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# ACQUISITION OF 2.4 BT MMAMABULA WEST COAL PROJECT

## *HIGHLIGHTS:*

- ***African Energy Resources Ltd ("African Energy") and Asenjo Energy ("Asenjo") have executed a binding Sale Agreement under which African Energy has agreed to acquire the 2.4 billion tonne Mmamabula West Coal Project in south-east Botswana for cash consideration of USD $2.5M, subject to certain conditions.***
- ***Mmamabula West contains 892Mt of Indicated Resource and 1,541 Mt of Inferred Resource at an average in-situ raw CV of 4,800kcal/kg (20.1 MJ/kg).***
- ***The majority of the coal occurs in two coal seams which are 4-6m thick and 100-150m below surface.***
- ***A preferred area of approximately 25km$^2$ within the Indicated Resource contains higher quality coal that can produce a 6,100 kcal/kg export product at yields of 75%.***
- ***This preferred area requires further detailed studies to confirm its potential for an underground export coal mine.***
- ***African Energy will pay an initial USD $1 million to Asenjo once the transfer of title of the relevant prospecting licence has been approved, and a further USD $1.5 million once a retention licence has been granted over the project.***
- ***On completion of the transaction, African Energy will have increased its total in-situ resources to 6.2 billion tonnes of thermal coal in Botswana.***

## *DESCRIPTION OF THE MMAMABULA WEST COAL PROJECT:*

The Mmamabula West Coal Project is approximately 100km north of Gaborone, and 50km west of the railway line between Gaborone and Francistown (see Diagram 1).

Mmamabula West has been delineated by 87 holes drilled by Asenjo between 2008 and 2011, plus 52 historical drill holes drilled before 2006. The deposit contains three coal seams:

- K-Seam: 5.7m thick (0.5m to 9m), 47-122m deep (average 105m)
- Parting 20-30m
- A-Seam: 4.6m thick (0.5m to 6.5m), 70-210m deep (average 130m)
- Parting 15-25m
- E-Seam: 1.5m thick (0.5m to 3.2m), 85-230m deep (average 155m)

In situ resource tonnages and raw coal qualities (air-dried basis) are given in Table 1 below:

**Table 1; Total tonnage estimates (in-situ) for Mmamabula West PL56/2005, Gemecs, February 2013**

| Resource Category | Seam Thickness (m) | TTIS* (Mt) | | Raw Coal Quality (adb) | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | CV | CV | ASH | IM | VM | TS |
| | | | (MJ/kg) | Kcal/kg | (%) | (%) | (%) | (%) |
| **Seam K** | 5.43 | 405 | 19.8 | 4,730 | 27.3 | 5.7 | 28.0 | 1.78 |
| **Seam A** | 4.97 | 486 | 20.6 | 4,925 | 24.0 | 6.3 | 24.3 | 1.34 |
| **Seam E** | 1.10 | 1 | 24.1 | 5,760 | 13.6 | 5.9 | 29.9 | 2.51 |
| **Total Indicated** | | **892** | **20.2** | **4,825** | **25.5** | **6.0** | **26.0** | **1.54** |
| | | | | | | | | |
| **Seam K** | 5.13 | 758 | 19.7 | 4,700 | 27.4 | 5.4 | 27.8 | 1.90 |
| **Seam A** | 4.23 | 752 | 20.2 | 4,825 | 23.8 | 6.0 | 23.9 | 1.40 |
| **Seam E** | 1.84 | 31 | 20.7 | 4,950 | 22.0 | 5.7 | 25.7 | 1.38 |
| **Total Inferred** | | **1541** | **20.0** | **4,775** | **25.5** | **5.7** | **25.9** | **1.65** |
| **Total Resource** | | **2433** | | | | | | |

* Total tonnes in-situ are derived by applying a geological loss factor of 10% (inferred) to 15% (indicated) to the estimated gross tonnes in-situ

The resource estimates presented in Table 1 above were extracted from a Competent Persons Report (CPR) prepared for Asenjo by Gemecs (Pty) Ltd in February 2013. The report was prepared using the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code – 2004 edition) as a guide as well as the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (2003 edition).

## *PREFERRED AREA FOR MINING STUDIES:*

Washability test-work was also completed on 480 core samples from across the project by Inspectorate M&L (Pty) Ltd of Middleburg, South Africa, a certified laboratory for coal analysis. Gemecs generated cumulative wash tables for each seam using the industry standard Micromine GBIS cumulative module (refer to Appendix A for cumulative wash tables for each seam). The washability results generally indicate that the coal quality can be materially improved through washing.

Detailed inspection of the drilling information, proximate analyses and washability tables has led to the identification of a coherent 25km$^2$ area (defined by 21 drill holes) within the indicated resource that has higher quality coal capable of producing high CV products at high yields. This area was the subject of a high level desktop study completed by Mining Consultancy Services (Pty) Ltd in December 2011. This study

assessed an underground bord and pillar mining operation to extract A-seam only, and "highly recommended" that further more detailed studies were undertaken on this preferred area.

