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MMAMABULA WEST INFILL DRILLING PROGRAM AND PROJECT UPDATE

African Energy Resources Limited (African Energy) wishes to advise the following update on progress at the Mmamabula West integrated power project (the Project, Diagram 1). This project is being rapidly developed by the Company's wholly owned subsidiary, Phokoje Power (Pty) Ltd, for submission into South Africa's 3,750MW coal-fired, base-load independent power producer procurement program.

Infill Drilling Program to Upgrade Resource

- The Mmamabula West coal deposit contains 892Mt of Indicated Resource and 1,541Mt of Inferred Resource in two ~5m thick coal seams (K-Seam and the deeper A-Seam – refer to Appendix A for resource details).
- African Energy has committed to an infill core drilling program designed to upgrade a portion of the currently defined Indicated Resource to a Measured Resource.
- Eight infill holes for a total of approximately 1,200m will be drilled in the shallowest part of the coal deposit around the area of the proposed decline from the pre-feasibility study (study results published in May 2014, refer to Diagram 2).
- The drilling program should commence within two weeks, and is due for completion in December.
- This Measured Resource will form the initial basis for subsequent bankable feasibility studies on coal mining and coal processing for a mine supplying fuel for up to 600MW of power generation.

Fuel Specification Development Program

- Analysis of large diameter coal core has been completed and is being used to develop a preliminary fuel specification for each of the K-Seam and A-Seam, and for a blended fuel from both seams.
- Provisional fuel specifications are expected to be available before the end of December.
- The fuel specifications derived from each coal seam will assist with the development of the design of the power station, particularly the selection of boiler technology and sizing of ash handling systems.
- The fuel specifications will also be used in subsequent bankable feasibility studies to help optimise mining schedules and coal processing flowsheets to meet the fuel requirements of a 600MW power station.

Environmental and Social Impact Assessment

- African Energy's environmental consultants have completed the draft amendment of the Environmental and Social Impact Statement and the Environmental and Social Management Plan to include up to 600MW of power generation in addition to underground coal mining and surface coal processing.
- African Energy is currently reviewing these documents and expects that they will be finalised for submission to the Department of Environmental Affairs (DEA) in December.
- DEA will review the documents and provide comments, after which the final documents will be made available for a four-week period of public review. If no valid objections are received, DEA will then grant authorization of the Environmental Approval.

Land Rights Application

- An application for Land Rights covering approximately 64km^2 in the southeast corner of the Project has been submitted to the Lentsweletau Sub Land Board (refer to Diagram 2).
- In addition to the land rights area, the Company has also applied for 150m wide servitudes between the Project and Isang Sub-Station (for grid connection) and between the Project and the A1 highway (for road access and potential water pipeline from the Artesia bore field – refer Diagram 1).

Development Partner

- African Energy advises that recent negotiations with a South African development partner have been suspended pending further discussions with Eskom and South Africa's Department of Energy on cross-border power supply. Discussions between African Energy and the developer remain ongoing on a non-exclusive basis.
- African Energy will continue to sole fund and develop the Mmamabula West project in its own right whilst it continues to discuss project level partnerships with potential co-developers.

For further information, please contact the Company directly on +618 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 and references to "Measured Resources", "Inferred Resources" and "Indicated 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 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 which he is undertaking to qualify as a Competent Person under the 2012 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.

