Annual Report 2010

AFRICAN ENERGY

CONTENTS

CORPORATE DIRECTORY

Directors

Mr Alasdair Cooke	Executive Chairman
Dr Frazer Tabeart	Managing Director
Mr Bill Fry	Executive Director
Mr Valentine Chitalu	Non-executive Director
Mr Michael Curnow	Non-executive Director

Company Secretary
Mr Daniel Davis

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Stock Exchange Listing
African Energy Resources Limited shares are listed on the Australian Stock Exchange (ASX : AFR)

Website Address
www.africanenergyresources.com

Managing Director's Letter

Dear Shareholder,

Whilst the last twelve months has been volatile for uranium equities, your Company has made excellent progress in a number of key areas. Highlights from this period include:

- The discovery of what may be a very large deposit of thermal coal in the Company's Sese Project in Botswana.
- Delivery of revised resource statements for the Njame and Gwabe deposits in Zambia which now contain a total of 11.1 Mlb U_3O_8 in Measured, Indicated and Inferred Resources at an average grade of 283 ppm U_3O_8.
- Granting of the Chirundu Mining Licence in Zambia, covering both Njame and Gwabe.
- The discovery of the Gojwane uranium deposit in Botswana, which may be the extension of a large nearby deposit owned by a third party.
- Advancement of several early stage uranium exploration projects in Zambia and Botswana to drilling programmes.
- Equity raisings of AUD$8.2 million which will underpin the short-term future of the Company.

The African Energy group of companies are focused on identifying and developing energy resource projects in Africa, with an emphasis on uranium and more recently coal. The Company holds a quality portfolio of tenements and joint venture projects in Zambia and Botswana, which are both politically stable, mining friendly democracies.

The Company has discovered two uranium deposits (Njame and Gwabe) near Chirundu in Zambia which, by virtue of their geometry and metallurgical properties, offer the potential for low-cost production through shallow open-pit mining and sulphuric acid heap-leaching. In October 2009, a Mining Licence for the Chirundu deposits was granted for an initial 25 year period. Exploration work during the year resulted in the delineation of an additional 2.4 Mlb U_3O_8 in Inferred Resources at Njame at an average grade of 250 ppm U_3O_8. Total resources at Njame and the nearby Gwabe deposit now total 11.1 Mlb U_3O_8 which could support a 7-8 year mining operation producing 1.2 to 1.4 Mlb U_3O_8 per annum at a cash operating cost of US$26-$31/lb U_3O_8. Further work to optimise operating costs and increase the resource base to support a 10 year or longer mine life is ongoing.

In June, the Company discovered a potentially very large deposit of coal in the Sese Project in Botswana. Shallow drilling has now intersected thick coal seams over a strike length of over 30km within an area of 80km^2, and an exploration target of 1.0 to 1.5 billion tonnes of coal has been announced. The coal seam averages 12m in thickness, with an average depth to the top of the coal of 40m. An assessment of the coal quality has demonstrated that the coal is thermal quality sub-bituminous black coal which may be amenable to low-cost open-pit mining. The Company is actively seeking an experienced coal partner for this large project, and has commenced an infill drilling programme to define a maiden resource.

On behalf of the Board of Directors, I would like to thank shareholders for their continued support and welcome new shareholders to the Company. We look forward to continued success in developing our portfolio of energy projects during the next year.

Frazer Tabeart
Managing Director

Operations Review

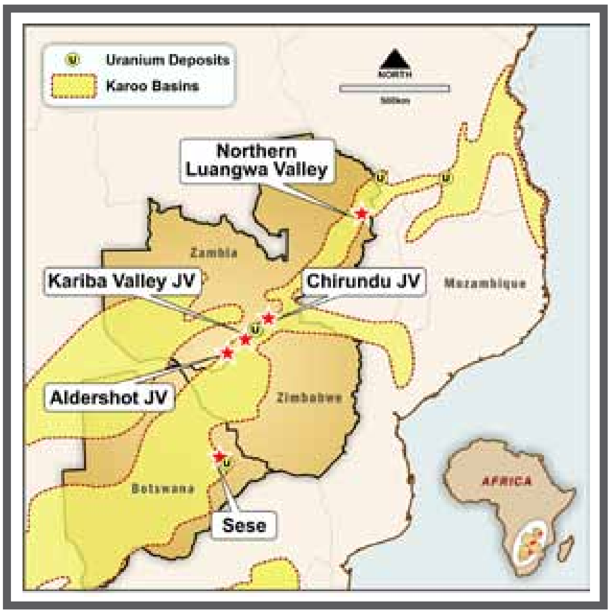
Strategy and Objectives

African Energy owns, or is earning, an interest in five uranium projects and one coal project in southern Africa, ranging from bankable feasibility studies at the Chirundu JV in Zambia to projects with prospective geology and uranium anomalies defined by airborne radiometric surveys. African Energy's projects are located in sedimentary rocks of the Karoo Supergroup, which hosts most of the region's producing coal mines. A significant amount of known uranium mineralisation also occurs in the Karoo sediments in the region, including a producing uranium mine in Malawi and advanced projects with defined resources in Zambia, Botswana and Tanzania.

African Energy's primary goal is to bring the uranium deposits in southern Zambia to commercial production and to use the cash flow developed from this operation to provide leveraged growth through mergers, acquisitions and organic exploration success. A secondary goal is to derive near-term shareholder value from the recently discovered Sese coal deposit in Botswana.

Over the next year the primary objectives of the Company will be:

- Additional exploration in southern Zambia designed to identify and delineate additional resources which can feed into the proposed Njame uranium processing facility in the Chirundu JV;
- Conclusion of bankable feasibility studies to evaluate the viability of mining and processing the uranium mineralisation discovered at the Njame and Gwabe deposits in Zambia supplemented by any new discoveries;
- To unlock the value of the recently discovered Sese coal deposit in Botswana through delivering a maiden resource estimate and attracting a partner with the best qualifications to advance the project;
- Continued assessment of less advanced projects to provide a pipeline of exploration drilling opportunities with resource potential; and
- Continued assessment of opportunities for the acquisition of new energy projects in Africa.



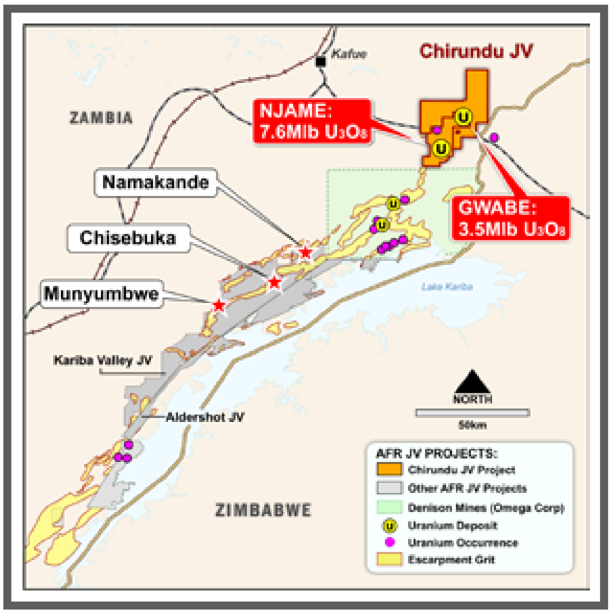
Location of advanced uranium projects and African Energy's projects in the Karoo basins of southern Africa.

Chirundu Joint Venture Project

The Chirundu JV project occurs approximately 150km southeast of Lusaka by sealed road and is where the Company was able to identify an initial Inferred Resource in September 2006. Since that time, African Energy has discovered the Gwabe uranium deposit some 20km to the northeast, and has outlined over 11.1 Mlb of U_3O_8 (5,035t) in combined resources at the two deposits.

Joint venture partner, Albidon Limited, has elected to maintain its 30% interest in the project through meeting its share of future project costs. Both companies committed to a bankable feasibility study which commenced in May 2008. During the past year, work on the project concentrated on further metallurgical test work to assess mineral processing paths, environmental baseline surveys and resource delineation drilling. A mining licence for the project was granted for an initial period of 25 years, commencing in October 2009.

The Chirundu feasibility study is based on an operation utilising open-pit mining and sulphuric acid heap leaching of the uranium ores, with mining initially from the Njame deposit only, followed by Gwabe once Njame has been exhausted. Uranium will be stripped from the leach solutions by ion-exchange resins, followed by elution and precipitation to produce a granulated UO_4 product suitable for export at an annual rate of approximately 1.2 to 1.4 Mlb U_3O_8 equivalent over a 7-8 year project life. A centralised uranium processing facility at Njame will support the combined operations with loaded ion-exchange resins trucked from Gwabe to Njame for final processing and packaging.



Location of the Chirundu Joint Venture project in southern Zambia.

Mineral Resources at Chirundu

During the year, a programme of reverse circulation (RC) percussion drilling at Njame South discovered additional inferred resources containing approximately 2.4 Mlb U_3O_8 at an average grade of 250 ppm U_3O_8. On the basis of this programme, a revised mineral resource estimate for the project was completed. Combined Measured and Indicated resources for the Chirundu JV project now contain 7.4 Mlb U_3O_8 at an average grade of 293 ppm U_3O_8, with a further 3.7 Mlb U_3O_8 at an average grade of 237 ppm U_3O_8 in Inferred resources. This may be suitable for a 7-8 year mining project producing 1.2 to 1.4 Mlb U_3O_8 equivalent per annum.

Njame Resource		
Measured	2.7Mt @ 350ppm U_3O_8	2.1Mlb U_3O_8
Indicated	3.7Mt @ 252ppm U_3O_8	2.1Mlb U_3O_8
Inferred	6.6Mt @ 240ppm U_3O_8	3.5Mlb U_3O_8
Total	**13.0Mt @ 266ppm U_3O_8**	**7.6Mlb U_3O_8**
Gwabe Resource		
Measured	1.3Mt @ 237ppm U_3O_8	0.7Mlb U_3O_8
Indicated	3.6Mt @ 313ppm U_3O_8	2.5Mlb U_3O_8
Inferred	0.8Mt @ 178ppm U_3O_8	0.3Mlb U_3O_8
Total	**5.7Mt @ 278ppm U_3O_8**	**3.5Mlb U_3O_8**

Note: 100 ppm U_3O_8 cut-off grade applied in all cases. Appropriate rounding has been applied

Metallurgical Test Work Results

Mintek Laboratories have been performing bench-scale metallurgical test work studies on the mineralisation from Njame and Gwabe as part of the feasibility study. During the year, column leach testing continued on Njame and Gwabe uranium mineralisation to establish baseline data from which optimisation programmes would be derived. Work to date has indicated that uranium extractions at Njame are quick and very efficient, reaching up to 95% recovery and consuming less than 5kg/t sulphuric acid. Gwabe mineralisation is more refractory, requiring an oxidative leaching step to achieve extractions of 75% uranium. Further column leach testing is required to optimise extraction rates and reagent consumption.

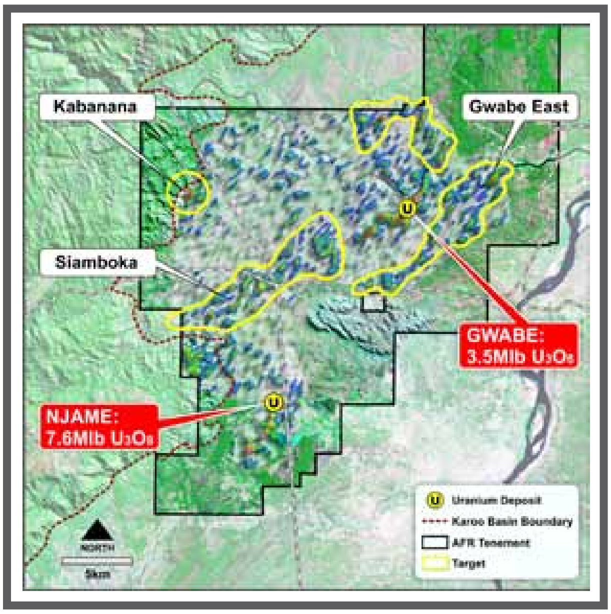
Environmental Baseline Surveys

A programme of environmental baseline surveys to determine the existing levels of all potential airborne, waterborne and in-situ contaminants in and around the project areas and local communities has been initiated. This includes analysis of surface waters and groundwater for heavy and trace elements, colliform (bacteria) levels, turbidity, pH and sulphate contents, an assessment of noise, dust and gas (radon, SO_2, NO_2) levels, and an assessment of heavy and trace element levels in soils. These surveys will be used as the basis for an updated Environmental Impact Statement, as well as providing a baseline for future comparison. The entire baseline survey programme is managed by independent contractors.

Exploration Programmes in the Chirundu JV

Exploration in the Chirundu JV project concentrated on three prospects during the year, Njame South, Siamboka and Kabanana. At Njame South, a programme of RC percussion drilling outlined inferred resources containing 2.4 Mlb U_3O_8 at an average grade of 250 ppm U_3O_8, taking the total for the project to over 11 Mlb U_3O_8. Drilling at Siamboka was less successful, and no further work is planned at this prospect.

A programme of 18 RC percussion drill holes at the Kabanana prospect gave a best intersection of 4m @ 293 ppm U_3O_8. This prospect occurs at the contact between the Karoo sediments and the much older basement gneisses and schists. The mineralised intersection occurs close to the unconformity between the Karoo and the basement, and warrants further evaluation to determine if higher-grade unconformity-style uranium mineralisation is present. 3-D modelling of all exploration data for this project is underway to determine future work programmes.

