



ARBN 123 316 781

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

**For the General Meeting to be held on Monday, 3 September 2012
at 2:30pm (Western Standard Time)
at Level 1, 8 Colin Street, West Perth, 6005, Western Australia**

**also via phone link with our Botswana office
Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana
which will commence at 8:30am (Central Africa Time) on Monday, 3 September 2012.**

**and also via phone link at the Company's registered office
Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS
which will commence at 7:30am (British Summer Time) on Monday, 3 September 2012**

***This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult your professional advisers.***

***If you are unable to attend the Meeting, please complete the proxy form
enclosed and return it in accordance with the instructions set out on that form.***

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

This General Meeting of the Shareholders of African Energy Resources Limited will be held at:

**Level 1
8 Colin Street
West Perth
Australia**

**Commencing at 2:30pm (Western Standard Time)
on 3 September 2012**

Also via phone link with our Botswana office, Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana which will commence at 8:30am (Central Africa Time) on 3 September 2012.

And also via phone link with our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 7:30am (British Summer Time) on 3 September 2012.

The Directors have set a date to determine who is entitled to attend, speak and vote at the Meeting. The date is 1 September 2012 at 2:30pm WST.

How you will be able to vote depends on if you are a Shareholder or a Chess Depositary Interest (CDI) holder. The majority of voters will be CDI holders. Both methods are listed below:

CHESS Depositary Interests

CDI Holders are invited to attend and speak at the Meeting but are not entitled to vote at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the Voting Instruction Form (as enclosed with the Notice of General Meeting) as per the information below so that CHESS Depositary Nominees Pty Ltd (CDN) can vote the underlying Shares on their behalf.

Shareholders

Ordinary Shareholders may vote by attending the Meeting in person, by proxy or by authorised representative. Shareholders of the Company, entitled to attend, speak and vote are entitled to appoint one or more proxies to attend, speak and vote at this Meeting. The completion and return of a valid form of proxy will not prevent holders of ordinary Shares from attending, speaking and voting in person at the Meeting if so desired. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

Voting in Person

To vote in person you need to attend the Meeting on the date and at the place (in Australia, Botswana or Guernsey) set out above. The meeting will commence at 2:30pm (Western Standard Time).

The phone link with our Botswana office, at Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana will commence at 8:30am (Central Africa Time) on Monday, 3 September 2012.

The phone link with our registered office, at Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS will commence at 7:30am (British Summer Time) on Monday, 3 September 2012.

Attendance at Meeting

All holders of Shares appearing in the Company's Register of Shareholders at 2:30pm (WST) 1 September 2012 will be entitled to attend and vote at the Meeting.

Proxy and Voting Instruction forms

To be effective, the proxy must be received by the Company no later than 2:30pm (WST) on Saturday, 1 September 2012. The following methods of delivery for proxies are specified:

Online:	Visit www.linkmarketservices.com.au . Select 'Investor Login' and enter African Energy Resources Limited or the ASX code (AFR) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Voting Instruction Form if you lodge it in accordance with the instructions given on the website, so that it is received not later than 2:30 pm (WST) on 1 September 2012.
By post:	African Energy Resources Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235
By facsimile:	+61 2 9287 0309
By delivery:	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

Your proxy form or voting instruction form is enclosed with this notice, depending on your holder status.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of African Energy Resources Limited will be held at Level 1, 8 Colin Street, West Perth, Western Australia on Monday, 3 September 2012 at 2:30pm (WST); Also via phone link at our Botswana office, at Unit 9 Kgale Mews, Gaborone International Financial, Gaborone, Botswana which will commence at 8:30am (Central Africa Time) on Monday, 3 September 2012; Also via phone link at our registered office, Granite House, La Grande Rue, St Martin, Guernsey GY1 3RS which will commence at 7:30am (British Summer Time) on Monday, 3 September 2012 for the purpose of transacting the business set out below.