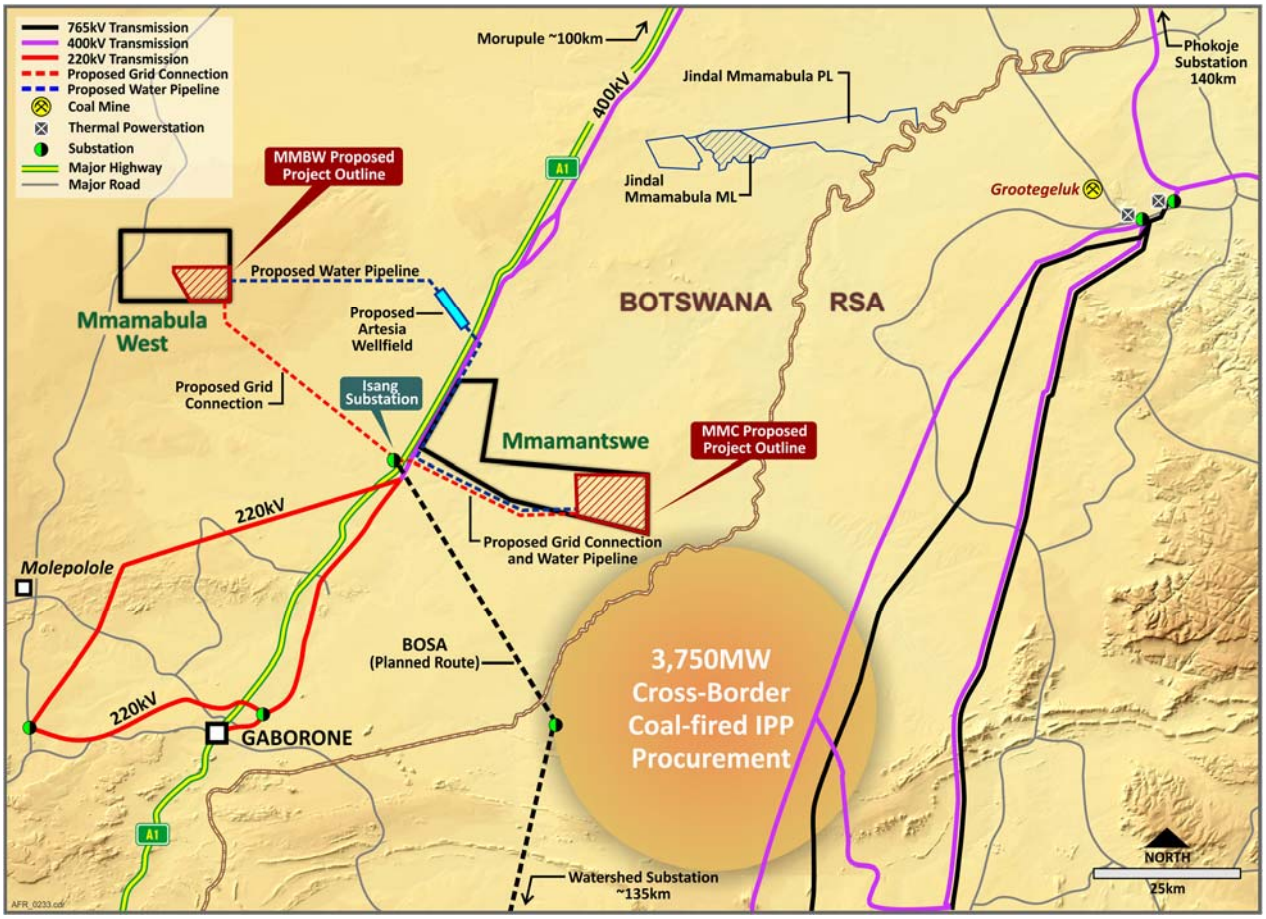

Diagram 1. Regional layout of key elements of the Mmamabula West integrated power project and key infrastructure including the regional transmission grid and likely grid connection point at the Isang sub-station.