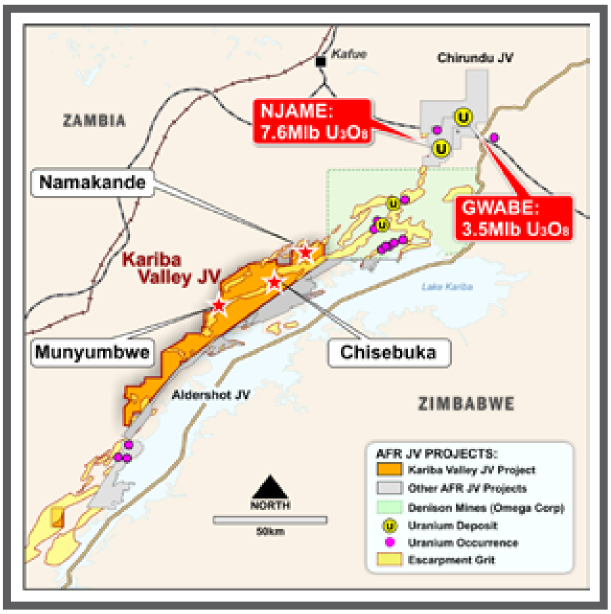


Location of the named prospects in the Chirundu JV project in southern Zambia.

Kariba Valley Joint Venture Project

The Kariba Valley JV project is the second joint venture with Albidon Exploration Limited, and is approximately 250km from Lusaka by road, occurring 50km to the southwest of Denison Mines' tenement that contains the Dibwe and Mutanga uranium deposits. The Kariba Valley JV project also contains the same Escarpment Grit Formation that hosts the mineralisation at Njame, Gwabe, Dibwe and Mutanga. African Energy has earned a 30% interest in the project and can increase this to a 70% interest by completing a prefeasibility study and delivering an Indicated resource.

The Kariba Valley JV tenements occur within economic trucking radius of the proposed Njame uranium processing facility near Chirundu and thus form an important and integral part of African Energy's resource expansion plans for southern Zambia. Any economically viable discovery of uranium in this project could result in a remote ion-exchange mining project capable of delivering high-value loaded ion-exchange resins to the Njame plant where it would be further processed to make the final product for export.

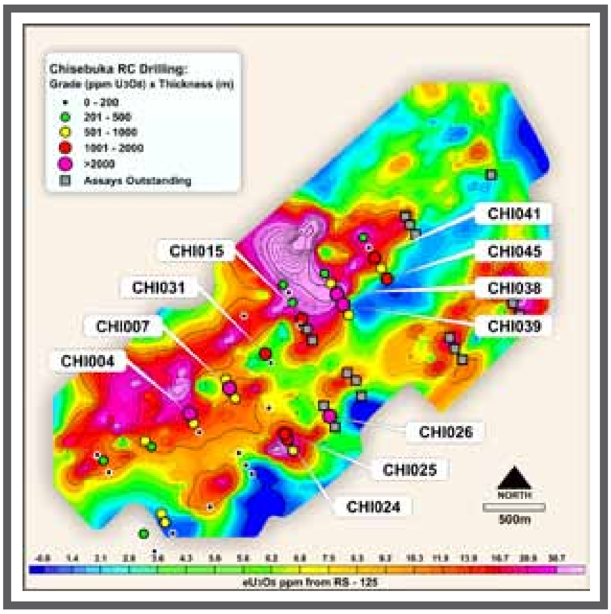


Location map showing the Kariba Valley JV project and the prospect locations referred to in the text.

During the year, exploration drilling programmes were completed at the Namakande and Chisebuka prospects in the Kariba Valley JV project. Whilst a number of narrow zones of uranium mineralisation were identified at several target areas within the Namakande prospect, none were of sufficient width to warrant further investigation in the short-term. Further work is required to determine where better structural targets for thicker mineralisation exist at Namakande. In contrast, several good intersections were made at Chisebuka, extending the known mineralisation by 800m along strike to define a mineralised system over 2,000m long.

Chisebuka Prospect

The Chisebuka prospect was originally drilled by African Energy in late 2007 where the Company identified two parallel zones of uranium mineralisation. In 2010, a programme of geological mapping and soil sampling (using a calibrated hand-held RS-125 spectrometer) was completed to provide the basis from which to plan further drilling. The mapping and soil sampling indicated that further drilling was required to complete an initial evaluation of this prospect, resulting in an additional 27 RC percussion holes for 2,085m being drilled on a nominal 400m x 100m grid.



Chisebuka drilling pattern overlaid on gridded image of eU_3O_8 in soil samples.

Assay results for the first 10 holes of this additional programme have been received to date, and have extended the known mineralisation of the northern zone by 800m along strike to the northeast. Significant assays results for the two zones of mineralisation are listed in the table below. The assay data indicates that significant mineralisation has been drilled along a strike length of at least 2,000m. A detailed survey of the topography of the prospect has been completed with a differential GPS system to provide an accurate elevation model. A 3-D model of the Chisebuka deposit is currently being prepared to determine if stripping ratios are low enough to support economically viable open-pit mining. If this is determined to be the case, a programme of infill drilling for resource delineation will be undertaken.

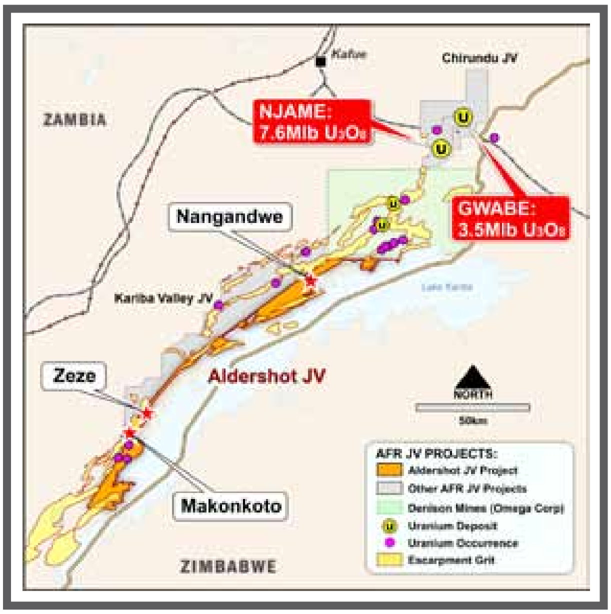
Chisebuka Significant Assay Results				
Hole ID	From (m)	To (m)	Interval (m)	Equivalent U_3O_8 (ppm)
CHI004	61	64	3	242
CHI004	66	68	2	740
CHI007	11	18	7	445
CHI007	incl. 11	13	2	762
CHI007	and 16	18	2	642
CHI015	76	80	4	228
CHI024	60	67	7	208
CHI025	92	99	7	260
CHI026	53	55	2	286
CHI026	57	64	7	465
CHI031	60	71	11	175
CHI038	4	17	13	271
CHI038	52	55	3	199
CHI039	34	41	7	424
CHI039	45	49	4	217
CHI039	52	56	4	296
CHI041	87	91	4	263
CHI045	87	89	2	567

Field staff discuss drilling programmes with Zambian Country Manager, Wiscort Banda (left).

Aldershot Joint Venture Project

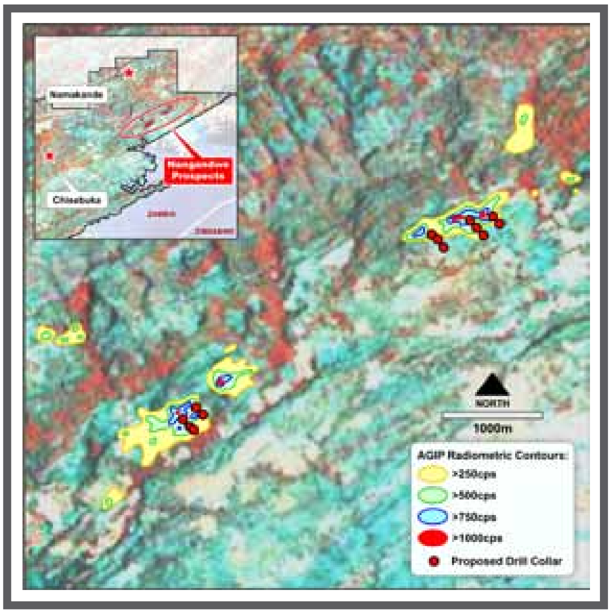
African Energy has entered into an Earn-In Agreement with Aldershot Resources Ltd (Aldershot) regarding two prospecting licences in the Kariba Valley in southern Zambia. These two licences cover an area of 748 km^2 and occur between African Energy's Kariba Valley JV project and the northern shore of Lake Kariba. African Energy can earn a 51% beneficial interest in the subject properties through meeting an Earn-In Expenditure commitment of AU$500,000 within three years of signing the Agreement, and can increase this to 70% by completing a prefeasibility study on an inferred resource.

During the year, work in the Aldershot JV focused on three areas, Zeze, Makonkoto and Nangandwe. A geological mapping and ground radiometric survey was conducted over the Makonkoto and Zeze prospect areas north of Sinazongwe. The work programme included geological mapping and an assessment of uranium content of the soils on a 400m by 25m grid pattern. Infill to a 200m by 25m grid pattern was completed on part of the Zeze prospect area. The uranium content in soils was established at each grid point using a calibrated RS-125 spectrometer in assay mode. The survey identified several areas of moderate uranium anomalism, but none were deemed worthy of drilling in the 2010 campaign.



Map showing location of the Aldershot JV tenements with reference to other African Energy projects.

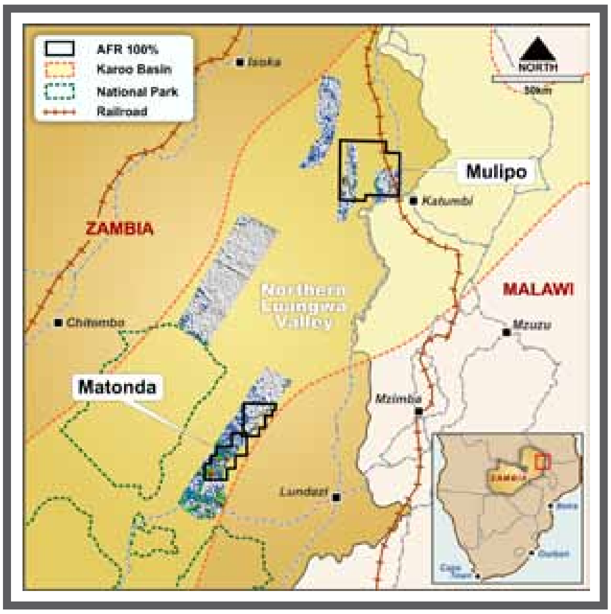
Historical ground radiometric data collected by AGIP in the late 1970's highlighted two high intensity anomalies in the eastern part of the Aldershot JV which had not been previously drilled. These prospects, named Nangandwe East and West, were visited by African Energy geologists and confirmed as high priority drilling targets based on the presence of gently dipping sandstones and siltstones with elevated uranium levels as determined by hand-held spectrometer readings. A programme of approximately 12 RC percussion holes has been planned for September 2010.



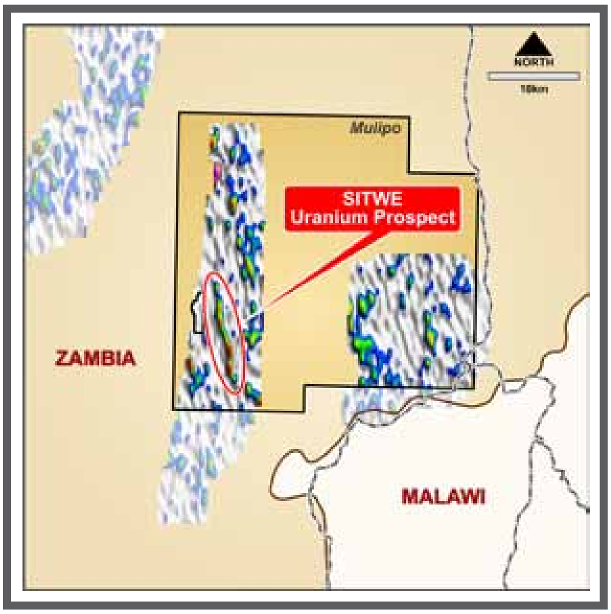
Nangandwe proposed drill hole collar locations and ground radiometric anomaly contours on background satellite imagery.

Northern Luangwa Valley Project

The Northern Luangwa Valley project comprises two Prospecting Licences (Matonda and Mulipo) both of which are wholly owned by African Energy. A number of airborne radiometric surveys were flown over the projects in late 2006 and late 2007, and several uranium targets were identified. The Sitwe target has been evaluated as the most significant of these targets, comprising an 8km long, 0.5km wide uranium anomaly associated with Karoo aged sediments.



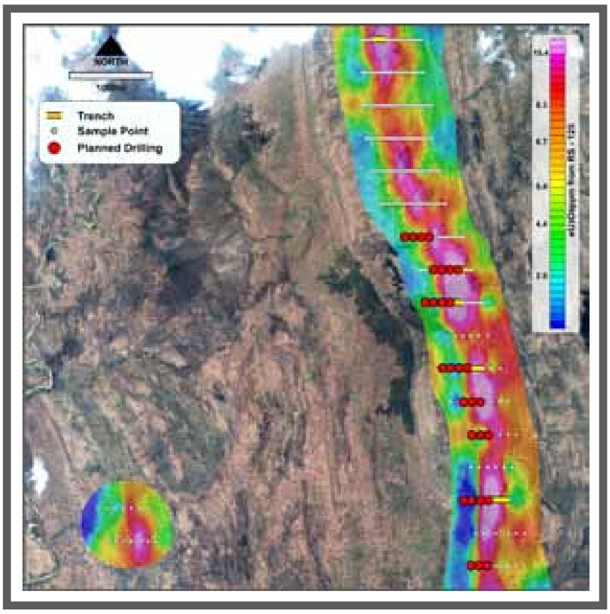
Northern Luangwa Valley project showing the locations of African Energy's licences and the airborne surveys referred to in the text.



Location of the Sitwe airborne radiometric anomaly in the Mulipo prospecting licence.