The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Resolution 1 – Ratification of Macquarie Options Issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the Listing Rules and for all other purposes, the Company ratify the allotment and issue of 9,768,964 unlisted options exercisable at \$0.50 and expiring on 31 December 2013 on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without Shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of the options, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold. Please refer to the Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue that is the subject of this Resolution and any associates of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 2 – Approval of Employee Performance Right Share Plan

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.2 Exception 9(b) and for all other purposes, the Company approves the issue of securities under the employee performance right share plan for a period of 3 years commencing on the date of this meeting on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company has adopted an Employee Performance Right Share Plan. By obtaining the approval of Shareholders, the issue of securities under the Plan will not count towards the Company's 15% issue capacity under ASX Listing Rule 7.1.

The Company will disregard any votes cast on this Resolution by a Director and any associate of those persons. However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 3 – Approval to grant Performance Rights to Charles Tabear

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 3,000,000 performance rights under an employee performance right share plan to Charles Tabear or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Dr Tabear and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 4 – Approval to grant Performance Rights to Alasdair Cooke

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 1,000,000 performance rights under an employee performance right share plan to Alasdair Cooke or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Mr Cooke and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 5 – Approval to grant Performance Rights to Gregory Fry

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 2,000,000 performance rights under an employee performance right share plan to Gregory Fry or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Mr Fry and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 6 – Approval to grant Performance Rights to Michael Curnow

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 100,000 performance rights under an employee performance right share plan to Michael Curnow or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Mr Curnow and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 7 – Approval to grant Performance Rights to Philip Clark

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 200,000 performance rights under an employee performance right share plan to Philip Clark or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Mr Clark and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 8 – Approval to grant Performance Rights to Valentine Chitalu

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to grant up to 100,000 performance rights under an employee performance right share plan to Valentine Chitalu or his nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules requires the Company to seek shareholder approval before a director may acquire securities under an employee incentive scheme.

The Company will disregard any votes cast on this resolution by Mr Chitalu and any of his associates. However, the Company will not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

Daniel Davis
Company Secretary
15 August 2012

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. RESOLUTION 1 – RATIFICATION OF MACQUARIE OPTIONS ISSUE

The Options, the subject of Resolution 1, were issued on 22 December 2011 to Macquarie Bank Limited as part of the convertible loan facility agreement provided by Macquarie Bank Limited as announced to ASX on 23 December 2011.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.1 provides, subject to certain exceptions, without Shareholder approval, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue.

ASX Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

The Company issued the 9,768,964 Options within its 15% capacity under Listing Rule 7.1. The Company now seeks Shareholder approval to ratify this issue and refresh the 15% capacity.

Information for Shareholders

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

- a) The number of securities allotted is a total of 9,768,964 unlisted Options, exercisable at \$0.50 and expiring 31 December 2013;
- b) The Options were issued for nil consideration and therefore no funds were raised from the issue of the Options;
- c) The Options were issued to Macquarie Bank Limited, an unrelated party of the Company; and
- d) The terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum.

2. RESOLUTION 2 – APPROVAL OF EMPLOYEE PERFORMANCE RIGHT SHARE PLAN

Background

In August 2012 the Board adopted an employee performance right share plan ("Plan") to enable the Company to issue Performance Rights to employees and Directors.

The Plan was developed by the Board to provide an opportunity to employees to participate in the Company's future growth and provide an incentive to contribute to that growth. The Plan is further designed to assist in retaining employees.

Performance Rights were chosen as they allow the Company to incentivise employees and Directors of the Company without creating onerous up-front taxation obligations on them for a security (Share) they may not receive.

A summary of the Plan is set out in Annexure B. A summary of the material terms of the Performance Rights that may be issued under the Plan is set out in Annexure C.

Regulatory Requirements

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the establishment or operation of the Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the 15% limit imposed by ASX Listing Rule 7.1 on the number of securities that may be issued without shareholder approval. ASX Listing Rule 7.2 exception 9(b) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders and the issue of securities is within 3 years from the date of shareholder approval of the issue of securities under the employee incentive scheme.

If an offer is made to a Director to participate in the Plan then separate Shareholder approval will need to be obtained. Resolutions 3 to 8 seek approval for each of the members of the Board to participate.

