NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT

For the General Meeting to be held on Friday, 23 May 2014
at 2:30pm (Western Standard Time)
at Level 1, 8 Colin Street, West Perth, 6005, Western Australia

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 7:30am (BST) on Friday, 23 May 2014

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

**Level 1, 8 Colin Street, West Perth, Australia**

Commencing at 2:30pm Western Standard Time (WST) on 23 May 2014.

Also via phone link with our registered office, Granite House, La Grande Rue, St Martin, Guernsey KY1 3RS which will commence at 7:30am BST on 23 May 2014.

The Directors have set a date to determine who is entitled to attend, speak and vote at the Meeting. The date is 21 May 2014 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 registered office, at Granite House, La Grande Rue, St Martin, Guernsey KY1 3RS will commence at 7:30am BST on 23 May 2014.

**Attendance at Meeting**

All holders of Shares appearing in the Company’s Register of Shareholders at 2:30pm WST 21 May 2014 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 Wednesday, 21 May 2014. 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 Security holder 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 21 May 2014.
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.
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 23 May 2014 at 2:30pm WST; Also via phone link at our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 7:30am BST on 23 May 2014 for the purpose of transacting the business set out below.

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

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 14,896,535 fully paid ordinary shares in the capital of the Company at 8.5 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 2,352,941 fully paid ordinary shares in the capital of the Company at 8.5 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 Sentient Share Placement Fee 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 744,827 fully paid ordinary shares of the Company 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 – 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 36,605,900 unlisted options exercisable at $0.15 and expiring on 31 December 2015 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.

BY ORDER OF THE BOARD

Daniel Davis
Company Secretary
30 April 2014
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 16 April 2014, the Company issued 14,896,535 Shares at 8.5 cents each to raise $1,266,205.47 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 14,896,535 Shares.
- The Shares were issued at an issue price of 8.5 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 its portfolio of coal and power projects 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 2,352,941 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 2,352,941 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 8.5 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 its portfolio of coal and power projects in Botswana.
3. RESOLUTION 3 – RATIFICATION OF SENTIENT SHARE PLACEMENT FEE ISSUE

The Shares, the subject of Resolution 3, were issued on 16 April 2014 to Sentient Executive GP IV, Limited as a Placement fee in consideration of their participation in the Placement.

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 744,827 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:

a) The number of securities allotted is a total of 744,827 fully paid ordinary shares;

b) The Shares were issued for nil consideration and therefore no funds were raised from the issue of the Shares;

c) The Shares were issued to Sentient Executive GP IV, an unrelated party of the Company;

4. RESOLUTION 4 – RATIFICATION OF MACQUARIE OPTIONS ISSUE

The Options, the subject of Resolution 2, were issued on 19 December 2013 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 36,605,900 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 36,605,900 unlisted Options, exercisable at $0.15 and expiring 31 December 2015;

- 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
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.

"BST" means British Summer Time, Guernsey, UK.


"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.
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 $0.15 per Option.

4. The expiry date of the Options is 31 December 2015 (Expiry Date).

5. The Option holder 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 Option holder 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 Option holder’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 Option holder that the aggregate Exercise Price for those Options will be Converted under clause 9.5(1) of the Facility Agreement.

9. The Option holder 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 Option holder’s rights relating to the balance of the Options held by the Option holder. The Company must issue to the Option holder 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 Option holder (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 Option holder 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 Option holder in respect of the Options will be changed to the extent necessary to:
a. 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

b. 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 Option holder 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 Option holder has Exercises 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 Option holder 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 Option holder 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 resale 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 Option holder 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.
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 Friday, 23 May 2014 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.

Resolution 1
Ratification of Placement

Resolution 2
Approval of Placement to Alasdair Cooke

Resolution 3
Ratification of Sentient Share Placement Fee Issue

Resolution 4
Ratification of Macquarie Options Issue

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

If this form is completed by a joint holder, it must be signed by both holders.

This form should be signed by the CDI Holder in accordance with the instructions overleaf.
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 Wednesday, 21 May 2014, 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.