Field assessment of the Sitwe prospect commenced in late 2009 and included geological mapping and a programme of geochemical soil sampling over the primary target (400m x 50m sample spacing with analysis undertaken by a calibrated RS-125 hand-held spectrometer). Results from the soil sampling survey were very encouraging, with anomalous assay values highlighting an elongated zone of uranium anomalism corresponding to a siltstone unit within an interbedded siltstone-sandstone association, and with a peak value of 77 ppm eU_3O_8. The soil anomaly is parallel to the strike of the host sedimentary rocks. A number of outcropping siltstone units along this trend were also analysed with the hand-held spectrometer, which gave results up to 124 ppm eU_3O_8.

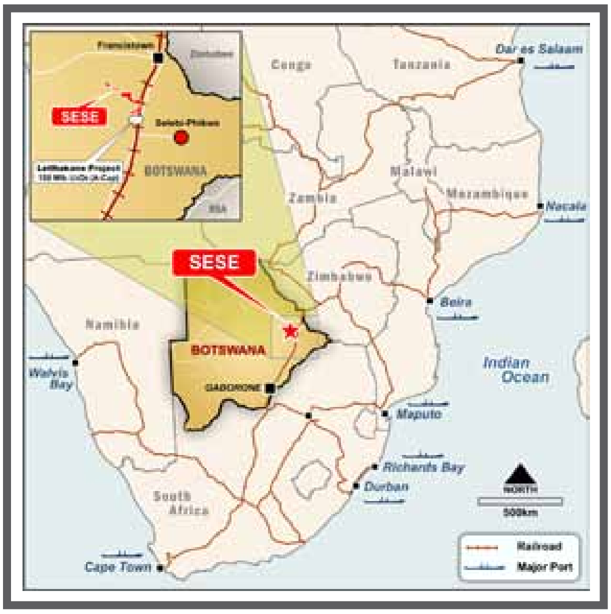
In June, a programme of trenching commenced across a number of sub-peaks of the anomaly to confirm its location, geometry and geological nature. A programme of reverse circulation (RC) percussion drilling to test the anomaly was due to start in the September quarter of 2010.



Geochemical soil sampling assay results at Sitwe plotted on the airborne radiometric data (uranium channel), draped over a high-resolution satellite photo of the area.

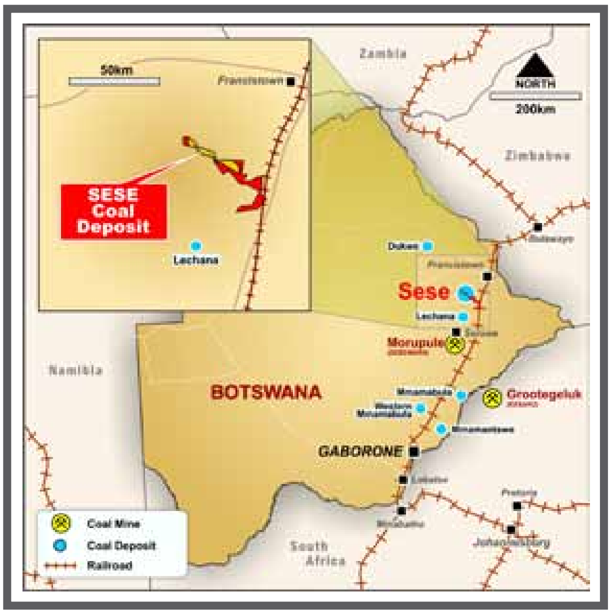
Sese Project, Botswana

The Sese project is located in northeast Botswana and is approximately 50km southwest of the town of Francistown. The project is situated close to the sealed highway and railway between Francistown and Gaborone and is easily accessible. The Sese Project covers an area of Karoo sediments where very high background uranium levels have been observed in publicly available regional radiometric data. The Karoo sediments form a band approximately 5km to 10km wide, occupying a position between older basement gneisses to the north and east and younger, flat lying Kalahari Sand cover to the west. Large deposits of uranium and coal occur in the Karoo sediments in this region.



Sese project location in Botswana.

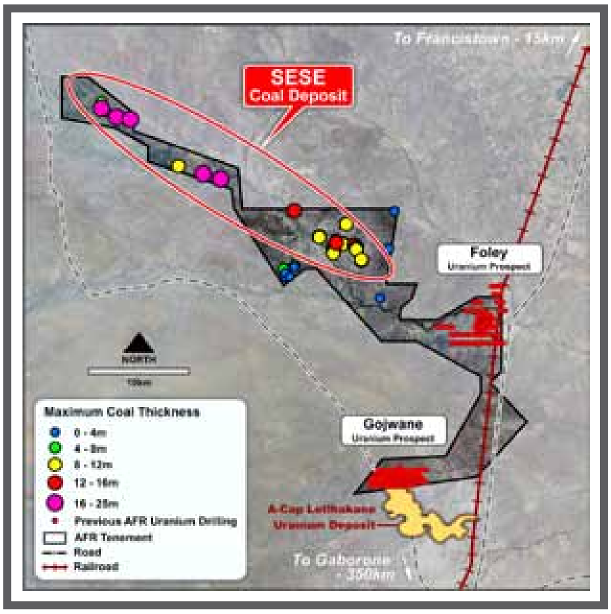
RC chips from coal discovery hole.



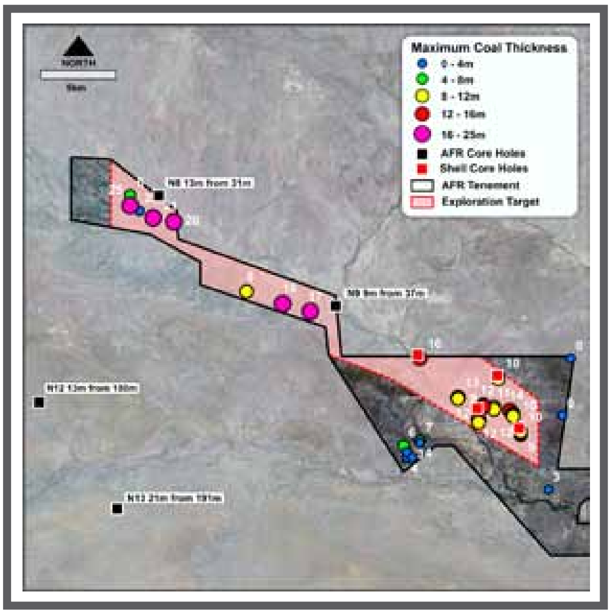
Location of known coal deposits in Botswana.

Sese Coal Project

In late June 2010, African Energy announced the discovery of a potentially very large coal deposit in the northern part of the Sese tenement. The limited drilling completed to date on the project comprises 38 reverse circulation percussion holes and four diamond drill holes. This drilling has demonstrated that coal seams are present over a strike length of at least 30km, and up to 4km down-dip, within an area of approximately 80km². The average coal seam thickness is 12m with an average depth to the top of the seam of 41m.



Sese project overview including location of main infrastructure corridor along eastern margin of project.



Drill hole collar locations indicating position of core holes with coal quality analyses discussed in text. Numbers next to collar positions indicate maximum coal seam thickness for the hole in metres.

Immediately after the discovery of the coal, four diamond drill core holes were drilled to collect samples for proximate (coal quality) analyses. The four African Energy holes were drilled vertically, and indications to date are that the coal seams dip at less than 1 degree, so the quoted drilling widths approximate true width intersections. Subsequent to African Energy's drilling programme, data from coal exploration undertaken by Shell Coal Botswana Pty Ltd was located, including reports for a number of drill holes that Shell drilled into the area in 1976. Proximate analyses published in 1976 by Shell are also included in the table below for the two holes they drilled on the AFR tenement.

Coal quality data for raw coal at Sese					
Hole ID	Interval (m)	Ash %	CV (MJ/kg)	CV (kcal/kg)	Sulphur %
SES 299RD	5.90	28.48	18.06	4,310	2.21
SES 300RD	7.72	31.11	16.81	4,015	0.83
SES 301RD	8.39	32.60	16.80	4,010	1.69
SES 318RD	16.03	22.84	20.51	4,900	2.04
SHELL N8	7.72	25.90	20.87	4,980	1.81
SHELL N9	7.28	23.88	19.75	4,715	1.92
AVERAGE	**8.84**	**26.80**	**19.06**	**4,550**	**1.78**

The six holes for which proximate analyses are available cover a large proportion of the known strike length, but are widely separated. They are therefore believed to give only a preliminary indication of the average coal quality across the deposit. The average for the unwashed, raw coal indicates a seam thickness of approximately 9m, with a calorific value of 19 MJ/kg (4,550 kcal/kg), ash content of 27% and sulphur content of 1.8%, which is similar to other known coal deposits in Botswana and South Africa.

Photograph of core hole SES301RD prior to sampling for proximate analysis.

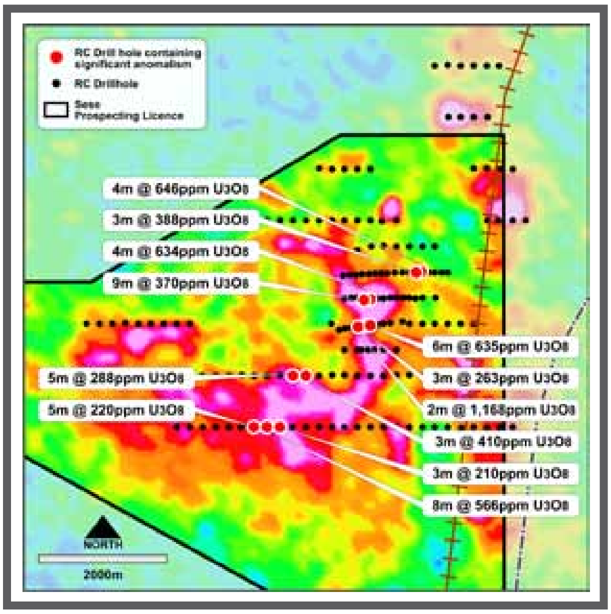
On the basis of the known areal extent of coal, its thickness and limited density measurements by Shell, an Exploration Target* of 1.0 to 1.5 billion tonnes of 4,000 kcal/kg to 5,000kcal/kg raw coal has been estimated for the project. Further drilling and proximate analyses would be required to establish an initial inferred resource. Limited washing tests conducted by Shell indicated that the coal can be readily upgraded to >22 MJ/kg (~5,300kcal/kg), less than 20% ash and less than 0.4% sulphur.

The directors consider that this combination of preliminary coal quality, large areal extent, thickness and shallow depth suggest that a commercially viable open-pit coal mining operation may be possible at Sese and warrants further evaluation. The Company is seeking a cornerstone project partner with coal mining and marketing experience to manage the future assessment of the Sese coal project. The Company will also embark upon an infill core drilling programme to define a maiden inferred resource for the coal project.

**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 coal Exploration Target at Sese.*

Sese Uranium Project

African Energy commenced exploration for uranium on the Sese project in 2007, resulting in the discovery of mineralisation at the Foley prospect, where a large surface uranium anomaly covers almost 50km^2. The mineralisation occurs in Karoo aged sediments, with higher grade intersections apparently controlled by a northeast trending basement fault, which in turn controls a sedimentary channel in the hosting Karoo sediments. Further drilling is warranted at this prospect to determine the significance of the mineralisation discovered to date at Foley, and also to test for higher grade mineralisation that may be hosted in the basement faults.



Drill status map of the Foley Uranium Target showing mineralised intersection grades (200 ppm U_3O_8 cut-off), overlain on airborne radiometric uranium anomalies.

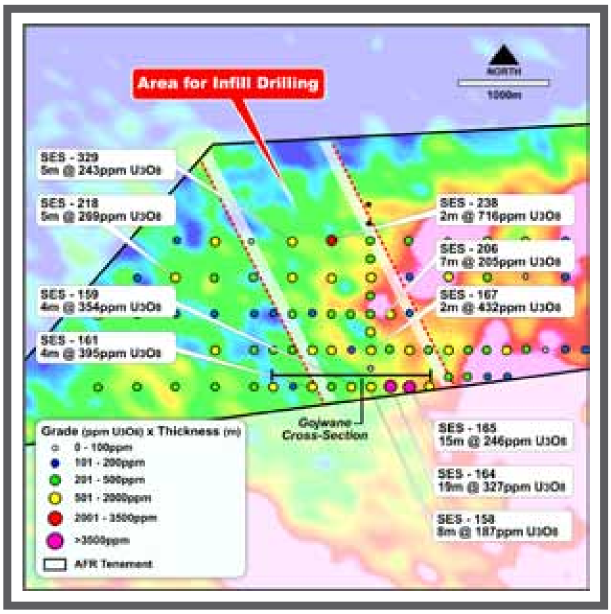
To the immediate south of the Sese tenement, A-Cap Resources has identified widespread and continuous uranium mineralisation in near-surface calcrete and in the underlying Karoo-aged sandstones, resulting in a large resource which extends to the tenement boundary with African Energy's Sese Prospecting Licence. In late 2009, African Energy completed a programme of reverse circulation percussion drilling on very broad centres (400m x 400m grid, locally to 400m x 200m) at the Gojwane prospect to determine if this resource extends into the African Energy tenement.

African Energy's drilling programme successfully identified shallow uranium mineralisation at Gojwane. Better intersections are listed in the table below and their location is shown diagrammatically in the related plan and cross-section. Infill drilling is required to determine the resource potential on African Energy's tenement.

