

29 October 2010

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

Via electronic lodgement

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD
ENDED 30 SEPTEMBER 2010**

HIGHLIGHTS

Chirundu Feasibility Study

- Environmental baseline monitoring programmes continued in the areas surrounding the Njame and Gwabe uranium deposits as part of the bankable feasibility study (BFS).

Exploration

- Further drilling at the Sese coal prospect in Botswana identified coal over a very large area, covering at least 80km². To date, 38 RC percussion holes and four diamond drill core holes have been drilled into the project. Average coal seam thickness is approximately 12m, with average depth to the top of the seam being 41m. Coal quality determinations from the core holes have indicated that the raw coal has a calorific value of 4,000kcal/kg to 5,000kcal/kg, and an Exploration Target of 1.0 to 1.5 billion tonnes of such coal has been published by the Company. Limited tests undertaken on the coal indicates that its quality may be improved by washing to >5,300kcal/kg.
- RC percussion drilling at the Kabanana uranium prospect in the Chirundu joint venture project identified a zone of uranium mineralisation (4m @ 293 ppm U₃O₈) close to the unconformity between the Karoo sediments and older crystalline basement. Further work is required to determine the significance of this intersection.

- Drilling programmes were completed at the Chisebuka, Chisebuka East and Munyumbwe B targets in the Kariba Valley joint venture project. The drilling at Chisebuka identified uranium mineralisation over an additional 800m of strike-length, taking the total extent of known mineralisation to over 2,000m. Best intersections from this round of drilling are shown in Table 1.

Table 1 – Significant drilling intersections at Chisebuka

Hole ID	From (m)	To (m)	Interval (m)	Equivalent U ₃ O ₈ (ppm)
CHI037	32	35	3	285
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

- A small programme of RC percussion drilling was completed at the Nangandwe uranium prospect in the Aldershot joint venture project. Assays results have not yet been received.
- A programme of trenching and geological mapping was completed across the Sitwe uranium anomaly in the Northern Luangwa Valley project. A programme of RC percussion drilling to evaluate the anomaly has commenced.

Corporate

- The cash position at 30 September was USD \$2.93m.

Outlook

- Resource delineation drilling to commence at Sese Coal prospect to provide information for inferred resource estimation. First drilling results expected in early November.
- Complete drilling programme at Sitwe uranium prospect in northern Zambia.
- Continue assessment of uranium prospects in the Kariba Valley, Chirundu and Aldershot joint venture projects in southern Zambia.

PROJECTS

1. Northern Luangwa Valley Uranium Project, Zambia

African Energy Resources Limited 100%

The Sitwe uranium prospect occurs within the Company's 100% owned Northern Luangwa Valley project in northern Zambia, and was identified through an airborne radiometric survey that highlighted anomalous uranium responses interpreted to be associated with Karoo-age sedimentary rocks.

Field assessment of the prospect, which included geological mapping and a programme of geochemical soil sampling, confirmed the anomaly with assay values highlighting an 8km long zone of uranium anomalism corresponding to a siltstone unit within an interbedded siltstone-sandstone association. 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 small programme of reverse circulation (RC) percussion drilling to test the anomaly commenced in October 2010.

2. Sese Project, Botswana

African Energy Resources Limited 100%

Uranium

The Sese project in north-east Botswana is approximately 60km south of the mining hub of Francistown, and occurs immediately to the north of A-Cap Resources' Letlhakane project where a large, near-surface uranium resource has been defined. Drilling by African Energy has identified significant uranium mineralisation at two prospects; Foley and Gojwane. Mineralisation at Foley is hosted by Karoo sandstones and siltstones above a north-east trending basement fault. Mineralisation at Gojwane is hosted by a channel in the Karoo sandstones and siltstones and appears to be the extension of A-Caps' resource onto African Energy's tenement. Further drilling is required at Gojwane to determine resource potential in African Energy's tenement.

Coal

In the previous quarter, African Energy announced the discovery of a potentially very large deposit of thermal coal in the north-west part of the Sese project. Further drilling was completed during the quarter, and drilling to date 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.

