



AFRICAN ENERGY

RESOURCES (GUERNSEY) LIMITED

AFRICAN ENERGY RESOURCES (GUERNSEY) LIMITED ARBN 123 316 781

PROSPECTUS

For the offer of up to 12,500,000 Shares at an
issue price of 40 cents each to raise up to \$5,000,000

IMPORTANT NOTICE

This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.
The securities offered by this Prospectus should be considered speculative.


STRIPE CAPITAL

1. CORPORATE DIRECTORY

Directors

Mr Alasdair Cooke
Executive Chairman
Mr Gregory William (Bill) Fry
Executive Director
Dr Ian Duncan
Non-Executive Director
Dr Donal Windrim
Non-Executive Director
Mr Valentine Chitalu
Non-Executive Director
Mr Michael Curnow
Non-Executive Director

Company Secretary

Federal Trust Company Limited
Granite House, La Grande Rue
St Martin
GUERNSEY GY1 3RS
Tel: + 44 1481 234101
Fax: +44 148 123 6025

Registered Office

Registered office in Guernsey
Granite House, La Grande Rue
St Martin
GUERNSEY GY1 3RS
Tel: + 44 1481 234101

Representative office in Australia
Ground Floor, 8 Colin Street
WEST PERTH WA 6005
Tel: +61 8 9324 1177

Technical Services Office in South Africa
First floor, West Block
Tannery Park
23 Belmont Road
Rondebosch
Cape Town 7700 SOUTH AFRICA
Tel: +27 21 685 5071

Operational Office in Zambia
Stand 4953
74 Independence Avenue
Lusaka, ZAMBIA
Tel: +260 1 250 743

Share Registry

Computershare Investor
Services (Channel Islands)*
Limited
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Telephone: +44 1 534 825329
Facsimile: +44 1 534 825315

Solicitors to the Company

In Australia
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

*In Guernsey**
Ozannes
1 Le Marchant Street
St Peter Port
GUERNSEY GY1 4HP

Investigating Accountant

BDO Consultants (WA) Pty Ltd
Level 8
256 St Georges Terrace
PERTH WA 6000

Independent Geologist

RSG Global Consulting Pty Ltd
1162 Hay Street
West Perth WA 6005

Managers of the Offer

Stripe Capital (WA) Pty Ltd*
Level 2
55 St Georges Tce
Perth WA 6000

Website

www.africanenergyresources.com

ASX Code

AFR

Email

<mailto:info@africanenergyresources.com>

* These entities are included for information purposes only and have not been involved in the preparation of this Prospectus.

IMPORTANT NOTICE

This Prospectus is dated 1 March 2007 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The securities the subject of this Prospectus should be considered speculative.

WEBSITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.africanenergyresources.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

CONTENTS

1.	CORPORATE DIRECTORY	IFC
2.	CHAIRMAN'S LETTER.....	3
3.	INVESTMENT OVERVIEW.....	4
4.	DETAILS OF THE OFFER.....	6
5.	COMPANY AND PROJECT OVERVIEW.....	10
6.	DIRECTORS AND CORPORATE GOVERNANCE	21
7.	INDEPENDENT GEOLOGIST'S REPORT.....	25
8.	INVESTIGATING ACCOUNTANT'S REPORT.....	109
9.	RISK FACTORS	121
10.	MATERIAL CONTRACTS	125
11.	ADDITIONAL INFORMATION.....	129
12.	DIRECTORS' AUTHORISATION	137
13.	GLOSSARY.....	138

2. CHAIRMAN'S LETTER

Dear Investor,

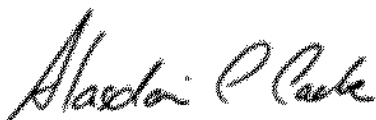
I am pleased to invite you, on behalf of the Board of Directors, to become a shareholder in African Energy Resources (Guernsey) Limited ("African Energy" or "the Company").

African Energy is an exploration company focused on identifying and developing uranium resources in Africa, and has a quality portfolio of tenements and joint venture projects in Zambia, Botswana and Malawi. The Company is led by a highly experienced Board of Directors and management team who have been closely associated with successful exploration projects and mining developments, including current mining projects in Zambia as well as large scale uranium mining operations in Australia.

African Energy holds a strategic portfolio of uranium projects within an emerging uranium province in southern Africa. The Company's projects are located over sedimentary basins of the Karoo Supergroup, which are host to uranium projects in South Africa, Malawi, Zambia and Zimbabwe. The first phase of drilling by the Company in 2006 identified initial resources of 2,200 tonnes U₃O₈ at the Njame North Prospect in southern Zambia. Subsequent airborne radiometric surveys, together with existing radiometric data, have identified numerous previously untested uranium anomalies in similar settings and nearby to Njame. The Company believes there is excellent potential to delineate further resources through testing of these targets and extensions of current resources. The Company is well placed to rapidly advance these projects, with an experienced exploration team based in Africa, complemented by experienced project development and corporate teams.

The uranium market outlook has improved considerably during the past two years as increasing global demand for electricity and concerns over carbon emissions have driven a resurgence of interest in nuclear power. There are currently 441 power generating nuclear reactors around the world, with 28 under construction and at least 38 planned or on order. Current mine production accounts for approximately 60% of global uranium demand, with the shortfall made up from stockpiles that are now largely depleted. Uranium prices have steadily increased over the last two years as the market has acknowledged this imbalance between supply and demand. The planned expansion of nuclear power generation will require substantial new investment in the exploration and development of uranium projects. African Energy is very well positioned to participate in this rapidly growing industry.

We welcome your participation in the Company.



ALASDAIR COOKE
CHAIRMAN

3. INVESTMENT OVERVIEW

3.1 Important Notice

This section is not intended to provide full information for investors intending to apply for securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Objectives

The strategic objective of the Company is to develop its uranium exploration projects in Southern Africa, where it currently holds tenements in Zambia, Malawi and Botswana. Initially the Company will focus on further drilling and scoping studies at the Njame North deposit in Zambia, and exploration and drilling of other priority prospects.

3.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	1 March 2007
Record Date	5.00pm WST on 9 March 2007
Opening Date	9 March 2007
Priority Offer Closing Date	5.00pm WST on 23 March 2007
General Offer Closing Date	5.00pm WST on 23 March 2007
Despatch of Holding Statements	27 March 2007
Expected date for listing on ASX	30 March 2007

3.4 Purpose of the Offer and Use of Proceeds

It is intended to apply funds raised from the Offer as follows (assuming the Offer achieves Minimum and Maximum Subscription, before costs of the Offer), over the next 2 years:

Allocation of Funds	Minimum Subscription \$	Maximum Subscription \$
Estimated cash on hand	5,650,000	5,650,000
Funds raised	3,500,000	5,000,000
Less fund raising costs	(320,983)	(401,341)
Total available funds	8,829,017	10,248,659
Expenditure allocation		
Exploration expenditure*	6,688,608	6,688,608
Corporate / Admin expenditure	1,785,360	1,785,360
Unallocated working capital	355,049	1,774,691
Total funds allocated	8,829,017	10,248,659

4. DETAILS OF THE OFFER

4.1 The Offer

By this Prospectus, the Company offers for subscription up to 12,500,000 Shares at 40 cents each to raise up to A\$5,000,000.

The Offer consists of:

- (a) a Priority Offer; and
- (b) a General Offer to the public.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

4.2 Priority Offer and General Offer

Priority Offer to Energy Ventures Shareholders

Of the 12,500,000 Shares being offered under this Prospectus, 7,750,000 Shares will be offered in priority to shareholders of Energy Ventures registered as at the Record Date and holding at least 20,000 Energy Ventures shares (**Energy Ventures Shareholders**).

To the extent that subscriptions from existing Energy Ventures Shareholders exceed 7,750,000 Shares, the excess applications will be considered after Shares have been allotted to the public under the General Offer.

The priority given to Energy Ventures shareholders will be in respect of 5,000 Shares for each applicant. However, the Company retains an absolute discretion regarding the allocation of Shares between applicants in the Priority Offer.

General Offer

The General Offer will be for a minimum of 4,750,000 Shares, with the balance of any Shares not applied for by Energy Ventures Shareholders under the Priority Offer also forming part of the pool for the General Offer.

Applications

Applications for Shares by Energy Ventures Shareholders under the **Priority Offer** must be made using the **Priority Offer Application Form**.

Applications for Shares under the **General Offer** must be made using the **General Offer Application Form**.

Payment for the Shares must be made in full at the issue price of 40 cents per Share. Applications for Shares must be for a minimum of 5,000 Shares and thereafter in multiples of 1,000 Shares. Completed application forms and accompanying cheques must be mailed or delivered to:

Delivered:

Stripe Capital Pty Ltd
African Energy Resources (Guernsey) Limited Share Offer
Level 2
55 St Georges Tce
Perth WA 6000

or

Mailed:

Stripe Capital Pty Ltd
African Energy Resources (Guernsey) Limited Share Offer
GPO Box 2592
Perth WA 6001

Cheques should be made payable to "African Energy Resources (Guernsey) Limited – IPO Account" and crossed "Not Negotiable". Completed application forms in respect of the Priority Offer must reach one of the above addresses by no later than the Priority Offer Closing Date. Completed application forms in respect of the General Offer must reach one of the above addresses by no later than the General Offer Closing Date.

The Company reserves the right to close the Offer early.