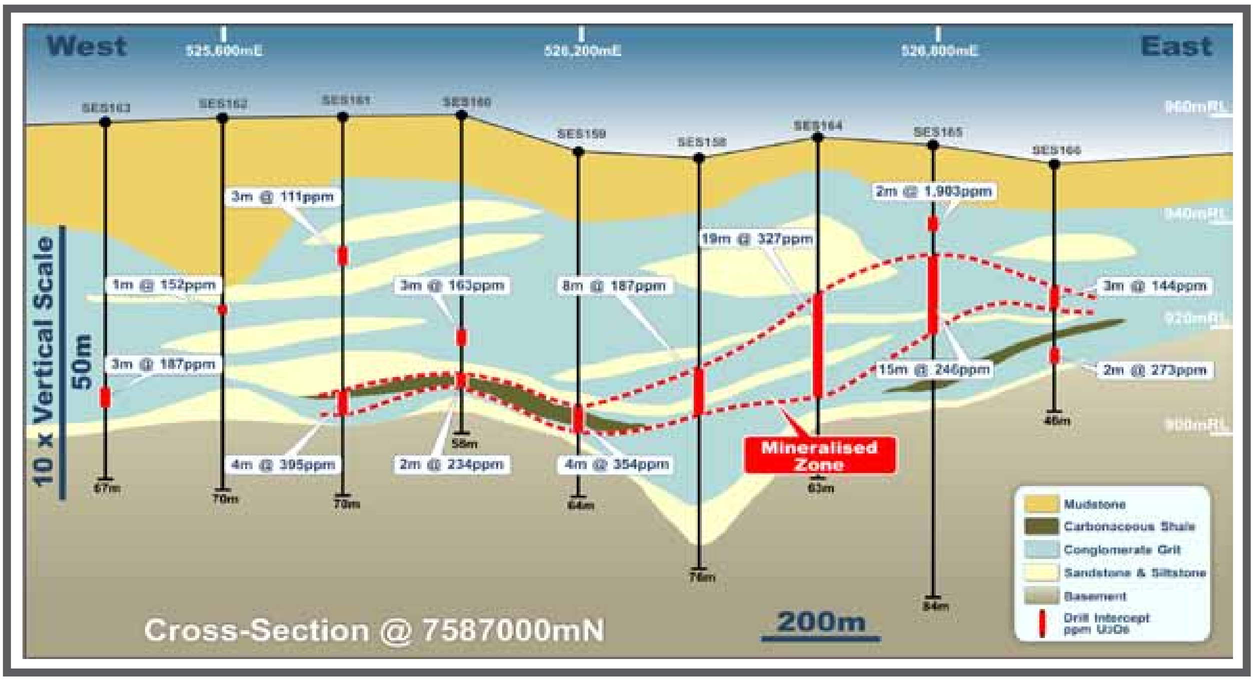
Significant assay results for the Gojwane prospect

Hole ID	From (m)	To (m)	Interval (m)	Grade (ppm U_3O_8)
SES158	39	47	8	187
SES159	48	52	4	354
SES160	48	50	2	234
SES161	51	55	4	395
SES163	50	53	3	187
SES164	29	48	19	327
SES165	13	15	2	1,903
	and 20	35	15	246
SES167	29	31	2	432
SES169	34	39	5	168
SES177	35	39	4	156
SES194	21	24	3	179
	and 28	32	4	166
SES199	21	24	3	153
SES206	24	31	7	205
SES215	42	45	3	233
SES218	48	53	5	269
SES237	42	44	2	368
	and 65	67	2	353
SES238	36	38	2	716
	and 40	43	3	273
SES239	15	20	5	243
SES241	52	54	2	556

Botswana Exploration Manager evaluates drill cuttings from the discovery hole at Sese.



Drill hole collar locations at the southern extent of the Sese Project, showing mineralised intercepts adjacent to a known uranium resource on ground held by A-Cap Resources Limited. Note location of cross-section shown in the following diagram.



Gojwane cross-section near the tenement boundary with A-Cap, showing the grade and continuity of uranium mineralisation. For location refer to previous plan view.

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.

Uranium mineralisation grades in this report that are annotated with a sub-prefix `e' have been reported as uranium equivalent grades attained by handheld calibrated RS125 Spectrometer and should be regarded as approximations only.

TENEMENT SCHEDULE

Project Name	Tenement Name	Tenement Holder	Licence Number	African Energy Equity	Tenement Area (sq km)	Date Granted	Current Expiry Date	Notes
ZAMBIA								
North Luangwa Valley	Matonda	African Energy Resources Ltd (Zambia)	8301-HQ-LPL	100%	548	16-Nov-05	10-Feb-12	
North Luangwa Valley	Mulipo	African Energy Resources Ltd (Zambia)	8302-HQ-LPL	100%	982	16-Nov-05	10-Feb-12	
Kariba Valley	Nagandwe	African Energy Resources Ltd (Zambia)	7863-HQ-LPL	100%	138	04-Dec-09	03-Dec-11	
Chirundu JV	Chirundu ML	Chirundu Joint Ventures Zambia Ltd	12634-HQ-LML	70%	248	09-Oct-09	08-Oct-34	
Chirundu JV	Chirundu PL	Chirundu Joint Ventures Zambia Ltd	13265-HQ-LPL	70%	475	03-Dec-09	02-Dec-11	
Kariba Valley JV	Munyumbwe	Chirundu Joint Ventures Zambia Ltd	13642-HQ-LPL	30%	270	03-Dec-09	02-Dec-11	1
Kariba Valley JV	Kariba Valley	Chirundu Joint Ventures Zambia Ltd	8264-HQ-LPL	30%	548	23-Jun-07	23-Jun-11	1
Kariba Valley JV	Siabuleni	Chirundu Joint Ventures Zambia Ltd	13647-HQ-LPL	30%	220	18-Jan-09	17-Jan-11	1
Kariba Valley JV	Sinazongwe E	Chirundu Joint Ventures Zambia Ltd	13646-HQ-LPL	30%	77	23-Mar-10	22-Mar-12	1
Kariba Valley JV	Sinazongwe W	Chirundu Joint Ventures Zambia Ltd	8259-HQ-LPL	30%	28	24-Jun-04	23-Jun-11	1
Aldershot JV	Lake Kariba	Aldershot Resources Ltd	8418-HQ-LPL	-	498	06-Dec-06	05-Dec-10	1, 2
Aldershot JV	Sinazongwe	Aldershot Resources Ltd	8414-HQ-LPL	-	250	03-Dec-08	02-Dec-10	1, 2
BOTSWANA								
Sese	Sese	African Energy Resources Botswana (Pty) Ltd	PL 96/2005	100%	288	26-Jul-05	30-Sep-10	2
Sese	Sese West	African Energy Resources Botswana (Pty) Ltd	PL197/2007	100%	331	01-Oct-07	30-Sep-10	2
ZIMBABWE								
Kariba Zimbabwe	Sinamatella 1	Ralldom Investments (Private Limited)	SG 17/05		233	Pending		3
Kariba Zimbabwe	Sinamatella 2	Ralldom Investments (Private Limited)	SG 19/05		644	Pending		3
Kariba Zimbabwe	Sebungwe	Ralldom Investments (Private Limited)	SG 20/05		504	Pending		3
Kariba Zimbabwe	Tenchiwende	Ralldom Investments (Private Limited)	SG 39/05		1,193	Pending		3
Kariba Zimbabwe	Chirundu Zimbabwe	Ralldom Investments (Private Limited)	SG 40/05		1,443	Pending		3
Kariba Zimbabwe	Mapamba	Ralldom Investments (Private Limited)	SG 12/05		121	Pending		3

Notes:

1. African Energy has the right to earn up to a 70% interest in these tenements.
2. African Energy has applied for a renewal of these tenements.
3. The six tenements in Zimbabwe are yet to be granted.

AFRICAN ENERGY
RESOURCES LIMITED

ARBN 123 316 781

Financial Report

DIRECTORS' REPORT

The directors of the Company present their report for the financial year ended 30 June 2010.

1. DIRECTORS AND COMPANY SECRETARY

The directors and the Company Secretary of the Company at any time during or since the end of the financial year are as follows:

Mr Alasdair Cooke BSc (Hons), MAIG – Executive Chairman

Mr Cooke has served as Chairman of the Board of the Company since its incorporation. Mr Cooke is qualified as a geologist and has been involved throughout his career in mineral exploration and corporate development, including six years spent with BHP Minerals Business Development Group and over ten years managing public resource companies.

Mr Cooke is a founding partner of the Mitchell River Group, which over the past eight years has established a number of successful resources companies, including ASX listed Sally Malay Mining Ltd (now known as Panoramic Resources Ltd), operating the Savannah and Lanfranchi nickel projects in Australia, ASX listed Albidon Limited, ASX listed Mirabela Nickel Ltd (developing the Santa Rita nickel project in Brazil), ASX listed Exco Resources Ltd (developing copper and gold resources in Australia) and ASX listed Energy Ventures Limited. Mr Cooke is a former director of Sally Malay Mining Ltd and is currently an executive director of Energy Ventures Limited, Albidon Limited, Oval Biofuels Ltd and Exco Resources Ltd. During the last three years he has held no other directorships.

Dr Charles Tabeart PhD, BSc (Hons) ARSM, MAIG – Managing Director

Dr Tabeart is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 20 years experience in international exploration and mining projects, including 16 years with WMC Resources. Whilst at WMC, Dr Tabeart managed exploration portfolios in the Philippines, Mongolia and Africa, gaining considerable experience in a wide variety of commodities and operating with staff from diverse cultural backgrounds.

Dr Tabeart joined the Mitchell River Group of companies in August 2005, initially as Head of Exploration for Albidon Limited, and subsequently as General Manager for African Energy Resources Limited. Under his stewardship, the Company delineated the uranium resources in the Chirundu JV in southern Zambia and exploration discoveries in the Kariba Valley of Zambia and at Foley in Botswana. He was appointed Managing Director in November 2007 and has since led the Company through Prefeasibility Studies and into a Bankable Feasibility Study at Chirundu.

Dr Tabeart is a director of the Mitchell River Group and a former executive director for Agricola Resources plc. He is also one of the founders of Norrland Resources Ltd which is evaluating a large portfolio of nickel exploration tenements in Sweden. During the last three years he has held no other directorships.

Mr Gregory Fry – Executive Director

Mr Fry has more than 20 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has vast experience in project evaluation and development, project funding, management, finance and operations.

Over the past 14 years, Mr Fry has been a director of several private and public companies with activities ranging from funds management, minerals exploration, mining and quarrying, land development and waste management.

Mr Fry has been an executive director of African Energy Resources since listing and is responsible for the Company's commercial and financial business programs. He is currently a director of Energy Ventures Limited, Norrland Resources Limited, and Oval Biofuels Limited and was previously a director of Agricola Resources plc. During the last three years he has held no other directorships.

Mr Valentine Chitalu MPhil, BAcc, FCCA – Non-executive Director

Mr Chitalu, who is a Zambian national and resident, is a Chartered Certified Accountant, Fellow of the Association of Chartered Certified Accountants (UK) and holds a practicing certificate from the Zambia Institute of Certified Accountants. He also holds a Master's Degree in Economics, Finance and Politics of Development and a Bachelor's Degree in Accounting and Finance.

Mr Chitalu has had both an international and local career over a period of 15 years in the fields of private equity, privatisation, merchant banking, corporate finance, accounting, auditing, development economics, capital markets and business/private sector development in transitional economies. He has a significant interest in private sector development in southern Africa and is extensively networked in the region.

Mr Chitalu has worked for Meridien Financial Services as Manager, Corporate Finance and the Zambia Privatisation Agency as Chief Executive Officer and most recently as Central African Director with CDC (formerly Commonwealth Development Corporation). He currently holds directorships in various private entities.

Mr Chitalu has been a non-executive director of African Energy Resources since listing and has assisted African Energy through his extensive business and Government contacts in the region. Mr Chitalu is currently a director of Albidon Limited. During the last three years he has held no other directorships.

Mr Michael Curnow – Non-executive Director

Mr Curnow brings extensive experience in the resources sector in gold, platinum and mineral sands exploration to the Company, which will be significant for the future development of African Energy. He has been involved in the ownership and management of a wide range of businesses in South Africa and Australia. He was a founding director of Gallery Gold Ltd and AGR Ltd. Mr Curnow has been a non-executive director of African Energy Resources since listing and is also a non-executive director of Energy Ventures Limited. During the past three years he has held no other directorships.

Mr Daniel Davis – Company Secretary B.Com CPA

Mr Davis is a member of CPA Australia who graduated from the University of Western Australia in 2001 with a Bachelor of Commerce majoring in Accounting and Finance. Mr Davis has worked in the resources sector for the last six years specialising in African based explorers. Prior to joining African Energy in 2007 as Financial Accountant he worked with Albidon Limited in a similar role. Mr Davis was appointed to the role of Company Secretary during 2009.

1.1 Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board of Directors		Remuneration Committee		Audit Committee	
	Present	Held	Present	Held	Present	Held
Alasdair Cooke	4	5	1	1	-	-
Charles Tabeart	5	5	-	-	-	-
Gregory Fry	5	5	-	-	2	2
Valentine Chitalu	4	5	-	-	-	-
Michael Curnow	4	5	1	1	2	2

DIRECTORS' REPORT

1.2 Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of African Energy Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resource company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. A Corporate Governance Policy is included as part of this report.

2. REVIEW OF OPERATIONS, BUSINESS STRATEGIES AND PROSPECTS

A detailed review of operations is provided in the Operations Review of this Annual Report.

3. REMUNERATION REPORT - AUDITED

This Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the directors and key management personnel of African Energy Resources Limited.

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

3.1 Principles of compensation

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The Board provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of the Board.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

The current base remuneration was last reviewed with effect from 1 July 2008. The non-executive directors' remuneration is limited to a base fee of $35,000 per annum which was approved at the Annual General Meeting on 27 November 2007. The following fees have since applied:

	2010	2009
	AUD	AUD
Non-executive directors - base fees	35,000	35,000

Executive directors

The executive pay and reward framework has two components:

- base pay and benefits, including superannuation; and
- long-term incentive through participation in the AFR Employee Option Plan.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executives' contract.

Superannuation

Retirement benefits are limited to superannuation contributions as required under the Australian superannuation guarantee legislation.

Long-term incentives

Long-term incentives are provided to certain non-executive directors and executives under the AFR Employee Option Plan; more details provided in section *3.4 Equity instruments* of this report.