Indicative coal quality for the preferred area, based on a 1.7 RD wash is as follows:

**Table 2; Indicative coal quality (adb, wash RD 1.7), in the preferred area within the Indicated Resource**

| | Av. Seam Thickness | Yield % | CV (MJ/kg) | CV (kcal/kg) | Ash % | IM % | VM % | TS % |
|---|---|---|---|---|---|---|---|---|
| **K-Seam** | 5.56m | 71.79 | 24.85 | 5,950 | 16.66 | 6.94 | 30.57 | 0.76 |
| **A-Seam** | 4.58m | 77.38 | 26.24 | 6,250 | 13.09 | 7.86 | 26.02 | 0.41 |
| | | | | | | | | |
| **Average** | | **74.32** | **25.48** | **6,100** | **15.04** | **7.35** | **28.52** | **0.60** |

African Energy believes that this preferred area from within the Indicated Resource could form the basis of a stand-alone underground export coal mine. Further, more detailed work, including infill drilling, coal processing studies, mining studies and financial modelling are required to validate this.

## *MMAMABULA WEST SALE AGREEMENT:*

Under the terms of the Sale Agreement:

1. African Energy will pay USD $1 million to Asenjo once it has received written confirmation from the Minister of Minerals Energy and Water Resources that he has approved the transfer of Prospecting Licence PL56/2005 to one of African Energy's wholly owned subsidiaries. The Agreement terminates if this condition is not met by 31st December 2013, unless extended by mutual consent.
2. African Energy will then submit the necessary paperwork to effect the transfer of PL56/2005 into the relevant African Energy subsidiary.
3. African Energy will be responsible for the completion of the required work programmes on PL56/2005 to allow the Company to submit an application for a Retention Licence over the area of the prospecting license by 30 March 2014. Retention License are valid for three years, and can be renewed once for a further three year period.
4. Upon successful grant of a Retention Licence, African Energy will make a final cash payment of USD $1.5 million to Asenjo.

## *ABOUT ASENJO ENERGY:*

Asenjo Energy is the Botswana trading name of African Energy (Botswana) Pty Ltd, a company which was incorporated in Botswana in 2007. Asenjo Energy was formed to explore and develop multiple coal projects in Botswana, including the Mmamabula West Project.

For any further information, please contact the Company directly on +61 8 6465 5500.

For and on behalf of the board.

*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 (2004 edition) and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code (2004 edition).*

*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.*

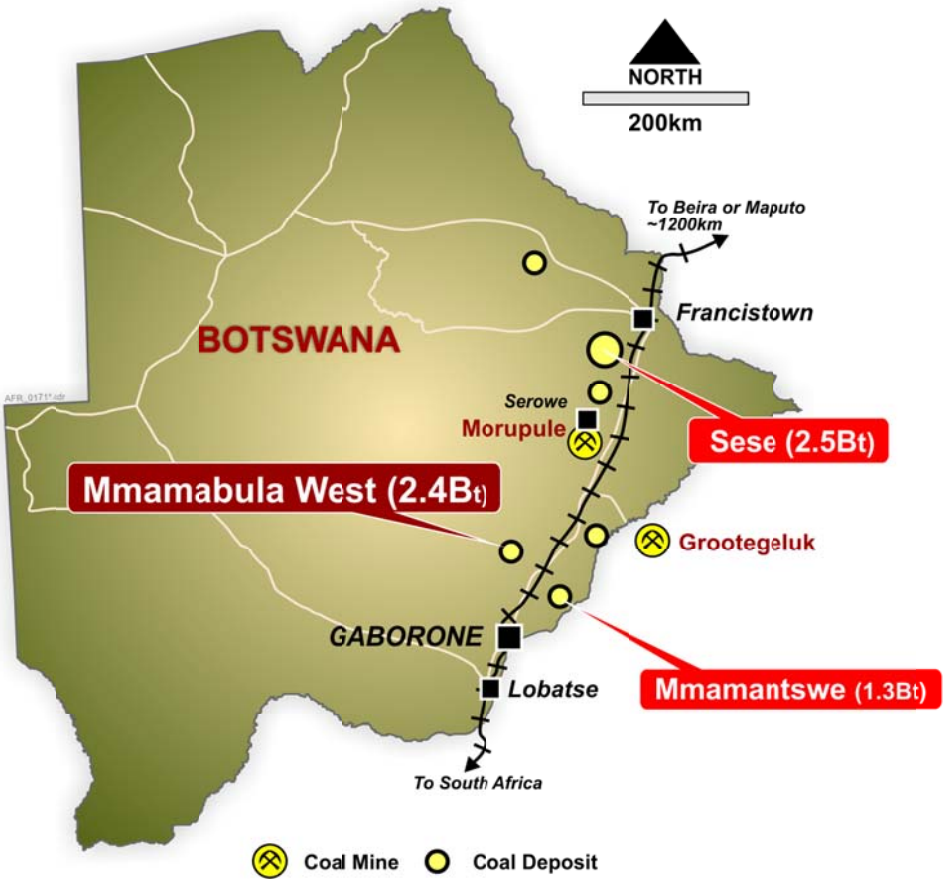


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*Diagram 1 – Location Map showing the location of the Mmamabula West Project and the Company's Sese and Mmamantswe coal deposits.*