Recommendation

The Board recommends that Shareholders approve the Plan. It will allow the Company to issue securities for the benefit of participants of the Plan whilst preserving the Company's 15% limit of issuing securities and provide flexibility in the manner in which the Plan is managed.

The Board intends to issue Performance Rights under the Plan to 12 people who are not Directors or related parties. The delay in the allotment is to resolve regulatory issues that would otherwise require expensive documentation.

3. RESOLUTIONS 3, 4, 5, 6, 7 AND 8 – GRANT OF PERFORMANCE RIGHTS TO DIRECTORS - MESSRS CHARLES TABEART, ALASDAIR COOKE, GREGORY FRY, MICHAEL CURNOW, PHILIP CLARK and VALENTINE CHITALU

Background

Resolutions 3 to 8 seek Shareholder approval for the grant of a total of 6,400,000 Performance Rights to the Directors as follows:

Director	Number of Performance Rights
Charles Tabeart	3,000,000
Alasdair Cooke	1,000,000
Gregory Fry	2,000,000
Michael Curnow	100,000
Philip Clark	200,000
Valentine Chitalu	100,000
	<u>6,400,000</u>

The Performance Rights will be granted pursuant to the Employee Performance Rights Share Plan, which is the subject of Resolution 2. The background to the Plan and the Performance Rights is set out in paragraph 2 above.

ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that a company must not permit a Director to acquire securities under an employee incentive scheme without the approval of shareholders. The Company therefore seeks approval to grant the Performance Rights to the Directors under the Plan.

For the purposes of ASX Listing Rules 10.15, the following information is provided to Shareholders:

- The Performance Rights will be granted to Dr Tabeart, the Managing Director of the Company, Mr Cooke, the Executive Chairman of the Company, Mr Fry, an Executive Director of the Company and Mr Curnow, Mr Clark and Mr Chitalu, all Non-Executive Directors of the Company, or their nominees.
- The maximum number of Performance Rights that may be granted to the Directors is 6,400,000 as set out in the table above. The general terms of the Performance Rights are set out in Annexure C. The performance/vesting hurdles imposed on the Performance Rights are set out in Annexure D.
- No monetary consideration is payable for the grant of the Performance Rights and any resultant Shares.
- No Performance Rights have been granted or other securities issued under the Plan.

- e) All Directors are entitled to participate in the Plan.
- f) No loans will be provided to the Directors.
- g) The Performance Rights will be issued no later than 12 months after the date of the meeting.

Other information

As a foreign company, the Company is not subject to the related party provisions of the Australian Corporations Act. However, the Company provides the following additional information to Shareholders, which is similar to the style of information that Shareholders would receive if these provisions applied.

The Party to Whom the Proposed Resolution Would Permit the Financial Benefit to be Given

The parties are Dr Charles Tabart or his nominee (by Resolution 3), Mr Alasdair Cooke or his nominee (by Resolution 4), Mr Gregory Fry or his nominee (by Resolution 5), Mr Curnow or his nominee (by resolution 6), Mr Clark or his nominee (by Resolution 7) and Mr Chitalu or his nominee (by Resolution 8).

The Nature of the Financial Benefit

The proposed financial benefit to be given is up to 3,000,000 Performance Rights to Dr Tabart (or his nominee), up to 1,000,000 Performance Rights to Mr Cooke (or his nominee), up to 2,000,000 Performance Rights to Mr Fry (or his nominee), up to 100,000 Performance Rights to Mr Curnow (or his nominee), up to 200,000 Performance Rights to Mr Clark (or his nominee) and up to 100,000 Performance Rights to Mr Chitalu (or his nominee).

The terms of the Performance Rights proposed to be given are set out in Annexure C. The performance hurdles that must be satisfied before the Performance Rights vest are set out in Annexure D.

The Performance Rights will be granted within 12 months of the Meeting.