4.3 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of securities offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of securities takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot securities in full for any application or to allot any lesser number or to decline any application. Where the number of securities allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

4.4 Minimum Subscription

The minimum subscription to be raised pursuant to this Prospectus is A\$3,500,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

4.5 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the securities offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

4.6 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these securities or otherwise permit a public offering of the securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the securities pursuant to this Prospectus. The return of a completed application form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

4.7 Underwriter

The Offer is not underwritten.

4.8 Commissions on Application Forms

The Company reserves the right to pay a commission of up to 5% (inclusive of Goods and Services Tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

4.9 CHESS and CDIs in Australia

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS), which is the ASX electronic transfer and settlement system in Australia. Settlement of trading of quoted securities on the ASX market takes place on CHESS. CHESS allows for and requires the settlement of transactions in securities quoted on ASX to be effected electronically. No share or security certificates are issued in respect of shareholdings or security holdings that are quoted on ASX and settled on CHESS, nor is it a requirement for transfer forms to be executed in relation to transfers that occur on CHESS.

CHESS Depository Instruments (CDIs) will be used by the Company to hold and transfer title to the Shares issued pursuant to this Prospectus. CDIs are electronic depository receipts issued and are units of beneficial ownership in securities registered in the name of CHESS Depository Nominees Pty Ltd (CDN). CDN is a wholly-owned subsidiary of ASX. The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title is held by CDN. The Shares to be issued pursuant to this Prospectus will be registered in the name of CDN for the benefit of CDI holders.

CDI holders have the same economic benefits of holding the underlying Shares. Holders of CDIs are able to transfer and settle transactions electronically on ASX.

Holders of CDIs are entitled to all dividends, rights and other entitlements as if they were legal owners of Shares, and are entitled to receive notices of general meetings of shareholders. As holders of CDIs are not the legal owners of the underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI holders. Alternatively, if a holder of a CDI wishes to attend and vote at shareholder meetings, the holder may instruct CDN to appoint the holder (or a person nominated by the holder) as CDN's proxy in respect of the underlying Shares beneficially owned by such holder for the purposes of attending and voting at a shareholder meetings of the Company. Holders of CDIs are entitled to one vote for every underlying Share held by CDN.

4.10 Risk Factors

Prospective investors in the Company should be aware that subscribing for securities the subject of this Prospectus involves a number of risks. These risks are set out in Section 9 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 9, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the securities. Accordingly, an investment in the Company should be considered speculative.

4.11 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

5. COMPANY AND PROJECT OVERVIEW

5.1 Introduction and History

African Energy Resources (Guernsey) Limited was incorporated on 29 September 2006, and on 13 November 2006 entered into an agreement to acquire a 100% interest in African Energy (Australia) from Energy Ventures Limited (listed on ASX) for the consideration of 34,900,000 Shares in African Energy Resources (Guernsey) Limited.

African Energy (Australia) was established to acquire uranium exploration and development projects in Africa. African Energy (Australia)'s uranium focus was driven by the increasing importance of nuclear power to the world's major economies, and forecast increases in uranium prices.

On 28 July 2005, Energy Ventures entered into an agreement to acquire all of the issued capital of African Energy (Australia), in consideration for the issue of 25,296,342 ordinary fully paid shares and 44,704 A, B, and C class performance shares in Energy Ventures, which have now been converted into ordinary shares.

African Energy (Australia)'s exploration scope was later expanded to include coal and coal bed methane as the geological setting of the uranium target areas held is similar to that of the extensive coal deposits of Southern Africa. Although many of the coalfields in the region are remote from export markets, the rapid changes in alternative fuel technology indicated to the Company that such coal resources may become a valuable alternative fuel supply to local markets, replacing high cost imports of petroleum products.

5.2 Project Portfolio

Following incorporation, African Energy (Australia) undertook a systematic evaluation of Southern Africa's potential uranium resources, which had minimal exploration activity since the end of the uranium boom in the late 1970s. This analysis confirmed certain areas in the region have good potential to contain large, economic resources of sandstone-hosted uranium of a similar style to major deposits located in North America.

African Energy (Australia) established wholly owned subsidiaries in Zambia, Botswana, and Malawi in 2005. Five prospecting licences (or equivalents) were granted in these countries, totalling approximately 21,500 square kilometres. On 21 October 2005, Energy Ventures entered into an exploration agreement with Albidon Limited (**Albidon Exploration Agreement**) covering project areas in Zambia totalling an additional 20,324 square kilometres. Energy Ventures' interest in the exploration agreement has subsequently been assigned to African Energy.

Pursuant to the terms of the Albidon Exploration Agreement, African Energy has satisfied its minimum expenditure commitment of A\$500,000 to earn an option to enter into a number of joint ventures with Albidon, each covering a specific project area. Two such joint venture project areas have been nominated as at the date of this Prospectus, covering in aggregate 3,269 square kilometres. Under the terms of the Albidon Exploration Agreement, African Energy is entitled to earn a 30% interest in each of the two nominated project areas by expending A\$1 million on each selected project area. The Company may then proceed to earn a 70% interest by completing a prefeasibility study on a JORC Indicated Resource. The initial A\$500,000 spent by African Energy is to be applied against the A\$1 million per project expenditure requirements to the extent that the expenditure has been completed on the relevant project area.

African Energy has established a representative office and technical support base in Cape Town, South Africa and an operations base in Lusaka, Zambia.

5.3 Strategy

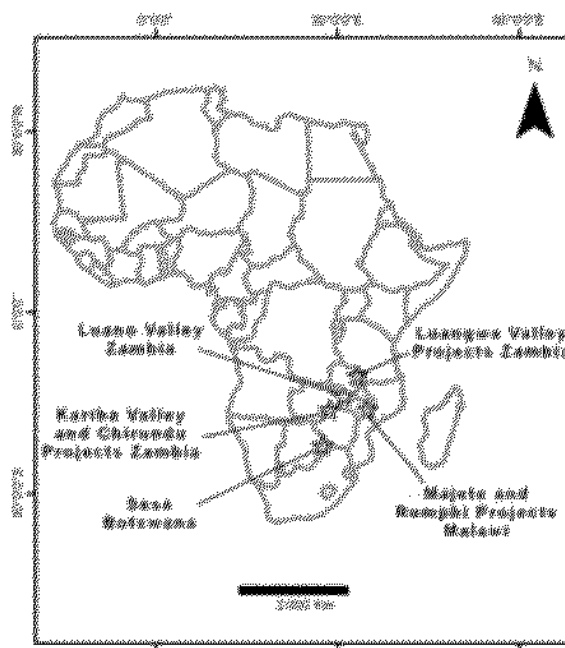
At the date of this Prospectus, African Energy holds a large portfolio of uranium exploration projects in Southern Africa, ranging from the relatively advanced project at the Njame North prospect in Zambia (which is subject to the Albion Exploration Agreement) to mineral prospects at an early stage of exploration. In the past year exploration efforts on the portfolio have concentrated on establishing an initial Resource estimate at the Njame North uranium prospect. This has now been completed, confirming the geological model and consequently provides the Directors with confidence in the exploration potential of the Company's tenement holdings throughout the Karoo Basin of Southern Africa.

Following the listing of the Company on the ASX, it will proceed with an exploration programme including resource extension drilling at Njame North which is open at depth and along strike. Further exploration is planned on similar targets located over more than 1,100 km strike length of equivalent geology covering the Company's project portfolio which have been prioritised following completion of the recent radiometric survey. The Directors intend to commence initial economic studies on the feasibility of mining and processing at Njame North, providing an economic model for application to the Company's other projects.

African Energy has a highly experienced Board of Directors and management team with extensive experience in the exploration and development of mineral opportunities in Southern Africa. Directors of the Company have been closely associated with successful exploration projects and mining developments in Zambia, as well as large scale uranium mine developments in Australia. The Company intends to pursue its programme of resource exploration, evaluation and development within Southern Africa and also seek new opportunities that may increase Shareholder value.

5.4 Prospects, Future Strategy and Objectives

African Energy owns or is earning an interest in nine uranium projects in Southern Africa, ranging from relatively advanced exploration projects, such as the Njame North prospect in Zambia, to large tenement holdings with prospective geology and uranium anomalies defined by airborne radiometric surveys.



Map of African Energy's main project locations

African Energy's aim is to advance the Company's resource projects through initial exploration to pre-feasibility as quickly as possible at the minimum scale necessary for a commercial operation, and to build the resource base to develop larger scale, longer term production.

In the near term, the primary activities of the Company will be:

- (a) drilling programs to define the resource potential of the uranium prospects already identified;
- (b) scoping studies for mining and processing the uranium mineralisation;
- (c) economic scoping studies, including local market studies, for the development of coal and coal bed methane resources;
- (d) continued development of the Company's technical database to identify prospective uranium, coal and coal bed methane exploration projects; and
- (e) continued assessment of opportunities for acquisition of new projects.

5.5 Overview of African Energy's Assets

This Section provides the Directors' view of the key points of each of the Company's projects and should be considered in conjunction with the Independent Geologist's Report contained in Section 7 of this Prospectus.

5.5.1 The Karoo Uranium-Coal Basins of Southern Africa

African Energy's projects are located in sedimentary rocks of the Karoo Supergroup. The Karoo has been long known as an important host for the vast reserves of coal in Southern Africa. The Karoo was also the focus of a major exploration program for uranium in the late 1970s and early 1980s. Since that time, very little uranium exploration has been undertaken for many years due to low market prices for the uranium. Recent changes in the supply-demand

Karoo sediments are widespread across southern Africa with thick sequences preserved in areas of rift basins such as the Kariba Valley and Luano-Luangwa Valley in Zambia. The oldest rocks of the Karoo (the Lower Karoo) are the most prospective for coal, and they contain most of South Africa's coal reserves. Significant coal reserves also occur in the Lower Karoo sediments of Zimbabwe and Zambia.