DIRECTORS' REPORT

3.2 Service contracts

On appointment to the Board, all executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

The Company currently has service contracts in place with the executive Chairman and executive directors. All contracts with the executives are for a two year term but can be terminated by either party with three month's notice. Details of the executive's agreements are listed below.

Mr Alasdair Campbell Cooke - *Executive Chairman, the Company*

- Commencement date: 1 December 2006
- Base salary, for the year ended 30 June 2010 was $100,000
- Termination payment is the equivalent of three month's consulting fees
- Mr Cooke's contract and remuneration is reviewed annually

Dr Charles Tabeart – *Managing Director, the Company*

- Commencement date: 5 November 2007
- Base salary, including superannuation for the year ended 30 June 2010 was $300,000
- Termination payment is the equivalent of three month's consulting fees
- Dr Tabeart's contract and remuneration is reviewed annually

Mr Gregory William Fry - *Executive Director, the Company*

- Commencement date: 1 December 2006
- Base salary, for the year ended 30 June 2010 was $150,000
- Termination payment is the equivalent of three month's consulting fees
- Mr Fry's contract and remuneration is reviewed annually

No other key management personnel have service contracts in place with the Group.

3.3 Directors and executive officers' remuneration (Company and consolidated)

Details of the remuneration of the directors, key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of the Company and the Group are set out in the following tables.

The key management personnel of the Group are the directors of African Energy Resources Limited and the following executives:

Name	Position	Employer
Daniel Davis	Company Secretary	Mitchell River Group Pty Ltd

Details of remuneration

The following tables set out remuneration paid to key management personnel of the Company and the consolidated entity during the reporting period.

Key management personnel of the Group and other executives of the Company and the Group

	Short-term employee benefits	Post-employment benefits	Share based payments		Value of options as a % of remuneration
The Company Directors' remuneration - 2010	**Cash salary and fees**	**Superannuation**	**Options**	**Total**	
Non-executive directors					
Valentine Chitalu	46,807	-	2,388	49,195	5%
Michael Curnow	35,000	-	-	35,000	-
Total non-executive directors	81,807	-	2,388	84,195	
Key management personnel (Group)					
Executive directors					
Gregory Fry	150,000	-	16,719	166,719	10%
Charles Tabeart	275,229	24,771	23,884	323,884	7%
Alasdair Cooke	100,000	-	9,554	109,554	9%
	525,229	24,771	50,157	600,157	
Other key management personnel (Group)					
Daniel Davis	70,318	-	10,573	80,891	13%
	70,318	-	10,573	80,891	
Total key management personnel (Group)	595,547	24,771	60,730	681,048	
The Company Directors' remuneration - 2009					
Non-executive directors					
Valentine Chitalu	64,896	-	-	64,896	-
Michael Curnow	35,000	-	-	35,000	-
Ian Duncan (Resigned 19 November 2009)	13,505	-	-	13,505	-
Total non-executive directors	113,401	-	-	113,401	
Key management personnel (Group)					
Executive directors					
Gregory Fry	150,000	-	-	150,000	-
Charles Tabeart	275,229	24,771	26,655	326,655	8%
Alasdair Cooke	100,000	-	-	100,000	-
	525,229	24,771	26,655	576,655	
Other key management personnel (Group)					
Brett Mitchell (Resigned 1 April 2009)	45,000	-	-	45,000	-
Daniel Davis	76,159	2,191	11,722	90,072	13%
	121,159	2,191	11,722	135,072	
Total key management personnel (Group)	646,388	26,962	38,377	711,727	

Note: The percentage of the value of remuneration consisting of options is based on the value of options expensed during the financial year.

DIRECTORS' REPORT

The Company and the Group currently have no performance based remuneration built into director or executive packages. The total remuneration shown in the table above is fixed.

3.4 Share-based compensation

Options over shares in African Energy Resources Limited are granted under the AFR Employee Option Plan which was approved by shareholders at the 2007 Annual General Meeting. The Employee Option Plan is designed to provide long-term incentives for directors and executives to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the options is based on the period of service, no incentive options granted to date are based on performance-related vesting conditions. Options are granted under the plan for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this, or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price (cents)	Value per option at grant date (cents)	% Vested
12-Oct-06	18-Apr-07	30-Jun-12	31.25	13.00	100%
12-Oct-06	18-Apr-08	30-Jun-12	31.25	13.00	100%
12-Oct-06	18-Apr-09	30-Jun-12	31.25	13.00	100%
22-Apr-08	31-Dec-08	30-Jun-12	40.00	15.90	100%
22-Apr-08	31-Dec-09	30-Jun-12	40.00	15.90	100%
02-Jul-09	31-Dec-09	30-Jun-12	8.50	3.33	100%
02-Jul-09	31-Dec-10	30-Jun-12	8.50	3.73	0%
27-Aug-09	31-Dec-09	30-Jun-12	8.50	4.78	100%
27-Aug-09	31-Dec-10	30-Jun-12	8.50	5.30	0%
02-Oct-09	23-Oct-09	30-Jun-12	12.50	5.04	100%

Options granted under the Employee Option Plan carry no dividend or voting rights. No shares were issued during the year ended 30 June 2010 (2009: nil) as a result of exercise of options over ordinary shares. No terms of equity-settled share-based payment transactions have been altered or modified during the reporting year.

During the reporting period, no shares were issued on the exercise of options previously granted as compensation. All options expire on the earlier of their expiry date or on termination of the individual's employment. When exercisable, each option is convertible into one ordinary share. The options are exercisable on annual basis four years from grant date.

Name	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
Non-executive directors				
Valentine Chitalu	100,000	-	50,000	-
Michael Curnow	-	-	-	-
Key management personnel (Group)				
Executive directors				
Gregory Fry	700,000	-	350,000	-
Charles Tabeart	1,000,000	-	500,000	591,847
Alasdair Cooke	400,000	-	200,000	-
Other key management personnel (Group)				
Daniel Davis	250,000	-	225,000	100,000
	2,450,000	-	1,325,000	691,847

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received. Share options are granted following recommendation by the Remuneration Committee to the full Board of Directors.

3.5 Additional information

Details of the vesting profile of the options granted as remuneration to each director of the Company and each named company executive and relevant group executives is detailed below.

	Number Granted	Year Granted	% Vested in year	Forfeited in year	Vesting year	Value yet to vest $
Valentine Chitalu	899,736	2007	-	-	2007	-
Michael Curnow	899,736	2007	-	-	2007	-
Gregory Fry	818,160	2007	-	-	2007	-
Charles Tabeart	1,972,824	2007	-	-	2009	-
Alasdair Cooke	1,187,652	2007	-	-	2007	-
Daniel Davis	200,000	2008	50%	-	2010	-
Gregory Fry	700,000	2010	50%	-	2011	6,954
Charles Tabeart	1,000,000	2010	50%	-	2011	9,935
Alasdair Cooke	400,000	2010	50%	-	2011	3,974
Valentine Chitalu	100,000	2010	50%	-	2011	993
Daniel Davis	250,000	2010	50%	-	2011	1,568
	8,428,108			-		23,424

DIRECTORS' REPORT

Further details relating to options are set out below:

	(A) 2010 Remuneration consisting of options	(B) Value at grant date $	(C) Value at exercise date $	(D) Value at Lapse date $
Valentine Chitalu	5%	3,382	-	-
Michael Curnow	-	-	-	-
Gregory Fry	10%	23,673	-	-
Charles Tabeart	7%	33,819	-	-
Alasdair Cooke	9%	13,527	-	-
Daniel Davis	13%	5,731	-	-

(a) The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

(b) The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

(c) The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

(d) The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

(e) The Board does not permit any option holder from hedging against variances in share price.

This is the end of the audited remuneration report.

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year consisted of evaluation, and exploration of uranium prospects in Africa.

5. RESULTS AND DIVIDENDS

The Group's loss after tax attributable to members of the consolidated entity for the financial year ending 30 June 2010 was $1,979,943 (2009: $2,664,270).

No dividends have been paid or declared by the Company during the year ended 30 June 2010.

6. LOSS PER SHARE

The basic loss per share for the consolidated entity for the year was 0.76 (2009: 1.5) cents per share.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There were no subsequent events.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Company and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company.

9. ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation or under the legislation of African countries in which it operates. However, the Board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

The Company is not subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

10. DIRECTORS' AND EXECUTIVES' INTERESTS

As at the date of this report, the interests of the directors and executives in the shares and options of African Energy Resources Ltd were:

	Shares	Options		
		31.25 cents	40 cents	8.5 cents
Valentine Chitalu	89,048	899,736	-	100,000
Michael Curnow	11,543	899,736	-	-
Alasdair Cooke	11,415,272	1,187,652	-	400,000
Charles Tabeart	1,345,714	1,972,824	-	1,000,000
Gregory Fry	1,593,385	818,160	-	700,000
Daniel Davis	10,000	-	200,000	250,000
Total	14,464,962	5,778,108	200,000	2,450,000

11. SHARE OPTIONS

11.1 Unissued shares under options

As at the date of this report, there were 17,930,066 unlisted incentive options on issue detailed as follows:

Number of Options	Exercise Price cents	Expiry Date
11,930,066	31.25	30 June 2012
1,450,000	40.00	30 June 2012
4,050,000	8.50	30 June 2012
500,000	12.50	30 June 2012

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

11.2 Shares issued on exercise of options

During the year, 37,500 shares were issued as a result of the exercise of options raising $3,188 before costs.

DIRECTORS' REPORT

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

12.1 Indemnification

An indemnity agreement has been entered into with each of the directors and Company Secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

12.2 Insurance

During the financial year, the Company has taken out an insurance policy in respect of directors' and officers' liability and legal expenses' for directors and officers.

13. CORPORATE STRUCTURE

African Energy Resources Limited is a company limited by shares that is incorporated and domiciled in Guernsey. The Company is listed on the Australian Stock Exchange under code AFR.

14. NON-AUDIT SERVICES

During the year, there were no non-audit services provided by BDO Audit (WA) Pty Ltd (2009: $1,000).

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 30 and forms part of the directors' report for the financial year ended 30 June 2010.

Charles Frazer Tabeart
Managing Director
Perth, 2 September 2010

DIRECTORS' DECLARATION

AFRICAN ENERGY RESOURCES LTD AND ITS CONTROLLED ENTITIES

The directors of the Company declare that:

1. The financial statements, comprising the Statements of Comprehensive Income, Statements of Financial Position, Statements of Cash flows, Statements of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001; and

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and the consolidated entity.

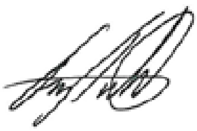
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

4. The remuneration disclosures set out on pages 18 to 24 of the directors' report (as part of the audited Remuneration Report) comply with section 300A of the Corporations Act 2001.

5. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the directors by:



Charles Tabeart
Managing Director
Perth, 2 September 2010

INDEPENDENT AUDIT REPORT

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38 Station Street
Subiaco, WA 6008
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Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFRICAN ENERGY RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of African Energy Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of African Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(d) in the financial report which indicates that the consolidated entity incurred a net loss of $1,979,943 during the year ended 30 June 2010. This condition, along with other matters as set forth in Note 2(d), indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and as such realise its assets and liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of African Energy Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Signed in Perth, Western Australia
Dated this the 2nd day of September 2010.

AUDITOR'S INDEPENDENCE DECLARATION

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38 Station Street
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PO Box 700 West Perth WA 6872
Australia

2 September 2010

The Board of Directors
African Energy Resources Limited
Level 1, 8 Collin Street
West Perth, WA, 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor of African Energy Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of African Energy Resources Limited and the entities it controlled during the period.

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	2010 AUD	2009 AUD
Revenue from continuing operations	7	219,452	377,694
Professional fees	9	(178,488)	(165,711)
Personnel expenses	11	(929,434)	(1,192,088)
Share-based payments		(198,587)	(40,447)
Administration fees	12	(901,152)	(964,784)
Impairment exploration expenditure	18	77,484	(750,770)
Finance costs	8	(69,218)	71,836
Loss before tax		(1,979,943)	(2,664,270)
Income tax expense	13	-	-
Loss for the year		(1,979,943)	(2,664,270)
Attributable to:			
Equity holders of the Company		(1,979,943)	(2,664,270)
Loss for the year		(1,979,943)	(2,664,270)
Other comprehensive income			
Foreign currency translation reserve		(589,662)	1,588,800
Total comprehensive income for the year		(2,569,605)	(1,075,470)
Total comprehensive income attributable to the ordinary equity holders of the Company:			
Total comprehensive income for the year		(2,569,605)	(1,075,470)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	14	(0.76)	(1.53)
Diluted loss per share (cents per share)	14	(0.76)	(1.53)

The Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 AUD	2009 AUD
Assets			
Current assets			
Cash and cash equivalents	15	4,643,100	906,176
Trade and other receivables	16	278,879	687,945
Total current assets		4,921,979	1,594,121
Non current assets			
Property, plant and equipment	17	692,780	715,180
Exploration and evaluation expenditure	18	16,418,242	14,391,662
Total non-current assets		17,111,022	15,106,842
Total assets		22,033,001	16,700,963
Liabilities			
Current liabilities			
Trade and other payables	19	872,364	265,478
Total current liabilities		872,364	265,478
Non current liabilities			
Borrowings	20	-	617,898
Total non-current liabilities		-	617,898
Total liabilities		872,364	883,376
Net assets		21,160,637	15,817,587
Equity			
Contributed equity	21	28,682,871	20,968,804
Reserves	22	1,246,714	1,637,790
Accumulated losses		(8,768,948)	(6,789,007)
Total equity attributable to shareholders of the Company		21,160,637	15,817,587

The Statements of Financial Position are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

