

3 February 2012

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

Via electronic lodgement

Dear Sir/Madam,

INVESTOR PRESENTATION – FEBRUARY 2012

Please find attached the latest Investor Update for African Energy Resources Limited.

It is being presented on a marketing roadshow at the African Mining Conference in Livingstone and at the Indaba Conference in Cape Town.

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

**African Energy
Resources Limited**

ASX : AFR

BSE : AFR

Issued Capital
326,576,735

Directors:

Alasdair Cooke
Executive Chairman

Frazer Tabear
Managing Director

Bill Fry
Executive Director

Mike Curnow
Non-Executive Director

Valentine Chitalu
Non-Executive Director

Phil Clark
Non-Executive Director

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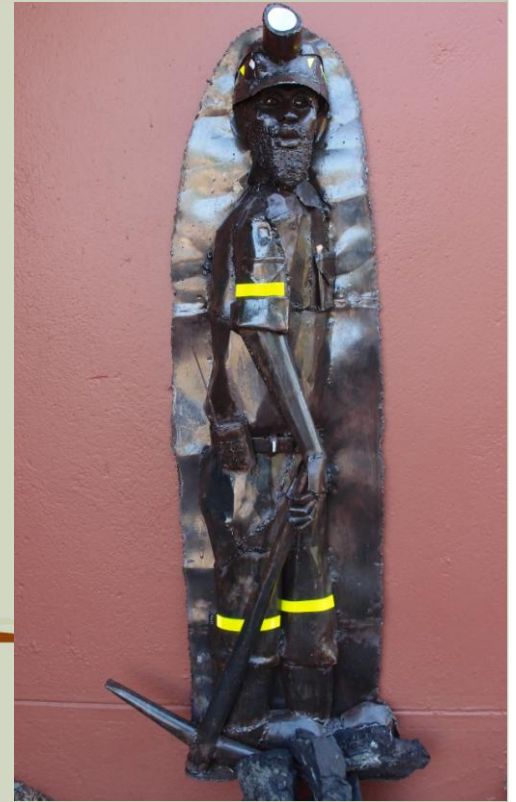
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Sese Coal and Power Project: Development plans for 2012-13



AFRICAN ENERGY



Project Update, February 2012

Disclaimer



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This presentation includes certain “Forward- Looking Statements”. The words “forecast”, “estimate”, “like”, “anticipate”, “project”, “opinion”, “should”, “could”, “may”, “target” and other similar expressions are intended to identify forward looking statements. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows and potential mineralisation, resources and reserves, exploration results, future expansion plans and development objectives of African Energy Resources Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

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 Resources”, “Inferred Resources” and “Indicated 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 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.

Executive summary



Summary:

- Coal mine and power station project in Botswana
- Low sovereign and commercial risk
- Experienced development team for mine and power project
- Quality resource – low cost and globally competitive
- Aligned to market, infrastructure and electricity markets

Sese Project:

- Very large thermal coal deposit >2.6 Billion tonnes + upside
- Amenable to open cut mining with very low ROM costs
- Can produce large tonnages of domestic and export coal

Development Plan:

- Bankable feasibility study and EIA underway
- Bulk sample: ~15,000t coal for marketing/test-work
- Stage 1: 1-2Mtpa coal production from mid-2013
- Stage 2: ramp-up to 5Mtpa over 2-3 years with feed to IPP
- Stages 3 & 4: ultimately >20-30Mtpa via expanded exports



Capital structure and corporate overview



Capital Structure

Shares on Issue (ASX, BSE)	326M
Options	26.4M
Price range (52 weeks)	A\$0.22-A\$1.045
Market Cap (27 th Jan')	A\$120M
Cash (30 th Nov')	A\$10.8M

Major Shareholders

Management	9.8%
Mr Stacey Radford	5.3%
Independent Asset Mgmt	4.0%
Mr David Metford	3.8%
Geiger Counter Ltd (CQS)	2.0%
Republic	1.2%
Top 20	48.1%

Board and Management

Executive Directors

ALASDAIR COOKE, Executive Chairman
Geologist, founder of AFR, successful mine developer

FRAZER TABEART, Managing Director
Geologist, 25 years global exploration experience

BILL FRY, Executive Director
Accountant, funds management and project development

Non-executive Directors

BLACKIE MAROLE, Non-exec Chairman, Botswana
Economist, senior Board roles (Debswana) and Govt. roles

VALENTINE CHITALU, Non-executive Director
Accountant, investment and development management

MICHAEL CURNOW, Non-executive Director
Mining project development in Africa

PHIL CLARK, Non-executive Director
Engineer, 33 years experience in global coal with BHPB

Senior Management

DAVID SCOTT, General Manager Projects
Engineer, coal mine development roles in Botswana

