

29 April 2011

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 31 MARCH 2011**

HIGHLIGHTS

Sese Coal Concept Study

- A concept study to evaluate the options available for the commercial exploitation of the Sese coal project commenced in February 2011 under the leadership of Mr Phil Clark. Mr Clark is a highly experienced and widely respected senior mining executive who has spent over thirty years working in the coal mining industry, including the following key appointments:
 - Vice President Resource Development, BHP Billiton Energy Coal (2005-2010). This included project development functional responsibility for major exploration and capital projects located in Australia, South Africa, USA and Colombia.
 - Manager Strategic Planning, BHP Coal.
 - Production Manager, BHP Gregory Mine.
 - Mine Manager, BHP Nebo Colliery.
- The Concept Study is scheduled to be delivered to the Board in June 2011, and will evaluate the key technical and commercial issues associated with staged development options:
 - Immediate supply of 1 million tonnes per annum ramping up to 3-5 million tonnes per annum into a combination of local markets, both within Botswana and neighbouring countries, and seaborne export market, and
 - Supply of much larger volumes via rail to port and into seaborne export markets.

Exploration

- Resource delineation drilling at the Sese coal prospect in Botswana has identified near-surface thermal coal over a very large area, covering at least 110km². During the quarter, 14 reverse circulation (RC) percussion holes for 984m and 47 diamond drill holes for 2,225m were drilled into the project, completing the inferred resource drilling programmes for the whole deposit.
- Average coal seam thickness in Block-A is approximately 16m with an average depth to the top of the seam of 45m. The average seam thickness in Block-B is 15m with an average depth to the top of this seam of 40m. Coal in Block-C averages 11m from an average depth of 52m.
- Coal quality determinations from six previous core holes have indicated that the raw coal has a calorific value of 4,000kcal/kg to 5,000kcal/kg. Limited processing test work undertaken on the coal indicates that its quality may be improved by washing to >5,300kcal/kg.
- On the basis of the drilling results completed to date, the Exploration Target¹ previously published by the Company has been increased to 1.5 to 2.0 billion tonnes of such coal.
- Infill drilling to improve resource confidence to an Indicated Resource has commenced.
- Assays results from the small programme of RC percussion drilling testing the Sitwe North uranium anomaly in NE Zambia have confirmed the discovery of steeply dipping basement-hosted uranium mineralisation. Best assays to date include:

Hole ID	From (m)	To (m)	Interval (m)	Grade/ppm U ₃ O ₈
STN002	37	39	2	639
	42	43	1	1080
STN003	3	13	10	458
including	7	12	5	651
	32	34	2	636
	61	67	6	735
STN004	58	61	3	322
STN005	11	17	6	365
	29	40	11	247

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).

¹ 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.

Corporate

- The Company issued 4.5m options to Executive Directors on 18 February following approval at the General Meeting of Shareholders. An additional 2.7m options were issued to key staff and consultants during the period.
- 2,644,673 options were exercised through February and early March for gross proceeds of USD\$862,808.
- On 4 March, African Energy executed a US\$5m convertible loan facility with Macquarie Bank. The loan facility was fully drawn during March. Under the terms of the Facility, the Company has issued Macquarie with 4,843,230 options, each with a strike price of AUD\$1.03 and expiring 31 December 2012.
- On 8 March, the Company completed the acquisition of the remaining 30% stake in Chirundu Uranium Project and remaining 70% in the Kariba Valley Project from Albidon Limited. African Energy now owns 100% of the Chirundu Uranium Project and the Kariba Valley Uranium Project, along with 100% of the Northern Luangwa Valley Uranium Project in Zambia.
- On 1 April, the Board welcomed Mr Phil Clark to the position of Non-Executive Director.
- The cash position at 31 March 2011 was USD \$4,667,743.

Outlook

- A maiden resource estimate for the Sese coal project is expected early May 2011. Proximate analyses and preliminary washing test work for Sese coal core samples have been received from ALS Witlab in South Africa and will form part of the resource statement next quarter.
- Drilling and work programmes to upgrade the Sese coal resource to an Indicated Resource will continue during the second quarter.
- The Company has committed to the collection of a bulk sample of approximately 10,000t of coal from a trial pit. The bulk sample will allow larger scale tests to determine coal washing characteristics and to provide samples to power stations to test suitability of coal for power generation and to test the ability of existing infrastructure to deliver coal to ports in southern Africa. Excavation of the pit is expected to start in the second quarter.
- Continue assessment of uranium prospects in the Kariba Valley, Chirundu and Aldershot joint venture projects in southern Zambia, and the wholly owned Sitwe prospect in northern Zambia.

