6 March 2014

COMPANY UPDATE

HIGHLIGHTS

- **The ESIA and Phase 1 of the Definitive Feasibility Study for a 300MW power station and captive ~1.5mtpa coal mine at the Sese Coal project will be finalised in March. Upon completion, the Company will submit a mining license application covering enough coal for the full life of the 300MW Sese Integrated Power Project.**

- **The Botswana Ministry for Minerals Energy and Water Resources has communicated an indicative timeframe for the invitation of bids from shortlisted parties for the 300MW Greenfield Power Project tender in late March. The African Energy/ACWA Power consortium has been shortlisted to receive the bid invitation.**

- **A draft ESIA and feasibility study to assess the underground mining, processing, marketing and transport logistics of up to 4Mtpa of coal at Mmamabula West coal project are expected to be completed later this month. Once finalised, the Company will submit an application for a 2-year extension of the prospecting license over Mmamabula West and determine the optimum development path for the project. Several groups have expressed interest in partnering with African Energy to develop this project.**

- **The Company has extended the terms of the binding letter of intent with Karoo Exploration Corp to sell its portfolio of Zambian uranium licences.**
1. SESE INTEGRATED POWER PROJECT (SIPP)

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 300 MW power station and integrated coal mine to be located at the Company’s Sese coal deposit in Botswana.

Botswana Tender Opportunity
- The Ministry for Minerals Energy and Water Resources (MMEWR) is currently finalising the appointment of its Legal Advisors and Transaction Advisors for a 300MW Greenfield Power Project.
- MMEWR has communicated an indicative timeframe for the invitation of bids from shortlisted parties for the 300MW Greenfield Power Project tender in late March.
- The African Energy/ACWA Power consortium has been shortlisted to receive the bid invitation from MMEWR.
- Assuming this indicative timeframe, and a successful bid outcome, the consortium would be in a position to seek financial close on the project by year end.
- Further information on the bid process and timeframe will be announced when available.

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 coalmine is nearing completion.
- Upon completion of the first phase of the DFS (mine and infrastructure layout, mine scheduling and derivation of preliminary power station fuel specification), the Company will submit a mining license application covering enough coal to fuel the Sese Integrated Power Project for its entire operational life.
- The company will also submit an application for a further 2-year extension of the prospecting license for remainder of the Sese project.
- 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

2. MMAMABULA WEST COAL PROJECT

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 which are 4-6m thick and 100-150m below surface.
- A preferred area of approximately 25km² within the Indicated Resource contains higher quality coal.
Preferred Area For Mining Studies
- 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.
- African Energy believes that this preferred area from within the Indicated Resource could form the basis of a stand-alone underground export coalmine.

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 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.
- Preliminary results of the feasibility study are expected this month at which time the Company will submit an application for a 2-year extension to the prospecting license over Mmamabula West.
- 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.

3. SALE OF ZAMBIAN URANIUM PORTFOLIO
- In September 2013, the Company entered into a binding letter of intent with Karoo Exploration Corp (“Karoo”) to sell its portfolio of Zambian uranium licences to Karoo.
- Karoo completed its due diligence and in January the terms of the binding letter of intent were extended to 31 March 2014.
- Further updates will be provided when available.

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 Tabeart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart 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 Tabeart consents to the inclusion of the data in the form and context in which it appears.
GLOBAL COAL RESOURCES FOR COAL PROJECTS IN BOTSWANA

### Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis)

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM%</th>
<th>VM%</th>
<th>FC%</th>
<th>S %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED (Block-C)</td>
<td>333 Mt</td>
<td>17.6</td>
<td>4,200</td>
<td>30.2</td>
<td>7.9</td>
<td>20.6</td>
<td>41.4</td>
<td>2.1</td>
</tr>
<tr>
<td>MEASURED (Block-B)</td>
<td>318 Mt</td>
<td>16.0</td>
<td>3,820</td>
<td>34.8</td>
<td>7.4</td>
<td>20.4</td>
<td>37.4</td>
<td>1.7</td>
</tr>
<tr>
<td>INDICATED</td>
<td>1,714 Mt</td>
<td>15.3</td>
<td>3,650</td>
<td>38.9</td>
<td>6.6</td>
<td>18.7</td>
<td>35.8</td>
<td>2.0</td>
</tr>
<tr>
<td>INFERRED</td>
<td>152 Mt</td>
<td>15.0</td>
<td>3,600</td>
<td>39.1</td>
<td>6.4</td>
<td>19.5</td>
<td>34.9</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,517 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Mmamabula West Project: Resource Summary (Raw coal on an air-dried basis)

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM%</th>
<th>VM%</th>
<th>FC%</th>
<th>S %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INDICATED</td>
<td>892 Mt</td>
<td>20.2</td>
<td>4,825</td>
<td>25.5</td>
<td>6.0</td>
<td>26.0</td>
<td>41.0</td>
<td>1.5</td>
</tr>
<tr>
<td>INFERRED</td>
<td>1,541 Mt</td>
<td>20.0</td>
<td>4,775</td>
<td>25.5</td>
<td>5.7</td>
<td>25.9</td>
<td>41.2</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,433 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis)

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM%</th>
<th>VM%</th>
<th>FC%</th>
<th>S %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED</td>
<td>978 Mt</td>
<td>9.5</td>
<td>2,270</td>
<td>56.5</td>
<td>3.9</td>
<td>15.8</td>
<td>21.8</td>
<td>2.0</td>
</tr>
<tr>
<td>INDICATED</td>
<td>265 Mt</td>
<td>7.9</td>
<td>1,890</td>
<td>62.3</td>
<td>3.3</td>
<td>14.2</td>
<td>18.1</td>
<td>2.1</td>
</tr>
<tr>
<td>INFERRED</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,243 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRAND TOTAL** 6,193 Mt

* 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

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.