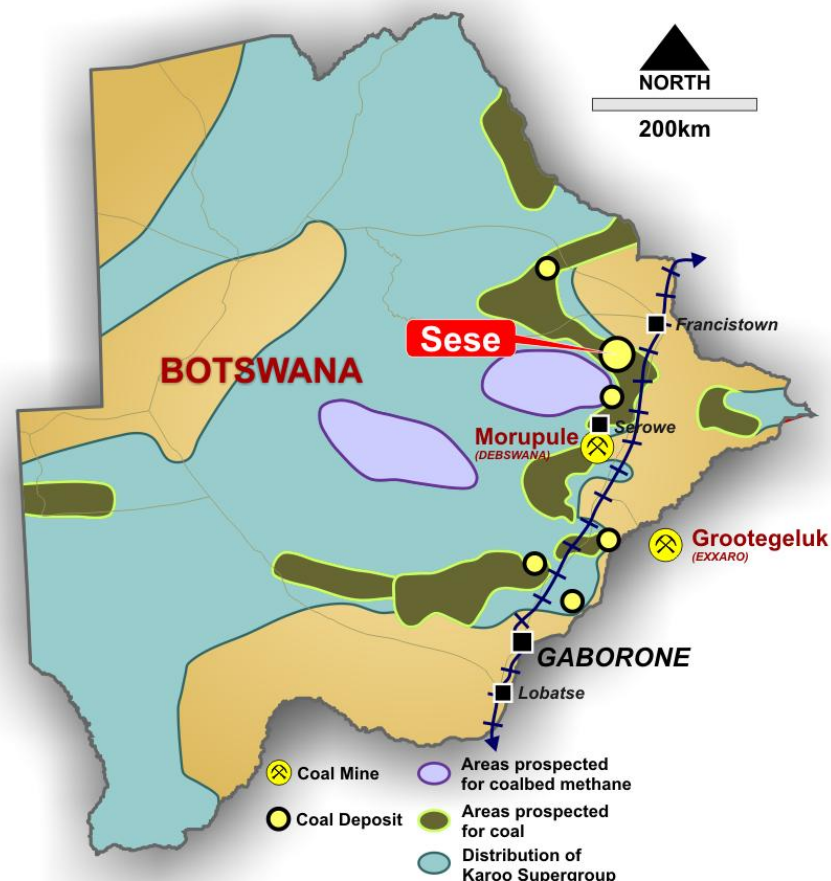
THOMAS SCOTT-MOREY, Power Development Manager
Experienced developer of power stations and their finance