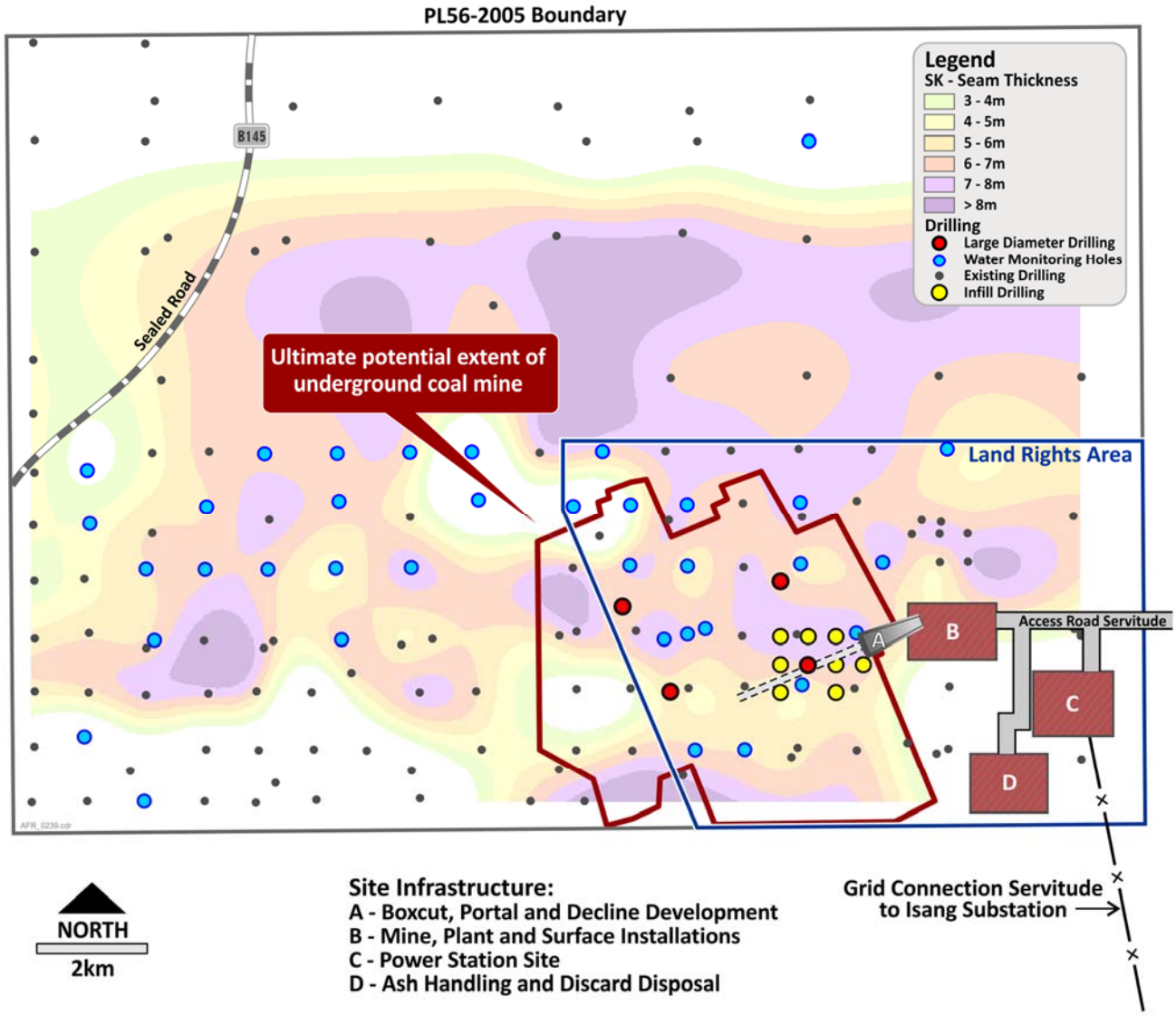

Diagram 2. Location plan depicting infill drilling collars against existing drilling and proposed site infrastructure, plus outline of the Land Rights application area.

APPENDIX 1: Global Coal Resources for African Energy's Coal Projects in Botswana

Sese: Resource Summary (Raw coal on an air-dried basis, 55% First Quantum Minerals Ltd, 45% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
MEASURED (Bk-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Bk-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	**2,517 Mt**							

Sese West: Resource Summary (Raw coal on an air-dried basis, 55% First Quantum Minerals Ltd, 45% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
INFERRED	2,501 Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
TOTAL	**2,501 Mt**							

Mmamabula West: Resource Summary (Raw coal on an air-dried basis, 100% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
TOTAL	**2,433 Mt**							

Mmamantswe: Resource Summary (Raw coal on an air-dried basis, 100% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
TOTAL	**1,243 Mt**							

** In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes.*

The Coal Resources quoted for the Sese, Mmamabula West and Mmamantswe Projects in the table above have been defined in accordance with the practices recommended by the Joint Ore Reserves Committee (2004 edition of the JORC Code), with the exception of Sese West which is reported as per the 2012 edition. There have been no material changes to any of the resources since they were first announced.