

19th May 2011

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

Via electronic lodgement

Dear Sir/Madam,

2.73 BT INITIAL GROSS IN-SITU COAL RESOURCE EXCEEDS TARGET

SEAM	RESOURCE CATEGORY	IN-SITU TONNES	Raw CV Kcal/kg	Washing Yield range	Washed CV Kcal/kg range
LOWER MAIN	Indicated	295 Mt	4,560	28-72%	5,420 – 5,070
	Inferred	1,395 Mt	4,300		
	SUB-TOTAL	1,690 Mt	4,350	16-61%	5,360 – 4,850
UPPER MAIN	Indicated	205 Mt	3,100	6-24%	5,200 – 4,795
	Inferred	835 Mt	2,975		
	SUB-TOTAL	1,040 Mt	3,000	7-29%	5,310 – 4,600
	TOTAL	2,730 Mt		12-46%	5,340 – 4,780

- The coal occurs in one main seam which averages 14m thickness, is close to surface and which is expected to be amenable to low strip-ratio open pit mining.
- Block-B has been classified as an Indicated Resource containing 500 Mt coal. Block-A and Block-C (2,230 Mt) are classified as Inferred Resources.
- The Lower Main Seam accounts for 62% of the total resource and contains coal which is suitable for washing to create an export quality product (up to 5,420 Kcal/kg).
- The Upper Main Seam coal can be washed, or blended with the Lower Main Seam middlings to make a product which is suitable for use as power station fuel.
- Infill drilling is ongoing and is expected to lead to a re-classification of the entire resource to an Indicated category.

African Energy Resources Limited

ASX : AFR

Issued Capital
296,276,735

Directors:

Alasdair Cooke
Executive Chairman

Frazer Tabearth
Managing Director

Bill Fry
Executive Director

Mike Curnow
Non-Executive Director

Valentine Chitalu
Non-Executive Director

Phil Clark
Non-Executive Director

Level 1, 8 Colin Street
West Perth WA 6005

Tel: +61 8 6465 5500
Fax: +61 8 6465 5599

ARBN 123 316 781

www.africanenergyresources.com
info@africanenergyresources.com

BACKGROUND

The Sese Coal project comprises one wholly owned prospecting licence (PL96/2005) and six prospecting licence applications located in northeast Botswana, approximately 50km southwest of the town of Francistown. The project is close to the sealed highway between Francistown and Gaborone and is easily accessible. Rail, road and power infrastructure is also close to the project (Diagram 1).

African Energy discovered a large deposit of thermal coal at Sese in June 2010 and is pleased to announce an initial resource estimate for the coal within Prospecting Licence PL96/2005. Infill drilling is currently underway, and the Company expects to upgrade the entire resource to an Indicated Resource category during the July-September quarter.

RESOURCE ESTIMATE

The Sese coal resource occurs within Lower Karoo aged sediments and is characterised by a thick (5m to 26m) coal seam that occurs close to the basal unconformity between the Karoo Supergroup and the Precambrian Basement (refer to Diagram 2). This thick coal seam is referred to as the Sese Main Seam, and is characterised by an Upper Main Seam of coal with minor thin silty partings, and a Lower Main Seam of coal with occasional bright bands and a general lack of silty partings. The coal dips at approximately 0.6° to the southwest. Additional thinner and less continuous coal seams are developed higher in the stratigraphy, but these have been omitted from the resource estimate.

The resource estimate was compiled from data collected from 78 vertical diamond drill holes and 131 vertical reverse circulation (RC) percussion drill holes (Diagram 3). Block-B has enough data to permit the classification of an Indicated Resource, with the rest of the deposit classified as in Inferred Resource (Diagram 4). Resource estimation was undertaken in accordance with industry standard practice (see Appendix A) and was supervised by senior consultants at Coffey Mining.

The table below shows the resource details, with proximate analyses reported on an air-dried basis. The tonnages account for losses due to modelled dolerite dykes and sills plus an additional 5% geological loss factor.