Project location – the right place

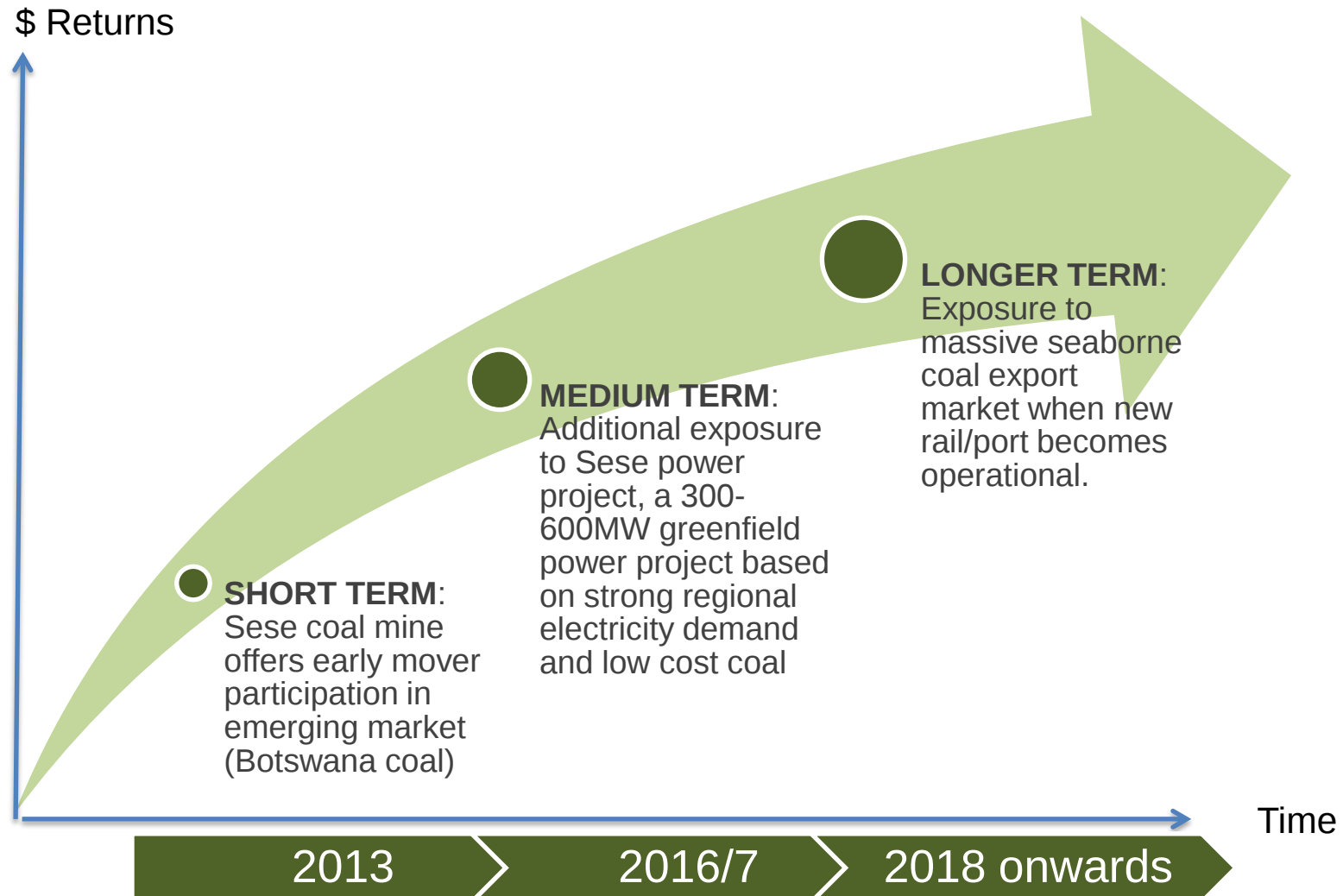


Botswana – an emerging global coal province

- **Stable, safe and secure jurisdiction**
 - *Widely perceived as an excellent investment destination by mining companies (and their bankers!)*
- **Transparent Mining Act plus attractive fiscal regime**
 - *Prospecting Licence for 3+2+2 years, 25 year Mining Licence*
 - *3% royalty (on mine-gate revenue)*
 - *Variable tax (22% to 55%) based on profitability ratio (generally low for “bulk commodities”)*
- **Government currently finalising national coal “roadmap”**
 - *Unique opportunity to enhance the economic development of Botswana for 50+ years*
 - *To be underpinned by exports of coal AND electricity*
- **Good infrastructure along eastern corridor**
 - *Existing road, rail and 220kV power line*
 - *Coal project is 25km west of this corridor*