**APPENDIX A; Cumulative wash tables for the Mmambula West coal seams, entire indicated and inferred resource**

**Wash table for the Mmamabula West K Seam**

| RD | YIELD | ASH | IM | VM | CV | TS |
|---|---|---|---|---|---|---|
| g/cc | % | % | % | % | MJ/Kg | % |
| **1.35** | 15.3 | 8.2 | 7.9 | 37.2 | 28.3 | 0.72 |
| **1.4** | 29.3 | 8.8 | 6.8 | 35.0 | 26.5 | 0.74 |
| **1.5** | 47.4 | 11.6 | 6.6 | 33.5 | 25.5 | 0.76 |
| **1.6** | 59.5 | 14.2 | 6.4 | 32.3 | 24.6 | 0.77 |
| **1.7** | 68.5 | 16.6 | 6.2 | 31.3 | 23.7 | 0.82 |
| **1.8** | 78.1 | 20.0 | 6.0 | 30.2 | 22.5 | 1.07 |
| **1.85** | 81.6 | 21.3 | 5.9 | 29.7 | 22.0 | 1.15 |
| **1.9** | 84.7 | 22.4 | 5.8 | 29.3 | 21.6 | 1.21 |
| **1.95** | 87.6 | 23.5 | 5.7 | 29.0 | 21.2 | 1.28 |
| **2.00** | 90.4 | 24.5 | 5.7 | 28.6 | 20.9 | 1.33 |
| **RAW** | 100.0 | 27.9 | 5.4 | 27.6 | 19.6 | 1.81 |

**Wash table for the Mmamabula West A Seam**

| RD | YIELD | ASH | IM | VM | CV | TS |
|---|---|---|---|---|---|---|
| g/cc | % | % | % | % | MJ/Kg | % |
| **1.35** | 6.6 | 7.0 | 8.4 | 30.9 | 27.9 | 0.51 |
| **1.4** | 14.8 | 7.5 | 7.3 | 29.3 | 26.3 | 0.53 |
| **1.5** | 38.5 | 9.9 | 7.1 | 27.5 | 25.3 | 0.5 |
| **1.6** | 57.9 | 12.8 | 3.9 | 26.3 | 24.2 | 0.49 |
| **1.7** | 71.5 | 15.4 | 6.7 | 25.6 | 23.3 | 0.47 |
| **1.8** | 81.2 | 18.4 | 6.5 | 25.0 | 22.3 | 0.69 |
| **1.85** | 84.6 | 19.4 | 6.4 | 24.8 | 21.9 | 0.76 |
| **1.9** | 87.5 | 20.3 | 6.3 | 24.6 | 21.6 | 0.82 |
| **1.95** | 90.2 | 21.2 | 6.3 | 24.4 | 21.3 | 0.87 |
| **2.00** | 92.7 | 22.0 | 6.2 | 24.3 | 21.1 | 0.91 |
| **RAW** | 100.0 | 24.3 | 6.0 | 23.9 | 20.3 | 1.29 |

**Wash table for the Mmamabula West E Seam**

| RD | YIELD | ASH | IM | VM | CV | TS |
|---|---|---|---|---|---|---|
| g/cc | % | % | % | % | MJ/Kg | % |
| **1.35** | 26.0 | 6.9 | 7.6 | 30.4 | 28.1 | 0.47 |
| **1.4** | 45.4 | 7.3 | 6.6 | 28.9 | 26.4 | 0.48 |
| **1.5** | 65.9 | 8.9 | 6.4 | 28.3 | 25.9 | 0.46 |
| **1.6** | 72.0 | 10.4 | 6.3 | 27.6 | 25.3 | 0.45 |
| **1.7** | 78.8 | 11.8 | 6.2 | 27.1 | 24.8 | 0.44 |
| **1.8** | 88.5 | 15.6 | 5.9 | 26.2 | 23.5 | 0.95 |
| **1.85** | 91.0 | 16.7 | 5.8 | 26.0 | 23.1 | 1.05 |
| **1.9** | 93.0 | 17.4 | 5.8 | 25.8 | 22.9 | 1.12 |
| **1.95** | 94.7 | 18.1 | 5.7 | 25.7 | 22.6 | 1.16 |
| **2.00** | 96.3 | 18.7 | 5.7 | 25.5 | 22.4 | 1.19 |
| **RAW** | 100.0 | 20.3 | 5.6 | 25.1 | 21.8 | 1.43 |