

30 April 2012

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 2012**

HIGHLIGHTS

Sese Coal and Power Project

- A resource upgrade was announced during the quarter. The Sese coal resource now contains an estimated 2.5 billion tonnes of thermal coal in the Indicated Resource category, with a further 0.1 billion tonnes in the Inferred Resource category.
- Excavation and stockpiling of the 15,000 tonne bulk sample is complete, with the full 18m seam exposed in the high-wall below 15m of overburden (i.e. less than 1:1 strip ratio in this part of the deposit).
- A 25 tonne parcel of Sese coal was successfully transported by Botswana Railways to Grindrod's Matola Coal Terminal in the port of Maputo, Mozambique in under four days, demonstrating that existing rail and port infrastructure is available for coal exports.
- His Excellency, the President of the Republic of Botswana, announced the Government's Coal Roadmap on 31st January. The Roadmap highlights that the three most important considerations are export of coal, export of electricity and reliable supply of domestic electricity. The Sese Coal and Power Project is at the forefront of supporting all three principal aspects of the Coal Roadmap.

- The President also announced the ending of the Moratorium on coal licence applications with immediate effect.
- The Company has been subsequently informed by the Ministry of Minerals Energy and Water Affairs that it has re-commenced processing of the Foley West coal application, an area which surrounds the published coal resource at Sese. This is the first of the AFR applications to be assessed since the Moratorium was lifted.
- The feasibility study programme is advancing well. A Pre-feasibility Study document is scheduled to be complete by the end of June this year and the Company remains on-track for delivery of a Bankable Feasibility Study by December 2012.
- Discussions with potential power off-take partners, EPC contractors and lenders for an initial 300MW power station continued during the quarter.
- Industrial Coal Africa (ICA) was appointed as Coal Marketing Manager, with responsibility for managing marketing and logistics services with respect to the Sese Coal Project.

Corporate

- In March the Company issued 300,000 shares upon the exercise of employee options that raised AUD \$30,500.
- The cash position at 31 March 2012 was US\$7,963,548.

Outlook

- Re-classification of two areas within the Sese coal resource to the Measured Resource category. These areas of Measured Resource will form the basis of future ore reserves.
- Continue discussions with power station off-takers, lenders and EPC contractors.
- Continue feasibility study for the Sese Coal and Power Project.
- Continue EIA for the Sese Coal and Power Project.
- Receive and interpret analytical results from southern Zambian coal drilling.

PROJECTS

1. Sese Coal and Power Project, Botswana

1.1 Bankable Feasibility Study (BFS)

- Work on the feasibility study continued during the quarter.
- All consultants required for the feasibility study have now been engaged.
- The feasibility study will deliver an interim report to the standard required for a preliminary feasibility study (PFS) in June 2012. This will be followed by a final report to a full bankable feasibility study (BFS) standard by the end of the year.

1.2 Environmental Impact Assessment (EIA)

- The Environmental Impact Assessment for the Sese Coal and Power Project continued during the quarter. The Preliminary EIA has been approved for a 5mtpa mine and up to 600MW power station.
- In February, successful community consultation meetings were held with the members of the communities that surround the Sese Coal and Power Project. The reception of African Energy's proposal was very positive and there were no material adverse issues raised by the community.
- The Project Scoping Study Report that sets out the full terms of the EIA and highlights the issues raised by the community is soon to be delivered to the Government.

1.3 Resource Upgrade

- During the quarter, the Company announced the successful reclassification of 95% of the resource to the Indicated Resource category, with the remaining 5% in the Inferred Resource category (see Table 1 below), as per the JORC code.
- The resource estimate was compiled from data collected from 167 vertical diamond drill holes and 131 vertical reverse circulation (RC) percussion drill holes. All blocks had enough data to permit the classification of Indicated Resources, with the minor fringe portion of the deposit classified as Inferred Resource. Resource estimation was undertaken in accordance with industry standard practice by independent resource consultants Gemecs (Pty) Ltd.
- The entire Sese Main seam averages 14m thick across the entire deposit, and ranges from 6m to 26m in total thickness. The seam has been sub-divided into three sub-seams on the basis of ash content, comprising the SS at the base (lowest ash, highest CV coal), overlain directly by the SST and finally the SSU at the top of the coal sequence. A thin band of carboniferous shale separates the SST and SSU, which are otherwise very similar.
- The Lower Main Seam (SS seam) accounts for 61% of the total resource and contains coal that is suitable for washing to create an export quality product (up to 5,550 Kcal/kg).

- The Upper Main Seam (SSU and SST seams) coal can be washed, or blended raw with the Lower Main Seam middlings to make a product that is suitable for use as power station fuel. Full seam raw coal is also suitable as a power station feed.
- The Measured Resource calculation for drilling completed in Blocks B and C is scheduled for release in the 2nd Quarter 2012.