SEAM	RESOURCE CATEGORY	IN-SITU TONNES	CV Kcal/kg	CV MJ/kg	Inherent Moisture %	Ash %	Volatile Matter %	Fixed carbon %	Sulphur %
LOWER MAIN	Indicated	295 Mt	4,560	19.1	8.96	25.9	20.4	44.7	1.88
	Inferred	1,395 Mt	4,300	18.0	7.30	31.2	18.3	43.3	2.60
	TOTAL	1,690 Mt	4,350	18.2					
UPPER MAIN	Indicated	205 Mt	3,100	13.0	6.80	43.6	18.7	31.0	1.35
	Inferred	835 Mt	2,975	12.4	6.76	46.2	17.1	30.1	1.12
	TOTAL	1,040 Mt	3,000	12.5					
	TOTAL	2,730 Mt							

INDICATIVE COAL WASHABILITY RESULTS

Washing test work has been undertaken on coal cores from 15 core holes drilled by African Energy, supplemented by data from two holes drilled in 1976 by Shell Coal Botswana Pty Ltd (refer to Diagram 3 for hole locations). The core samples from the 15 African Energy holes were tested at ALS Witlab in South Africa, and the resulting washability data has been analysed to produce yield curves by CPG Resources – QCC Pty Ltd of Australia.

The washability data collected to date indicate the following:

- The Lower Main Seam is amenable to either a single-stage or two-stage washing process to produce coal with improved heating values that may be suitable for export.
- The table below provides information on the average characteristics (air-dried basis) of the coal produced through single stage or two stage washing of the entire Lower Main Seam at the noted relative densities (RD):

Entire Lower Main Seam	Single Stage RD 1.6	Single Stage RD 1.7	Two-stage Primary RD 1.5	Two-stage Middling RD 1.5-1.7
Yield %	40.3	60.9	16.2	44.7
Ash %	17.6	20.7	14.6	22.9
IM %	8.0	8.0	8.0	8.0
VM %	23.7	22.9	25.0	22.9
FC %	50.6	48.4	52.4	46.2
TS %	0.29	0.28	0.34	0.25
CV MJ/kg	21.36	20.31	22.42	19.54
CV kcal/kg	5,100	4,850	5,360	4,670

- The following Table shows the results for the Lower Main seam for the Indicated Resource (Block-B) only, also on an air-dried basis, illustrating that Block-B produces a higher yield, higher quality product:

Lower Main Seam, Block-B	Single Stage RD 1.6	Single Stage RD 1.7	Two-stage Primary RD 1.5	Two-stage Middling RD 1.5-1.7
Yield %	56.0	71.7	28.4	43.3
Ash %	16.2	18.0	13.8	20.8
IM %	8.0	8.0	8.0	8.0
VM %	25.6	25.2	26.2	24.3
FC %	50.2	48.8	52.0	46.9
TS %	0.27	0.26	0.31	0.23
CV MJ/kg	21.88	21.23	22.68	20.29
CV kcal/kg	5,220	5,070	5,420	4,850

- The Lower Main Seam in Block-B (Indicated Resource, 295Mt) can thus be washed to produce an export quality coal, with an indicative yield of 71.7% for a 5,070 kcal/kg single stage product, or indicative yields of 28.4% for a 5,420 kcal/kg primary product and 43.3% for a 4,850 kcal/kg middling (cumulative yield 71.7%).
- The Upper Main Seam is characterised by lower yields than the Lower Main Seam at similar RD cut-off points. As a low-yield washed product, or as a raw coal blended with the middlings from a two-stage washing of the Lower Main Seam, it is suitable for use as domestic power station fuel.

It is important to note that the washability results presented above are representative only of the 15 core holes tested to date. As further washing tests are undertaken on the outstanding core holes new information may come to light which could result in different yield curves and/or different product specifications. These results will be incorporated into the outputs of the Concept Study, and released to the market when complete.

JORC DISCLAIMER:

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.

The information in the report to which this statement is attached that relates to the Sese Coal Project Resource is based on information compiled by Mr Lauritz Barnes and Dr Frazer Tabcart and assisted by Mr Alan Goldschmidt. Mr Barnes and Dr Tabcart are both Members of The Australian Institute of Geoscientists. Mr Barnes is Principal of Trepanier Pty Ltd and a consultant to African Energy Resources Limited. Dr Tabcart is the Managing Director and an employee of African Energy Resources Limited. Mr Barnes and Dr Tabcart are the Competent Persons responsible for the database, modelling, estimation methodology and Classification.

