



ARBN 123 316 781

Interim Financial Statements
for the six months ended
31 December 2011

AFRICAN ENERGY RESOURCES LIMITED

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AFRICAN ENERGY RESOURCES LIMITED

Directors' Report

Interim Financial Statements - 31 December 2011

The Directors of the Company present their report on the consolidated entity consisting of African Energy Resources Limited and the entities it controlled at the end, or during, the half-year ended 31 December 2011.

DIRECTORS

Mr Alasdair Cooke
Executive Chairman

Mr Valentine Chitalu
Non-Executive Director

Dr Charles (Frazer) Tabeart
Managing Director

Mr Michael Curnow
Non-Executive Director

Mr Gregory (Bill) Fry
Executive Director

Mr Philip Clark
Non-Executive Director

REVIEW OF OPERATIONS

African Energy Resources Limited ("African Energy") is a dual listed company on the Australian Securities Exchange and the Botswana Stock Exchange. The Company was incorporated on 29 September 2006 and is domiciled in Guernsey. The information presented in this report is for the six month period ended 31 December 2011.

The African Energy Group of companies are focused on developing the Sese coal project in Botswana and identifying and developing new energy resources projects in southern Africa. The Company is led by a highly experienced Board of Directors and management team who have been closely associated with successful exploration projects and mining developments, including current mining projects in Zambia and Botswana as well as large scale coal operations in Australia. The Company's projects are located over sedimentary basins of the Karoo Supergroup, which are host to uranium and coal projects in South Africa, Malawi, Zambia, Botswana, Tanzania and Zimbabwe.

The Sese coal project has an indicated resource of 2,517 Mt and an inferred resource of 109 Mt, with a calorific value between 4,200 and 5,500 kcal/kg. Studies on the project are currently being undertaken to evaluate the feasibility of production and the development of a coal fired power plant on the site.

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 of the Company), who is a member of The Australasian Institute of Mining and Metallurgy. 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2011.



Charles Frazer Tabeart
Director
Perth, 9 March 2012

AFRICAN ENERGY RESOURCES LIMITED

Directors' Declaration

Interim Financial Statements - 31 December 2011

- 1 In the opinion of the directors of African Energy Resources Limited :
 - a. The financial statements and notes set out on pages 8 to 15, are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
 - ii. Complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. there are reasonable grounds to believe that African Energy Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Charles Frazer Tabeart
Director
Perth, 9 March 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Energy Resources Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of African Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of African Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of African Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that African Energy Resources Limited incurred a net loss of \$2,136,246 during the half-year ended 31 December 2011. This condition, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore, the disclosing entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch
Director

Perth, Western Australia
Dated this 9th day of March 2012

9 March 2012

The Directors
African Energy Resources Limited
Granite House, La Grande Rue,
St Martin Guernsey GY1 3RS

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor for the review of African Energy Resources Limited for the half-year ended 31 December 2011, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

AFRICAN ENERGY RESOURCES LIMITED**Consolidated Statement of Comprehensive Income****For the half-year ended 31 December 2011**

	31-Dec-11 USD	31-Dec-10 USD
Revenue from continuing operations	181,973	35,574
Audit and accounting fees	(53,230)	(27,359)
Professional fees	(48,898)	(58,897)
Personnel expenses	(734,093)	(451,750)
Share-based payments (non-cash)	(367,990)	(47,423)
Administration fees	(713,823)	(364,075)
Borrowing costs (cash)	(121,486)	-
Borrowing costs (non-cash)	(491,605)	-
Foreign currency gains	212,906	13,041
Loss from operating activities	(2,136,246)	(900,890)
Loss before Tax	(2,136,246)	(900,890)
Income tax expense	-	-
Loss for the period	(2,136,246)	(900,890)
Other comprehensive income		
Foreign currency translation reserve	(954,786)	658,004
Total comprehensive income for the period	(3,091,032)	(242,886)
Attributable to:		
Equity holders of the Company	(2,136,246)	(900,890)
Loss for the period	(2,136,246)	(900,890)
Total comprehensive income attributable to the ordinary equity holders of the Company:		
Total comprehensive income for the period	(3,091,032)	(242,886)
Loss per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	(0.66)	(0.31)

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Financial Position
As at 31 December 2011