African Energy has utilised its understanding of the known uranium and coal deposits of Southern Africa to acquire an extensive portfolio of projects covering prospective areas in the rift basins filled with Karoo sediments, including access to projects owned by Albion Limited through the Albion Exploration Agreement. This portfolio includes a number of known occurrences of uranium and coal which the Company will evaluate as a high priority part of its program. The Company believes there is good potential for further significant discoveries in these basins.



The first of the two joint venture projects with Albidon arising from the Albidon Exploration Agreement, the Chirundu Project, comprises an area of 1,301 square kilometres. This is covered by the Albidon Exploration Agreement and covers part of Albidon's prospecting licence PLLS.250 Mugoto.

Albidon acquired this tenement on the basis of older 'basement' geology (favourable for base metals exploration around its Munali Nickel deposit) and the presence of Karoo sediments in the Kariba Valley. The Albidon Exploration Agreement includes those portions of Albidon's licences which cover the Karoo Supergroup and which are believed to be highly prospective for uranium, coal and coal-bed methane. This prospectivity is demonstrated by the presence of a number of known uranium deposits and the producing Gwembe coalfield in the Lower Karoo sediments of the Kariba Valley.

Considerable previous exploration was undertaken in the Kariba Valley in the 1970s and early 1980s. African Energy has obtained a significant proportion of the exploration database compiled by previous exploration companies during this period. This database includes several regional and detailed baseline maps which show the results of extensive ground radiometric surveys within the Chirundu and Kariba Valley areas, and a significant number of drill cross-sections illustrating the geology and grade of uranium mineralisation at several prospects.

The most advanced of these prospects are Njame in the Chirundu Project, and Chisebuka, Munyumbwe and Namakande in the Kariba Valley Project. This database allowed African Energy to quickly identify areas for follow-up drill testing, ultimately resulting in the estimation of a uranium resource at Njame.

Through its subsidiary African Energy (Australia), African Energy can earn a 30% interest in this project through the expenditure of a total of A\$1 million on exploration. As at 31 December 2006 A\$481,843 of this expenditure commitment has already been met, representing part of the total of A\$500,000 initial expenditure incurred by African Energy (Australia) on the Albidon Exploration Agreement projects. Under the terms of the Albidon Exploration Agreement, African Energy (Australia) may subsequently proceed to earn a 70% interest in the project area by completing a prefeasibility study on a JORC Indicated Resource.

Njame Uranium Prospects

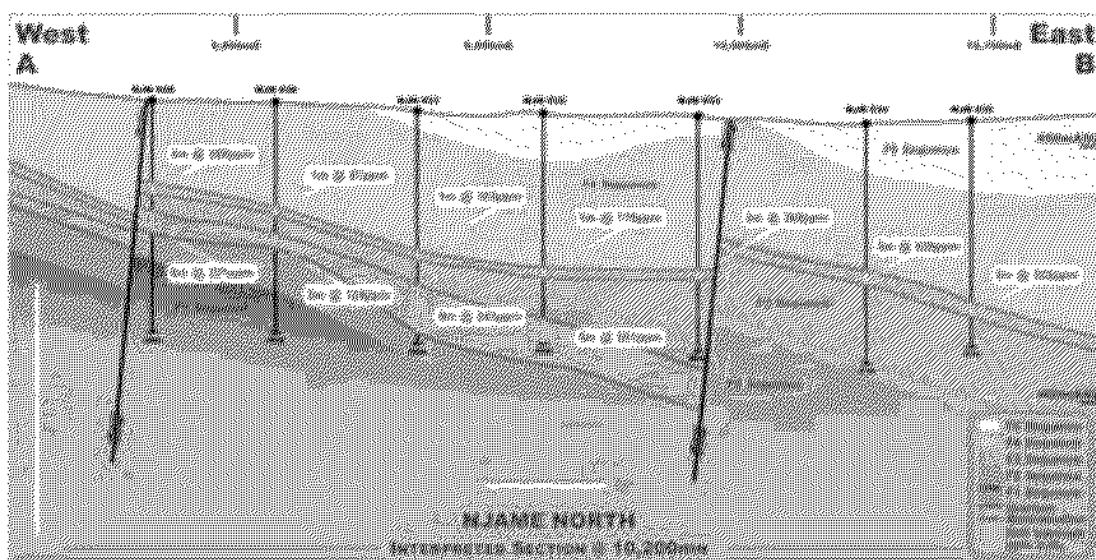
Njame consists of two prospects, Njame North and South, which were initially outlined as two separate ground radiometric anomalies. Both were drilled in the 1980s, with significant uranium intersections recorded at both prospects. Most of these intersections were calculated from calibrated down-hole gamma logging rather than chemical assays. African Energy determined that the drilling database for Njame was not of sufficient quality to allow the estimation of a JORC-compliant resource, and so embarked upon a drilling program to collect sufficient data to do so.

The Company's drilling program has successfully identified a mineral resource at Njame North, where two layers of near-surface sandstone-type uranium mineralisation have been confirmed. An Inferred Resource of 5.5Mt @ 400 ppm U_3O_8 for 2,200 tonnes U_3O_8 (with a cut-off grade of 200ppm U_3O_8) has been estimated by African Energy for Njame North and verified to be consistent with the JORC Code by independent consultants RSG Global.

In its Independent Geologist's Report, RSG Global note that drilling completed to date has not yet defined the limits of mineralisation, either down dip or along strike. African Energy intends to undertake further drilling and metallurgical testing to establish if the resource is of sufficient size and amenability to warrant a scoping study for open pit mining. RSG Global note that while further drilling to define the limits of the mineralisation is likely to increase the resource, it is unlikely

to change the resource by orders of magnitude (i.e. it is considered unlikely to more than double in size). However, RSG Global also notes that the work to date at Njame North has been a robust proof of concept for sandstone-type uranium mineralisation for the project and that, in its opinion, there is significant potential to identify other similar, potentially larger uranium resources within the Chirundu and nearby Kariba Projects, which could potentially be combined with the Njame North resource for processing at a centralised plant.

In November 2006, a detailed airborne radiometric survey was completed over the Njame Prospect to provide orientation data for future surveys. Following this orientation, the airborne survey was extended to the east of Njame, covering areas not previously known to have been evaluated with radiometric surveying. Several hitherto unknown uranium anomalies have been identified by this survey and will require ground evaluation and possibly drill testing in 2007.



Interpreted geological cross-section (x2 vertical exaggeration) through the Njame North mineralisation illustrating the two mineralised horizons referred to in the text.

5.5.3 Kariba Valley Uranium-Coal Project, Zambia (African Energy can earn up to 70%)

The second of the two joint venture projects with Albion under the Albion Exploration Agreement is the Kariba Valley Project. It comprises an area of 1,968 sq km and includes parts of three Albion prospecting licences (PLLS.250 Mugoto, PLLS.245 Sinazeze and PLLS.193 Masuku).

Previous exploration on this project area has identified three prospects. The Chisebuka, Munyumbwe and Namakande prospects have a similar geological setting to Njame. Chisebuka is characterised by a well defined, intense radiometric anomaly over an area of 1,500m x 400m, and appears to have undergone little previous drill testing. A drilling program to test this anomaly has been planned and will commence in the near future.

At Munyumbwe, two prospects have been identified. Munyumbwe 'A' consists of a broad ground radiometric anomaly which has been tested by African Energy through reconnaissance drilling. Evaluation of the drill cuttings suggests that significant mineralisation has not been identified. Munyumbwe 'B', further to the north, has not been tested to date.

Namakande consists of a series of poorly constrained ground radiometric anomalies over an area in excess of 7km x 2km. Field work is required at this prospect to evaluate the potential of these and to prioritise targets for drill testing.

No work was undertaken by the previous holders of the relevant prospecting licenses on the Sinazongwe blocks due to security concerns related to possible minefields near the shore of Lake Kariba. The potential of this area has thus not been tested to date. African Energy has recently completed an airborne radiometric survey over the Sinazongwe blocks to assess the uranium potential.

In addition to the uranium potential, there are several coal occurrences in Lower Karoo sediments within the Kariba project area. The Company intends to undertake a program to evaluate the coal potential, and particularly the scope for accumulations of coal-bed methane, and will utilise the services of an expert consultant to help design this program.

5.5.4 Luano Valley Uranium-Coal Project, Zambia (African Energy can earn up to 70%)

The Luano Valley Project is part of the Albidon Exploration Agreement, and covers part of two Albidon prospecting licences: PLLS.246 Kamoto, and PLLS.247 Lunsemfwa, with a combined area of 6,970 sq km. No specific joint venture target areas have been nominated for this project as at the date of this Prospectus.

Based on previous exploration one significant radiometric anomaly has been identified at the Myvuwe River prospect. This has been assessed for its uranium potential through a detailed airborne radiometric survey completed in December 2006, in which the nature and extent of the uranium anomalism has been confirmed. Follow-up ground work is scheduled to be undertaken in mid-2007.

In addition to the uranium potential, coal bearing horizons up to 60-120m thick have been noted in the Luano Valley, suggesting good coal bed methane potential in the region. African Energy intends to undertake a program of coal and coal bed methane evaluation utilising the services of coal bed methane consultant Analytika Holdings Pty Ltd.

5.5.5 Central Luangwa Valley Uranium-Coal Project, Zambia (African Energy can earn up to 70%)

The Central Luangwa Valley Project is part of the Albidon Exploration Agreement, and covers portions of two Albidon prospecting licences: PLLS.260 Chilonga, and PLLS.246 Kamoto. The project has a combined area of 10,085 sq km. No specific joint venture target areas have been nominated for this project as at the date of this Prospectus.

