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18 October 2012

AFRICAN ENERGY SIGNS MOU WITH POWER STATION EPC CONTRACTOR

African Energy Resources Limited (AFR) is pleased to announce that it has today executed a Memorandum of Understanding (MOU) with a significant international engineering, procurement and construction contractor (EPC Contractor) in relation to AFR's proposed 300MW coal-fired power project and associated mine, to be located at Sese in the Republic of Botswana (the Sese Power Project). The EPC Contractor has extensive experience in the construction of power projects similar in technology and size to the Sese Power Project and has prior experience operating in Botswana.

The MOU is non-binding in nature and contemplates the negotiation and execution of two separate binding agreements over the next few months. The first is an agreement for the EPC Contractor to provide engineering and consultancy services to assist AFR in the completion of its Bankable Feasibility Study for the Sese Power Project. The second is an agreement for the engineering, procurement and construction of the Sese Power Project, which would be subject to a number of conditions, including the raising of adequate project financing.

The fuel for the Sese Power Project will come from AFR's adjacent Sese Coal Project, which has a total Measured and Indicated Resource of 2.5 billion tonnes.



Diagram 1: Conceptual Design for the first 300MW Sese Power Station

For any further information, please refer to AFR's website or contact us directly on +61 8 6465 5500.

For and on behalf of the board

JORC DISCLAIMER:

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 Tabcart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart 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 Tabcart consents to the inclusion of the data in the form and context in which it appears.