

30 April 2014

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2014

HIGHLIGHTS

Sese Coal & Power Project

- The Environmental and Social Impact Assessment (ESIA) and Phase 1 of the Definitive Feasibility Study (DFS) for a 300MW power station and captive ~1.5mtpa coal mine at Sese have been completed and are undergoing internal review.
- Once the Phase 1 DFS Report is finalised, the Company will submit an application for a mining license containing enough coal for the full life of the 300MW Sese Integrated Power Project.
- The African Energy/ACWA consortium have been shortlisted to receive the bid package for the 300MW Botswana Greenfield Power Tender when it is released.
- African Energy entered into a non-binding Memorandum of Understanding with Zambia's electricity utility ZESCO Limited to explore the potential for the delivery of 300MW of base-load electrical power from Sese into ZESCO's grid in southern Zambia.
- African Energy will undertake a desktop study to evaluate preferred options for the transmission and integration of 300MW of power supply from Sese into southern Zambia. Preliminary studies have confirmed that there no fatal flaws in the transmission options under evaluation.

Mmamabula West Coal Project

- A feasibility study and ESIA to assess the mining, processing, marketing and transport logistics of up to 4Mtpa of coal at Mmamabula West coal project was completed towards the end of the quarter and are currently under internal review.
- The Company has submitted an application for a 2-year extension of the prospecting license over Mmamabula West and ongoing studies will determine the optimum development path for the project.
- Several groups have expressed an interest in partnering with African Energy to develop this project for South African or Asian export markets.

Corporate

- African Energy resolved to undertake a capital raising of approximately \$4.5 million through a share placement to raise \$1.5 million from institutional investors ("Placement"), and a subsequent non-

renounceable entitlement offer to all shareholders to raise approximately \$3.0 million at an issue price of 8.5 cents per share.

- The terms of the binding letter of intent for the sale of Zambian uranium assets were extended to 9 May 2014 to allow for the finalisation of an Asset Sale Agreement.
- Mr Michael Curnow retired from his role as Non-Executive Director of the Company at the end of the quarter.
- During the quarter 1,166,667 new shares were issued to Directors upon vesting of performance rights.
- The cash position at 31 March 2014 was US\$1.26m (31 December 2013: US\$3.43m).

OUTLOOK FOR NEXT QUARTER

Sese Coal & Power Project

- A formal response from the Government of Botswana on the Expression of Interest lodged by the African Energy/ACWA Power consortium is expected during the quarter.
- Continuation of a Definitive Study on the Sese Integrated Power Project.
- Advancement of other power supply opportunities in the southern African region, particularly the delivery of power to southern Zambia.
- Continuation of permitting and environmental programmes necessary for the development of the Sese Integrated Power Project.
- Application for a Mining license covering enough coal for the Sese Integrated Power Project.

Mmamabula West Coal Project

- Await outcome of application for renewal of prospecting licence.
- Continue assessment of export infrastructure options (rail, port, off-take) and potential project development partnerships.

Mmamantswe Coal Project

- Continue coal and power marketing studies and an associated economic appraisal of the project.
- Prepare project for a submission into the next round of power bids for South Africa (2,500MW).

Corporate

- Completion of the \$1.5M placement and \$3.0M Rights Issue.

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PROJECTS

1 Sese Coal and Power Project, Botswana

1.1 Background

- The Sese Integrated Power Project will comprise one or more 300MW power stations, each with a dedicated ~1.5mtpa coal mine plus all related infrastructure required to deliver electricity into the Southern African Power Pool grid.
- Coal for the power stations will be provided from Sese Block-C which currently contains 330Mt of coal in measured resources and is thus capable of supporting multiple power projects.
- African Energy has executed a Joint Development Agreement (“JDA”) with ACWA Power International for the development of a 300MW power station and integrated coal mine to be located at the Company’s Sese coal deposit in Botswana.
- The company has submitted an application for a further 2-year extension of the prospecting license covering the Sese project (PL96/2005), as per Section 17 (6) of the Mines and Minerals Act, 1999.

