22nd September 2010

Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir/Madam,

SESE COAL UPDATE AND EXPLORATION TARGET

HIGHLIGHTS:

- **Based on recent drilling of 42 holes showing thick coal seams at the Sese coal prospect, the Company is preparing a programme of resource delineation drilling.**
- **The areal extent and consistent thickness of coal intersections to date suggest an Exploration Target* of between 1.0 billion tonnes and 1.5 billion tonnes of 4,000 kcal/kg to 5,000 kcal/kg raw coal which may be amenable to low-cost open pit extraction.**
- **The Company is engaged in discussions with a number of parties to secure a partner for funding the next stage of resource development. Multiple expressions of interest have been received for the acquisition of a 10-20% minority stake in the coal project.**
- **Market interest in Botswana coal assets highlighted by recent CAD $450 million offer by an unnamed Indian company to buy CIC Energy, a Canadian listed coal company with an unmined 1.9 billion tonne Measured and Indicated, predominantly underground resource of thermal coal in eastern Botswana**
- **Following recent test work on coal quality further analytical work is underway to determine washing characteristics and coking potential.**

  *Disclaimer: The Exploration Target is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource. There is currently insufficient data to define a JORC compliant mineral resource for the Exploration Target.

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AFRICAN ENERGY

EXPLORATION TARGET TONNAGE ESTIMATE

African Energy recently announced the discovery of a potentially large deposit of thermal coal on its wholly owned Sese project in northeast Botswana (refer to Diagram 1). The Company has also recently released preliminary analysis of the coal quality and determined that the areal extent of the coal, its thickness, proximity to surface and the average quality of the coal is sufficient to warrant further investigation.

To date the Company has completed 38 reverse circulation percussion drill holes and 4 core drill holes on the Sese coal project. The drilling has intersected a coal seam which is generally between 6m and 25m thick (average 12m) within an area of approximately 80km^2 (Diagram 2). Historical drilling by Shell Coal Botswana Pty Ltd indicates broad continuity of the seam over an even larger area (see Diagram 2), and with a range of raw coal densities between 1.55 g/cc and 1.63 g/cc (average 1.59 g/cc). On the basis of the known distribution of coal, the densities reported above, and coal quality data published by African Energy, the Company estimates an Exploration Target of 1.0 to 1.5 billion tonnes of 4,000 kcal/kg to 5,000 kcal/kg raw coal. Limited washing tests undertaken by Shell indicate that the coal quality could be potentially upgraded to better than 5,250 kcal/kg.

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COMPANY TO SEEK A CORNERSTONE PROJECT PARTNER

Due to the large potential size of the project, the Company recently announced its intention to seek a cornerstone project partner with technical and marketing experience in the coal sector. The Company has indicated that it is prepared to sell a direct 10-20% stake in the project, with the right for the incoming party to earn additional equity in the project through funding various milestones. A number of entities have expressed interest in the project to date and are now reviewing data under the terms of a Confidentiality Agreement.

Further expressions of interest are currently under review, many having been received since CIC Energy (a Canadian company listed on the Toronto Stock Exchange) announced that it had received a non-binding offer to purchase the Company for approximately CAD $450 million (USD $435 million) from an unnamed Indian company. CIC Energy's flagship project is the unmined Mmamabula thermal coal project in eastern Botswana which contains 1.9 billion tonnes of Measured and Indicated Resources (NI43-101 compliant resource), of which approximately one third is amenable to open pit mining.

TECHNICAL PROJECT UPDATE

The Company has initiated the following programme of technical evaluations:

- Further proximate analyses of the core samples will be undertaken to assess the washing characteristics of the coal.
- Free swelling index tests on the washed coal will be undertaken to determine coking potential.
- A review of the geology, quality and resource potential of the coal deposit by an independent Botswana consulting group has been commissioned.
- A drilling programme suitable of delivering a maiden inferred resource will be planned and costed. Preliminary assessment of the project has determined that core drilling on a 1km x 1km pattern may be adequate to define an inferred resource if continuity between holes can be demonstrated. Such a programme would require 80-120 shallow core holes and could be completed over 3-4 months at an approximate cost of USD $1 million.

BACKGROUND TO PROJECT

The Sese Coal project comprises one wholly owned prospecting licence and one prospecting licence application located in northeast Botswana, approximately 50km southwest of the town of Francistown. The project is situated close to the sealed highway between Francistown and Gaborone and is easily accessible. Rail, road and power infrastructure is close to the project area.