Messrs Barnes and Tabcart have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Messrs Barnes and Tabcart consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Mr Alan Goldschmidt is a member of Geological Society of South Africa (a Recognised Overseas Professional Organisation under the Code) and is a Registered Natural Scientist (Pr.Sci.Nat). Mr Goldschmidt is employed by Coffey Mining who are independent mining consultants to African Energy Resources Limited. Mr Goldschmidt has had the opportunity to review the methods described in a summary statement supplied by African Energy for creating the structural model and the interpolation of coal qualities and considered that they are appropriate for the type of coal deposit under study.

Information in this report relating to coal quality, washability and practical washing outcomes is based on information compiled by Mr Wes Mackinnon (Consulting Manager at CPG Resources - QCC Pty Ltd) under the direction of Mr Philip Clark. Mr Mackinnon has over 15 years' experience relevant to the style of evaluation and type of deposit under consideration and to the activity which he is undertaking. Mr Mackinnon consents to the inclusion of the data in the form and context in which it appear. Mr Clark is a consultant to and Director of African Energy Resources Limited and is a Member of the Australasian Institute of Mining and Metallurgy and has over 20 years' experience relevant to the style of evaluation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Clark consents to the inclusion of the data in the form and context in which it appear.

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

For and on behalf of the board

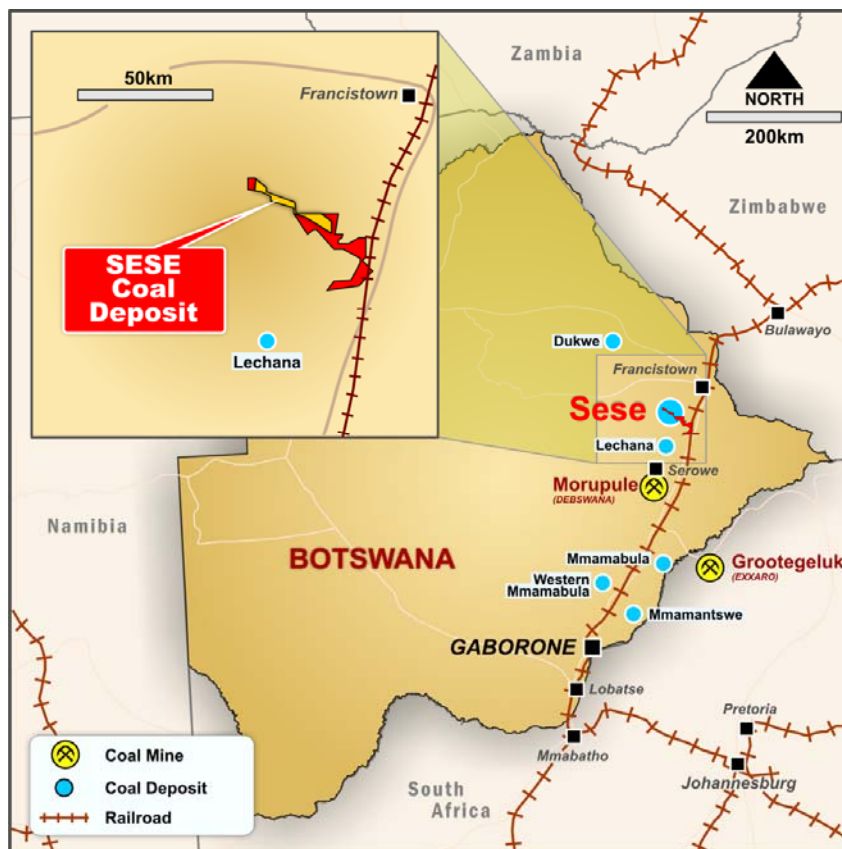


Diagram 1: Location map of the Sese Project, Botswana.