Project development path



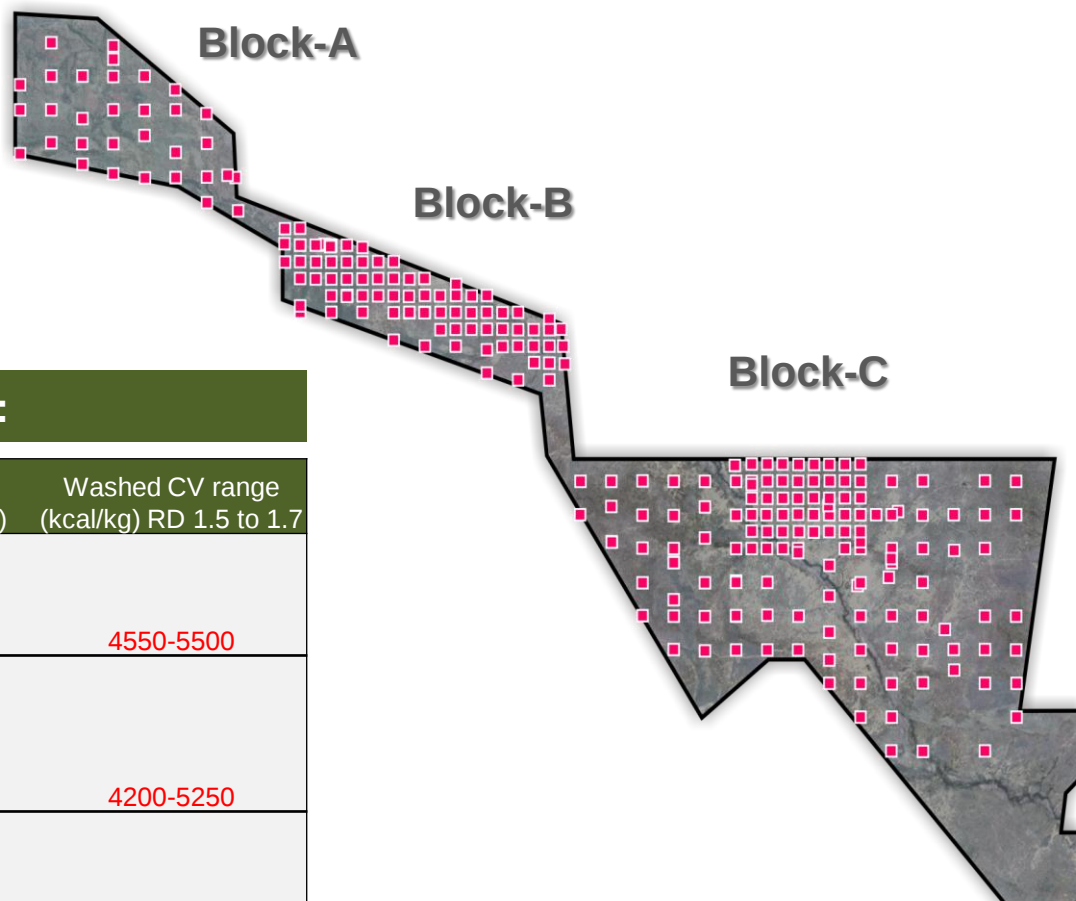
World class resource



Resource/Reserve upgrades

Infill core drilling to 500m grid completed in Block-B and Block-C

MEASURED RESOURCE plus
RESERVE STATEMENT in Q2 2012



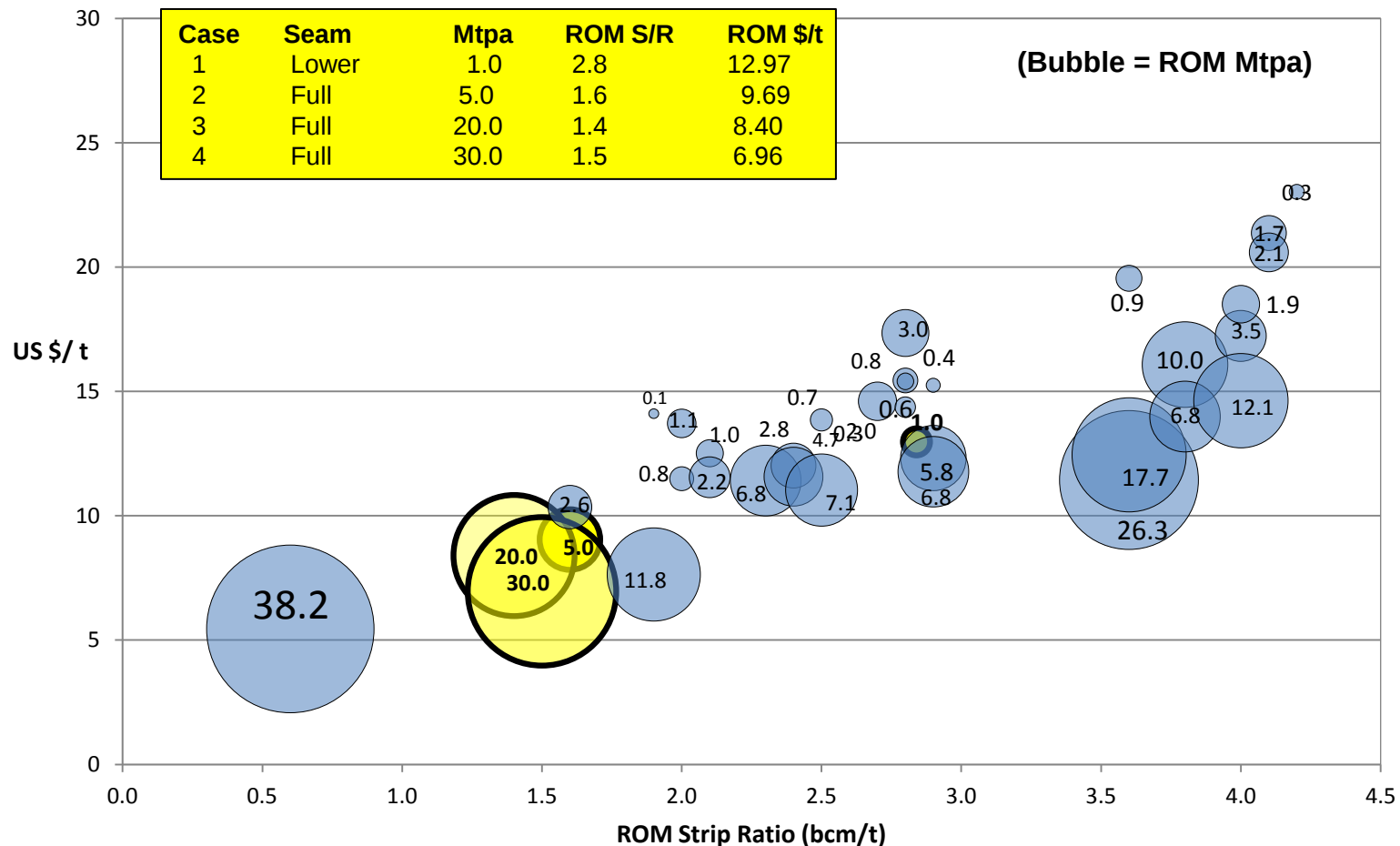
Indicated and inferred resources:

Seam	JORC	TONNES /Mt	CV (MJ/kg)	CV (kcal/kg)	Washed CV range (kcal/kg) RD 1.5 to 1.7
Lower SS	Indicated	1532	17.36	4146	
	Inferred	68	14.85	3547	
	Total	1599	17.26	4121	4550-5500
Upper SST	Indicated	637	12.76	3046	
	Inferred	32	9.43	2253	
	Total	669	12.60	3008	4200-5250
Upper SSU	Indicated	348	13.06	3120	
	Inferred	9	12.95	3092	
	Total	357	13.06	3119	4350-5400
		2626	15.50	3701	

Low ROM operating cost - benchmarked



Sese ROM costs (yellow bubbles) benchmarked against published data for all South African open pit coal mines



Source: Wood Mackenzie Coal Supply Series South Africa 2011, and Sese Concept Study

Markets for Sese coal



Industrial coal markets

Growing industrial markets...

- Existing industrial customers in Botswana and nearby countries
- New customers entering market as regional economies develop
- Marketing consultant appointed to develop Sese coal sales

Regional power markets

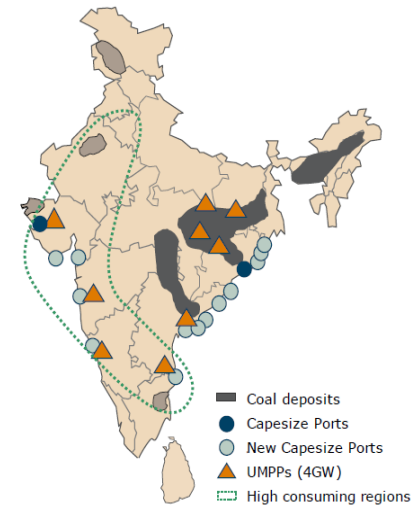
Southern African power crisis...