PROJECTS

1. Sese Project, Botswana

African Energy Resources Limited 100%

1.1. Sese Coal Project

1.1.1 Concept Study

Mr Phil Clark has been appointed to the role of Senior Coal Consultant and Study Manager with a brief to undertake a Concept Study to evaluate the commercial exploitation of the Sese coal resource. The Concept Study is scheduled to be delivered to the Board in June 2011, and will evaluate the key technical and commercial issues associated with staged development options:

- Immediate supply of approximately 1 million tonnes per annum ramping up to 3-5 million tonnes per annum into a combination of local markets, both within Botswana and neighbouring countries, and seaborne export market, and
- Supply of much larger volumes via rail to port and into seaborne export markets.

The results of the Conceptual Study will be used to determine the scope for a formal feasibility study.

Key issues to be assessed in the Conceptual Study include the following:

- Market analysis of both local supply and seaborne export options.
- Coal chain logistics including assessment of issues relating to Trans-Kalahari and Ponto-Techobanine rail options.
- Development of the geological model and mineral resource model.
- Mine Planning and Infrastructure.
- Estimation of capital costs and operating costs to +/- 35%.
- Development of high level cash flow model.
- Preparation of scope for formal feasibility study.

1.1.2 Exploration Programme

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

During the second quarter of 2010, African Energy announced the discovery of a potentially very large deposit of thermal coal in the north-west part of the Sese project.

A drilling programme to define an initial inferred resource was approved by the Board of African Energy and commenced in October 2010. To date, a total of 89 diamond drill core holes and 92 RC

percussion drill holes have been completed, complementing the 38 RC percussion holes and four diamond drill holes drilled in this area during the initial programme which led to the discovery of the deposit.

A total of 29 diamond drill core holes and 11 RC percussion drill holes were completed in the central block (Block-B) of the Sese tenement. The results have confirmed the presence of a laterally extensive thick coal seam summarised as follows:

- Average seam thickness is 14.8m;
- Average depth to the top of the coal is 40m;
- Coal seam dips very gently to the southwest;
- Coal intersected within an area covering approximately 21km².

A total of 10 diamond drill core holes and 27 RC percussion drill holes were completed in the western-most block (Block-A) of the Sese tenement and include an area which extends the known coal intersections beyond the outline of the reported Exploration Target. The results have confirmed the presence of a laterally extensive thick coal seam summarised as follows:

- Average seam thickness is 16.3m;
- Average depth to the top of the coal is 44.6m (range 20m to 75.5m);
- Coal seam dips very gently to the southwest;
- Coal intersected within an area covering approximately 22km².

Drilling in Block-C was completed in December, comprising 28 diamond drill holes and 54 RC percussion holes. Extensive coal seams were intersected over a large area:

- With the exception of the north-eastern part of Block-C, where a basement high prevented coal accumulation, all holes have intersected at least one coal seam;
- Coal has been intersected within an area covering approximately 70km²;
- Many of the holes have intersected one to three thin (1-3m) upper seams of dull coal, overlying a lower, thicker seam of potentially better quality coal (contains more bright coal layers);
- The lower coal seam is consistently present, with an average thickness of 11m, towards the upper end of the range of expectations from previous drilling;
- The average depth to the top of the lower coal seam is 52m (range from 25m to 87m);

On the basis of the encouraging extent and thickness of in-situ coal intersected in drilling in Block-A and Block-C, the Exploration Target has been increased to 1.5 to 2.0 billion tonnes of 4,000kcal/kg to 5,000kcal/kg raw coal.

Core samples from Block-B drilling were submitted to ALS Witlab for coal quality testing during the quarter. Proximate analyses and washing test work for Sese coal core samples have been received from ALS Witlab in South Africa and will form part of the resource statement which is due to be released in early May.

1.2. Sese Uranium Project

The Sese Uranium project in north-east Botswana is approximately 20-40km south of the coal project, 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. No work was undertaken on the uranium projects during the quarter.

2. Uranium Projects in Zambia

2.1 Chirundu Uranium Project

African Energy Resources Limited 100%.

2.1.1 Bankable Feasibility Study

During the quarter African Energy moved to 100% ownership of the Chirundu Uranium project after purchasing Albidon's remaining share of the project. Environmental baseline monitoring programmes at the Njame and Gwabe uranium deposits and their immediate environs continued during the quarter.

2.1.2 Exploration Programmes in the Chirundu JV

No work during the quarter.

2.2 Kariba Valley Uranium Project

African Energy Resources Limited 100%.

2.2.1 General

The Kariba Valley Uranium Project 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 Uranium Project. During the quarter, the Company acquired Albidon's share of the project which is now wholly owned by African Energy.

2.2.2 Chisebuka

The Chisebuka prospect represents a high priority target for further follow-up. Previous drilling in 2007 by African Energy identified significant thicknesses and grades of uranium mineralisation. Drilling in 2010 extended the known mineralisation by 800m along strike to the north-east, such that 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 100%).