The tenements were pegged by Albidon on the basis that they contain Karoo sediments, and also because they contain basement rocks which may be prospective for base metals. The areas covered by the Albidon Exploration Agreement are those parts of the tenements that contain the Karoo sediments which are prospective for uranium, coal and coal-bed methane.

Little previous exploration for uranium has been documented for this area. The Company therefore plans to generate targets on the basis of geological interpretation where this demonstrates the presence of target Karoo sediments

above uranium-rich basement rocks with fault structures which link the two. Any such areas defined will be evaluated with field reconnaissance and spectrometer traverses.

5.5.6 Northern Luangwa Valley Uranium-Coal Project, Zambia (African Energy 100%)

The Northern Luangwa Valley Project comprises two prospecting licences (PLLS.270 Matonda and PLLS.271 Mulipo) granted to African Energy and covering a total area of 17,915 sq km. The project is situated at the northern end of the Luangwa Valley in northeast Zambia, extending as far as the international border with Malawi. Access to the eastern side of this project is generally good, with a major road running the length of the project, whereas access to the western side is generally very poor. The tenements were pegged to cover the northern extension of the Karoo sediments in the Luangwa Valley, 30km along strike from the Kayelekera deposit in northern Malawi.

Previous exploration has defined a substantial multi-point regional radiometric anomaly over an area of 400 sq km along with a number of smaller, lower level anomalies. The large anomaly includes a number of highly anomalous readings from the older basement rocks (potential source of uranium), and highly anomalous readings from faulted blocks of Karoo sediments, the potential host rocks for uranium mineralisation. The Company evaluated this area with a detailed airborne radiometric survey in December 2006 which has identified the precise locations of uranium anomalies for more detailed ground follow-up mapping and drilling in 2007.

5.5.7 Sese Uranium Project, Botswana (African Energy 100%)

The Sese Uranium Project in north-east Botswana comprises a single prospecting licence (PL96/2005) of 580 sq km granted to African Energy, with a further 320 sq km under application. The project is situated close to the highway between Francistown and Gaborone and is easy to access. The Sese tenement was pegged over an area of Karoo sediments where very high background uranium levels are observed in regional radiometric data. Examination of the radiometric data has identified a number of preliminary individual targets.

A reconnaissance visit to the tenement was undertaken by the Company's geologists in June 2006 to assess outcrop levels in the largest target. A sample of iron-rich younger gravels overlying the Karoo sediments returned an assay of 495ppm U_3O_8 . This encouraging result indicates that uranium is present in the area and may have been locally remobilised from the Karoo sediments into the overlying gravels.

A program of detailed ground traverses using a hand-held spectrometer has been planned for the Sese project. This will enable the Company to define the extent of uranium anomalies and identify the most favourable areas for follow up exploration, including drilling, if warranted.

5.5.8 Majete Uranium Project, Malawi (African Energy 100%)

The Majete Uranium Project comprises a single exclusive prospecting licence, EPL0175/05 granted to African Energy. It covers an area of 1,075 sq km in southern Malawi, approximately 50km to the south of the major city Blantyre, and is readily accessible by road and track. The project straddles the faulted contact between older basement rocks and younger sediments of the Upper Karoo. A small uranium occurrence in the basement rocks is noted on regional

geological maps and airborne radiometric surveys. This indicates that the basement is locally enriched and may provide a good source of uranium which can be remobilised into the nearby Upper Karoo sediments.

Approximately 50% of the project is covered by National Parks (the Lentswe National Park and the Majete Game Reserve). The Company has been informed by the Ministry of Mines that permission from the Department of Parks and Wildlife (DPW) will be required prior to any fieldwork being conducted. Any subsequent discovery will require an Environmental Impact Assessment which will require approval by the Department of Environmental Affairs after consultation with the DPW.

African Energy has planned a program of field evaluation to investigate this project. This will include a detailed assessment of the basement-hosted uranium occurrence to ascertain its nature and potential, and a series of traverses across the Karoo sediments to map the rock types and measure their surface prospectivity for uranium using a hand-held spectrometer. Results from this fieldwork will be used to determine the most appropriate follow-up exploration program.

5.5.9 Rumphi Uranium Project, Malawi (African Energy 100%)

The Rumphi Uranium Project comprises a single exclusive prospecting licence, EPL0176/05 held by African Energy. It covers an area of 1,061 sq km in northern Malawi and has good road access from the capital city, Lilongwe. The project is located in a narrow, fault-bounded basin filled with Karoo sediments in a very similar setting to the basin which hosts the Kayelekera deposit, some 125km to the north.

Regional airborne radiometric data coverage over the project is only partial, with the central portion of the project lacking data. Where data is present, there are a number of discrete uranium anomalies in the basin, and broad areas of elevated uranium response in the basement. The Company plans to evaluate these areas through geological fieldwork to establish the cause of the uranium anomalism. A series of spectrometer traverses to measure radioactivity across the basin will also be undertaken to generate preliminary targets where regional radiometric data are absent.

5.5.10 Kariba Uranium-Coal Project, Zimbabwe (African Energy 100%)

African Energy made applications in 2005 for six special grant licences for uranium in Zimbabwe, covering known uranium prospects on the southern side of the Kariba Valley. The six applications (SG12/05 Mapamba, SG17/05 Sinamatella 1, SG19/05 Sinamatella 2, SG20/05 Sebungwe, SG39/05 Tenchiwende and SG40/05 Chirundu) cover a total area of 4,138 sq km.

In January 2006, four of these applications were recommended for Ministerial Approval by the Mining Affairs Board of Zimbabwe, but to date the licences have not been granted. The remaining two licence applications (SG39/05 and SG40/05) are yet to be reviewed by the Mining Affairs Board. Given the current uncertainty relating to the amendment of the Mines and Minerals Act Chapter 21:05, it is not clear when these licences will be granted, nor under what commercial terms. No work is planned on this project by African Energy until this position is clarified and licences have been granted under satisfactory terms and conditions.

5.6 Coal and Coal-Bed Methane Opportunities

African Energy's objectives include the assessment of opportunities for coal and coal-bed methane (CBM) accumulations. An expert consultant, Analytika Holdings Pty Ltd, has been engaged to provide a preliminary assessment of the coal bed methane potential of the Company's project areas in the Luangwa Valley, Luano Valley and Gwembe area of the Kariba Valley of Zambia, and several targets have been recommended for follow-up evaluation.

5.7 New Project Opportunities

African Energy intends to continue to identify, evaluate and seek to acquire additional energy minerals projects in Southern Africa. The Company proposes to leverage off the expertise and established industry network of its Directors and senior management in order to:

- maintain a pipeline of high potential opportunities, both through the generation of early stage exploration projects and the identification of more advanced projects with shortened development timeframes;
- rapidly screen these investment opportunities to minimise opportunity costs; and
- act quickly to negotiate commercially attractive entry terms for African Energy and appropriately manage those investments.

5.8 African Energy's Exploration Project Schedule

Following is a list of tenements (or applications for tenements) in which African Energy holds or may earn an interest. All of the following projects are operated by African Energy.

Project	Tenement Name	Licence Number	African Energy Equity (Note 7)	Tenement Area (sq km)	Date Granted	Current Expiry Date	Annual Rent (AUD)	Annual Expenditure Commitment (AUD)	Notes
MALAWI									
Tenement holder – African Energy Resources Limited (Malawian Company)									
Majete	Majete	EPL 0175/2005	100%	1,075	22-Sep-05	21-Sep-08	\$946	\$254,668	1
Rumphi	Rumphi	EPL 0176/2005	100%	1,061	22-Sep-05	21-Sep-08	\$933	\$244,482	1
ZAMBIA									
Tenement holder – African Energy Resources (Zambia) Limited									
North Luangwa Valley	Matonda	PLLS 270	100%	5,699	16-Nov-05	15-Nov-07	\$2,983	N/A	2
North Luangwa Valley	Mulipo	PLLS 271	100%	13,068	16-Nov-05	15-Nov-07	\$6,841	N/A	2
Tenement holder – Albidon Exploration Limited (African Energy can earn up to 70% in these tenements – refer to Note 7 below)									
Kariba Valley	Sinozeze (W)	PLLS 245	Note 7	63	24-Jun-05	23-Jun-07	\$33	N/A	3
Kariba Valley	Sinozeze (E)	PLLS 245	Note 7	101	24-Jun-05	23-Jun-07	\$53	N/A	3
Kariba Valley	Mugoto	PLLS 250	Note 7	1,017	24-Jun-05	23-Jun-07	\$533	N/A	3
Kariba Valley	Masuku	PLLS 193	Note 7	787	20-Dec-04	19-Dec-06	\$412	N/A	4
Chirundu	Mugoto	PLLS 250	Note 7	1,301	24-Jun-05	23-Jun-07	\$681	N/A	3

Luano Valley	Lunsemfwa	PLLS 247	Note 7	2,017	24-Jun-05	23-Jun-07	\$1,056	N/A	3
Luano Valley	Kamoto	PLLS 246	Note 7	4,953	24-Jun-05	23-Jun-07	\$2,593	N/A	3
Central Luangwa Valley	Kamoto	PLLS 246	Note 7	3,770	24-Jun-05	23-Jun-07	\$1,974	N/A	3
Central Luangwa Valley	Chilonga	PLLS 260	Note 7	6,315	14-Jul-05	13-Jul-07	\$3,306	N/A	3