- Southern African Power Pool facing net regional electricity generating deficit as demand increases
- Regional mine expansions – significant new regional electricity demand
- IPP negotiations underway

Global export markets

Rising demand from India/China...

- India has large domestic demand which cannot be met internally
- Few undeveloped coal provinces capable of meeting this demand
- Competing with Galilee, Surat – each of which require \$ billions for development

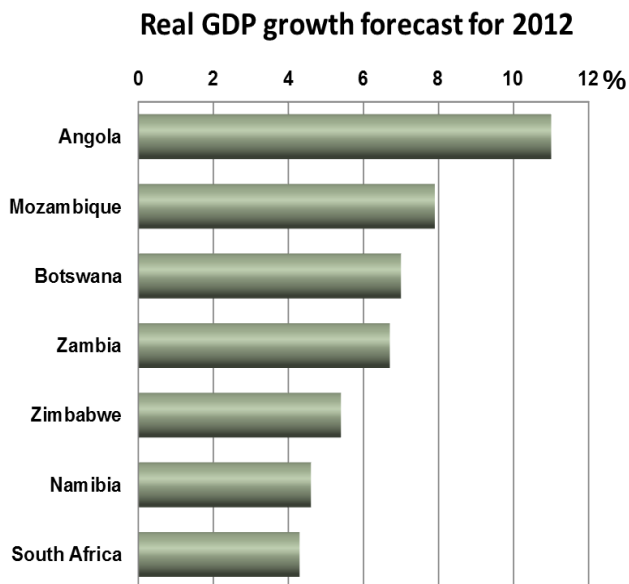


Growing markets in southern Africa



Strong regional GDP growth

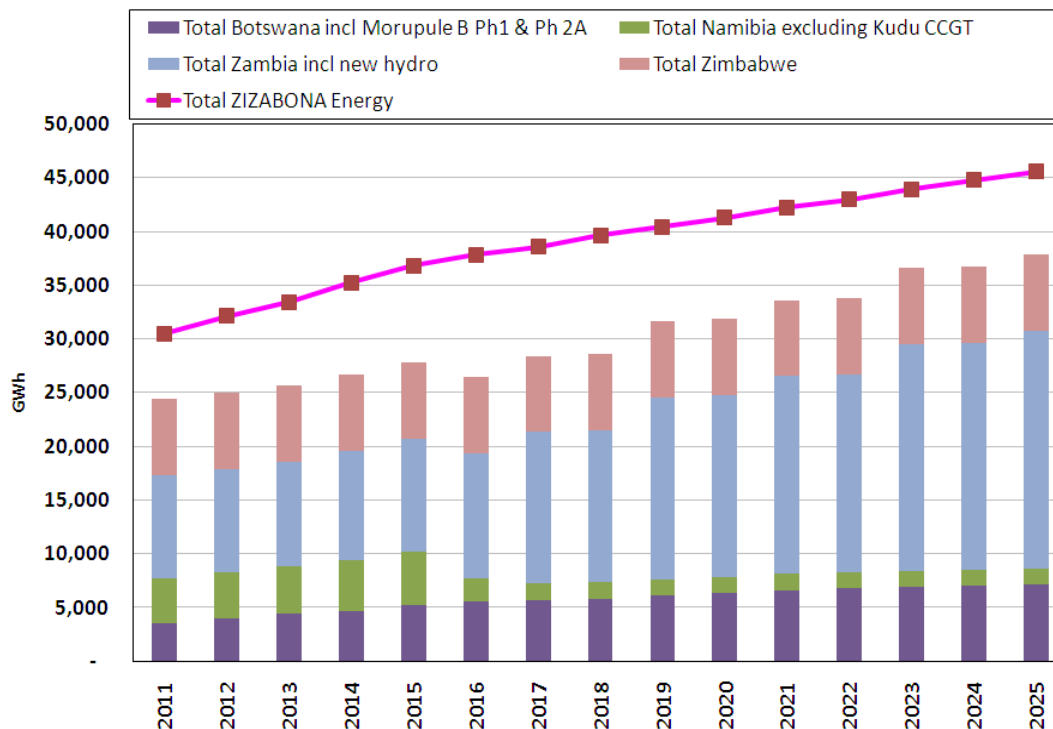
Strong regional real GDP growth provides investment opportunities absent in traditional markets (Europe, North America), particularly in the fields of power and infrastructure



Source: African Economic Outlook 2011

Regional power deficit looming

Current supply gap filled by exported power from South Africa (ESKOM), but guaranteed supply contracts expire during the next 1-2 years. This provides an opportunity for power station(s) and power export from Botswana

