

15th October 2010

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

Via electronic lodgement

Dear Sir/Madam,

RESOURCE DRILLING UPDATE FOR SESE COAL PROJECT, BOTSWANA

- A programme of resource delineation drilling will commence on Monday 18th October at the Sese coal project in Botswana.
- The programme has been designed to quantify the Exploration Target of 1.0 to 1.5 billion tonnes of 4,000kcal/kg to 5,000kcal/kg thermal coal that was announced in September.*
- The programme will comprise approximately 40 diamond drill holes drilled at 2km spacings to collect core for proximate analysis, with a further 90 reverse circulation (RC) percussion drill holes to infill to a 1km spaced grid.
- All holes will be logged with down-hole geophysical equipment to aid in the establishment of coal seam continuity.
- The drilling and down-hole geophysical programme is expected to provide data of sufficient density to permit the classification of an inferred resource.
- It is expected that all work, including resource estimation will be complete during the first quarter of 2011.

***Disclaimer:**

The Exploration Target is conceptual in nature and it is uncertain if further drilling 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.

African Energy Resources Limited

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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 (Diagram 1). African Energy has discovered a large deposit of thermal coal at Sese, and recently announced an Exploration Target of 1.0 to 1.5 billion tonnes of 4,000kcal/kg to 5,000kcal/kg thermal coal.*

RESOURCE DELINEATION DRILLING PROGRAMME

A programme of resource delineation drilling will commence on Monday 18th October at Sese to quantify the Exploration Target (refer to Diagram 2). The drilling programme will comprise:

- Approximately 40 diamond drill holes to collect core at a 2km x 2km spacing. The core from this will be sent to South Africa for proximate analysis to determine coal quality.
- Approximately 90 RC percussion drill holes will be drilled to complete a 1km x 1km grid to establish coal continuity.
- All drill holes will be logged with down-hole geophysical equipment to aid the determination of coal continuity and coal density.

Drilling will initially commence outside the Exploration Target at the northwest extremity of the tenement to determine the potential for additional coal tonnage. Information on the thickness and location of coal intersections will be regularly reported during the campaign. It is expected that the full programme will deliver sufficient data to complete an inferred resource estimate during Q1 2011.

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 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 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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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

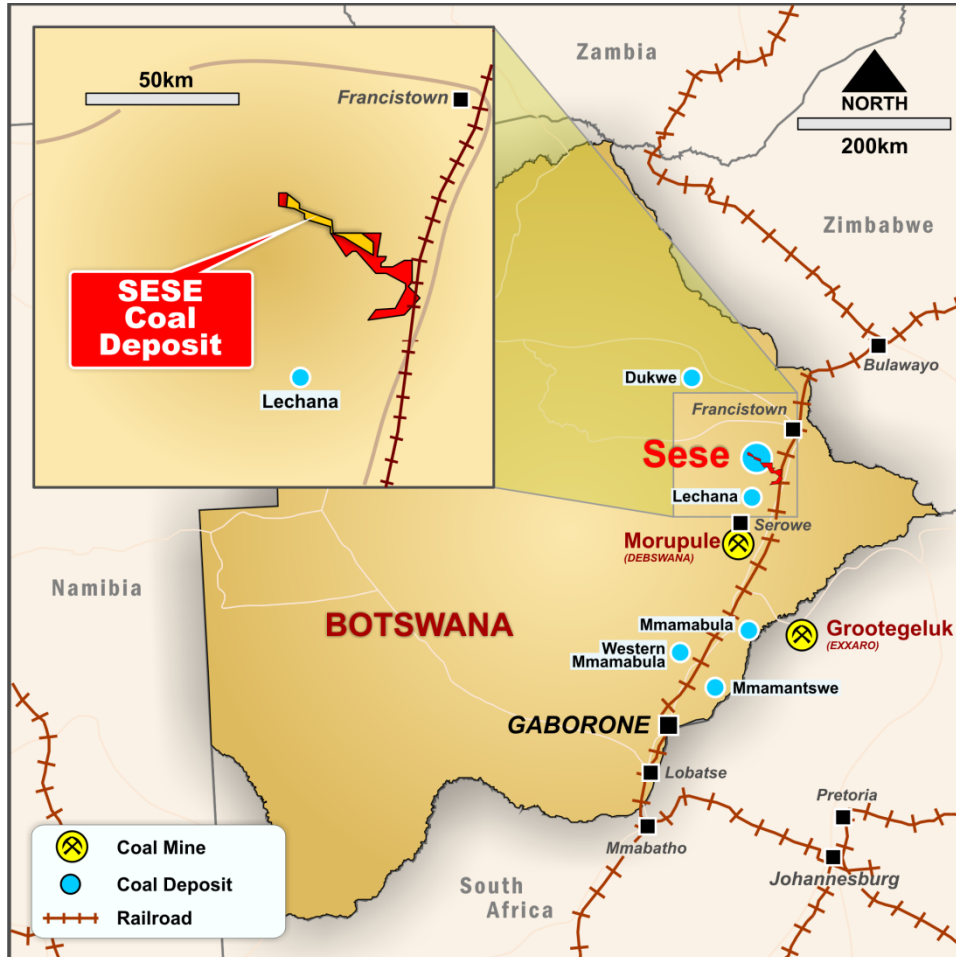


Diagram 1: Location map of the Sese Project, Botswana. Note proximity to rail infrastructure.