Schematic Section Sese Coal

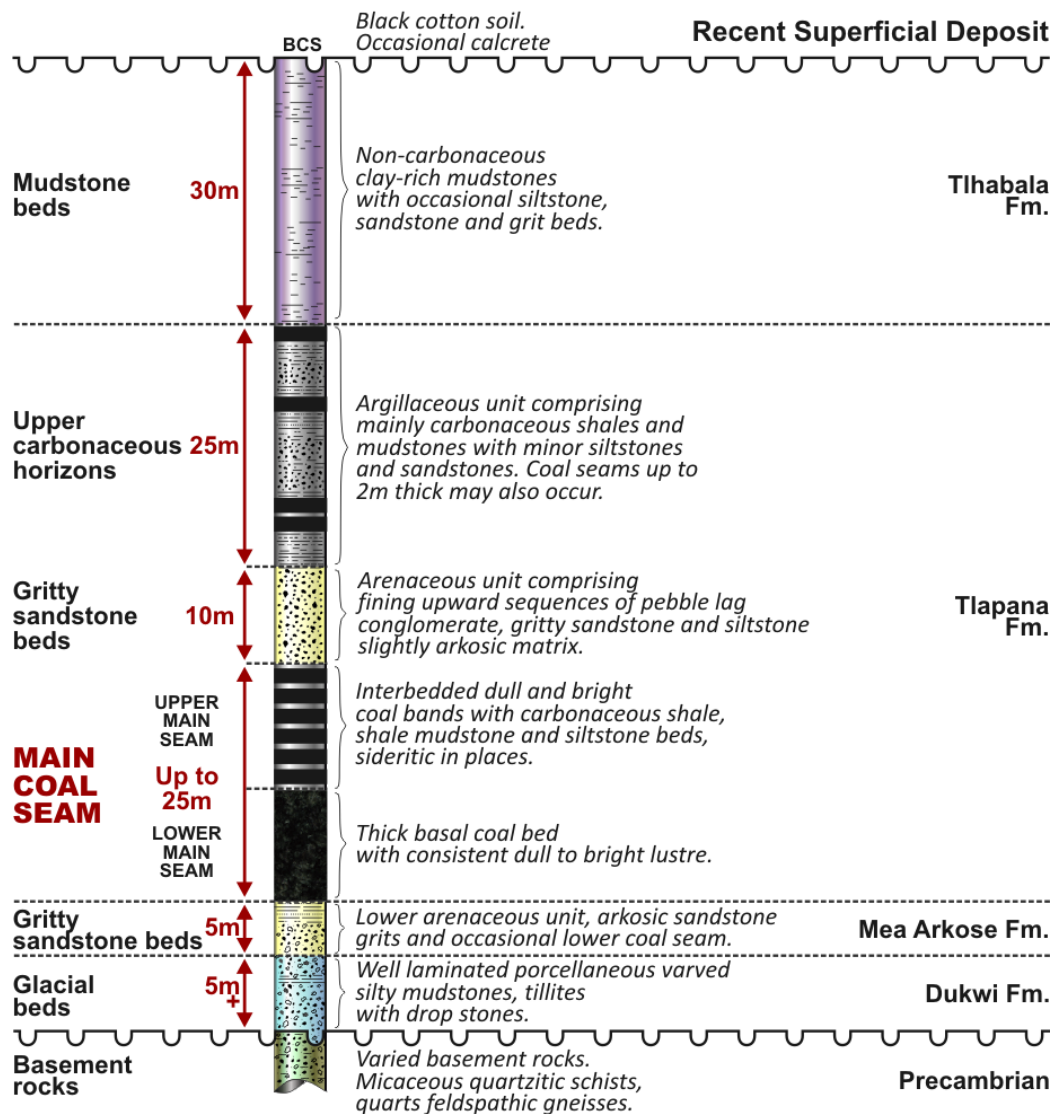


Diagram 2: Schematic stratigraphy of the Sese coalfield showing the full stratigraphic section. In many places the upper stratigraphy has been eroded away so that the top of the Main Coal Seam is at shallower depth (as shallow as 15m in parts of Block-B).