Consolidated	Note	Contributed equity AUD	Accumulated losses AUD	Foreign currency Translation Reserve AUD	Share based payment reserve AUD	Total equity AUD
At 1 July 2008		21,001,958	(4,124,738)	(1,853,663)	1,862,206	16,885,763
Net loss for the year		-	(2,664,270)		-	(2,664,270)
Effect of translation of foreign operations to group presentation currency	22	-	-	1,588,800	-	1,588,800
Total comprehensive income for the year		-	(2,664,270)	1,588,800	-	(1,075,470)
Transactions with owners in their capacity as owners:						
Share issue net of issue costs	21	(33,154)	-		-	(33,154)
Equity settled share based payment transactions	22	-	-		40,447	40,447
		(33,154)	-	-	40,447	7,293
At 30 June 2009		20,968,804	(6,789,008)	(264,863)	1,902,653	15,817,586
At 1 July 2009		20,968,804	(6,789,008)	(264,863)	1,902,653	15,817,586
Net loss for the year		-	(1,979,943)		-	(1,979,943)
Effect of translation of foreign operations to group presentation currency	22	-	-	(589,663)	-	(589,662)
Total comprehensive income for the year		-	(1,979,943)	(589,663)	-	(2,569,606)
Transactions with owners in their capacity as owners:						
Share issue net of issue costs	21	7,714,067	-		-	7,714,067
Equity settled share based payment transactions	22	-	-		198,587	198,587
		7,714,067	-	-	198,587	7,912,654
At 30 June 2010		28,682,871	(8,768,951)	(854,526)	2,101,240	21,160,634

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 AUD	2009 AUD
Cash flows from operating activities			
Interest received		165,062	103,126
Payment to suppliers and employees		(1,805,712)	(1,881,885)
Net cash (outflow) from operating activities	25	(1,640,650)	(1,778,759)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	60,554
Acquisition of property, plant and equipment		(104,628)	(323,779)
Payment for exploration and evaluation expenditure		(1,545,555)	(4,138,401)
Repayment of interest earning loans		-	192,135
Net cash (outflow) from investing activities		(1,650,183)	(4,209,491)
Cash flows from financing activities			
Proceeds from the issue of share capital		8,189,919	43,498
Payments for share issuance costs		(475,851)	(76,651)
Repayment of loans from related entities		(617,898)	(6,995)
Net cash inflow from financing activities		7,096,170	(40,150)
Net (decrease) / increase in cash and cash equivalents		3,805,337	(6,028,399)
Cash and cash equivalents at the beginning of the year		906,176	7,039,566
Effect of exchange rate fluctuations on cash held		(68,413)	(104,991)
Cash and cash equivalents at the end of the year	15	4,643,100	906,176

The Statements of Cash Flows are to be read in conjunction with the accompanying notes.

1. Reporting entity

African Energy Resources Limited (referred to as the 'parent entity' or the 'Company') is a company domiciled in Guernsey. The address of the Company's registered office is Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS. The address of the Company's representative office in Australia is Level 1, 8 Colin Street, West Perth, WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity' or the 'Group'). The Group is primarily involved in uranium exploration in Africa.

2. Basis of preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the consolidated entity also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

Separate financial statements for African Energy Resources Limited, as an individual entity, are no longer presented as a consequence of a change to the Corporations Act 2001. Financial information for African Energy Resources Limited as an individual entity is included in note 26.

The financial report was authorised for issue by the directors on 2 September 2010.

(b) Basis of measurement

The financial report is prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars. The functional currency of the Company and the Group is United States dollars.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the year, the consolidated entity incurred a net loss for the year of $1,979,943 and incurred net cash outflows from operating and financing activities of $3,290,833.

The ability of the consolidated entity to continue as a going concern is dependent on the consolidated entity being able to raise additional funds as required to meet ongoing exploration commitments and working capital. The directors believe that they will be able to raise additional capital as required and are in the process of evaluating the consolidated entity's cash requirements. The directors believe that the consolidated entity will continue as a going concern. As a result, the financial report has been prepared on a going concern basis. However, should the consolidated entity be unsuccessful in undertaking additional raisings, the consolidated entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(e) Use of estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

(i) Note 27 – Share-based payment arrangements - The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

(ii) Note 18 – Exploration & evaluation expenditure - The Group's accounting policy for exploration and evaluation is set out in note 3(e). If, after having capitalised expenditure under this policy, the directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Statements of Comprehensive Income.

(f) Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in a statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exits when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Joint Ventures

The proportionate interest in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(iv) Comparatives

Prior period comparatives are for the period from incorporation being 1 July 2008 to 30 June 2009.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statements of Financial Position date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statements of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the Statements of Financial Position date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on re-translation are recognised directly in the foreign currency translation reserve (FCTR), as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss, as part of the gain or loss on sale where applicable.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related effective hedges are taken to translation reserve and released into the Statements of Comprehensive Income upon disposal.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Fows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 5.

(iii) Impairment

The group assesses at each balance date whether there is objective evidence a financial asset or group of financial assets is impaired.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the Statements of Comprehensive Income as an expense as incurred.

(iii) Depreciation

With the exception of freehold land and mineral property and development assets, depreciation is charged to the Statements of Comprehensive Income using a diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mineral property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	2.5 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Exploration and development Expenditure

(i) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the Statements of Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) the activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mineral property and development assets within property, plant and equipment.

(ii) Development expenditure

Development costs are accumulated in respect of each separate area of interest. Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed in note 3(i).

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(i)). For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

(g) Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) Other financial assets

The Group classifies its investments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the Statements of Financial Position date which are classified as non-current assets. Loans and receivables are included in receivables in the Statements of Financial Position.

Investments in subsidiaries are carried at cost, net of any impairment losses (see note 3(c)(iii)).

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than exploration assets (see accounting policy (e)), and deferred tax assets, are reviewed at each Statements of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each Statements of Financial Position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statements of Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Business Combinations

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes, however these changes have no impact on the Company's financial report.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(l) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(m) Employee Benefits

(i) Share-based payment transactions

The share option program allows the consolidated entity employees and consultants to acquire shares of the Company (see note 27 (e)). The fair value of options granted is recognised as an employee or consultant expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(n) Provisions

A provision is recognised in the Statements of Financial Position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Site restoration

In accordance with the consolidated entity's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the mineral reserve. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(o) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statements of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statements of Financial Position date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Net financial income

Net financial income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income is recognised in the Statements of Comprehensive Income as it accrues, using the effective interest method.

Management fees – The right of the Company to receive the management fee must exist.

(t) Income tax

Income tax on the Statements of Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statements of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the Statements of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the group has deferred tax liabilities with the same taxation authority.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director, Frazer Tabeart.

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AAB 114 Segment Reporting. The new standards require a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(v) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(w) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined in the table below:

STANDARDS LIKELY TO HAVE A FINANCIAL IMPACT

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/ services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	Periods beginning on or after 1 January 2010	There will be no impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.

STANDARDS LIKELY TO HAVE A DISCLOSURE IMPACT ONLY

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011	No impact
AASB 107	Statements of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the Statements of Financial Position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the Statements of Financial Position.
AASB 136	Impairment of Assets	Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 Operating Segments before aggregation.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of directors. Group Treasury identifies, evaluates and hedges financial risks by holding cash in the currency that it is budgeted to be spent in.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group holds the following financial instruments:

	2010 AUD	2009 AUD
Financial assets		
Cash and cash equivalents	4,643,100	906,176
Trade and other receivables	278,879	687,945
	4,921,979	1,594,121

	2010 AUD	2009 AUD
Financial liabilities		
Trade and other payables	872,364	265,478
Borrowings	-	617,898
	872,364	883,376

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The consolidated entity has USD as its functional currency, which is also the denomination currency for the Group's transactions. Some exposure to foreign exchange risk exists in respect to the Australian subsidiary which provides administrative and technical support to the Group and has transactions denominated in Australian Dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The Groups' exposure to foreign currency risk at the reporting date were as follows:

	2010 AUD	2009 AUD
Cash	2,378,963	588,776
Trade and other receivables	38,374	62,416
Trade and other payables	(107,873)	(201,110)
Borrowings	-	(617,898)

Group sensitivity to movement in foreign exchange rate is shown in the summarised sensitivity analysis table below.

(ii) Price risk

The Group does not hold investments and therefore is not exposed to equity securities price risk.

(iii) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Consolidated	2010		2009	
	Weighted average interest rate	Balance AUD	Weighted average interest rate	Balance AUD
Floating interest rate:				
Cash and cash equivalents	3.75%	3,105,000	3.00%	851,175
Fixed interest rate:				
Term deposits	5.25%	1,538,100	4.20%	55,001
		4,643,100		906,176

The Group has significant interest-bearing assets; however a percentage change in interest rates would not have a material impact on the results. Group sensitivity to movement in interest rates is shown in the summarised sensitivity analysis table below.

		Interest rate risk				Foreign exchange risk			
		- 80 bps		+ 80 bps		-10%		+10%	
	Carrying amount	Profit AUD	Equity AUD	Profit AUD	Equity AUD	Profit AUD	Equity AUD	Profit AUD	Equity AUD
30 June 2010									
Financial assets									
Cash and cash equivalents	4,643,100	37,145		(37,145)			53,200		(53,200)
Trade and other receivables	278,879	-		-			6,242		(6,242)
Financial liabilities									
Trade and other payables	872,364	-		-			20,111		(20,111)

Interest rate volatility was chosen to reflect expected short-term fluctuations in market interest rates.

Foreign exchange volatility was chosen to reflect expected short-term fluctuations in the Group's major operational currencies.

(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash and short-term liquid investments are placed with reputable banks, so no significant credit risk is expected.
The Group does not have any material exposure to any single debtor or group of debtors, so no significant credit risk is expected.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are only invested in instruments that are tradeable in highly liquid markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below analyse the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 6 months	6 - 12 months	Total contractual cash flows
2010			
Trade and other payables	872,364	-	872,364
	872,364	-	872,364
2009			
Trade and other payables	265,478	-	265,478
Borrowings	-	617,898	617,898
	278,878	617,898	883,376

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(d) Share-based payment transactions

The fair value of share appreciation rights is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6. Segment information

(a) Description of Segments

The Company's Board receives financial information across two reportable segments. These are *Chirundu Joint Venture* which owns the Njame and Gwabe uranium prospects and *Exploration in Africa*, which includes all other projects within Zambia and Botswana. The chief operating decision maker in each of these segments is the Managing Director, Charles Tabeart.

(b) Segment Information

For the year ended 30 June 2010	Chirundu JV	Exploration	Other	Consolidated
Total segment revenue	-	-	219,452	219,452
Profit (loss) before income tax	(210,986)	(688,958)	(1,079,999)	(1,979,943)
Segment Assets				
Property, plant and equipment	260,317	406,050	26,413	692,780
Exploration and evaluation expenditure	7,905,476	8,512,766	-	16,418,242
Other	43,912	195,876	17,653,707	17,893,495
Total Segment Assets	**8,209,705**	**9,114,693**	**17,680,120**	**35,004,517**
Segment Liabilities				
Other	109,588	13,650,615	83,677	13,843,880
Total Segment Liabilities	**109,588**	**13,650,615**	**83,677**	**13,843,880**

For the year ended 30 June 2009	Chirundu JV	Exploration	Other	Consolidated
Total segment revenue	44,420	17,006	316,268	377,694
Profit (loss) before income tax	(402,419)	(267,269)	(1,994,582)	(2,664,270)
Segment Assets				
Property, plant and equipment	248,103	419,178	47,899	715,181
Exploration and evaluation expenditure	4,000,170	10,391,492	-	14,391,662
Other	441,207	105,044	12,081,863	12,628,114
Total Segment Assets	4,689,480	10,915,714	12,129,762	27,734,957
Segment Liabilities				
Other	468,159	11,050,228	387,970	11,906,357
Total Segment Liabilities	468,159	11,050,228	387,970	11,906,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Other segment information

Reportable segment assets are reconciled to total assets as follows.

	2010 AUD	2009 AUD
Segment assets	35,004,517	27,734,957
Intersegment eliminations	(12,971,516)	(11,033,993)
Total assets as per balance sheet	22,033,001	16,700,964
Segment liabilities	13,843,880	11,906,357
Intersegment eliminations	(12,971,515)	(11,022,981)
Total liabilities as per balance sheet	872,365	883,376

7. Revenue from continuing operations

	2010 AUD	2009 AUD
Financial income:		
Interest received	165,062	150,408
Management fees charged	54,390	227,286
	219,452	377,694

8. Finance Costs

	2010 AUD	2009 AUD
Foreign currency (gain)/loss	69,218	(71,836)
	69,218	(71,836)

9. Professional fees

	2010 AUD	2009 AUD
Audit fees	66,560	51,025
Tax consulting services	1,500	4,000
Legal costs	79,587	36,277
Other professional fees	30,841	74,409
	178,488	165,711

10. Auditor's remuneration

	2010 AUD	2009 AUD
Auditors of the Company and their related entities		
BDO Audit (WA) Pty Ltd:		
Audit and review of financial reports	40,374	32,233
BDO (Zambia)		
Audit and review of financial reports	15,117	9,319
BDO Corporate Tax (WA) Pty Ltd:		
Taxation	-	1,000
Total auditor's fees recognised as expense in the Statements of Comprehensive Income	55,491	42,552

11. Personnel expenses

	2010 AUD	2009 AUD
Corporate consultants	-	5,497
Wages and salaries	299,680	535,065
Directors' fees	629,754	651,526
	929,434	1,192,088

12. Administration fees

	2010 AUD	2009 AUD
Corporate costs	87,198	117,829
Depreciation	145,513	175,157
Administrative costs	393,805	533,060
Loss on sale of fixed assets	(1,345)	25,383
Other operational costs	275,981	113,357
	901,152	964,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Income tax expense

	2010 AUD	2009 AUD
(a) Income tax expense:		
Current tax	-	-
Deferred tax	-	-
Overprovision in respect to prior years	-	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax	(1,979,943)	(2,664,270)
Prima facie income tax at 30%	(593,983)	(799,281)
Tax effect of amounts not deductible in calculating taxable income:		
Sundry items	580	783
Other	76,265	303,676
	(517,138)	(494,822)
Difference in overseas tax rates	194,019	208,154
Tax loss not recognised	(323,119)	(286,668)
Income tax expense/(benefit)	-	-
(c) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	(1,723,793)	(1,640,680)
Potential tax benefit @ 30%	(517,138)	(492,204)
Difference in overseas tax rates 10%	194,019	208,154
Potential tax benefit	(323,119)	(284,050)
(d) Unrecognised deferred tax assets arising on timing differences and losses:		
Timing	13,385	8,817
Losses - Revenue	1,514,298	1,191,179

The tax benefits of the above deferred tax assets will only be obtained if:

(a) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) The consolidated entity continues to comply with the conditions for deductibility imposed by law; and

(c) No changes in income tax legislation adversely affect the consolidated entity from utilising the benefits.