BOTSWANA

Tenement holder – African Energy Resources Botswana (Pty) Limited									
Sese	Sese	PL 96/2005	100%	580	1-Jul-05	30-Jun-08	\$579	\$12,653	5
Sese	Sese West	Application		320	Pending				

ZIMBABWE

Tenement holder – African Energy Resources Limited									
Kariba Zimbabwe	Sinamatella 1	SG 17/05		233	Pending				6
Kariba Zimbabwe	Sinamatella 2	SG 19/05		644	Pending				6
Kariba Zimbabwe	Sebungwe	SG 20/05		504	Pending				6
Kariba Zimbabwe	Tenchiwende	SG 39/05		1,193	Pending				6
Kariba Zimbabwe	Chirundu Zimbabwe	SG 40/05		1,443	Pending				6
Kariba Zimbabwe	Mapamba	SG12/05		121	Pending				6

Notes:

1. In the case of Malawi, the indicated expenditure is based on the exploration program and budget proposed to the Department of Mines and included in the conditions attached to the licence. The figure shown is the annual average expenditure commitment over the three year life of the licences, converted from Malawian Kwacha to Australian Dollars at the exchange rate for 25 February 2007. Rent is charged at 100 Malawi Kwacha per square km.
2. There are no statutory minimum expenditure commitments in Zambia. The rent charge is based on 1,800 Zambian Kwacha per square km, converted to Australian Dollars using the exchange rate for 25 February 2007.
3. The Annual Rent shown for these tenements reflects African Energy's share of the Annual Rent as based on the actual area of each tenement which is subject to the Albion Exploration Agreement, calculated as in Note 2 above.
4. The Masuku Tenement is currently under renewal and will be subject to a 50% relinquishment of the tenement area by Albion Ltd. The area to be retained includes all of the area subject to the Albion Exploration Agreement.
5. The annual expenditure commitment shown for the Sese tenement in Botswana is the annual average expenditure commitment over the three year life of the licence, converted to Australian Dollars at the exchange rate for 25 February 2007. Rent is 5 Botswana Pula per square km, also converted to Australian Dollars using the exchange rate for 25 February 2007.
6. The six tenements in Zimbabwe are yet to be granted.
7. African Energy has the right to earn up to 70% equity in the projects on tenements owned by Albion Limited under the terms of the Albion Exploration Agreement detailed in Section 10 of this Prospectus.

6. DIRECTORS AND CORPORATE GOVERNANCE

6.1 Directors

Mr Alasdair Campbell Cooke BSc(Hons) **Executive Chairman**

Mr Cooke is a geologist with 18 years experience in the resource exploration industry throughout Australia and internationally. He has held senior positions in World Geoscience Corporation in Australia and North America as well as BHP Billiton plc's international project generation group and new business and reconnaissance group. Since 1997 Mr Cooke has been involved in the development of resource projects in various private and public resource companies. Mr Cooke is also an executive Director of Albion Limited, Energy Ventures Limited and Exco Resources NL.

Mr Gregory William (Bill) Fry **Executive Director**

Mr Fry has more than 18 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has wide experience in project evaluation and development, project funding, management, finance and operations. Over the past 12 years Mr Fry has been an Executive Director of Eclipse Resources, a private resource equities investment fund. He was also an Executive Director of several other private companies with activities that included minerals exploration, mining and quarrying, land development and waste management.

Dr Ian James Duncan DPhil, FTSE, FAusIMM, FIEAust, FAIE **Non-Executive Director**

Dr Duncan's industrial experience is diverse, commencing with mechanical engineering applied to Australian chemical, paper and mining industries. He joined Western Mining Corporation Limited (now part of BHP Billiton plc) in 1971 as Operations Manager, Exploration Division and had a 27 year career with Western Mining Corporation Limited, retiring as General Manager of the large Olympic Dam copper, uranium, gold and silver operation in South Australia. Due to his involvement in uranium exploration, production and marketing over 25 years, he became familiar with the world's nuclear fuel cycle and nuclear power technology. He is a former Chairman of the London based Uranium Institute (now the World Nuclear Association). He recently completed a doctorate at the University of Oxford which addressed the interface between society and the disposal of radioactive waste. He is currently a specialist consultant in this field. Dr Duncan is a non-executive Director and Chairman of Energy Ventures Limited.

Dr Donal Paul Windrim BSc(Hons), PhD **Non-Executive Director**

Dr Windrim has over 20 years' experience in the international mineral exploration and mining industry, principally in Australia and Africa. He has conducted exploration for base metals, precious metals and diamonds in North and South America, Europe, India, Africa and Australia.

Dr Windrim's experience ranges from continent and regional scale evaluations, through delineation drilling of mining reserves to assisting with feasibility studies.

He has held technical or management positions with Elf Aquitaine and BHP Minerals International (now BHP Billiton plc). Dr Windrim's efforts in the past seven years have been directed at generating and developing mineral exploration projects based on his extensive knowledge of the geology and prospectivity of the regions of Africa targeted by Albidon Limited, a company of which he is an executive director. In relation to Africa, Dr Windrim has extensive experience of managing exploration projects in Zambia, Tanzania, Malawi, Botswana, Tunisia, Namibia and Mozambique.

Mr Valentine Chitalu MPhil, BAcc, FACCA
Non-Executive Director

Mr Chitalu, who is a Zambian national and resident, is a Chartered Certified Accountant, Fellow of the Association of Chartered Certified Accountants (UK) and holds a practicing certificate from the Zambia Institute of Certified Accountants. He also holds a Master's Degree in Economics, Finance and Politics of Development and a Bachelor's Degree in Accounting and Finance. Mr Chitalu has had both an international and local career over a period of fifteen years in the fields of private equity, privatisation, merchant banking, corporate finance, accounting, auditing, development economics, capital markets and business/private sector development in transitional economies. He has a significant interest in private sector development in the region and is extensively networked in the region.

Mr Chitalu has worked for Meridien Financial Services as Manager, Corporate Finance and Zambia Privatisation Agency as Chief Executive Officer and most recently as Central African Director with CDC (formerly Commonwealth Development Corporation). He currently holds directorships in various private entities.

Mr Michael Paul Curnow
Non-Executive Director

Mr Curnow brings extensive experience in the resources sector in gold, platinum and mineral sands exploration to the Company which will be significant for the future development of African Energy. He has been involved in the ownership and management of a wide range of businesses, in South Africa and Australia. He was a founding director of Gallery Gold Limited and AGR Limited. Mr Curnow is a non-executive Director of Energy Ventures Limited.

6.2 Technical Team

The Company has established two offices in Africa, a technical services office in Cape Town and an operational office in Lusaka. The operations team will be led by Dr Frazer Tabeart, who has significant experience in the resources industry and operating in Africa, and his background is detailed below.

Dr Frazer Tabeart PhD, BSc (Hons), DIC, ARSM
General Manager

Dr Tabeart is an experienced geologist and has held a number of senior exploration positions during a sixteen year career with WMC Resources Limited. These roles included Principal Geoscientist, Managing Director of Western Mining Mongolia, and Project Manager for the African exploration portfolio. Whilst with WMC Resources Limited, Dr Tabeart gained extensive experience in project generation for a range of commodities including nickel, gold and copper. Dr Tabeart also gained extensive project management experience and has been

responsible for project portfolios in the Philippines, Mongolia and most recently in Africa. Since leaving WMC Resources Limited, Dr Tabeart has held the role of Head of Exploration for Albion and is currently Head of Exploration for African Energy.

6.3 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The primary responsibility of the Board is to represent and advance shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- Protection and enhancement of shareholder value.
- Formulation, review and approval of the objectives and strategic direction of the Company.
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results.
- Approving all significant business transactions including acquisitions, divestments and capital expenditure.
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained.
- The identification of significant business risks and ensuring that such risks are adequately managed.
- The review of performance and remuneration of executive directors and key staff.
- The establishment and maintenance of appropriate ethical standards.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company is presently considering the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

The Company seeks to follow the best practice recommendations for listed companies where appropriate for its size and operations. In cases where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its Annual Report. The Board presently considers the Company's size and scope of activities does not justify the establishment of special or separate committees at this stage, preferring to manage the Company through the full Board of Directors.

7. Independent Geologist's Report



26 February 2007

The Directors
African Energy Resources (Guernsey) Limited,
Level 1,
8 Colin Street
West Perth WA 6005

RSG Global Consulting Pty Ltd
Head Office:
1162 Hay Street
West Perth WA 6005

P O Box 1671
West Perth WA 6872

Telephone: +61 8 9324 8800
Facsimile: +61 8 9324 8877

Email: info.australia@rsgglobal.com
Web: <http://www.rsgglobal.com>

Whitby Mining Solutions



*A. Coffey International
Geological Consulting*

Dear Sirs,

RSG Global Consulting Pty Ltd ('RSG Global') has been commissioned by African Energy Resources (Guernsey) Limited ('African Energy') to provide an Independent Geologist's Report on mineral exploration properties located in Southern Africa in which African Energy has, or is earning, an interest. This report is to be included in a Prospectus for the proposed admission of African Energy to the Australian Securities Exchange ('ASX') operated by the Australian Stock Exchange Limited. Funds raised, pursuant to a placing to occur immediately prior to the admission to the ASX, will be used primarily for the purpose of exploration and evaluation of the mineral properties.

RSG Global has not been requested to provide an Independent Valuation, nor have we been asked to comment on the Fairness or Reasonableness of any vendor or promoter considerations. RSG Global has therefore not offered any opinion on these matters.