Directors' Recommendation and Basis for the Financial Benefit

The Board currently consists of Mr Alasdair Cooke (Executive Chairman), Dr Charles Tabart (Managing Director), Mr Gregory Fry (Executive Director), Mr Michael Curnow (Non-executive Director), Mr Philip Clark (Non-executive Director) and Mr Valentine Chitalu (Non-executive Director).

By Resolutions 3, 4, 5, 6, 7 and 8, Performance Rights are proposed to be issued to the six Directors of the Company. In each case the number of Performance Rights to be granted to the respective Director and the terms of the Performance Rights were negotiated by the Directors independent of that particular Director (being all the other Directors).

The purpose of the Performance Rights is to give each of Messrs Tabart, Cooke, Fry, Curnow, Clark and Chitalu incentive to provide dedicated ongoing commitment and effort to the Company and further align their interests with that of the Company and its Shareholders.

The independent Directors in each case consider the particular number and terms of the Performance Rights to be granted to each of Messrs Tabart, Cooke, Fry, Curnow, Clark and Chitalu constitute an appropriate number to adequately incentivise each of them in light of their skill, experience and reputation and when considered together with their other remuneration as Directors (as detailed below). The independent Directors in each case thereby recommend that Shareholders vote in favour of the Resolutions.

Dr Tabart abstains from making a recommendation to Shareholders as to Resolution 3 as he has a material personal interest in the outcome of Resolution 3 being the recipient of the Performance Rights.

Mr Cooke abstains from making a recommendation to Shareholders as to Resolution 4 as he has a material personal interest in the outcome of Resolution 4 being the recipient of the Performance Rights.

Mr Fry abstains from making a recommendation to Shareholders as to Resolution 5 as he has a material personal interest in the outcome of Resolution 5 being the recipient of the Performance Rights.

Mr Curnow abstains from making a recommendation to Shareholders as to Resolution 6 as he has a material personal interest in the outcome of Resolution 6 being the recipient of the Performance Rights.

Mr Clark abstains from making a recommendation to Shareholders as to Resolution 7 as he has a material personal interest in the outcome of Resolution 7 being the recipient of the Performance Rights.

Mr Chitalu abstains from making a recommendation to Shareholders as to Resolution 8 as he has a material personal interest in the outcome of Resolution 8 being the recipient of the Performance Rights.

Dilution

The passing of Resolutions 3, 4, 5, 6, 7 and 8 will have the effect of granting Messrs Tabeart, Cooke, Fry, Curnow, Clark and Chitalu (or their nominees) up to 6,400,000 Performance Rights on the terms and conditions set out in Annexures C and D.

If any Performance Rights granted as proposed above are vested, the effect would be to dilute the shareholding of existing Shareholders.

If all of the 6,400,000 Performance Rights that may be granted under Resolutions 3, 4, 5, 6, 7 and 8 are vested, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.94% based on the current number of Shares of 330,251,735 (undiluted).

Total Remuneration Package of Messrs Tabeart, Cooke, Fry, Curnow, Clark and Chitalu

The total remuneration received package paid to Dr Tabeart is \$400,000 per annum.

The total remuneration received package paid to Mr Cooke is \$100,000 per annum.

The total remuneration received package paid to Mr Fry is \$200,000 per annum.

The total remuneration received package paid to Mr Curnow is \$50,000 per annum.

The total remuneration received package paid to Mr Clark is \$310,000 per annum.

The total remuneration received package paid to Mr Chitalu is \$50,000 per annum.

Existing Relevant Interest

	Shares	Options*				
		70c	80c	90c	110c	130c
Charles Tabeart	1,850,975	-	-	750,000	750,000	750,000
Alasdair Cooke	28,752,925	-	-	250,000	250,000	250,000
Gregory Fry	4,300,192	-	-	500,000	500,000	500,000
Michael Curnow	677,991	-	-	-	-	-
Philip Clark	285,000	250,000	750,000	-	-	-
Valentine Chitalu	488,673	-	-	-	-	-

* Options expire 31 December 2013

Trading History

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last 12 months.