1.2 Feasibility Studies

- A two phase Definitive Feasibility Study (“DFS”) for a 300MW power station and captive ~1.5mtpa coal mine has commenced.
- An Environmental and Social Impact Assessment (“ESIA”) covering up to two 300MW power stations, each with its own 1.5Mtpa coal mine is in final draft for review.
- Upon completion of the first phase of the DFS (mine and infrastructure layout, mine scheduling, derivation of preliminary power station fuel specification, opex and capex), the Company will submit a mining license application covering enough coal to fuel the 300MW Sese Integrated Power Project for its entire operational life. The final draft of the Phase 1 DFS report is currently under internal review, and it is therefore expected that the ML application will be made during the next quarter.
- The second phase of the DFS (detailed engineering for mine, processing plant and power station) will commence once the bidding for the Botswana 300MW Greenfield Project is underway.

1.3 Botswana 300MW Greenfield Tender Opportunity

- The Ministry for Minerals Energy and Water Resources (MMEWR) is currently finalising the appointment of its advisors for the 300MW Greenfield Power Project.
- The African Energy/ACWA Power consortium has been shortlisted to receive the bid invitation from MMEWR in due course.
- Further information on the bid process and timeframe will be announced when available.

1.4 Additional Power Opportunities for Sese

- African Energy Resources Limited has entered into a non-binding Memorandum of Understanding (MOU) with Zambia’s electricity utility ZESCO Limited to explore the potential for the delivery of 300MW of base-load electrical power from Sese into ZESCO’s grid in southern Zambia.

- African Energy will undertake a desktop study to evaluate preferred options for the transmission and integration of 300MW of power supply from Sese into southern Zambia. Preliminary studies have confirmed that there are no fatal flaws in the transmission options under evaluation.
- ZESCO will provide access to its technical capability and information to assist African Energy with the formal transmission and integration study.

2 Mmamantswe Coal Project, Botswana (100% AFR)

- The Mmamantswe Coal Project is in south-eastern Botswana, and comprises a Measured and Indicated Resource of approximately 1.3 billion tonnes of thermal coal, including 895Mt of Probable Reserves.
- Studies undertaken for the previous owner of the project evaluated the potential for a large open-pit coal mine with an associated processing plant to wash the ROM coal to produce power station fuel ranging from 15-21 MJ/kg.
- The potential product(s) from the wash plant could feed a mine-mouth power station, and/or power stations in South Africa.
- The project is situated less than 20km from the border with South Africa.
- South Africa is expected to seek proposals for up to 2,500MW of new base-load power in its next round of power bidding. It is expected that this will be formally announced in May.
- The Company has commenced discussions with several potential partners to evaluate opportunities to sell coal and/or power from Mmamantswe to South Africa.