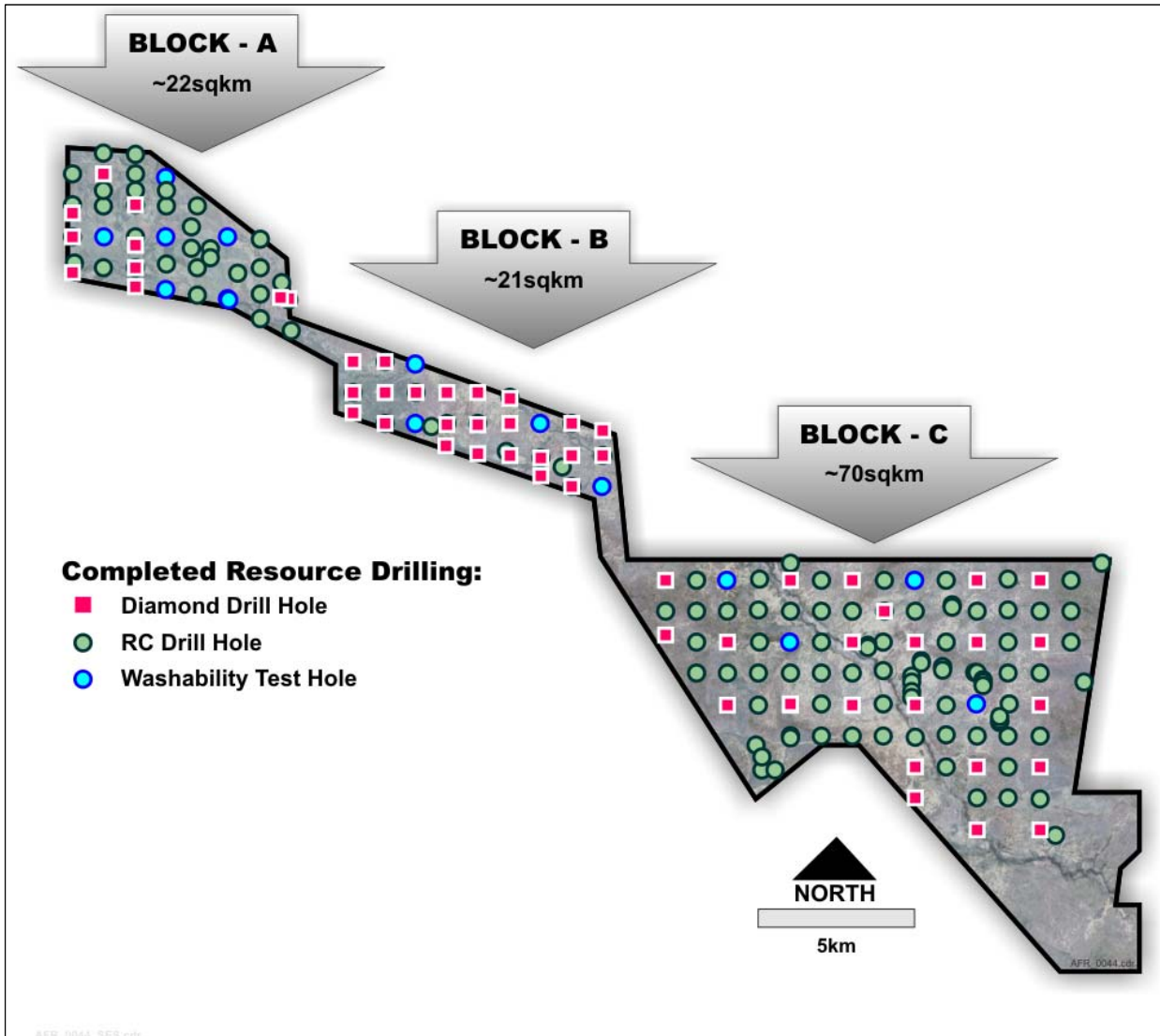


Diagram 3: Drill plan showing diamond drill holes and reverse circulation (RC) percussion holes used for the resource calculations. Washability test holes refer to holes where diamond drill core was tested for coal washability.