	Date	Price
Highest Price	16 August 2011	\$0.49
Lowest Price	18 May 2012	\$0.16
Latest Price	13 August 2012	\$0.18

Valuation of Performance Rights

The Directors have assessed that the value of each Performance Right by reference to the Share price. That is, the value of 1 Performance Right is equal to the value of 1 Share. No discount has been allowed to account for the possibility that the Performance Rights will not vest.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

GLOSSARY

In this Explanatory Statement, the following expressions have the following meanings:

"**Articles**" means the Articles of Association of the Company.

"**ASX**" means the ASX Limited (ABN 98 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the listing rules of ASX.

"**Board**" means the board of directors of the Company.

"**Company**" means African Energy Resources Limited (ARBN 123 316 781).

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this explanatory statement.

"**Meeting**" means the meeting convened by this Notice.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for a Share.

"**Performance Right**" means a right to acquire a Share on the terms set out in Annexure C.

"**Plan**" means the Employee Performance Right Share Plan adopted by the Board on 13 August 2012.

"**Resolution**" means a resolution contained in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a registered holder of Shares in the Company.

"**WST**" means Western Standard Time, Perth, Western Australia.

ANNEXURE A
TERMS OF OPTIONS ISSUED TO MACQUARIE BANK LIMITED
RESOLUTION 1

1. No consideration is payable by the Option holder for the issue of the Options.
2. Each Option entitles the Option holder to one Share in the Company.
3. The exercise price of the Options is AUD \$0.50 per Option.
4. The expiry date of the Options is 31 December 2013 (Expiry Date).
5. The Optionholder may exercise the Options at any time (including on multiple occasions, if it so determines) before 5.00pm (Perth time) on the Expiry Date.
6. The Options will vest immediately upon issue.
7. In order to Exercise, the Optionholder must deliver to the registered office of the Company in Australia a notice in writing in the form set out in Annexure B of the Facility Agreement stating the Optionholder's intention to Exercise all or a specified number of Options ("Notice of Exercise").
8. Any Notice of Exercise must:
 - a. if clause 9.5(2) of the Facility Agreement applies, incorporate an undertaking by the Option holder to promptly remit, to an account nominated by the Company, payment in the amount of that part of the aggregate Exercise Price for those Options that are to be Exercised which will not be Converted under clause 9.5(1) of the Facility Agreement; or
 - b. if clause 9.5(1) of the Facility Agreement applies, incorporate a written statement from the Optionholder that the aggregate Exercise Price for those Options will be Converted under clause 9.5(1) of the Facility Agreement.
9. The Optionholder may at its discretion Exercise only some of the Options and may do so in any multiple it chooses. If it does so, this will not affect any of the Optionholder's rights relating to the balance of the Options held by the Optionholder. The Company must issue to the Optionholder a replacement holding statement for the balance of any unexercised Options, and must provide this to the Option holder by no later than the date falling 3 Business Days after the date of the relevant Exercise.
10. Following any Exercise, the Company must:
 - a. immediately issue to the Optionholder(or its nominee) the resultant Shares (free of Encumbrances) that are the subject of that Exercise;
 - b. either:
 - i. execute and lodge with ASX a notice under section 708A(5)(e) of the Corporations Act in respect of the Shares issued on Exercise (Cleansing Notice) within 3 Business Days after the issue of the Shares; or
 - ii. if the Company is unable to issue a Cleansing Notice for whatever reason, within 5 Business Days after the issue of the Shares, execute and lodge with ASIC and ASX a prospectus which complies with Chapter 6D of the Corporations Act in accordance with the requirements of section 708A(11), to ensure that all Share issued upon Exercise are freely tradeable;
 - c. deliver to the Optionholder a holding statement for the resultant Shares by 5pm (Perth time) 2 Business Days after the issue of the Shares; and
 - d. apply to ASX for quotation of the Shares by no later than the earlier of:
 - i. 5pm (Perth time) 3 Business Days after the date of Exercise; and
 - ii. the time required by the Listing Rules.
11. All Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares.
12. In the event of any re-organisation of the issued share capital of the Company including by way of consolidation, subdivision, reduction, return or cancellation, the rights of the Optionholder in respect of the Options will be changed to the extent necessary to:

- a. comply with the applicable Listing Rules governing reorganisations in force at the time of the reorganisation in which case the terms and conditions applicable to the Options as contained in this Option Certificate will be construed accordingly; and
 - b. ensure that, following that re-organisation, the Option holder's rights in respect of the Options will not be adversely affected (including by way of issuing further options) so that the proportion the Options bear to the re-organised share capital of the Company is the same as the proportion the Options would have borne to the share capital of the Company had that re-organisation not occurred.
13. The Optionholder is entitled to participate in the issue of new Shares, or any other class of securities offered to shareholders of the Company, to the extent that the Optionholder has Exercised at any time before either the record date for the purposes of determining entitlements to any such issue (Record Date) or the closing date for the relevant issue, whichever is applicable (Relevant Date). The Company must give the Option holder at least 15 Business Days' written notice prior to the Relevant Date for any such offer of securities which, for the avoidance of doubt, includes any pro-rata issue of Shares, Bonus Issues and any other issues of Shares (however described)) in order to enable the Optionholder to Exercise prior to that Relevant Date and participate in the issue or offering at its discretion.
14. If the Company offers Shares by way of a pro-rata issue (except a Bonus Issue) to shareholders, the Exercise Price of an Option that is not Exercised prior to the Record Date will be reduced in accordance with the formula set out in Listing Rule 6.22.2.
15. If there is a Bonus Issue to the holders of Shares then the number of Shares over which each Option that is not Exercised prior to the Record Date is exercisable will be increased by the number of Shares that the Optionholder would have received under the Bonus Issue if the Option had been Exercised before the Record Date for the Bonus Issue.
16. The Company must ensure that sufficient nominal but unissued share capital is available at all times to enable the Option holder to Exercise.
17. The Company warrants that section 708A(5) of the Corporations Act will apply to offers of the Shares issued on Exercise for re-sale and that those Shares will be freely tradeable and the issue of the Options will not contravene or result in a breach of Chapter 7 of the Listing Rules.
18. The Optionholder may at any time and in its absolute discretion assign or otherwise transfer any or all of the Options without the consent of the Company, provided that the offer or invitation giving rise to the assignment or transfer does not constitute an offer or invitation for which disclosure is required to be made to investors under Part 6D.2 of the Corporations Act.

In these terms "Facility Agreement" means the Convertible Loan Facility Agreement between African Energy Resources Limited and Macquarie Bank Limited signed 4 March 2011.

ANNEXURE B
SUMMARY OF THE TERMS OF THE PLAN

1. Purpose	The purpose of the Plan is to provide an incentive for eligible employees to participate in the future growth of the Company and, upon becoming shareholders, to participate in the Company's profits and development.
2. Eligible Employee	An Eligible employee is a full or part-time employee or director of the Company or a related body corporate (" Eligible Employees ").
3. Offers	Subject to the rules of the Plan, the Board may invite Eligible Employees to apply for Performance Rights. The number of Performance Rights to be offered will be determined by the Board in its discretion. The Performance Rights must be granted free of charge.
4. Nature of Performance Rights	A summary of the material terms of the Performance Rights is set out in Annexure C.
5. Performance Hurdles	The Board will determine performance hurdles that will apply to each Performance Right. A Performance Right will only vest when the performance hurdles specified at the time of issue have been satisfied, unless otherwise determined by the Board. Subject to not breaching regulatory requirements, the Company must issue a Share upon a Performance Right vesting. Any unvested Performance Rights will lapse upon the Eligible Employee ceasing to be employed or on the failure to satisfy any performance hurdles within a required time.
6. Amendments	The Board may make such amendments to the Plan as it sees fit subject to the Listing Rules and subject to any amendment not reducing the rights of an Eligible Participant for issued Performance Rights other than in limited circumstances relating to legislative compliance, manifest error and adverse tax implications.
7. Limitation on number of Performance Rights	Performance Rights when aggregated with the number of Shares issued during the 5 years under any employee share plan of the Company must not exceed 5% of the total number of Shares on issue at the time of the relevant invitation. Various excluded offers may be disregarded so as to not count for the 5% limit.
8. Operation	The operation of the Plan is subject to the laws of Guernsey, the Listing Rules and the Corporations Act.