3 Mmamabula West Coal Project, Botswana (100% AFR)

3.1 Background

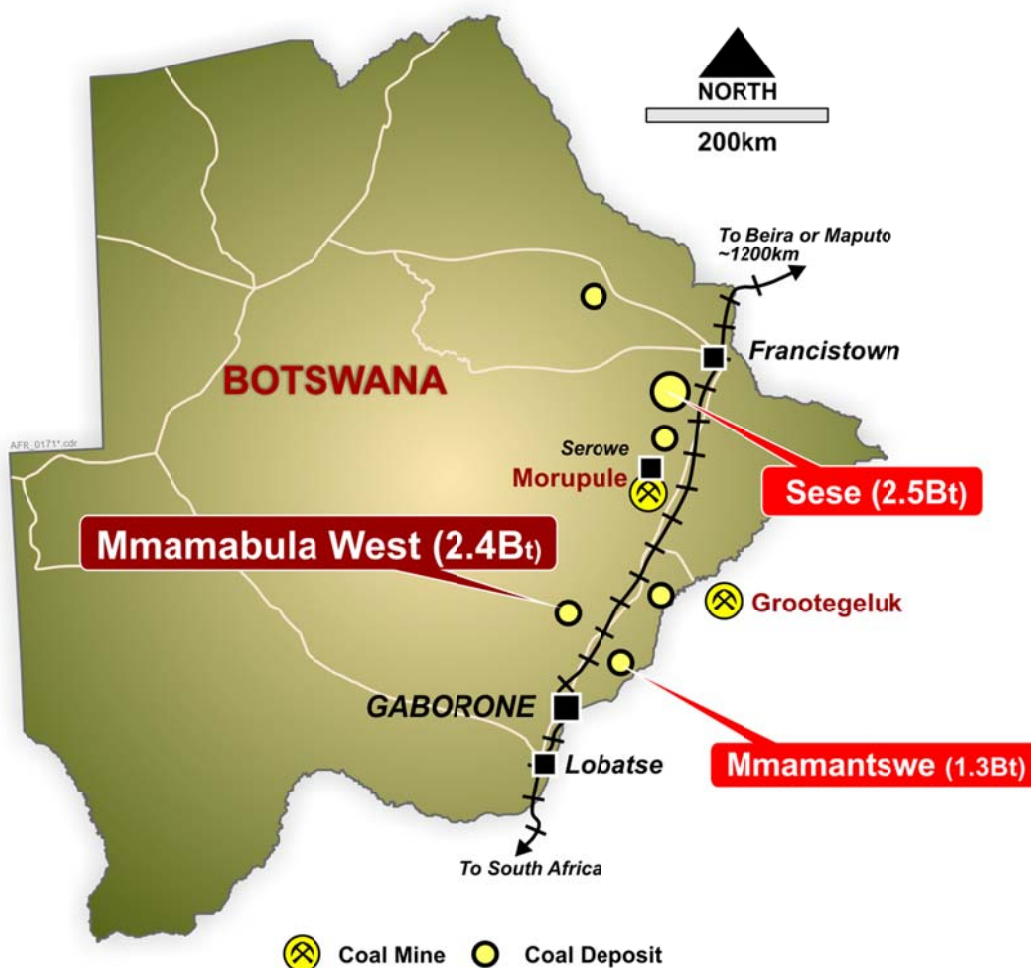
- Mmamabula West contains 892Mt of Indicated Resource and 1,541 Mt of Inferred Resource at an average in-situ raw CV of 4,800kcal/kg (20.1 MJ/kg). The majority of the coal occurs in two coal seams (A-Seam and K-Seam) which are 4-6m thick and 100-150m below surface.
- Detailed inspection of the drilling information, proximate analyses and washing tables has led to the identification of a coherent 25km² area (defined by 50 drill holes) within the indicated resource that has higher quality coal capable of producing high CV products at high yields.
- This area was the subject of a high level desktop study completed by Mining Consultancy Services (Pty) Ltd in December 2011. This study assessed an underground bord and pillar mining operation to extract A-seam only, and “highly recommended” that further more detailed studies were undertaken on this preferred area.

3.2 Mining Studies and Environmental and Social Impact Assessment

- An Environmental and Social Impact Assessment for a potential 4Mtpa underground coal mine in the preferred mining area commenced in October 2013. A final draft of the ESIA report for internal review is expected in the next quarter.

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- A feasibility study to assess the underground mining, processing, marketing and transport logistics of up to 4Mtpa of coal from the preferred mining area commenced in early January 2014.
- A draft report containing the preliminary results of the feasibility study has been received and is undergoing internal review. It is expected that the report will be finalized in the next quarter.
- The Company submitted an application for a 2-year extension to the prospecting license over Mmamabula West (PL56/2005) under Section 17 (6) of the Mines and Minerals Act, 1999.
- The company continues to assess export infrastructure options (rail, port, off-take).
- Several parties have approached African Energy and expressed interest in becoming development partners at Mmamabula West. These discussions will continue once the feasibility study has been completed.