14. Earnings per share

(a) Basic loss per share

The calculation of basic loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $1,979,943 (2009: $2,664,270) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 259,343,490 (2009: 174,489,967) calculated as follows:

	2010 AUD	2009 AUD
Loss attributable to ordinary shareholders	(1,979,943)	(2,664,270)
Weighted average number of ordinary shares at 30 June	259,343,490	174,489,967
Basic loss per share (cents per share)	(0.76)	(1.5)

(b) Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

15. Cash and cash equivalents

(a) Reconciliation to cash at the end of the year

	2010 AUD	2009 AUD
Cash at bank & in hand	3,105,000	851,175
Term deposits	1,538,100	55,001
	4,643,100	906,176

(b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 4.

16. Trade and other receivables

	2010 AUD	2009 AUD
Trade debtors	54,827	440,486
Other receivable	224,051	247,459
	278,878	687,945

(a) Impaired receivables and receivables past due

None of the current receivables are impaired or past due but not impaired.

(b) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Property, plant and equipment

	2010 AUD	2009 AUD
Plant and equipment at cost	1,003,749	930,818
Less: Accumulated depreciation	(310,969)	(215,638)
Total property, plant and equipment	692,780	715,180
PP&E movement reconciliation		
Plant and equipment at cost:		
Balance at the beginning of the year	930,818	693,003
Additions	175,337	323,779
Disposals	(69,294)	(25,710)
Effect of movements in foreign exchange	(33,112)	(60,254)
Balance at the end of the year	1,003,749	930,818
Plant and equipment – depreciation and impairment losses		
Balance at the beginning of the year	(215,638)	(84,061)
Depreciation charge for the year	(139,102)	(74,556)
Disposals	21,268	2,725
Effect of movements in foreign exchange	22,503	(59,746)
Balance at the end of the year	(310,969)	(215,638)
Carrying amounts		
Balance at the beginning of the year	715,180	608,942
Balance at the end of the year	692,780	715,180

18. Exploration and evaluation expenditure

	2010 AUD	2009 AUD
Carrying amount of exploration and evaluation expenditure	16,418,242	14,391,662
EE&D movement reconciliation		
Balance at the beginning of the year	14,391,662	10,133,391
Additions	2,556,704	4,138,401
Reversal of Impairment (impairment)	114,544	(750,770)
Impairment of Zimbabwe EE&D	(37,060)	-
Effect of movements in foreign exchange	(607,608)	870,640
Balance at the end of the year	16,418,242	14,391,662
Carrying amounts		
Balance at the beginning of the year	14,391,662	10,133,391
Balance at the end of the year	16,418,242	14,391,662

The reversal of impairment relates to an error in calculating the value of the impairment of Malawi costs impaired in last year's accounts.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

19. Trade and other payables

	2010 AUD	2009 AUD
Trade creditors	112,510	188,843
Other payables	51,379	31,905
Accrued expenses	708,475	44,730
	872,364	265,478

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Information about the Group's exposure to foreign exchange risk is provided in note 4.

20. Borrowings

	2010 AUD	2009 AUD
Loan payable to a related entity	-	617,898
	-	617,898

This is a non-interest bearing loan payable to Energy Ventures Limited, the ultimate controlling party of the Group (details disclosed in note 27), with no fixed date of repayment. The loan is shown at amortised cost. This loan was repaid during the year.

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 4.

21. Contributed equity

	2010 AUD	2009 AUD
Contributed equity	30,101,792	21,911,874
Cost of share issue	(1,418,921)	(943,070)
	28,682,871	20,968,804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movement in share capital	Date	Number of shares	Issue price	AUD
Opening Balance at 1 July 2008		174,394,897		21,001,958
Capital raising costs				(76,651)
Share Issue to employees	10 July 2008	75,207	$0.30	26,478
Share Issue to directors	09 Dec 2008	39,048	$0.30	17,019
Balance at 30 June 2009		174,509,152		20,968,804
Share Placement - Tranche 1	03 Aug 2009	21,176,372	$0.05	1,058,818
Share Placement - Tranche 2	27 Aug 2009	59,081,628	$0.05	2,932,417
Share Placement	04 Dec 2009	27,969,998	$0.15	4,195,495
Exercise of employee Options	12 Jan 2010	37,500	$0.09	3,188
Capital raising costs				(475,851)
Balance at 30 June 2010		282,774,650		28,682,871

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in the proportion to the number and amount paid on the shares held.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

22. Reserves

	2010 AUD	2009 AUD
Share-based payments reserve	2,101,240	1,902,653
Foreign currency translation reserve	(854,526)	(264,863)
	1,246,714	1,637,790
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of the year	1,902,653	1,862,206
Equity settled share-based payment transactions	198,587	40,447
Balance at 30 June	2,101,240	1,902,653
Foreign currency translation reserve		
Balance at the beginning of the year	(264,864)	(1,853,663)
Effect of translation of foreign currency operations to group presentation currency	(589,662)	1,588,800
Balance at 30 June	(854,526)	(264,863)

Share based payments reserve

The reserve represents the value of options issued under the compensation arrangement that the consolidated entity is required to include in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

23. Capital and other commitments

There are no commitments as at 30 June 2010.

24. Key management personnel disclosures

(a) Directors

The following persons were directors of African Energy Resources Limited during the financial year:

(i) Chairman – executive
Mr A C Cooke

(ii) Executive directors
Dr C F Tabeart, Managing Director
Mr G W Fry, Executive Director

(iii) Non-executive directors
Mr V Chitalu
Mr M P Curnow

(b) Other key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Daniel Davis	Company Secretary	Mitchell River Group Pty Ltd

(c) Key management personnel compensation

The key management personnel compensation is as follows:

	2010 AUD	2009 AUD
Short-term employee benefits	677,354	759,790
Post-employment benefits	24,771	26,961
Equity compensation benefits	63,118	38,376
	765,243	825,127

Information regarding individual directors and executive compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Equity Holdings

(i) Options Holdings

2010	Balance at 1/07/2009	Granted as compensation	Exercised	Other changes	Balance at 30/06/2010	Vested and exercisable	Unvested
Non-executive directors							
Valentine Chitalu	899,736	100,000	-	-	999,736	949,736	50,000
Michael Curnow	899,736	-	-	-	899,736	899,736	-
Key management personnel (Group)							
Executive directors							
Gregory Fry	818,160	700,000	-	-	1,518,160	1,168,160	350,000
Charles Tabeart	1,972,824	1,000,000	-	-	2,972,824	2,472,824	500,000
Alasdair Cooke	1,187,652	400,000	-	-	1,587,652	1,387,652	200,000
Other key management personnel (Group)							
Daniel Davis	200,000	250,000	-	-	450,000	325,000	125,000
	5,978,108	2,450,000	-	-	8,428,108	7,203,108	1,225,000

2009	Balance at 1/07/2008	Granted as compensation	Exercised	Other changes	Balance at 30/06/2009	Vested and exercisable	Unvested
Non-executive directors							
Valentine Chitalu	899,736	-	-	-	899,736	899,736	-
Michael Curnow	899,736	-	-	-	899,736	899,736	-
Ian Duncan (Resigned 19 November 2009)	899,736	-	-	-	899,736	899,736	-
Key management personnel (Group)							
Executive directors							
Gregory Fry	818,160	-	-	-	818,160	818,160	-
Charles Tabeart	1,972,824	-	-	-	1,972,824	1,972,824	-
Alasdair Cooke	1,187,652	-	-	-	1,187,652	1,187,652	-
Other key management personnel (Group)							
Brett Mitchell (resigned 1 April 2009)	932,142	-	-	-	932,142	932,142	-
Daniel Davis	200,000	-	-	-	200,000	100,000	100,000
	7,809,986	-	-	-	7,809,986	7,709,986	100,000

(ii) Share Holdings

2010	Balance at 1/07/2009	Purchases	Off Market Transfer	Balance at 30/06/2010
Non-executive directors				
Valentine Chitalu	89,048	-	-	89,048
Michael Curnow	11,543	-	-	11,543
Key management personnel (Group)				
Executive directors				
Gregory Fry	1,593,385	-	-	1,593,385
Charles Tabeart	1,345,714	-	-	1,345,714
Alasdair Cooke	7,252,938	4,162,334	-	11,415,272
Other key management personnel (Group)				
Daniel Davis	10,000	-	-	10,000
	10,302,628	4,162,334	-	14,464,962

2009	Balance at 1/07/2008	Purchases	Off Market Transfer	Balance at 30/06/2009
Non-executive directors				
Valentine Chitalu	50,000	39,048	-	89,048
Michael Curnow	11,543	-	-	11,543
Ian Duncan (Resigned 19 November 2009)	14,934	-	-	14,934
Key management personnel (Group)				
Executive directors				
Gregory Fry	1,593,385	-	-	1,593,385
Charles Tabeart	59,014	1,286,700	-	1,345,714
Alasdair Cooke	3,252,464	4,000,474	-	7,252,938
Other key management personnel (Group)				
Brett Mitchell (resigned 1 April 2009)	40,000	-	-	40,000
Daniel Davis	10,000	-	-	10,000
	5,031,340	5,326,222	-	10,357,562

(e) Loans to key management personnel

There were no loans made to key management personnel during the year ended 30 June 2010 (2009: nil).

(f) Other transactions with key management personnel

Other transactions with key management personnel are discussed in related parties disclosure (note 27 (c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Reconciliation of loss after income tax to net cash inflow from operating activities

Cash flows from operating activities	2010 AUD	2009 AUD
Profit/(loss) for the period	(1,979,943)	(2,664,270)
Adjustments for:		
Depreciation and amortisation expense	145,513	175,156
Loss on Sale of Fixed Assets	(1,345)	25,382
Impairment charge (reversed)	(77,484)	750,770
Interest income	-	(47,307)
Foreign exchange (gains)/losses	69,218	(71,836)
Equity-settled share-based payment expenses	198,587	40,447
Operating profit (loss) before changes in working capital and provisions	(1,645,454)	(1,791,658)
(Increase) / decrease in trade and other receivables	(13,706)	(60,552)
(Decrease) / increase in trade and other payables	18,510	73,451
Net cash used in operating activities	(1,640,650)	(1,778,759)

26. Parent Entity

	2010 AUD	2009 AUD
Current Assets	-	633
Non-Current Assets	21,175,752	15,831,803
Total Assets	21,175,752	15,832,436
Current Liabilities	15,116	14,848
Total Liabilities	15,116	14,848
Contributed equity	28,682,871	20,968,804
Reserves	1,886,650	3,229,976
Accumulated losses	(9,408,885)	(8,381,192)
Total Equity	21,160,636	15,817,588
Profit / (loss) for the year	(5,888,530)	(5,081,543)
Other comprehensive income / (loss) for the year	1,541,912	(4,006,075)
Total comprehensive income / (loss) for the year	(4,346,618)	(9,087,618)

27. Related parties

(a) Parent entities

The parent entity within the Group is African Energy Resources Limited.

(b) Subsidiaries

Group structure

Name of entity	Country of incorporation	Class of shares	Ownership interest 2010	Ownership interest 2009
Parent entity				
African Energy Resources Limited	Guernsey	Ordinary		
Subsidiary (direct)				
A E Resources Pty Ltd	Australia	Ordinary	100%	100%
Subsidiaries (indirect – direct subsidiaries of A E Resources Pty Ltd)				
African Energy Resources Botswana (Proprietary) Ltd	Botswana	Ordinary	100%	100%
African Energy Resources Mozambique Ltd	Mozambique	Ordinary	100%	100%
African Energy Resources (SA) (Pty) Ltd	South Africa	Ordinary	100%	100%
African Energy Resources Ltd	Zambia	Ordinary	100%	100%
Ralldom Investments (Private Limited)	Zimbabwe	Ordinary	100%	100%
Subsidiaries (indirect – direct subsidiaries of African Energy Resources Ltd (Zambia)				
Chirundu Joint Ventures Zambia Ltd	Zambia	Ordinary	70%	70%

Chirundu Joint Ventures Zambia Ltd was incorporated on 6 July 2008 to manage the operations of the Chirundu Joint Venture jointly owned by African Energy Resources Ltd (Zambia) and Albidon Exploration Ltd. Shares in the Company were issued to the joint venture parties in proportion to their ownership interest in the joint venture. This proportion remained to balance date.

(c) Loans to/from related parties

	2010 AUD	2009 AUD
Loans from Energy Ventures Limited		
Beginning of year	617,898	624,892
Loan repayments paid	(650,277)	(6,994)
Interest charged	32,379	-
End of year	-	617,898

(d) Other related party transactions

Loans are made by the Company to wholly owned subsidiaries for operating costs. Loans outstanding between the Company and its subsidiary have no fixed date of repayment and are non-interest bearing. As at 30 June 2010, the loan to subsidiaries totalled $18,691,190 (2009: $13,184,065).

During the year, the consolidated entity was charged $111,197 (2009: $229,942) by Energy Ventures Limited for the recharge of shared administration and wages, $3,864 was outstanding as at 30 June 2010. The consolidated entity charged $14,665 (2009: $19,428) for the recharge of shared administration and wages. Energy Ventures is a company associated with Mr Alasdair Cooke, Mr Michael Curnow and Mr Gregory Fry.