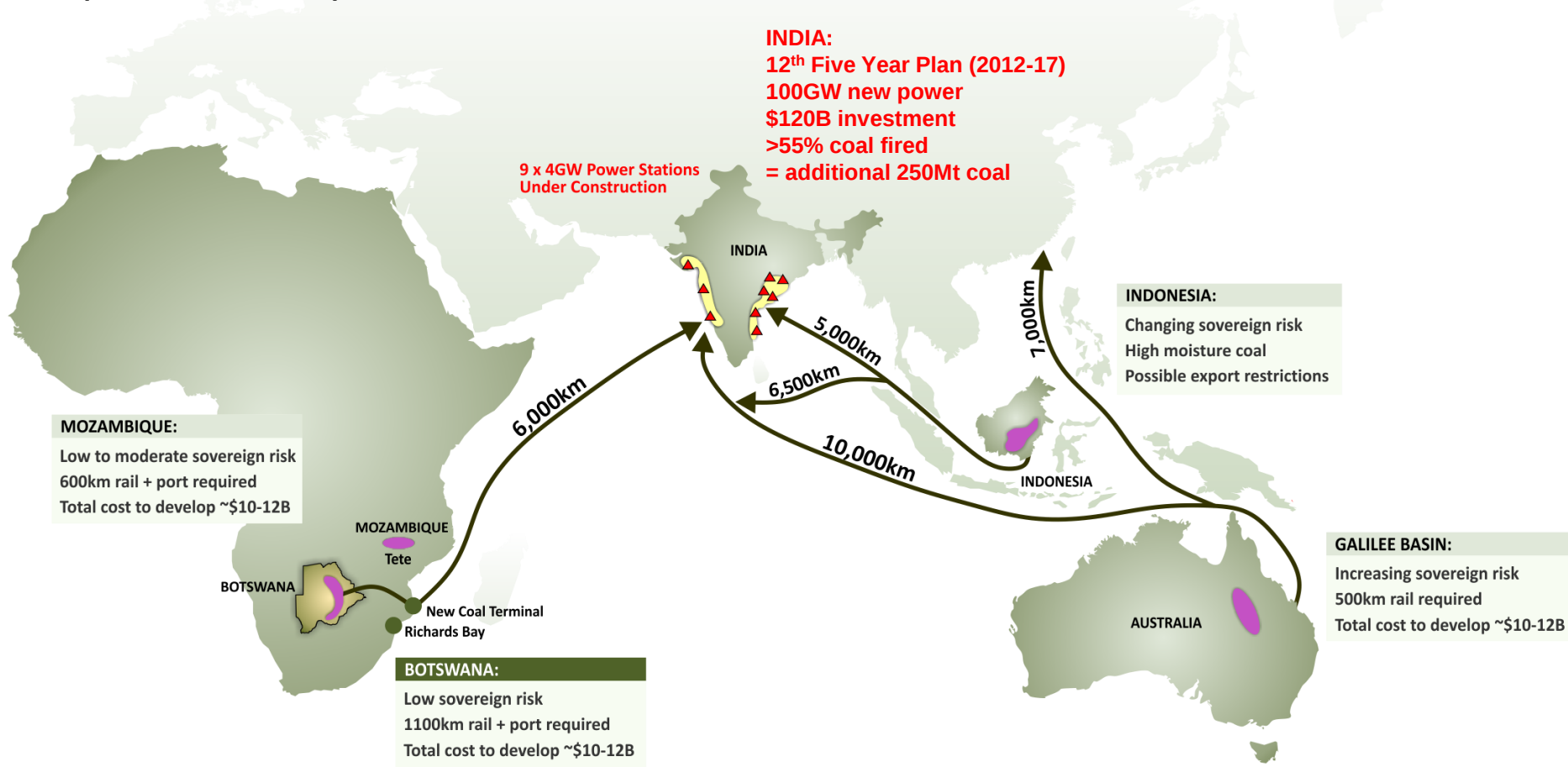


Source: PB Power 2011

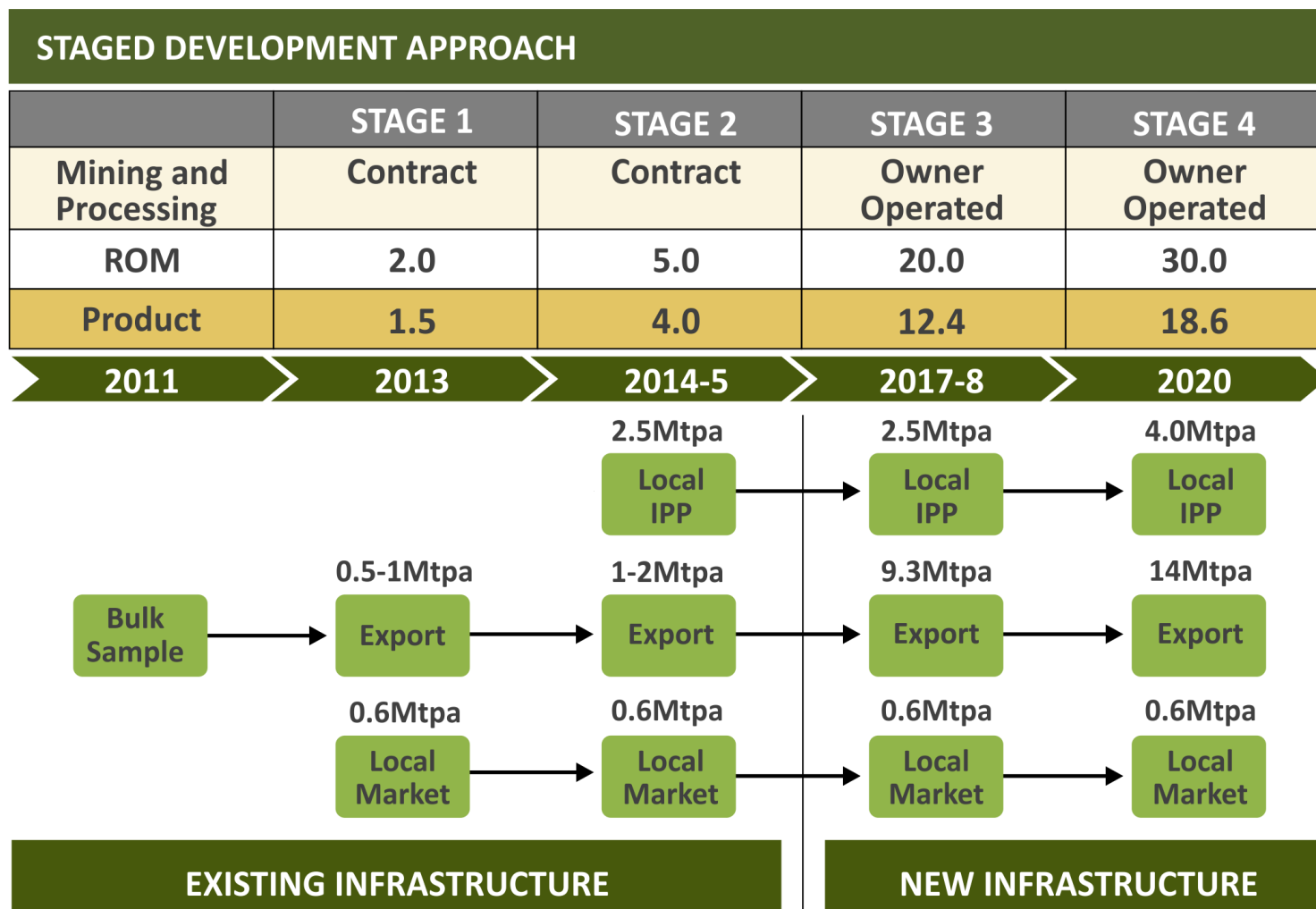
Export markets in the Indian Ocean basin



Botswana provides competition for the emerging coal basins in Australia (Galilee, Surat) for similar sized multi-\$billion infrastructure investments

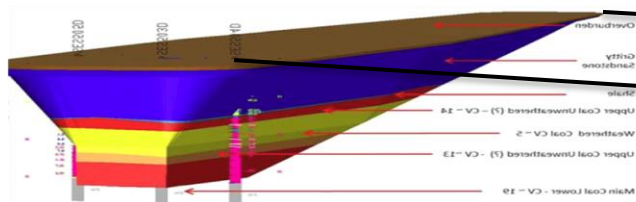


Sese development plan (indicative)



The site plan illustrates the layout of the proposed coal processing facility. Key features include:

- Waste Rock Dump:** A large rectangular area with a capacity of 105,000 LHM (200m x 200m). It includes a designated "Probable Area for Weathered Coal".
- Topsoil Dumps:** Several rectangular areas for topsoil storage, with dimensions ranging from 12m x 10m to 12m x 20m.
- Coal Stockpile Hardstand:** A rectangular area with a capacity for 12 x 1000B stockpiles.
- Coal Stockpile Bump:** A rectangular area for coal stockpiling.
- Processing Area:** A long, narrow area containing a "Test Pit Crest" (Total Shell Volume: 40,000m³; 10 Lower Shells: 10 x 5m; 10 Upper Shells: 10 x 4m) and a "Pit Floor".
- Infrastructure:** A "Road" runs along the right side of the site, and a "Sed Dam" is located at the top right. A "PL 16/2/16" line is also indicated.



- Entire deposit amenable to open-cut strip mining
- Exploration box-cut for the bulk sample has been designed to be an access ramp for Stage 1
- Reduces development time-frame for Stage 1 construction