ANNEXURE C
MATERIAL TERMS OF PERFORMANCE RIGHTS

Following is a summary of the material terms of the Performance Rights:

1. The Performance Rights are non-transferable, except with the prior written approval of the Board.
2. The rights under Performance Rights are personal and contractual. A Performance Right does not confer any legal or interest in a Share nor any entitlement to attend or vote at meetings of the Company, to dividends, participation in new issues of securities or entitlement to participate in any return of capital.
3. Unless otherwise determined by the Board, Performance Rights vest at the end of the specified performance period provided that:
 - a. The specified performance hurdles have been satisfied; and
 - b. The issue of Shares on vesting of Performance Rights does not contravene the Corporations Act, the ASX Listing Rules or any Company policy applicable to dealing in Shares by the holder.
4. Despite paragraph 3, Performance Rights will vest if there is a “Change of Control Event” or, in the Board’s discretion, in the event of the death or permanent disablement of the holder. “Change of Control Event” means a person or a group of associated persons becoming entitled to sufficient Shares to give that person or persons the ability to, in general meeting, to replace all or a majority of the Board.
5. Upon vesting, one (1) Share will be issued for every one (1) Performance Right. The Shares will rank equally in all respects with the existing Shares. The Company must apply for official quotation by ASX of all Shares allotted pursuant to the vesting of Performance Rights.
6. If, in the reasonable opinion of the Board, a holder of a Performance Right acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to the Company or related body corporate, then, the Board may deem unvested Performance Rights to lapse.
7. The Performance Rights lapse upon the Eligible Employee ceasing to be employed or on the failure to satisfy any performance hurdles within the required time following the issue of the Performance Rights.
8. If the Company makes a bonus issue of Shares, then the holder of the Performance Right upon vesting will be entitled to have issued to it the increased number of Shares that it would have received if the Performance Right had vested and the holder acquired Shares in respect of the Performance Right before the record date for the bonus issue.
9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights will be reconstructed in a manner consistent with the ASX Listing Rules.
10. A Performance Right must not be granted and will not vest, and the Shares must not be issued on vesting of the Performance Right if to do so would breach any law, the Corporations Act or the Listing Rules.

ANNEXURE D
PERFORMANCE RIGHTS GRANTED TO DIRECTORS - PERFORMANCE HURDLES
(RESOLUTIONS 3-8)

The following table summarises the performance hurdles that apply to each Performance Right and the number of Performance Rights subject to each performance hurdle for each Director of the Company:

Directors Name	Performance Hurdles								Total
	A	B	C	D	E	F	G	H	
Charles Tabcart	333,333	333,333	333,334	666,666	666,667	666,667	-	-	3,000,000
Alasdair Cooke	166,666	166,666	166,667	166,667	166,667	166,667	-	-	1,000,000
Gregory Fry	333,333	333,333	333,334	333,333	333,333	333,334	-	-	2,000,000
Michael Curnow	33,333	33,333	33,334	-	-	-	-	-	100,000
Philip Clark	-	-	-	-	-	-	100,000	100,000	200,000
Valentine Chitalu	33,333	33,333	33,334	-	-	-	-	-	100,000
	899,998	899,998	900,003	1,166,666	1,166,667	1,166,668	100,000	100,000	6,400,000

Performance Hurdles

- A continued service with the Company until 1 July 2013
- B continued service with the Company until 1 July 2014
- C continued service with the Company until 1 July 2015
- D the company achieving a JORC compliant resource base greater than 5Bt
- E execution of a power purchase agreement for the full output of a 300MW coal fired power station
- F coal sales exceeding 100,000t
- G successful completion of a bankable feasibility study on the Sese Coal Project
- H successful completion of an environmental impact study on the Sese Coal Project