During the year, the consolidated entity was charged $3,896 (2009: $12,497) by Exco Resources Ltd for the recharge of shared overheads and the premises costs and charged $5,655 (2009: $715) for the recharge of shared overheads. Exco Resources Ltd is a company associated with Mr Alasdair Cooke.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the year, the consolidated entity charged $3,746 (2009: $1,006) to Oval Biofuels Ltd for the recharge of shared overheads. As at 30 June 2010, $35,247 was outstanding. Oval Biofuels Ltd is a company associated with Mr Alasdair Cooke and Mr Gregory Fry.

During the year, the consolidated entity was charged $463,211 (2009: $477,229) by Mitchell River Group Pty Ltd for the recharge of technical project work, wages, overheads and office costs. As at 30 June 2010, $48,153 was outstanding. The consolidated entity charged $6,130 (2009: $8,387) to Mitchell River Group Pty Ltd, $4,896 was outstanding as at 30 June 2010. Mitchell River Group Pty Ltd is a company associated with Mr Alasdair Cooke and Dr Frazer Tabeart.

During the year, the consolidated entity was charged $33,649 (2009: $1,768) by Albidon Limited for the recharge of overheads. The consolidated entity charged Albidon Limited $520,329 for costs relating to the Chirundu Joint Venture, as at 30 June 2010, $3,830 was outstanding. $32,379 interest was charged to Albidon Limited on outstanding cash call amounts. Albidon Limited is a company associated with Mr Alasdair Cooke and Mr Valentine Chitalu.

Assets and liabilities arising from the above transaction

	2010 AUD	2009 AUD
Trade debtors	4,896	468,317
Trade creditors	52,017	119,776

Employee benefits

(e) Option Plans

The establishment of the AFR Employee Option Plan was approved by shareholders at the 2007 Annual General Meeting. The Employee Option Plan is designed to provide long-term incentives for key staff and consultants to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Once vested, the options remain exercisable for a period of two years. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the ASX.

Consolidated 2010

Grant Date	Expiry Date	Exercise Price cents	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at year end
01/07/2007	30/06/2012	31.25	12,225,000	-	-	(294,934)	11,930,066	100%
20/11/2007	30/06/2012	40	730,000	-	-	(430,000)	300,000	100%
12/12/2007	30/06/2012	40	700,000	-	-	(150,000)	550,000	100%
22/04/2008	30/06/2012	40	600,000	-	-	-	600,000	100%
02/07/2009	30/06/2012	8.5	-	2,000,000	(37,500)	(112,500)	1,850,000	50%
27/08/2009	30/06/2012	8.5	-	2,200,000	-	-	2,200,000	50%
02/10/2009	30/06/2012	12.5	-	500,000	-	-	500,000	100%
							17,930,066	

Consolidated 2009

Grant Date	Expiry Date	Exercise Price cents	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at year end
01/07/2007	30/06/2012	31.25	12,225,000	-	-	(294,934)	11,930,066	100%
20/11/2007	28/06/2012	40	730,000	-	-	(430,000)	300,000	50%
12/12/2007	29/06/2012	40	700,000	-	-	(150,000)	550,000	36%
22/04/2008	30/06/2012	40	600,000	-	-	-	600,000	50%
							13,380,066	

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option-pricing model.

	Oct-09 Options	Aug-09 Options	Jul-09 Options	Apr-08 Options
Fair value at measurement date (cents per option)	5 cents	5 cents	3.5 cents	15.9 cents
Share price (cents per share)	7.4 cents	7.4 cents	5.3 cents	27 cents
Exercise price (cents per option)	12.5 cents	8.5 cents	8.5 cents	40 cents
Expected volatility (expressed as weighted average)	126.21%	151.33%	155.18%	108.76%
Option life (expressed as weighted average life)	3 Years	3 Years	3 Years	4 Years
Expected dividends	-	-	-	-
Risk-free interest rate (based on national government bonds)	3.24%	3.15%	3.15%	7.21%

	Dec-07 Options	Nov-07 Options	Mar-07 Options
Fair value at measurement date (cents per option)	24.4 cents	20.9 cents	13 cents
Share price (cents per share)	38 cents	34 cents	25 cents
Exercise price (cents per option)	40 cents	40 cents	31.25 cents
Expected volatility (expressed as weighted average)	105.00%	105.00%	5.90%
Option life (expressed as weighted average life)	4 Years	4 Years	5 Years
Expected dividends	-	-	-
Risk-free interest rate (based on national government bonds)	6.54%	6.72%	5.99%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expenses arising from share-based payment transactions

	2010 AUD	2009 AUD
Options issued under employee option plan	(198,587)	(40,447)
	(198,587)	(40,447)

28. Joint ventures

The Company holds a 70% interest in Chirundu Joint Ventures Zambia Limited which holds the Njame and Gwabe uranium deposits in southern Zambia. The Company is proportionally consolidated in accordance with our equity ownership.

	2010 AUD	2009 AUD
Assets		
Current assets		
Cash and cash equivalents	4,167	161
Prepayments	29,382	9,523
Trade and other receivables	10,363	431,523
Total current assets	43,912	441,207
Non-current assets		
Buildings	234,462	217,423
Property, plant and equipment	25,855	30,680
Exploration and evaluation expenditure	7,904,301	4,000,170
Total non-current assets	8,164,618	4,248,273
Total assets	8,208,530	4,689,480
Share of Joint Venture revenue expenses and results		
Revenues	-	44,420
Expenses	(210,986)	(446,839)
Loss before tax	(210,986)	(402,419)
Share of Joint Venture Capital Commitments	-	-

29. Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity in future financial years other than disclosed in the directors' report.

30. Capital and other commitments

There were no capital and other commitments at 30 June 2010 or in the comparative period.

31. Contingencies

There were no contingent assets or liabilities in the Group at 30 June 2010.

CORPORATE GOVERNANCE STATEMENT

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ('Recommendations').

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website:
www.africanenergyresources.com.

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.
- Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Managing Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Managing Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organisational performance and the achievement of strategic goals and objectives
  - Compliance with the Company's code of conduct
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half-yearly and quarterly reports and liaison with the auditor;

CORPORATE GOVERNANCE STATEMENT

- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and reporting to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior executives' incentive based key performance indicators and their performance is reviewed on a regular basis by the Board.

Based on the above information, the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- Recommendation 2.1: A majority of the Board should be independent directors.
- Recommendation 2.2: The Chair should be an independent director.
- Recommendation 2.3: The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.
- Recommendation 2.4: The Board should establish a Nomination Committee.
- Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
- Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment. The Company does not comply with this recommendation as the majority of the Board is not independent.

Corporate Governance Recommendation 2.2 requires that the Chairperson should be an independent director. The Company does not comply with this recommendation and the current Chairperson role is filled by an executive director.

The Board believes this current structure is best suited to enable the Company to deliver shareholder value and manage the operations for a company of its size. The Company will continue to review its Board structure in light of these recommendations as it continues to grow to ensure that it is in the best position to deliver value to its shareholders, key stakeholders and the communities in which it operates.

Composition

The directors have been chosen for their particular expertise to provide the Company with a competent and well-rounded decision-making body and which will assist the Company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the directors' report.

Name	Position	Term in Office
Mr A C Cooke	Executive Chairman	4 Years
Dr C F Tabeart	Managing Director	3 Years
Mr G W Fry	Executive Director	4 Years
Mr V Chitalu	Non-executive Director	4 Years
Mr M J Curnow	Non-executive Director	4 Years

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to, and encouraged to participate in, continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Nomination Committee

The Company does not currently have a separate Nomination Committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

CORPORATE GOVERNANCE STATEMENT

Monitoring of Board Performance

The performance of all directors is reviewed by the Chairman on an ongoing basis and any director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the director's performance during the course of the year. Those guidelines include:

- Attendance at all Board Meetings. Missing more than three consecutive meetings without reasonable excuse will result in that director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that director's position being reviewed.

Based on the above information, the Company believes it is fully compliant with Recommendations 2.3, 2.5 and 2.6. The Company is not compliant with Recommendations 2.1, 2.2 and 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the Company's integrity;
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.
- Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:

Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors' Dealings in Company Shares

The Company has a Securities Trading Policy in place that applies to its directors, employees and contractors. The trading policy prohibits directors, employees and contractors from dealing in shares of the Company whilst in possession of price sensitive information.

General trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half-yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document, including a prospectus, is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

The trading policy requires directors to notify the Board and employees to notify the Managing Director in advance of any transactions involving the Company's securities.

In addition, directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests.

Conflicts of Interest

In accordance with the Corporations Act and the Company's constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Based on the above information, the Company believes it is fully compliant with Recommendations 3.1, 3.2 and 3.3.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- Recommendation 4.1: The Board should establish an Audit Committee.
- Recommendation 4.2: The Audit Committee should be structured so that it:
  - consists only of non-executive directors;
  - consists of a majority of independent directors;
  - is chaired by an independent Chair, who is not Chair of the Board; and
  - has at least three members.
- Recommendation 4.3: The Audit Committee should have a formal charter.
- Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

CORPORATE GOVERNANCE STATEMENT

4.2 The Company's practice:

Audit Committee

The Board has a separate Audit Committee to assist the Board, its responsibilities are set out in a formal charter approved by the Board. Due to the size and structure of the Company, the Audit Committee consists of both executive and non-executive directors and therefore the Company is not compliant with Recommendation 4.2

The Committee's responsibilities under the charter include the following:

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and International jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The Board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2010 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information, the Company believes it is fully compliant with Recommendations 4.1, 4.3 and 4.4. The Company is not compliant with Recommendation 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;

(b) Disclose notifications to the ASX on the Company's website following confirmation of the publishing of the information by the ASX; and

(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Company Secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Company Secretary, including:

(a) Media releases;

(b) Analyst briefings and presentations; and

(c) The release of reports and operational results.

Based on the above information, the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at General Meetings and disclose their policy or a summary of that policy.
- Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

CORPORATE GOVERNANCE STATEMENT

6.2 The Company's practice:

Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in General Meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present and be available to shareholders at the Annual General Meeting.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- Half-yearly reports, quarterly reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on the Company's website.

Based on the above information, the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
- Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various directors and management, depending upon the nature and materiality of the matter.

The Board has no formal policy in place to recognise and manage risk as required by Recommendation 7.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate Risk Management Committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholders' needs and manage business risks.

The executive directors and Company Secretary have declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information, the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

CORPORATE GOVERNANCE STATEMENT

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- Recommendation 8.1: The Board should establish a Remuneration Committee.
- Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee

The Board has a separate Remuneration Committee to make recommendations to the Board about the remuneration of executive and non-executive directors as well as senior management of the Company.

Remuneration policies

Remuneration of directors are formalised in service agreements. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

(a) Retention and motivation of senior executives;

(b) Attraction of quality management to the Company; and

(c) Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report on pages 18 to 24 of the Annual Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information, the Company believes it is fully compliant with Recommendations 8.1 and 8.2.

SHAREHOLDER INFORMATION

EXCHANGE LISTING

African Energy Resources Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is AFR.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 12 October 2010

Name of Shareholder	Total Number of Voting Share in Energy Ventures Limited in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Energy Ventures Limited	105,250,968	37.2
HSBC Custody Nominees (Australia) Limited	14,203,848	5.02

CLASS OF SHARES AND VOTING RIGHTS

At 12 October 2010, there were 1,094 holders of 282,774,650 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Shareholders
1 – 1,000	113
1,001 – 5,000	205
5,001 – 10,000	134
10,001 – 100,000	429
100,001 and over	213
Total	**1,094**

The number of shareholders holding less than a marketable parcel is 154.

SHAREHOLDER INFORMATION

UNLISTED OPTIONS

Securities	Number of Securities on Issue	Number of Holders
Options exercisable at 31.25 cents on or before 30 June 2012	11,930,066	17
Options exercisable at 40 cents on or before 30 June 2012	1,450,000	6
Options exercisable at 8.5 cents on or before 30 June 2012	4,050,000	23
Options exercisable at 12.5 cents on or before 30 June 2012	500,000	1
Options exercisable at 12.5 cents on or before 31 December 2013	625,000	5

ESCROWED SECURITIES

The Company does not have any securities on issue that are subject to escrow restrictions.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 12 OCTOBER 2010

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held %
1.	Energy Ventures Limited	105,250,968	37.22
2.	HSBC Custody Nominees (Australia) Limited	14,203,848	5.02
3.	J P Morgan Nominees Australia Limited	13,665,377	4.83
4.	Mr Stacey Radford	9,400,000	3.32
5.	Geared Investments Pty Ltd	7,650,000	2.71
6.	HSBC Custody Nominees (Australia) Limited – A/C 3	7,527,800	2.66
7.	Mr Alasdair Campbell Cooke	6,000,475	2.12
8.	PS Consulting Pty Ltd <No 2 Super A/C>	4,000,000	1.41
9.	Mr Barry Wayne Hardstaff	3,399,332	1.20
10.	NEFCO Nominees Pty Ltd	3,231,250	1.14
11.	Glenlaren Pty Ltd	2,627,464	0.93
12.	Clariden Capital Limited	2,500,000	0.88
13	Helmet Nominees Pty Ltd	2,180,000	0.77
14.	Burls Holdings Pty Ltd	2,084,000	0.74
15.	Elltom Pty Ltd	1,840,981	0.65
16.	Charanda Nominee Company Pty Ltd	1,800,000	0.64
17.	Equity Trustees Limited	1,500,000	0.53
18.	Leadville Investments Pty Ltd	1,500,000	0.53
19.	General Advisory Pty Ltd	1,460,000	0.52
20.	PS Consulting Pty Ltd	1,450,000	0.51
		193,271,495	**68.33**

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

AFRICAN ENERGY RESOURCES LIMITED ANNUAL REPORT 2010

AFRICAN ENERGY

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