

6 June 2012

The Manager
ASX Market Announcements
ASX Limited
Exchange Centre, 20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

Dear Sir/Madam,

SESE POWER PROJECT - MEMORANDUM OF UNDERSTANDING SIGNED

African Energy Resources (AFR) is pleased to announce that it has executed a Memorandum of Understanding (MOU) with a potential off-taker (Off-taker) for the electrical output of AFR's proposed 300MW coal-fired power project to be located at Sese in the Republic of Botswana (Sese Power Project).

The Off-taker is a credit-rated national electrical utility and a member of the Southern African Power Pool. The MOU is non-binding in nature and provides an opportunity for the Off-taker to make a full assessment of the Sese Power Project, at which time the parties will decide whether to enter into binding agreements to jointly develop and finance the Sese Power Project. Part of this assessment process will involve the negotiation of key commercial terms for a Power Purchase Agreement, Joint Development Agreement and other project contracts.

The coal for the Sese Power Project will come from AFR's adjacent Sese Coal Project, which has a total Indicated and Inferred Resource of 2.6 billion tonnes.

The execution of the MOU and the work currently being undertaken on the technical, commercial and regulatory aspects of the project are in line with AFR's project development plan.

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
326,876,735

Directors:

Alasdair Cooke
Executive Chairman

Frazer Tabearth
Managing Director

Bill Fry
Executive Director

Mike Curnow
Non-Executive Director

Valentine Chitalu
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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, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabeart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart has sufficient experience that 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.