RSG Global has based its review of the African Energy projects on information provided by African Energy, along with technical reports prepared by Government agencies and previous tenement holders, and other relevant published and unpublished data, including reports summarising previous exploration activities. These reports are listed with other principal sources of information in the bibliography. A site visit was undertaken to the Njame Project by the author, Dr De Visser, during January 2007. Diamond core and cuttings from recent drilling were inspected during the visit, but the actual site could not be accessed due to seasonal flooding of river crossings. No visits were undertaken to the other projects due to their immature status and lack of previous relevant exploration. A final draft of the report was also provided to African Energy, along with a written request to identify any material errors or omissions prior to lodgement.

The African Energy projects are understood to consist of granted Prospecting Licences and applications for Prospecting Licences. The legal status has been the subject of separate legal confirmation obtained by African Energy. These matters have not been independently verified by RSG Global. The present status of tenements listed in this report is based on information provided by African Energy, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation.

The Independent Geologist's Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('The VALMIN Code'), which is binding upon Members of the Australasian Institute of Mining and Metallurgy ('AusIMM'), the Australian Institute of Geoscientists ('AIG'), and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission ('ASIC') and the ASX, which pertain to Independent Expert Reports.

RSG Global Consulting Pty Ltd (ACN 101 090 135) as trustee for RSG Global Partnership (ABN 79 256 402 893)

The mineral properties in which African Energy has or is earning an interest are considered to be 'Exploration Projects' which are inherently speculative in nature. RSG Global considers, nonetheless, that the projects have been acquired on the basis of sound technical merit. The properties are also considered to be sufficiently prospective, subject to varying degrees of exploration, development and policy risk, to warrant further evaluation of their economic potential, consistent with the proposed programs.

Exploration and evaluation programs summarised in the report amount to a total expenditure of approximately US\$5.3 million, of which African Energy plans to spend approximately US\$2.4 million in the first year of assessment. At least half the liquid assets held, or funds proposed to be raised by African Energy, are understood to be committed to the acquisition, exploration, development and administration of the mineral properties, satisfying the requirements of ASX Listing Rules 1.3.2(b) and 1.3.3(b). RSG Global also understands that African Energy has sufficient working capital to carry out its stated objectives, satisfying the requirements of ASX Listing Rule 1.3.3(a). African Energy has prepared staged exploration and evaluation programs, specific to the potential of the projects, which are consistent with the budget allocations. RSG Global considers that the relevant areas have sufficient technical merit to justify the proposed programs and associated expenditure, satisfying the requirements of ASX Listing Rule 1.3.3(a). The proposed exploration budget also exceeds the anticipated minimum annual statutory expenditure commitment on the various project tenements.

The Independent Geologist's Report has been prepared based on information available up to and including 31 January 2007. RSG Global is not aware of any material change to the assets and liabilities of the client since that date. RSG Global has provided consent for the inclusion of the Independent Geologist's Report in the Prospectus in the form and context in which the report appears and has not withdrawn that consent prior to lodgement of the Prospectus with the ASIC.

RSG Global is an integrated mineral industry consulting firm, which has been providing services and advice to international mining companies and financial institutions since 1987. The primary author of this report, Dr J P de Visser, is a professional geologist with 18 years experience in the exploration and evaluation of mineral properties within Australia and elsewhere internationally. Dr de Visser is a Principal Consultant with RSG Global, and a Member of the AusIMM. Dr de Visser has the appropriate relevant qualifications, experience, competence and independence to be generally considered an 'Expert' and a 'Competent Person' under definitions provided in the VALMIN Code, however has less than the required five years experience in uranium geology and uranium exploration.

Neither RSG Global, nor the author of this report, have or have had previously any material interest in African Energy or the mineral properties in which African Energy has an interest. Our relationship with African Energy is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Yours faithfully
RSG Global


Dr J P de Visser
Principal Consultant Resources

Table of Contents

EXECUTIVE SUMMARY	31
1 Introduction	33
1.1 Terms of Reference	33
1.2 Qualifications, Experience and Independence	33
1.3 Principal Sources of Information	33
1.4 Declaration	33
2 Company Information and Tenure	34
3 Background Information on Countries	39
3.1 Zambia	39
3.1.1 Demographics and Geographic Setting	39
3.1.2 Political and Financial Status	39
3.1.3 Mining Industry	40
3.1.4 Mining Tenure	40
3.2 Malawi	40
3.2.1 Demographics and Geographic Setting	40
3.2.2 Political and Financial Status	42
3.2.3 Mining Industry	42
3.2.4 Mining Tenure	42
3.3 Botswana	43
3.3.1 Demographics and Geographic Setting	43
3.3.2 Political and Financial Status	44
3.3.3 Mining Industry	44
3.3.4 Mining Tenure	44
3.4 Zimbabwe	46
4 Background Information on Exploration Models	47
4.1 Uranium	47
4.1.1 Genetic Model for Sandstone-Type Uranium Deposits	47
4.1.2 Exploration Criteria for Sandstone-Type Uranium Deposits	48
4.2 Coal, Coal-Bed Methane	49
4.2.1 Genetic Model for Coal and Coal-Bed Methane	49
4.2.1.1 Coal	49
4.2.1.2 Coal-bed Methane	49
4.2.2 Exploration Criteria for Coal-Bed Methane	50
4.3 Regional Geology of the Karoo Basin	50
5 Zambian Projects	51
5.1 Chirundu Project	51
5.1.1 Location, Access and Physiography	51
5.1.2 Tenure	52
5.1.3 Local Geology	52
5.1.4 Exploration and Mining History	52
5.1.5 5.1.5 The Njame Prospect	55
5.1.5.1 Geology	55
5.1.5.2 Historic Resource Estimates	58
5.1.5.3 Database and Data Quality	58
5.1.5.4 African Energy's Resource Estimate	60
5.1.6 5.1.6 Exploration and Resource Potential	62
5.1.7 Exploration Strategy and Expenditure	63

5.2	Kariba Valley Project	65
5.2.1	Location, Access and Physiography	65
5.2.2	Tenure	65
5.2.3	Local Geology.....	65
5.2.4	Exploration and Mining History	66
5.2.5	Exploration and Resource Potential.....	68
5.2.5.1	Uranium	68
5.2.5.2	Coal-Bed Methane	68
5.2.6	Exploration Strategy and Expenditure.....	70
5.3	Luano Valley Project.....	71
5.3.1	Location, Access and Physiography	71
5.3.2	Tenure	71
5.3.3	Local Geology.....	71
5.3.4	Exploration and Mining History	71
5.3.4.1	Uranium	73
5.3.5	Exploration and Resources Potential.....	74
5.3.5.1	Coal-Bed Methane	74
5.3.6	Exploration Strategy and Expenditure.....	75
5.4	Central Luangwa Valley Project.....	76
5.4.1	Location, Access and Physiography	76
5.4.2	Tenure	76
5.4.3	Local Geology.....	77
5.4.4	Exploration and Mining History	77
5.4.5	Exploration and Resource Potential.....	78
5.4.6	Exploration Strategy and Expenditure.....	80
5.5	Northern Luangwa Valley Project	80
5.5.1	Location, Access and Physiography	80
5.5.2	Tenure	81
5.5.3	Local Geology.....	81
5.5.4	Exploration and Mining History	82
5.5.5	Exploration and Resource Potential.....	83
5.5.6	Exploration Strategy and Expenditure.....	87
6	Malawian Projects	90
6.1	Rumphi Project.....	90
6.1.1	Location, Access and Physiography	90
6.1.2	Tenure	90
6.1.3	Local Geology.....	90
6.1.4	Exploration and Mining History	90
6.1.5	Exploration and Resource Potential.....	91
6.1.6	Exploration Strategy and Expenditure.....	92
6.2	Majete Project	93
6.2.1	Location, Access and Physiography	93
6.2.2	Tenure	93
6.2.3	Local Geology.....	94
6.2.4	Exploration and Mining History	95
6.2.5	Exploration and Resource Potential.....	96
6.2.6	Exploration Strategy and Expenditure.....	97
7	Botswanan Projects.....	98
7.1	Sese Project.....	98
7.1.1	Location, Access and Physiography	98
7.1.2	Tenure	98
7.1.3	Local Geology.....	99
7.1.4	Exploration and Mining History	99
7.1.5	Exploration and Resource Potential.....	100

7.1.6	Exploration Strategy and Expenditure.....	101
8	Zimbabwean Projects	103
8.1	Access and Physiography	103
8.2	Tenure	103
8.3	Local Geology	103
8.4	Exploration Strategy and Expenditure	103
9	Glossary of Technical Terms.....	105
10	Principal Sources of Information	108

List of Tables

Table 1 – Schedule of Tenements	37
Table 2 – Proposed Exploration Expenditures (US \$)	38
Table 3 – Zambia Mineral Exploration and Mining Rights	41
Table 4 – Malawian Mineral Exploration And Mining Rights	43
Table 5 – Botswana Mineral Exploration and Mining Rights	45
Table 6 – Summary of Previous Exploration, Chirundu Project and Kariba Valley Project	54
Table 7 – Summary of Inferred Resources at Dibwe-Mutanga	55
Table 8 – Summary of Drilling, Sampling and Analysis	59
Table 9 – Njame North Deposit September 2006 Resource Estimate	60
Table 10 – Proposed Exploration Expenditure for Years 1 and 2, Chirundu Project	64
Table 11 – Proposed Exploration Expenditure for Years 1 and 2, Kariba Valley Project	70
Table 12 – Summary of Previous Exploration, Luano Valley	73
Table 13 – Luano Valley, Planned Exploration Expenditure (US\$)	76
Table 14 – Summary of Previous Exploration, Central Luangwa Valley	78
Table 15 – Central Luangwa Valley Project, Planned Exploration Expenditure (US \$)n	80
Table 16 – Summary of Previous Exploration, Northern Luangwa Valley	83
Table 17 – Planned Expenditure for Northern Luangwa Valley Project (US \$)	88
Table 18 – Exploration Expenditure for Rumphi Project, Malawi (US \$)	93
Table 19 – Proposed Exploration Expenditure, Majete (US\$)	97
Table 20 – Previous Exploration Summary for Sese Project	99
Table 21 – Proposed Exploration Expenditure, Sese (US \$)	102