ARBN 123 316 781

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



By mail:

African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



by hand:

delivering it to Link Market
Services Limited, 1A Homebush
Bay Drive, Rhodes NSW 2138



All enquiries to: Telephone: 1300 554 474 **Overseas:** +61 2 8280 7111

VOTING INSTRUCTION FORM

STEP 1

DIRECTION TO CHESS DEPOSITORY NOMINEES PTY LTD

I/We being a holder of CHESS Depository Interests (CDI) of African Energy Resources Limited (the Company) hereby direct CHESS Depository Nominees Pty Ltd (CDN) to vote the shares underlying my/our CDI holding at the General Meeting of the Company to be held at **2:30pm (WST) on Monday, 3 September 2012 at Level 1, 8 Colin Street, West Perth, Western Australia** and at any adjournment of that meeting, in the manner set out below.

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than **48 hours** before the meeting.

Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING INSTRUCTIONS

	For	Against	Abstain		For	Against	Abstain
Resolution 1 Ratification of Macquarie Options Issue	☐	☐	☐	Resolution 5 Approval to grant Performance Rights to Gregory Fry	☐	☐	☐
Resolution 2 Approval of Employee Performance Right Share Plan	☐	☐	☐	Resolution 6 Approval to grant Performance Rights to Michael Curnow	☐	☐	☐
Resolution 3 Approval to grant Performance Rights to Charles Tabart	☐	☐	☐	Resolution 7 Approval to grant Performance Rights to Philip Clark	☐	☐	☐
Resolution 4 Approval to grant Performance Rights to Alasdair Cooke	☐	☐	☐	Resolution 8 Approval to grant Performance Rights to Valentine Chitalu	☐	☐	☐



If you do not mark either the "FOR", "AGAINST" and "ABSTAIN" box your vote will be cast in favour of the Resolution(s).

STEP 3

SIGNATURE OF CDI HOLDERS - THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

Sole Director and Sole Company Secretary

Joint CDI Holder 2 (Individual)

Director/Company Secretary (Delete one)

Joint CDI Holder 3 (Individual)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

AFR PRX201



HOW TO COMPLETE THIS VOTING INSTRUCTION FORM

Your Name and Address

This is your name and address as it appears on the company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDI's using this form.**

Direction to CHESS Depository Nominees Pty Ltd

Each CHESS Depository Interest (CDI) is evidence of an indirect ownership in a Common Share. The underlying Common Shares are registered in the name of CHESS Depository Nominees Pty Ltd (CDN). As holders of CDI's are not the legal owners of the Common Shares, CDN is entitled to vote at meetings of shareholders on the instruction of the registered holder of the CDI's. For voting purposes each CDI is equivalent to one Common Share.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either CDI Holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Lodgement of a Voting Instruction Form

This Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:30pm (WST) on Saturday, 1 September 2012**, being not later than 48 hours before the commencement of the meeting. Any Voting Instruction Form received after that time will be invalid.

Voting Instruction Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, CDI Holders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.



All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
From outside Australia: +61 2 8280 7111
Facsimile: (02) 9287 0303
ASX Code: AFR
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

EMAIL COLLECTION FORM

We are currently updating our Investor Information details and note we do not have your email address recorded.

By providing your email address, we will notify you of important communications including Annual Reports and Notices of Shareholder Meetings by email, saving the company printing and postage costs.

To record your email address either:

- visit the Share Registry's website at **www.investorcentre.linkmarketservices.com.au** and follow the steps below;
-  click on the **“REGISTER NOW”** icon to create your portfolio or enter as a “single holding” by entering the required information.
-  enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), this can be found under the barcode at the top of this form.
-  once you are logged in, click on ‘Communications’ from the top menu and select ‘Preferences’. From here you can enter your email address and select your preferred method of electronic communications.

OR

- complete the form below and return it to us in the reply paid envelope provided.

Example: sam.sample@sampleville.com.au

My email address is:

Thank you for your support in helping us better communicate with you.

Privacy Clause: Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

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