	Note	31-Dec-11 USD	30-Jun-11 USD
Assets			
Current assets			
Cash and cash equivalents		10,377,836	2,437,566
Trade and other receivables		693,143	344,705
Total current assets		11,070,979	2,782,271
Non-current assets			
Property, plant and equipment		760,534	665,517
Exploration and evaluation expenditure	5	26,057,359	21,038,572
Total non-current assets		26,817,893	21,704,089
Total assets		37,888,872	24,486,360
Liabilities			
Current liabilities			
Trade and other payables		1,093,617	880,892
Borrowings	8	5,000,000	5,000,000
Total liabilities		6,093,617	5,880,892
Net assets		31,795,255	18,605,468
Equity			
Contributed equity	6	42,037,990	26,726,320
Reserves	7	3,049,713	3,035,349
Accumulated losses		(13,292,448)	(11,156,201)
Total equity attributable to shareholders of the Company		31,795,255	18,605,468

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2011

	Contributed equity	Accumulated losses	Reserves	Total equity
For the half-year ended 31 December 2011	USD	USD	USD	USD
Opening balance	26,726,320	(11,156,201)	3,035,349	18,605,468
Net loss for the period	-	(2,136,246)	-	(2,136,246)
Other Comprehensive income				
Effect of translation of foreign operations to group presentation currency	-	-	(954,786)	(954,786)
Total comprehensive income for the period	-	(2,136,246)	(954,786)	(3,091,032)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	15,311,670	-	-	15,311,670
Equity settled share based payment transactions	-	-	969,149	969,149
	15,311,670	-	969,149	16,280,819
Balance at 31 December 2011	42,037,990	(13,292,447)	3,049,713	31,795,255

For the half-year ended 31 December 2010	USD	USD	USD	USD
Opening balance	24,314,311	(6,803,551)	561,088	18,071,848
Net loss for the period	-	(900,890)	-	(900,890)
Other Comprehensive income				
Effect of translation of foreign operations to group presentation currency	-	-	658,004	658,004
Total comprehensive income for the period	-	(900,890)	658,004	(242,886)
Transactions with owners in their capacity as owners:				
Share issue net of issue costs	1,410,432	-	-	1,410,432
Equity settled share based payment transactions	-	-	47,423	47,423
	1,410,432	-	47,423	1,457,855
Balance at 31 December 2010	25,724,743	(7,704,441)	1,266,515	19,286,817

The above statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2011

	31-Dec-11	31-Dec-10
	USD	USD
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,465,606)	(900,914)
Net cash used in operating activities	(1,465,606)	(900,914)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(149,541)	(10,946)
Payment for exploration and evaluation expenditure	(6,089,433)	(1,776,224)
Net cash used in investing activities	(6,238,974)	(1,787,170)
Cash flows from financing activities		
Proceeds from the issue of share capital	16,309,563	1,498,494
Interest and other finance costs paid	(96,046)	-
Payment of share issue costs	(888,339)	(88,062)
Interest received	148,542	35,574
Net cash from financing activities	15,473,721	1,446,006
Net increase / (decrease) in cash and cash equivalents	7,769,140	(1,242,078)
Cash and cash equivalents at 1 July	2,437,566	3,977,744
Effect of exchange rate fluctuations on cash held	171,130	15,486
Cash and cash equivalents at 31 December	10,377,836	2,751,152

The above statement should 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 interim financial statements of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity' or the 'Group'). The Group is primarily involved in coal exploration in Africa.

2. Basis of preparation

(a) Statement of Compliance

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the consolidated entity as at and for the period ended 30 June 2011.

These consolidated interim financial statements were authorised for issue by the directors on 9 March 2012

(b) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies during the six months ended 31 December 2011 were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

(c) Going concern

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 Sese Coal Project feasibility study costs, ongoing exploration commitments in Botswana and Zambia and for working capital. The Company is required to repay a \$5,000,000 loan facility to Macquarie Bank Limited no later than 31 December 2012. 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, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. 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.

During the half-year ended 31 December 2011, the consolidated entity incurred a net loss of \$2,136,246 and had net operating cash outflows of \$1,465,606. The cash position of the consolidated entity at 31 December 2011 was \$10,377,836

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2011

4. Segment information

The Company's Board receives segment information across two reportable business segments. These are Botswana exploration and Zambian exploration. The chief operating decision maker is the Managing Director, Charles Tabear.

For the period ended 31 December 2011	Exploration in Zambia	Exploration in Botswana	Unallocated	Consolidated
Total segment revenue	-	-	181,973	181,973
Profit (loss) before income tax	(236,926)	(62,502)	(1,836,818)	(2,136,246)
Segment Assets				
Property, plant and equipment	624,677	122,903	12,954	760,534
Exploration and evaluation expenditure	16,985,835	9,071,524	-	26,057,359
Other	110,046	1,631,144	9,329,789	11,070,979
Total Segment Assets	17,720,558	10,825,570	9,342,743	37,888,872
Segment Liabilities				
Other	28,016	432,542	633,059	1,093,617
Borrowings	-	-	5,000,000	5,000,000
Total Segment Liabilities	28,016	432,542	5,633,059	6,093,617