- ~15,000t coal available for bulk washing tests, export trials and customer boiler trial's



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First coal exposed December 2011



Inspecting first 5,000t of coal on stockpile



BFS/EIA – progress to date



Bankable feasibility study

- MRM (Runge) : study manager/mining consultant
- Sedgman appointed as processing consultant
- Additional consultants appointed for key tasks
- Phase 1 (1-2mtpa) completed by June 2012
- Phase 2 (4-5mtpa) completed by Dec' 2012

Environmental Impact Assessment

- Ecosurv appointed as EIA consultant
- Preliminary EIA for 5mtpa mine and 600MW power station has been approved
- Community consultation meetings in February
- Baseline surveys to commence in Q1 2012
- Mine EIA process to be complete by end 2012

Concept Study results:		Stage 1	Stage 2	Stage 3	Stage 4
Cost Estimates (+/-35%)		Contract Mining and Washing		Owner Operated	
ROM Tonnes	Million t	2.0	5.0	20.0	30.0
Product Tonnes	Million t	1.5	4.0	12.4	18.6
Strip Ratio		2.84*	1.60	1.40	1.50
Total CAPEX to reach each stage	US \$ million	46	104	730	1,013
ROM Unit Costs	US\$/ROM t	12.97	9.69	8.40	6.96

* Lower seam only for Stage 1, then full-seam mining for Stage 2 onwards

Sese power project – overview



Building the right team to deliver:

- Appointment of experienced Power Development Manager
- Initial concept study for first 300MW project completed
- Power purchasers identified, including Govt. of Botswana
- Team of external consultants and advisors appointed