List of Figures

Figure 1 – African Energy – Project Locations	36
Figure 2 – African Energy - Project locations in the Karoo Basins of Southern Africa	36
Figure 3 – Chirundu Project – Project Location and Principal Access Routes from Lusaka	51
Figure 4 – Chirundu Project - Mapped Position of the Escarpment Grit and Position of Ground Radiometric Anomalies	53
Figure 5 – Chirundu Project – Geological Map of the Njame Prospect showing Location of African Energy Drillholes	56
Figure 6 – Chirundu Project - Surface Geological Map of Njame North Prospect	57
Figure 7 – Chirundu Project - Interpreted Geological Section of Njame North Prospect	58
Figure 8 – Chirundu Project - Oblique view of Njame North Resource wireframes	61
Figure 9 – Chirundu Project - View of Inferred Resource outline at Njame North looking Northeast	62
Figure 10 – Chirundu Project - Airborne Radiometric Survey	64
Figure 11 – Kariba Valley Project – Project location and principal access routes from Lusaka	66
Figure 12 – Kariba Valley Project – Mapped Position of the Escarpment Grit and Position of Radiometric Anomalies	67
Figure 13 – Kariba Valley Project - Airborne Radiometric Survey	69
Figure 14 – Luano Valley Project - Location Map	72
Figure 15 – Luano Valley Project - Outcrop outlines of Escarpment Grit and Madumabisa Mudstone in Luano Valley	74
Figure 16 – Luano Valley Project - Airborne Radiometric Survey	75
Figure 17 – Central Luangwa Valley Project – Project Location	77
Figure 18 – Central Luangwa Valley Project – Sparse Radiometric Coverage for the Bulk of the Project	79
Figure 19 – Northern Luangwa Project – Project Location	82
Figure 20 – Northern Luangwa Project – Locations of Anomalous Uranium Picks from Previous Radiometric Surveys	84
Figure 21 – Northern Luangwa Valley Project - District-Scale View of the Southern Matonda Target Area	85
Figure 22 – Northern Luangwa Valley Project - Matonda Airborne Radiometric Survey	86
Figure 23 – Northern Luangwa Valley Project – Radiometric survey outline areas	87
Figure 24 – Northern Luangwa Valley Project - Mulipo Airborne Radiometric Survey	88
Figure 25 – Rumphi Project – Project Location in Northern Malawi	89
Figure 26 – Rumphi Project – Tenement Outline on Satellite Imagery Showing Presence of Elongated Valley	91
Figure 27 – Rumphi Project – Tenement Superimposed on Image of Uranium Channel from Regional Radiometrics	92
Figure 28 – Majete Project – Project Location in Southern Malawi	94
Figure 29 – Majete Project - Major Reserves and National Parks on Satellite Imagery	95
Figure 30 – Majete Project – Tenement Outline, Reserves and National Parks on Uranium Image	96
Figure 31 – Sese Project – Location Map of Tenement in North-Eastern Botswana	98
Figure 32 – Sese Project - PL Outline over a Ternary Image (U, K, Th) of Regional Radiometric Data	100
Figure 33 – Sese Project - PL outline on an image of Uranium-Potassium ratio (U/K) from radiometric survey data	101
Figure 34 – African Energy – Tenement Applications in Northern Zimbabwe	104

EXECUTIVE SUMMARY

African Energy Resources (Guernsey) Limited's ('African Energy') Southern African projects are variously located in Zambia, Botswana, Zimbabwe and Malawi, and cover ground considered prospective for uranium, coal and coal-bed methane. Some of the tenements are held exclusively by African Energy, others are held under joint venture agreements with Albidon Limited ('Albidon').

All projects comprise rocks belonging to the Karoo Supergroup, which contains significant coal measures, especially in South Africa, and uranium deposits in South Africa, Botswana, Zambia and Malawi.

Conditions suitable for the development of concentrations of both uranium and coal-bed methane have been demonstrated to exist within the project areas, and a study on ground adjacent to the Njame Prospect in Zambia suggests that potentially economic uranium mineralisation exists. However, no economic or development studies have yet been carried out on any of the African Energy projects.

Most of the projects are early stage exploration ventures that have been initiated based on desk-top studies of exploration completed since the 1970's, open file geophysical data, and more recent reconnaissance work. Recently completed airborne radiometric surveys will allow African Energy to advance a number of their projects via field evaluation and drill testing of identified uranium anomalies.

Only the Njame Prospect at the Chirundu Project near the Kariba Valley, Zambia, is at an advanced stage. The Njame Prospect was identified during exploration in the 1970's and early 1980's, and has been drilled and logged using gamma measurements. Subsequent follow up work by African Energy has confirmed uranium mineralisation and defined an Inferred Resource of 5.5 million tonnes at 400ppm U_3O_8 using a 200ppm U_3O_8 cutoff for 2,200 tonnes of U_3O_8 (4.8Mlb U_3O_8) at Njame North. African Energy can earn a 70% interest in Njame North.

In RSG Global's opinion, in Zambia there is significant potential to identify other, potentially larger, uranium resources similar to Njame North within the Chirundu and nearby Kariba Valley projects, potentially supplementing the Njame North resources for processing at a central plant. The Gwabe North, Chisebuka, Munyumbwe and Namakande prospects have a similar geological setting to the Njame Prospect, and all are characterised by radiometric anomalism, however the uranium potential of these areas has not been tested to date. The coal-bed methane potential of the Kariba Valley project is reasonable and it is possible that economic accumulations may be identified.

There is potential at the Luano Valley Project in Zambia to identify uranium mineralisation with the application of modern geophysical techniques. The coal-bed methane potential of the Luano Valley is considered variable, but in places is sufficient to warrant evaluation.

The uranium potential in the Zambian Central Luangwa leases is highest along the western margin where coarse-grained sedimentary rocks were deposited in a high energy environment and lowest along the eastern margin where quiescent conditions prevailed. The coal-bed methane potential of the Central Luangwa Valley is generally considered poor.

The Zambian Northern Luangwa Project has potential for significant uranium mineralisation associated with multiple recently identified targets. Northern Luangwa is considered to have moderate prospectivity for coal, with records of previous exploration indicating a number of coal outcrops. The coal-bed methane potential is considered to be low.

The exploration potential for uranium within the Rumphi Project in Malawi is based on the large gap in the regional radiometric data and the lack of previous systematic uranium exploration. Due to the paucity of modern exploration for uranium in the Majete area of Malawi, and the demonstrated presence of uranium mineralisation in the basement rocks, the uranium potential in the Karoo sediments of the Majete Project is considered good.

The Sese Project in Botswana offers the potential to host sandstone-type uranium mineralisation in the Karoo sediments or within younger associated calcretes in the near-surface environment.

The Kariba and Chirundu projects in Zimbabwe have potential for uranium mineralisation, coal and/or coal-bed methane, but African Energy is waiting for improved foreign investment conditions before preparing a budget and undertaking any work.

African Energy intends to carry out further exploration work on the licences; including reconnaissance visits, geophysics and drilling, with the intention of delineating further resources. African Energy has provided RSG Global with exploration strategies and budgets for each project, collectively comprising expenditure of US\$5.3 million over an initial two year period. RSG Global considers that the proposed exploration strategies are entirely consistent with the potential of the projects and that the proposed schedule is achievable.

1 INTRODUCTION

1.1 Terms of Reference

RSG Global Consulting Pty Ltd ('RSG Global') has been commissioned by African Energy Resources (Guernsey) Limited ('African Energy') to provide an Independent Geologist's Report on mineral exploration properties in Zambia, Botswana, Malawi and Zimbabwe in Africa in which African Energy has, or is earning an interest.

This report complies with the requirements of an Independent Geologist's Report ('IGR') for inclusion in a Prospectus for the purpose of seeking admission to the Australian Securities Exchange ('ASX') and has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('The VALMIN Code').

1.2 Qualifications, Experience and Independence

The primary author of this report is Dr. J P de Visser who is a qualified geologist with 18 years of experience in the exploration and evaluation of mineral properties within Australia and elsewhere internationally. Dr. De Visser is a Principal Consultant of RSG Global and a Member of the Australasian Institute of Mining and Metallurgy ('AusIMM').

Dr. De Visser has the appropriate relevant qualifications, experience, competence and independence to be generally considered as an 'Expert' under the definition provided in the VALMIN Code, however he has less than the required five years experience in uranium geology and exploration.

Neither RSG Global, nor the author of this report, have or have had previously any material interest in African Energy or the mineral properties in which African Energy has an interest. Our relationship with African Energy is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

1.3 Principal Sources of Information

The information contained in this report has been largely provided by African Energy. RSG Global has supplemented this with its own experience in Karoo Sequence rocks and uranium deposits and information collected during site visits to the Chirundu Project in Zambia by Dr. J A Verbeek, a previous employee (Principal Consultant) of RSG Global in July 2006, and by Dr. De Visser in January 2007.