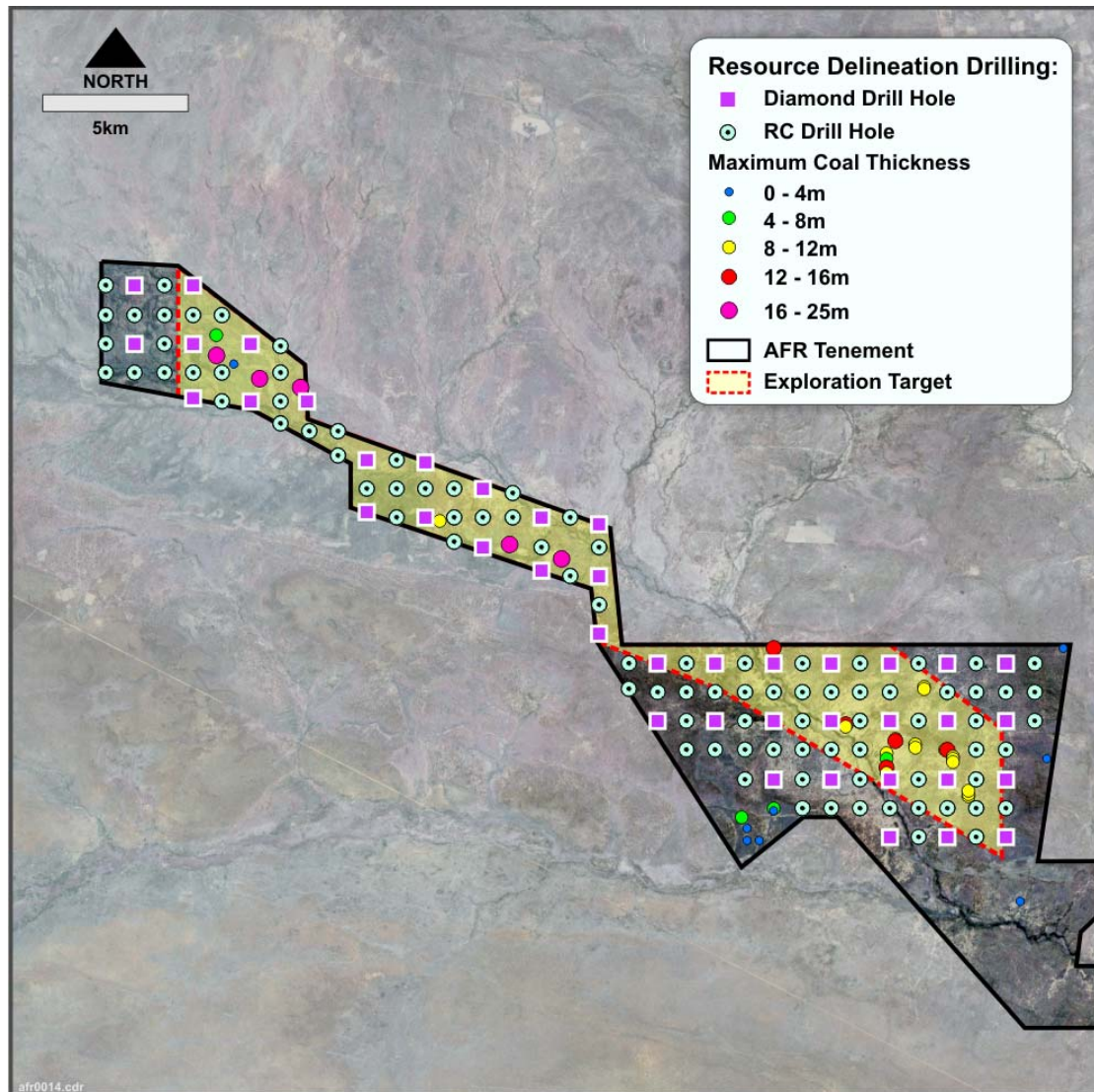


Diagram 2: Resource delineation drilling programme showing collar positions for diamond drill holes and RC percussion drill holes and the outline of the exploration target.