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4 Global Coal Resources for Coal Projects in Botswana

Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Block-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Block-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	2,517 Mt							

Mmamabula West Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	N/A							
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
TOTAL	2,433 Mt							

Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
TOTAL	1,243 Mt							

GRAND TOTAL	6,193 Mt
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* In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes

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5 Mining tenements held at the end of each quarter and their location

	Interest at beginning of quarter	Interest at end of quarter	Location
PL 96/2005 (Sese)	100%	100%	Botswana
PL197/2007 (Sese West)	100%	100%	Botswana
PL004/2013 (Foley North)	100%	100%	Botswana
PL069/2007 (Mmamantswe)	100%	100%	Botswana
PL056/2005 (Mmamabula West)	100%	100%	Botswana
18176-HQ-LPL (Mulipo)	100%	100%	Zambia
13764-HQ-LPL (Nangandwe)	100%	100%	Zambia
12634-HQ-LML (Chirundu ML)	100%	100%	Zambia
13265-HQ-LPL (Chirundu PL)	100%	100%	Zambia
13642-HQ-LPL (Munyumbwe)	100%	100%	Zambia
8264-HQ-LPL (Kariba Valley)	100%	100%	Zambia
13646-HQ-LPL (Sinazongwe East)	100%	100%	Zambia
17732-HQ-LPL (Sinazongwe West)	100%	100%	Zambia
16556-HQ-LPL (Sinazongwe Central)	100%	100%	Zambia
16775-HQ-LPL (Sinazongwe South)	100%	100%	Zambia

Dr. Frazer Tabcart

Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the African Energy Resources website at: www.africanenergyresources.com

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 was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. References to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code (2004 edition).

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabcart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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.

For any queries please contact the Company Secretary, Mr Daniel Davis on +61 8 6465 5500

Appendix 5B

Mining exploration entity quarterly report

Name of entity

AFRICAN ENERGY RESOURCES LIMITED

ARBN

123 316 781

Quarter ended ("Current Quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$US'000	Year to date (9 months) \$US'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(730)	(1,916)
(b) development	-	-
(c) production	-	-
(d) administration	(426)	(1,318)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	55
1.5 Interest and other costs of finance paid	(78)	(265)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,231)	(3,444)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(1,000)	(4,231)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1,000)	(4,231)
1.13 Total operating and investing cash flows (carried forward)	(2,231)	(7,675)

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1.13	Total operating and investing cash flows (carried forward)	(2,231)	(7,675)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,224
1.15	Cost of the Issue	-	(11)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	3,213
	Net increase (decrease) in cash held		
1.20	Cash at beginning of quarter/year to date	3,426	5,626
1.21	Exchange rate adjustments to item 1.20	66	97
1.22	Cash at end of quarter*	1,261	1,261

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities.

	Current quarter \$US'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	241
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

US\$103,017 – director remuneration payments
US\$138,078 – payments for administrative staff, technical staff and provision of a fully serviced office

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

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Financing facilities available

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities	5,000	5,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	595
4.2 Development	-
4.3 Production	-
4.4 Administration	531
Total	1,126

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	1,261	2,462
5.2 Deposits at call	-	965
5.3 Bank overdraft	-	-
Total: Cash at end of quarter (item 1.22)	1,261	3,427

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-

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Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	434,440,456	433,273,789	-	-
7.4 Changes during quarter				
(a) Increases through issue of new shares	-	-		
(b) Increases through conversion of rights	1,166,667	1,166,667		
7.5 *Convertible debt securities	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options/Rights				
Unquoted options	60,155,204			
		No. of options	Strike Price	Expiry Date
		782,499	AUD \$0.625	25-July-14
		22,766,805	AUD \$0.21	31-Dec-14
		36,605,900	AUD \$0.15	31-Dec-15
Unquoted rights	6,166,667	Performance rights subject to various vesting hurdles and expiring 30 September 2017		
7.8 Issued during quarter	-			
7.9 Exercised during quarter	1,166,667	Vested performance rights converted to ordinary shares		
7.10 Expired during quarter				
Unquoted options				
Unquoted rights				
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Mr Daniel Davis

Company Secretary

Date: 30 April 2014

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.