Immediately after the discovery of the coal, four diamond drill core holes were drilled to collect samples for proximate (coal quality) analyses. 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 Table 2 below for the two holes they drilled on the AFR tenement:

Table 2 – Coal quality data for raw coal at Sese

Hole ID	Interval (m)	Ash %	CV (MJ/kg)	CV (kcal/kg)	Sulphur %
SES	5.90	28.48	18.06	4,310	2.21
SES	7.72	31.11	16.81	4,015	0.83
SES	8.39	32.60	16.80	4,010	1.69
SES	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 (4,550kcal/kg), ash content of 27% and sulphur content of 1.8%, which is similar to other known coal deposits in Botswana and South Africa.

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 4,000kcal/kg to 5,000kcal/kg raw coal has been estimated for the project. Further drilling and proximate analyses are 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.

A drilling programme to define an initial inferred resource was approved by the Board of African Energy and will commence in October.

*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.

3. Joint Venture Uranium Projects in Zambia with Albidon Limited

3.1 Chirundu Joint Venture Uranium Project

African Energy Resources Limited 70%, Albidon Limited 30%, contributing joint venture.

3.1.1 Bankable Feasibility Study

The Chirundu BFS continued in the September quarter. Mintek provided the final report on a small programme of 2m high column leach tests which commenced in September 2009 to provide baseline metallurgical information. The test work continued to demonstrate excellent leach characteristics for the Njame uranium mineralisation, with recoveries of up to 95% achieved at less than 5kg/t acid consumption. Gwabe uranium mineralisation is slightly more refractory but responded well to oxidative acid leaching, with final recoveries of 75% and acid consumption of 40kg/t. Improvements in Gwabe leaching characteristics are expected with optimisation test work.

Environmental baseline monitoring programmes at the Njame and Gwabe uranium deposits and their immediate environs continued during the quarter.

3.1.2 Exploration Programmes in the Chirundu JV

A small RC percussion drilling programme comprising 18 holes to test the Kabanana uranium target was completed during the quarter. A best intersection of 4m @ 293 ppm U_3O_8 was achieved in one hole. The prospect occurs at the unconformity between the Karoo sediments and the underlying crystalline basement, which may be a preferential site for small, high-grade unconformity-style uranium deposits. 3D modelling of the prospect has commenced to determine if further drilling is warranted on the basis of the results to date and the potential for unconformity-style mineralisation.

3.2 Kariba Valley Joint Venture Uranium Project

African Energy Resources Limited 30%, Albidon Limited 70%, currently sole funded and operated by African Energy Resources Limited under a Joint Venture Agreement with African Energy Resources Limited earning up to 70% interest.

3.2.1 General

The Kariba Valley JV contains the high priority Chisebuka and Namakande prospects and a large number of other uranium targets which are being systematically evaluated for their potential. All of these targets are within economic trucking distance (250km) of the Njame deposit where a Central Uranium Processing Facility is proposed for the Chirundu JV.

3.2.2 Chisebuka

The Chisebuka prospect represents a high priority target for further follow-up. Previous drilling by African Energy identified significant thicknesses and grades of uranium mineralisation. Further work is required to determine the resource potential. A programme of detailed geological mapping and

soil sampling was completed during the second quarter and a programme of 27 RC percussion drill holes was completed for 2,085m on a nominal 400m x 100m grid in the current quarter to test the target. Positive assay results have been received (Table 3).

Table 3 – Significant drilling intersections to date at Chisebuka (cut to 1500 ppm U₃O₈). Assay results for holes CHI001 to CHI035 were released in 2008

Hole ID	From (m)	To (m)	Interval (m)	Equivalent U ₃ O ₈ (ppm)
CHI004	61	64	3	242
CHI004	66	68	2	740
CHI005	79	81	2	255
CHI007	11	18	7	445
CHI007	incl. 11	13	2	762
CHI007	and 16	18	2	642
CHI015	76	80	4	228
CHI017	93	100	7	131
CHI017	108	111	3	229
CHI024	60	67	7	208
CHI025	92	99	7	260
CHI026	53	55	2	286
CHI026	57	64	7	465
CHI029	62	64	2	394
CHI030	44	46	2	199
CHI030	61	67	6	122
CHI031	60	71	11	175
CHI037	32	35	3	285
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

The recent assays have extended the known mineralisation by 800m along strike to the north-east, and the total strike length of mineralised intersections now exceeds 2km. Geological interpretation of the drilling data indicates that mineralisation is hosted in Karoo sediments and occurs in multiple horizons, varying from 1m to 13m in thickness. It is similar in nature to the uranium mineralisation at the Company's nearby Njame and Gwabe deposits in the Chirundu JV (AFR 70%).