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 has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

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 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 Tabeart consents to the inclusion of the data in the form and context in which it appears.

The Exploration Target is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource. There is currently insufficient data to define a JORC compliant mineral resource for the Exploration Target.

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

For and on behalf of the board

Diagram 1: Location map of the Sese Project, Botswana. Note proximity to rail infrastructure.

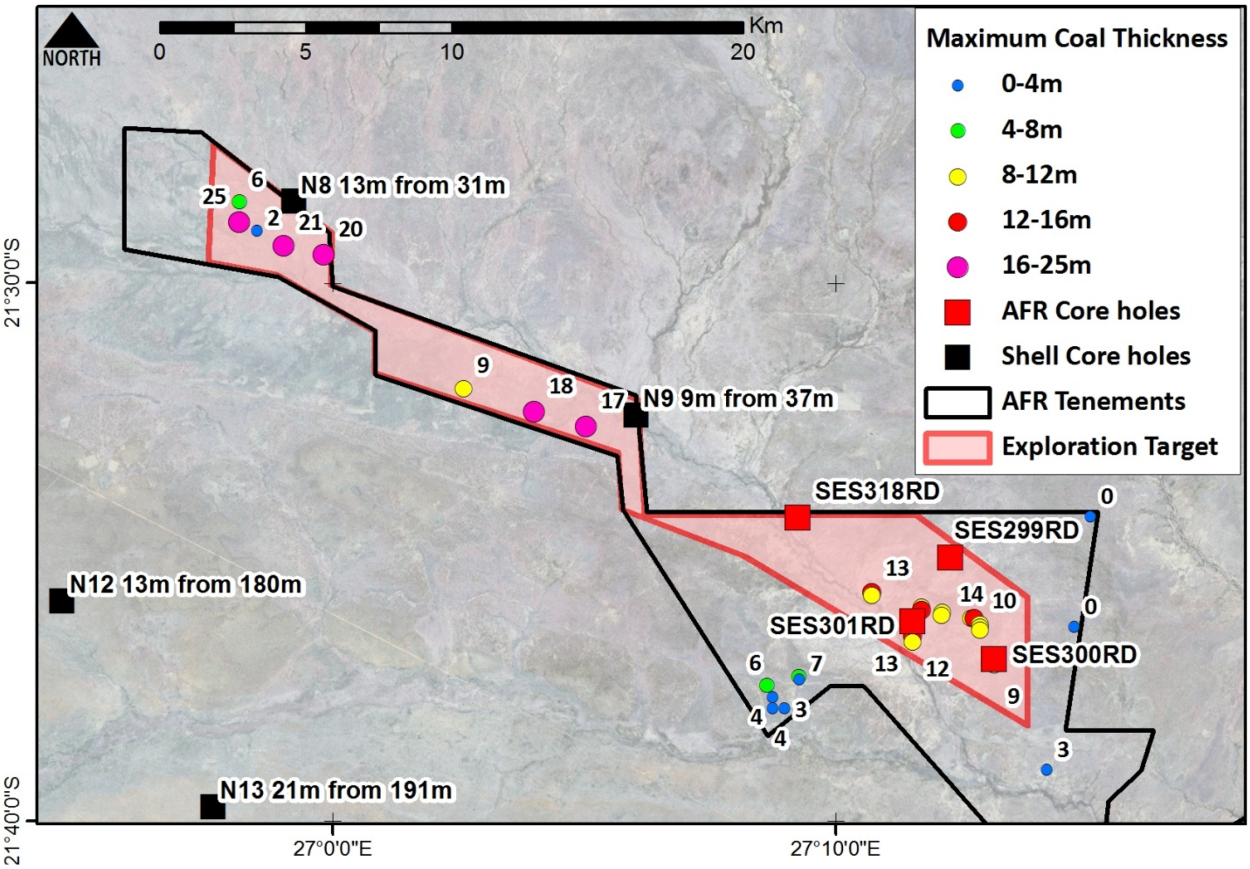

Diagram 2: Drill hole collar locations indicating position of core holes with proximate analyses (N8, N9 and four AFR core holes). Numbers next to collar positions indicate maximum coal seam thickness for the hole in metres. Note continuation of coal seam down-dip to Shell holes N12, N13. Exploration Target covering 80km^2 is also shown for reference.