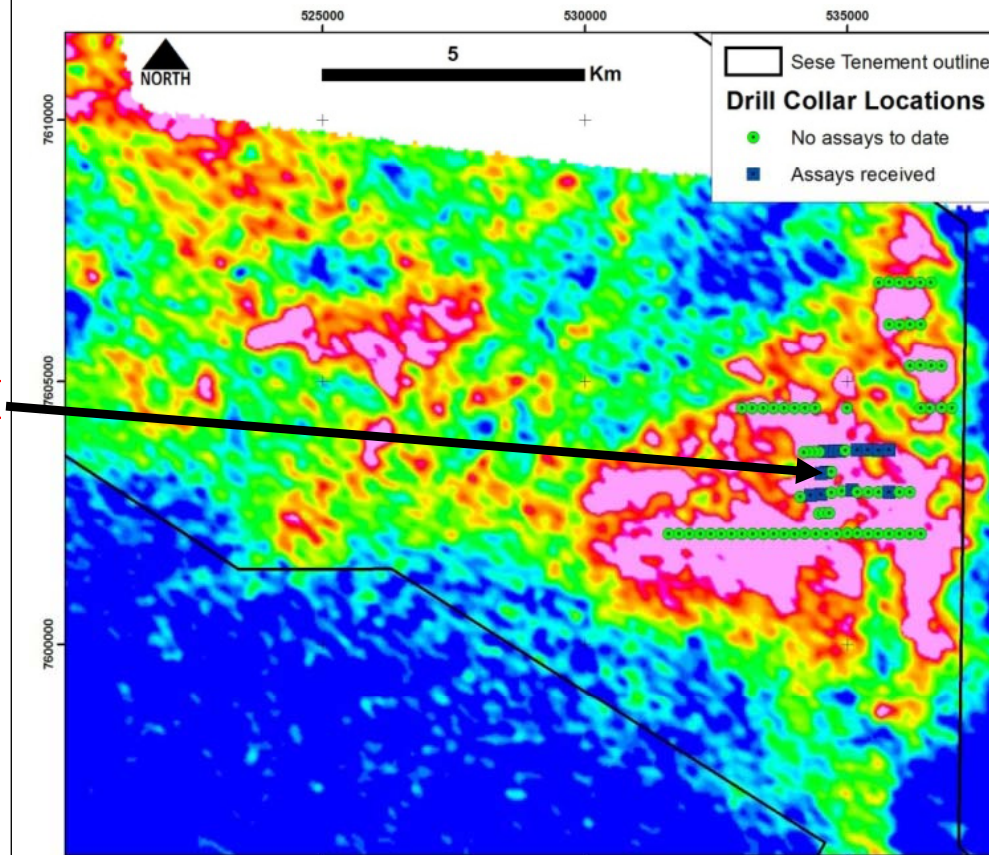
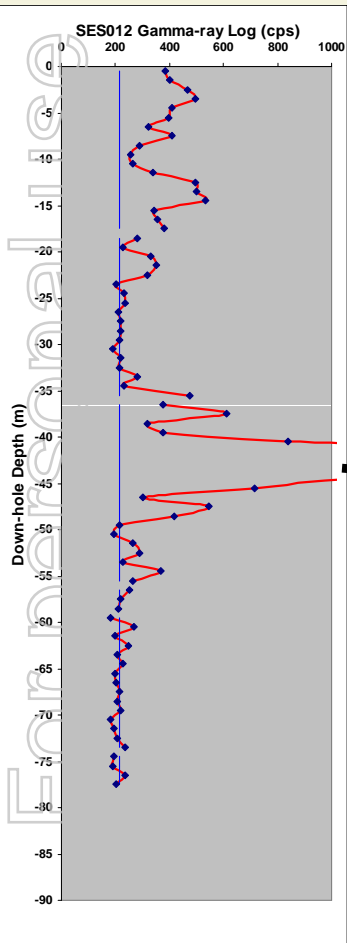
Foley uranium target: 7km x 7km and containing surface laterites overlying Karoo sediments with up to 494 ppm U_3O_8

Multiple additional uranium targets to north-west of Foley target

AFR drilled over 5,000m between October and December 2007

Sese drilling programme, preliminary drill results

SES012



Assays received to date for 14 holes only. Best results:

SES012:
9m @ 370 ppm U_3O_8 from 40m
incl 3m @ 821 ppm U_3O_8 from 41m

SES010:
4m @ 634 ppm U_3O_8 from 41m

SES013:
1m @ 578 ppm U_3O_8 from 57m

SES022:
1m @ 390 ppm U_3O_8 from 22m
and 1m >2,000 ppm U_3O_8 from 29m