For the period ended 31 December 2010

Total segment revenue	-	-	35,574	35,574
Profit (loss) before income tax	(210,329)	(14,849)	(675,712)	(900,890)

At 30 June 2011

Segment Assets				
Property, plant and equipment	643,934	13,442	8,141	665,517
Exploration and evaluation expenditure	16,372,310	4,666,262	-	21,038,572
Other	124,749	765,597	1,891,925	2,782,271
Total Segment Assets	17,140,993	5,445,301	1,900,066	24,486,360
Segment Liabilities				
Other	32,376	801,749	46,767	880,892
Borrowings	-	-	5,000,000	5,000,000
Total Segment Liabilities	32,376	801,749	5,046,767	5,880,892

5. Exploration & Evaluation Expenditure

	31-Dec-11 USD	30-Jun-11 USD
Carrying amount of exploration and evaluation expenditure	26,057,359	21,038,572
Reconciliation of movement in Exploration & Evaluation Expenditure		
Balance at the beginning of the period	21,038,572	13,997,606
Additions	6,122,864	4,611,519
Impairment (expense) / reverse	-	2,987,801
Transfer to joint venture	-	(594,973)
Effect of movements in foreign exchange	(1,104,077)	36,619
Balance at 31 December	26,057,359	21,038,572

The ultimate recoverability of Exploration and Evaluation Expenditure is dependent upon its successful development or sale.

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2011
6. Equity securities issued

	2011	2010
	USD	USD
Contributed equity	44,306,141	27,996,578
Cost of share issue	(2,268,151)	(1,270,258)
	42,037,990	26,726,320

Movement in share capital	Date	Number of shares	Issue Price USD	USD
Balance 30 June 2010		282,774,650		24,314,311
Exercise of employee options	25 Oct 2010	500,000	0.1229	61,435
Share Placement	25 Oct 2010	9,600,000	0.1474	1,415,462
Exercise of employee options	09 Dec 2010	250,000	0.0864	21,596
Exercise of employee options	22 Feb 2011	1,050,000	0.3413	358,401
Exercise of employee options	07 Mar 2011	1,124,673	0.3167	356,156
Exercise of employee options	10 Mar 2011	470,000	0.3154	148,251
Exercise of employee options	11 Apr 2011	37,500	0.0899	3,370
Exercise of employee options	19 Apr 2011	469,912	0.3100	145,680
Capital raising costs				(98,342)
Balance 30 June 2011		296,276,735		26,726,320
Exercise of employee options	07 Jul 2011	50,000	0.0909	4,546
Share Placement	25 Jul 2011	30,000,000	0.5428	16,283,400
Exercise of employee options	25 Jul 2011	50,000	0.0923	4,614
Exercise of employee options	21 Nov 2011	200,000	0.0850	17,003
Capital raising costs				(997,893)
Balance 31 December 2011		326,576,735		42,037,990

7. Reserves

	2011	2010
	USD	USD
Share-based payments reserve	4,354,396	1,791,064
Foreign currency translation reserve	(1,304,683)	(524,549)
	3,049,713	1,266,515
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of the period	3,385,247	1,743,641
Equity settled share-based payment transactions	969,149	47,423
Balance at 31 December	4,354,396	1,791,064
Foreign currency translation reserve		
Balance at the beginning of the period	(349,897)	(1,182,553)
Effect of translation of foreign currency operations to group presentation currency	(954,786)	658,004
Balance at 31 December	(1,304,683)	(524,549)

8. Borrowings

	2011 USD	2010 USD
Loan from Macquarie Bank Limited	5,000,000	5,000,000
	5,000,000	5,000,000

On 23 December 2011, African Energy Resources extended the repayment terms of a \$5,000,000 convertible loan facility with Macquarie Bank Ltd. The new loan facility is repayable at any time up until 31 December 2012. Interest is payable by the Company on outstanding balances at the USD LIBOR rate plus 5.0%.

Under the terms of the extension, the Company has issued Macquarie with 9,768,964 American call options, each with a strike price of AUD \$0.50 and expiring 31 December 2013.

9. Capital and other commitments

The Company has a total minimum expenditure commitment of \$51,613 in the next twelve months for its two prospecting licences located in Botswana.

There were no capital and other commitments at 30 June 2011.

10. Dividends

No dividends were paid by the consolidated entity.

11. Related parties

Transactions with related parties are consistent with those disclosed in the 30 June 2011 financial report.

12. Contingent Assets and Liabilities

There were no contingent assets or liabilities in the consolidated entity at 31 December 2011.

13. 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 or the parent company in future financial year.