Table 1: Sese Resource Classification					
SEAM	RESOURCE CATEGORY	IN-SITU TONNES	Raw CV MJ/kg ADB	Raw CV Kcal/kg ADB	Washed CV range RD 1.5 to 1.7 Kcal/kg
SS (formerly Lower Main)	Indicated	1,532 Mt	17.36	4,146	
	Inferred	68 Mt	14.85	3,547	
	SUB-TOTAL	1,599 Mt	17.26	4,121	4,550 – 5,550
SST (formerly Upper Main)	Indicated	637 Mt	12.76	3,046	
	Inferred	32 Mt	9.43	2,253	
	SUB-TOTAL	669 Mt	12.60	3,008	4,200 – 5,250
SSU (formerly Upper Main)	Indicated	348 Mt	13.06	3,120	
	Inferred	9 Mt	12.95	3,092	
	SUB-TOTAL	357 Mt	13.06	3,119	4,350 – 5,400
TOTAL		2,626 Mt	15.50	3,701	

1.4 Bulk Sample

- Extraction of the 15,000t bulk sample was completed during the quarter. The high-wall of the box-cut is now approximately 34m high, comprising 15m of barren overburden, 18m of coal and up to 1m of barren footwall sediments.
- Several site visits have been conducted during the quarter, including representatives from the Government of Botswana (Ministry of Mines, Energy and Water Affairs, Ministry of Transport and Communications), local mining companies (including BCL and Morupule Collieries Ltd), Botswana Railways, stockbrokers, mining analysts and current and prospective investors.

1.5 Power Project

- Discussions with potential off-take partners for an initial 300-600MW of coal fired electrical generation continued during the quarter, including parastatal utilities and private companies wishing to secure electricity supply.
- Discussion with EPC contractors for the construction of an initial 300MW power station commenced.
- Discussion with potential lenders and equity participants for the financing of an initial 300MW power station commenced.

1.6 Infrastructure Developments

- A 25 tonne parcel of Sese coal from the bulk sample was loaded into a Botswana Railways freight wagon at the Francistown railway station on 3 April, and dispatched to Maputo via Bulawayo and southern Zimbabwe. A ceremony to mark the dispatch was conducted at Francistown Railway Station, attended by numerous dignitaries and addressed by the Hon Minister for Transport and Communications.
- The coal wagon arrived at Grindrod's Matola coal terminal in Maputo, Mozambique in the early morning of 7 April, less than four days after dispatch.
- The successful completion of this shipment demonstrates that transport of Sese coal via rail to the east coast of Africa is possible using existing infrastructure.
- The Company has commenced negotiations with both rail and port authorities to determine tariffs and tonnage allocations.

1.7 Coal Marketing

- Industrial Coal of Africa continued to evaluate the local and regional markets for washed Sese coal.
- Markets in several neighbouring countries have been evaluated, with further work required to assess optimum product specifications and transport options.
- Samples of washed coal will be provided to potential customers in due course.

2. Projects in Zambia

2.1 Chirundu Uranium Project

- Baseline environmental studies for the Chirundu Uranium Project continued.
- No other work during the quarter.

2.2 Kariba Valley Project

- Coal bearing sediments with a strike length of approximately 10km have been identified in the Sinazongwe East tenement. These are the easterly extension of the stratigraphy that hosts the Maamba Colliery and the Kandabwe Coal Mine, Zambia's only producing coal deposits.
- A small programme of diamond drilling to assess the coal potential in the Sinazongwe East tenement commenced during the 4th quarter of 2011 and was completed in mid-January. A total of nine holes for 1,691m of core were drilled. Coal seams of varying thicknesses were intersected in all holes. Analytical results from this drilling are expected in the next quarter.

2.3 Northern Luangwa Valley Project

- No work during the quarter.

2.4 Aldershot Joint Venture (African Energy earning an initial 51%)

- African Energy Resources has withdrawn from the Joint Venture after determining that exploration results to date were not sufficiently encouraging to warrant further evaluation. African Energy did not earn an equity interest in the project.

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 that 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 2012

Consolidated statement of cash flows

		Current quarter \$US'000	Year to date (3 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	(1,834)	(6,853)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(706)	(2,214)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	52	201
1.5	Interest and other costs of finance paid	(94)	(173)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(2,582)	(9,040)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(46)	(195)
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	Other (provide details if material)	-	-
Net investing cash flows		(46)	(195)
1.13	Total operating and investing cash flows (carried forward)	(2,628)	(9,236)

1.13	Total operating and investing cash flows (carried forward)	(2,628)	(9,236)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	32	16,342
1.15	Cost of the Issue	(2)	(999)
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	30	15,342
	Net increase (decrease) in cash held	(2,598)	6,106
1.20	Cash at beginning of quarter/year to date	10,323	2,440
1.21	Exchange rate adjustments to item 1.20	238	(583)
1.22	Cash at end of quarter	7,964	7,964

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	448
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	2,215
4.2 Development	-
4.3 Production	-
4.4 Administration	733
Total	2,948

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	5,801	6,159
5.2 Deposits at call	2,163	4,164
5.3 Bank overdraft	-	-
Total: Cash at end of quarter (item 1.22)	7,964	10,323

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 Preference *securities				
7.2 Changes during quarter				
7.3 *Ordinary securities	326,876,735	326,876,735		
7.4 Changes during quarter				
(a) Increases through exercise of options	300,000	300,000		
(b) Decreases	-	-		
7.5 *Convertible debt securities				
7.6 Changes during quarter				
(a) Increases				
(b) Decreases				
7.7 Options		No. of options	Strike Price	Expiry Date
Unquoted options				
		9,152,981	AUD \$0.3125	30-Jun-12
		1,100,000	AUD \$0.4000	30-Jun-12
		3,425,000	AUD \$0.0850	30-Jun-12
		500,000	AUD \$0.1250	31-Dec-13
		250,000	AUD \$0.7000	31-Dec-13
		2,250,000	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
		782,499	AUD \$0.6250	25-July-14
		9,768,964	AUD \$0.5000	31-Dec-13
7.8 Issued during quarter				
7.9 Exercised during quarter		No. of options	Strike Price	Expiry Date
	300,000	175,000	AUD \$0.0850	30-Jun-12
		125,000	AUD \$0.1250	31-Dec-13
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: 30 April 2012

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.