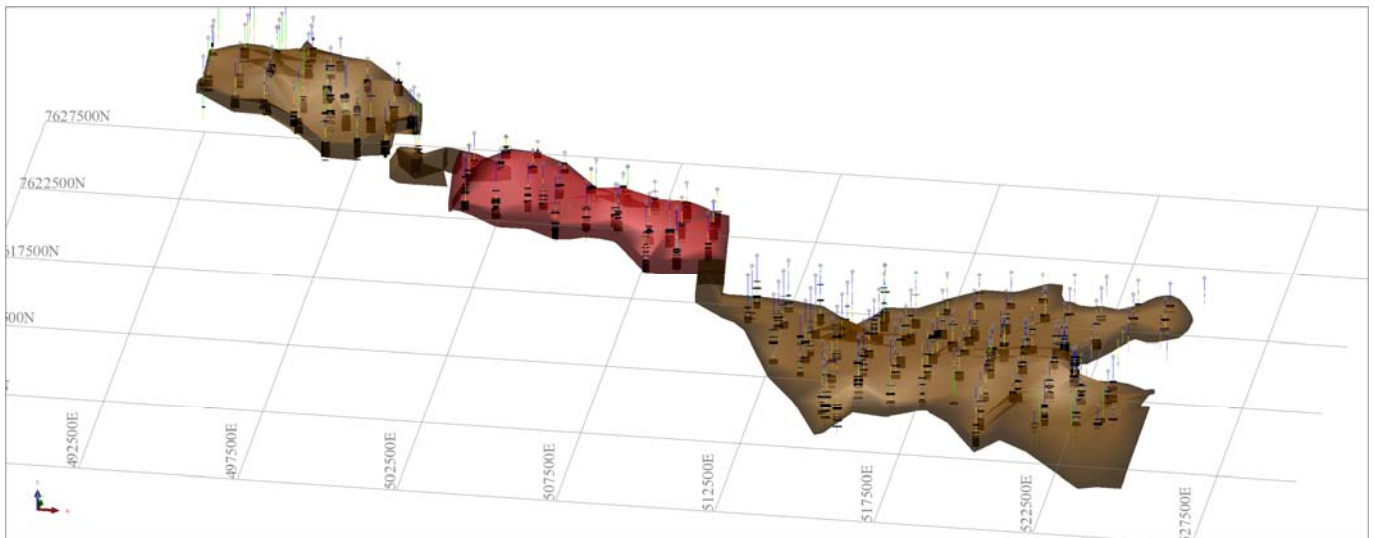


Diagram 4: Oblique perspective view of the resource block model (25 x vertical exaggeration) showing the Indicated Resource (red) and Inferred Resource (brown) and the positions of the drill hole data used to delineate the resource model.

APPENDIX A: RESOURCE ESTIMATION METHODOLOGY

Field Data Collection

- A total of 209 drill holes were used in the resource modelling, of which 131 were RC percussion drill holes and 78 were diamond drill holes. All holes were drilled vertically and due to their short nature (35-115m end of hole depth range) were not deemed to need down-hole surveying.
- In Block-A and Block-C, diamond drilling was undertaken on a 2km x 2km grid, with RC percussion infill to a 1km x 1km grid, and the resource in these blocks has been classified as an Inferred Resource. In Block-B, diamond drilling was completed on a 1km x 1km grid, allowing a higher core sampling density, and as a result the resource in Block-B has been classified as an Indicated Resource.
- All drill holes have been surveyed for collar position using differential GPS, and all available holes have been logged with a down-hole geophysical probe to collect data at 2cm intervals on natural gamma, density and hole diameter (caliper reading).
- All drill holes have been geologically logged, with the down-hole geophysical data used to assist correlation of the geology between holes.
- Senior consultants from Coffey Mining assessed field procedures during a site visit in November 2010.

Analytical Data

- Samples of coal from diamond drill cores were selected for analysis on the basis of geological interval logging and correlations with the geophysical logs, with a maximum sample length of 2m.
- The coal samples were tested at ALS Chemex's coal laboratory in Witbank, South Africa. Proximate analyses (Calorific Value, Inherent Moisture, Ash content, Volatile Matter, Fixed Carbon and Total Sulphur) were undertaken on all submitted samples.
- Samples from selected holes were then composited into 1 to 2.5m intervals for washing tests at RD intervals of 1.4, 1.5, 1.6, 1.7 and 1.8.
- Density data for the coal was also measured at ALS Witlab and compared to the densities derived from the down-hole geophysical logging.
- A regression of ash content vs. relative density was established from the down-hole geophysical logs and was used to calculate coal tonnages.
- As a check, the coal tonnages were also calculated using the average relative densities for each Block as derived from the measured ALS Witlab data (Block-A average RD=1.7, Block-B average RD=1.69, Block-C average RD=1.73). Both tonnage calculations reported the same numbers.

Resource Model and Estimation

- 3-D geological wireframes were created in SurpacTM to model the Upper and Lower Main Seam, the basement contact and the dolerite dykes and sills.

- Dolerite dyke and sill positions and extents were deduced from a combination of geological drill logs and interpretation of regional aeromagnetic data.
- Composited data from proximate analyses were created on an interval weighted basis for each drill hole for the Upper Main Seam, Lower Main Seam and total Main Seam, to be used in 2-D modelling.
- Resource estimation volumes and average proximate analyses were calculated using 2-D simple Inverse Distance Squared (ID^2) methods with a block size of 200m (X) by 200m (Y) by 1m (Z).
- Coal volumes were reduced by subtracting the 3-D dyke/sill volumes, and clipped to the tenement boundary and basement contact.
- A further 5% reduction in volumes was applied to reflect geological losses from small, unmapped dolerite dykes not identified from the aeromagnetic data.