3D modelling of geological, geophysical and drilling assay data has determined that Chisebuka has potential for an economic resource and therefore warrants further drilling for resource delineation. This drilling will be planned for commencement in the third quarter of 2011.

2.3 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.

The Sitwe North prospect, situated about 15km north of Sitwe anomaly, is hosted by strongly sheared feldspathic lithologies of Irumide-aged basement proximal to an unconformity with the younger Karoo Supergroup. Drilling has identified steeply dipping zones of uranium mineralisation of 2-10m true width.

A small programme of seven RC percussion holes for 458m was completed at the Sitwe North prospect in late 2010. Assays results have now been received with highlights as follows:

Hole ID	From (m)	To (m)	Interval (m)	Grade/ppm U ₃ O ₈
STN002	37	39	2	639
	42	43	1	1080
STN003	3	13	10	458
including	7	12	5	651
	32	34	2	636
	61	67	6	735
STN004	58	61	3	322
STN005	11	17	6	365
	29	40	11	247

Further work is required to determine the significance of these results and to design an appropriate follow-up programme.

3. Joint Venture Uranium Project 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.

No work was undertaken on the Aldershot projects during the quarter due to the wet season.

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")

31 MARCH 2011

Consolidated statement of cash flows

		Current quarter \$US'000	Year to date (9 months) \$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	(512)	(2,288)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(799)	(1,687)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	45
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(1,301)	(3,930)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	(2,500)	(2,500)
	(b) equity investments	-	-
	(c) other fixed assets	(76)	(97)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	9	9
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(2,567)	(2,588)
1.13	Total operating and investing cash flows (carried forward)	(3,868)	(6,518)

1.13	Total operating and investing cash flows (carried forward)	(3,868)	(6,518)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	863	2,361
1.15	Cost of the Issue	(7)	(95)
1.16	Proceeds from borrowings	5,000	5,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	5,856	7,266
	Net increase (decrease) in cash held	1,988	748
1.20	Cash at beginning of quarter/year to date	2,751	3,978
1.21	Exchange rate adjustments to item 1.20	(61)	(48)
1.22	Cash at end of quarter	4,678	4,678

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	362
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	5,000	5,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	1,596
4.2 Development	-
4.3 Production	-
4.4 Administration	689
Total	2,285

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	4,617	2,671
5.2 Deposits at call	61	60
5.3 Bank overdraft	-	-
Total: Cash at end of quarter (item 1.22)	4,678	2,751

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	7863-HQ-LPL (Siabuleni)	Direct	30%	0%

6.2 Interests in mining tenements acquired or increased

12634-HQ-LML (Chirundu ML)	Direct	70%	100%
13265-HQ-LPL (Chirundu PL)	Direct	70%	100%
13642-HQ-LPL (Munyuwumbe)	Direct	30%	100%
8264-HQ-LPL (Kariba Valley)	Direct	30%	100%
13646-HQ-LPL (Sinazongwe East)	Direct	30%	100%
8259-HQ-LPL (Sinazongwe West)	Direct	30%	100%

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 Preference *securities				
7.2 Changes during quarter				
7.3 +Ordinary securities	295,769,323	295,769,321		
7.4 Changes during quarter (a) Increase through exercise of options (b) Increase through placement of shares	2,644,673	2,644,673		
7.5 +Convertible debt securities				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options Unquoted options	27,203,623	No. of options	Strike Price	Expiry Date
		9,585,393	AUD \$0.3125	30-Jun-12
		1,150,000	AUD \$0.4000	30-Jun-12
		3,800,000	AUD \$0.0850	30-Jun-12
		625,000	AUD \$0.1250	31-Dec-13
		850,000	AUD \$0.7000	31-Dec-13
		1,850,000	AUD \$0.8000	31-Dec-13
		1,500,000	AUD \$0.9000	31-Dec-13
		1,500,000	AUD \$1.1000	31-Dec-13
		1,500,000	AUD \$1.3000	31-Dec-13
		4,843,240	AUD \$1.0300	31-Dec-12

7.8	Issued during quarter	12,043,230	No. of options	Strike Price	Expiry Date
			850,000	AUD \$0.7000	31-Dec-13
			1,850,000	AUD \$0.8000	31-Dec-13
			1,500,000	AUD \$0.9000	31-Dec-13
			1,500,000	AUD \$1.1000	31-Dec-13
			1,500,000	AUD \$1.3000	31-Dec-13
			4,843,240	AUD \$1.0300	31-Dec-12
7.9	Exercised during quarter	2,644,673	No. of options	Strike Price	Expiry Date
			400,000	AUD \$0.4000	30-Jun-12
			2,244,673	AUD \$0.3125	30-Jun-12
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 April 2011

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.