Further analysis of the significance of the drilling will be undertaken through 3D modelling of geology and assay data to determine the resource potential and plan further drilling. A surface elevation model is being prepared from a detailed differential GPS survey of the topography at Chisebuka to aid the 3D modelling.

A small programme of RC percussion drilling was completed at Chisebuka East, 4km to the east of Chisebuka, to test a ground radiometric anomaly. Field evaluation of drill cuttings indicates that only patchy uranium mineralisation has been encountered and no further work is planned at this prospect.

3.2.3 Munyumbwe B

The Munyumbwe B prospect occurs 25km west of Chisebuka and comprises a 3,500m x 400m linear ground radiometric anomaly which has been evaluated with a small programme of RC percussion drilling. The drilling failed to identify ore grade mineralisation.

4. Joint Venture Uranium Projects in Zambia with Aldershot Resources Ltd

African Energy can earn up to 70% interest by completing a pre-feasibility study on an inferred resource.

African Energy has entered into an Earn-In Agreement with Aldershot Resources Ltd regarding two prospecting licences in the Kariba Valley in southern Zambia. These prospecting licences cover an area of approximately 754km² and are adjacent to African Energy's Kariba Valley JV project.

A programme of geological mapping and soil sampling over the Zeze and Makonkoto targets was completed during the quarter. 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. Whilst uranium bearing horizons were identified, none were deemed to be sufficiently compelling for drill testing.

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 was completed in late September 2010, but no assays have been received to date.

Dr Frazer Tabeart
Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the African Energy website at:

www.africanenergyresources.com

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 is based on data compiled by Dr Frazer Tabeart (a full time employee and 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.

For any queries please contact the Company Secretary, Mr Daniel Davis on +61 8 6465 5500

Appendix 5B

Mining exploration entity quarterly report

Name of entity

AFRICAN ENERGY RESOURCES LIMITED

ARBN

123 316 781

Quarter ended ("current quarter")

30 SEPTEMBER 2010

Consolidated statement of cash flows

		Current quarter \$US'000	Year to date \$US'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
	(a) exploration and evaluation	(619)	(619)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(457)	(457)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	22
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		(1,054)	(1,054)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(18)	(18)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Cash acquired in subsidiary	-	-
Net investing cash flows		(18)	(18)
1.13	Total operating and investing cash flows (carried forward)	(1,072)	(1,072)

1.13	Total operating and investing cash flows (carried forward)	-	-
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Costs of the issue	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,072)	(1,072)
1.20	Cash at beginning of quarter/year to date	3,978	3,978
1.21	Exchange rate adjustments to item 1.20	26	26
1.22	Cash at end of quarter	2,932	2,932

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities.

	Current quarter \$US'000
1.23 Aggregate amount of payments to the parties included in item 1.2	344
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Payments to directors for executive services during the period and payments to related entities for reimbursements of GIS management, administrative staff and provision of a fully serviced office.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- | |
|-----|
| Nil |
|-----|
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- | |
|-----|
| Nil |
|-----|

Financing facilities available

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	947
4.2 Development	-
4.3 Production	-
4.4 Administration	576
Total	1,523

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	2,877	2,609
5.2 Deposits at call	55	1,369
5.3 Bank overdraft	-	-
Total: Cash at end of quarter (item 1.22)	2,932	3,978

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Performance *securities				
7.2 Changes during quarter				
7.3 *Ordinary securities	282,774,650	282,774,648		
7.4 Changes during quarter (a) Increase through exercise of options (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options Unquoted options	18,555,066	No. of options	Strike Price	Expiry Date
		11,930,066	AUD \$0.3125	30-Jun-12
		1,450,000	AUD \$0.4000	30-Jun-12
		4,050,000	AUD \$0.0850	30-Jun-12
		500,000	AUD \$0.1250	30-Jun-12
		625,000	AUD \$0.1250	31-Dec-13
7.8 Issued during quarter		No. of options	Strike Price	Expiry Date
		625,000	AUD \$0.1250	31-Dec-13
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Mr Daniel Davis

Company Secretary

Date: 29 October 2010

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.