Sese Power Station project scope:

- Initial 300MW (gross) coal fired power station, based on same design as Morupule B (4 x 150MW units)
- 1.2Mtpa Sese coal mine expansion
- 220 KV Sub-station
- 20-30km 220KV Transmission lines
- 0.5 Gl/yr Water supply infrastructure
- Coal handling equipment/facilities
- Ash handling equipment/facilities

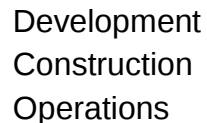


Sese bulk sample excavated for test work

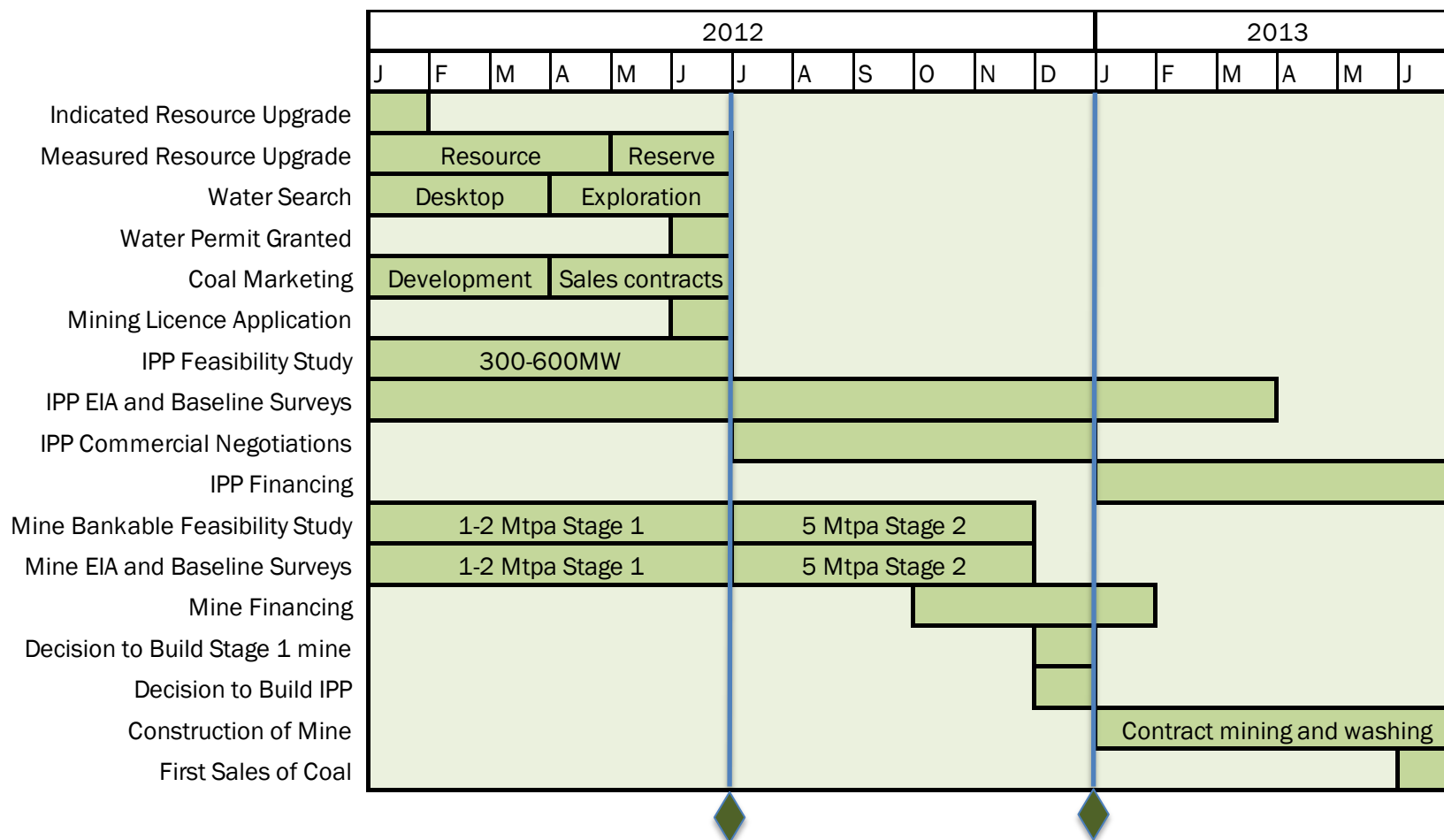


Morupule B (4 x 150MW) under construction

Development Plan:



Integrated development milestones



The above schedule is indicative only and assumes all project milestones are met and government permits and licences are granted in a timely manner

Summary



- ✓ 2.6 billion tonne resource in attractive jurisdiction, very large upside potential
- ✓ Extremely low supply risk due to scale and geometry of deposit
- ✓ Team of developers with significant coal mine and power station expertise
- ✓ Thermal coal suitable for both export and domestic markets
- ✓ 15,000t exploration bulk sample for washing test-work and market development
- ✓ Ideal feedstock for power station(s) in low-risk environment
- ✓ Initial 1-2Mtpa Stage 1 operation in 2013, ramping up to 4-5Mtpa for Stage 2