1.4 Declaration

RSG Global declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

2 COMPANY INFORMATION AND TENURE

African Energy was recently incorporated in Guernsey and has acquired a 100% interest in African Energy Resources Pty Ltd ('African Energy (Australia)') from Energy Ventures Limited ('Energy Ventures', ASX: EVE).

African Energy (Australia) was established in July 2005 by Mr. A. Cooke and Dr. D. Windrim, both geologists with extensive experience in mineral exploration in Africa, and who recognised the exploration potential for uranium throughout Southern Africa. African Energy (Australia)'s initial objective was to acquire uranium exploration and development projects in the region. African Energy (Australia)'s uranium focus was driven by the increasing importance of nuclear power to the world's major economies, and forecast increases in future uranium prices.

On 28 July 2005, Energy Ventures (previously Australian Development Capital Limited) entered into an agreement to acquire all of the issued capital of African Energy (Australia) in return for a cash consideration of A\$85,000 (being a reimbursement of costs to that point), 25,296,342 ordinary shares (at a deemed issue price of A\$0.05 each), and 44,704 Class A, B and C performance shares in Energy Ventures. On reaching the milestones for the performance shares, one thousand shares in Energy Ventures would be issued for each performance share. The share sale agreement was settled on 25 November 2005 and all performance share milestones have subsequently been met.

African Energy (Australia) has undertaken a systematic evaluation of Southern Africa's potential uranium resources, which have received minimal exploration attention since the end of the uranium boom in the early 1980's. This analysis confirmed that certain areas in the region have good potential to contain large, economic resources of sandstone-hosted uranium of similar style to many of the major deposits located in North America.

African Energy (Australia)'s exploration scope was expanded to include coal and coal bed methane, as the geological setting of the uranium target areas is similar to those hosting extensive coal deposits throughout Southern Africa.

African Energy (Australia) established wholly owned subsidiaries in Zambia, Botswana, and Malawi in 2005. Five Prospecting Licences (or equivalents) were granted in these countries, totalling approximately 21,500 square kilometres. On 21 October 2005, Energy Ventures entered into an exploration agreement with Albidon (Albidon Exploration Agreement – summarised at Section 10 of this Prospectus) covering project areas in an area of mutual interest ('AMI') in Zambia totalling an additional 20,324 square kilometres. This Agreement has subsequently been assigned to African Energy.

Under the terms of this Agreement, African Energy has recently satisfied its minimum expenditure commitment of A\$500,000 to earn an option to enter into two separate joint ventures with Albidon, namely Chirundu and Kariba Valley, which together cover 3,269 square kilometres. African Energy may earn a 30% interest in each of these two project areas by expending A\$1 million on the selected project area, and may then proceed to earn a 70% interest by completing a Prefeasibility Study on an Indicated Resource consistent with the JORC Code guidelines. The remaining 17,055 square kilometres of the AMI, covered by the Luano Valley and Central Luangwa Valley projects, is still subject to the terms of the Exploration Agreement with Albidon, and African Energy may nominate further joint ventures from this residual area prior to 21 October 2007.

African Energy now holds a large portfolio of uranium and other projects, ranging from the relatively advanced Njame North Prospect within the Chirundu Project in Zambia which includes a Mineral Resource, to mineral prospects at an early stage of exploration including a number of recently discovered and untested radiometric anomalies. Initial funding for these projects has been provided by Energy Ventures and private equity raised in late 2006.

African Energy has an experienced Board of Directors and management team with wide experience of exploring and developing mineral opportunities in Southern Africa. African Energy intends to maintain its program of resource delineation and exploration in selected countries in southern Africa and to constantly seek new opportunities that will add to its portfolio and increase shareholder value.

Licences for uranium and coal-bed methane held by African Energy are located in southern Africa (Figure 1 and 2). Details of the licence holdings are presented in Table 1. Most of these licences and applications were acquired on the basis of regional desktop studies and historic information from exploration completed during the 1970's and contained within the Company's database. African Energy has carried out very little exploration work on the vast majority of the licences, with the exception of Njame/Chirundu/Kariba Valley area, where a significant radiometric anomaly has been identified and reconnaissance drilling information is available. The remaining tenements represent a comprehensive, but largely untested, land holding over prospective ground. RSG has therefore focussed on the Chirundu and Kariba Valley tenements in this report.

African Energy has planned a series of exploration programs to advance these projects to a drilling stage as rapidly as possible. RSG Global is of the opinion that the expenditure is broadly appropriate to evaluate the potential for additional mineralisation, similar to but larger than Njame North. Exploration is a dynamic process, and it is likely that the expenditure will be managed on an ongoing basis and that positive results may justify fast-tracking. Similarly, negative results may lead to a re-allocation of funds.

Figure 1
African Energy – Project Locations

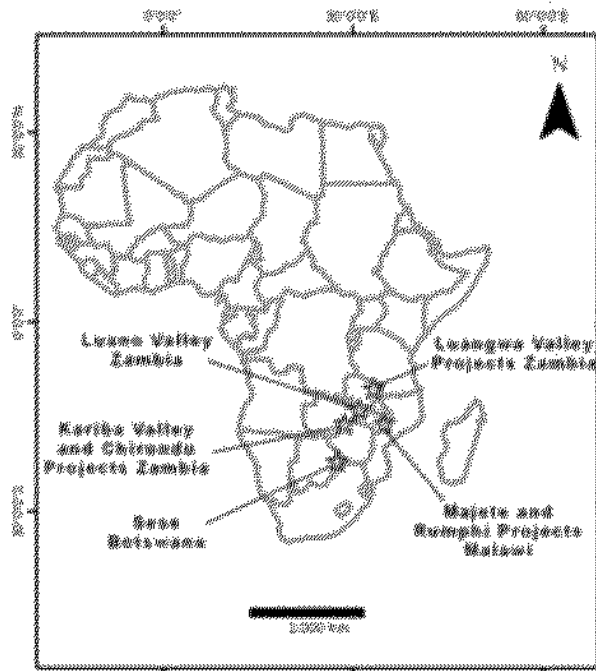


Figure 2
African Energy - Project locations in the Karoo Basins of Southern Africa

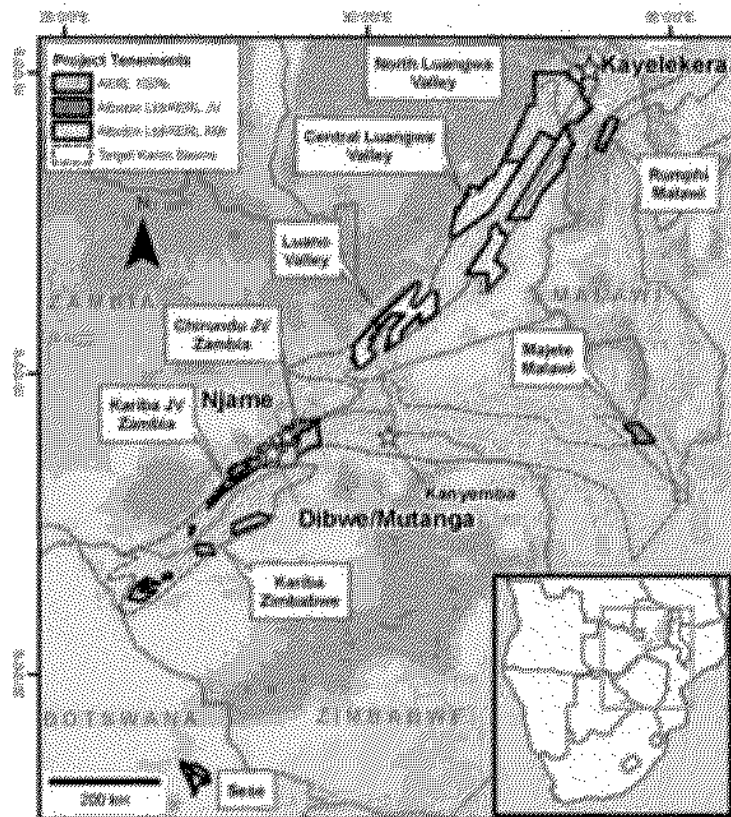


Table 1 Schedule of Exploration Tenements												
Project	Tenement Name	Holder	Licence Number	African Energy Interest (Note 7)	Latitude of Project Central Point	Longitude of Project Central Point	Tenement Area (sq km)	Date Granted	Expiry Date	Annual Rent (USD)	Annual Expenditure Commitment (USD)	Notes
Malawi												
Majete	Majete	African Energy Resources Ltd (Malawi)	EPL 0175/2005	100%	15 56 S	34 30 E	1.075	22-Sep-05	21-Sep-08	\$753	\$202,804	1
Rumphi	Rumphi	African Energy Resources Ltd (Malawi)	EPL 0176/2005	100%	11 01 S	33 57 E	1.061	22-Sep-05	21-Sep-08	\$743	\$194,691	1
Zambia												
North Luangwa Valley	Matonda	African Energy Resources Ltd (Zambia)	PLLS 270	100%	11 34 S	32 57 E	5,689	16-Nov-05	15-Nov-07	\$2,433	N/A	2
North Luangwa Valley	Mulipo	African Energy Resources Ltd (Zambia)	PLLS 271	100%	10 30 S	33 00 E	13,068	16-Nov-05	15-Nov-07	\$5,580	N/A	2
Kariba Valley	Sinazeeze (W)	Albidon Exploration Limited	PLLS 245	0% (Note 7)	17 35 S	27 06 E	63	24-Jun-05	23-Jun-07	\$27	N/A	3
Kariba Valley	Sinazeeze (E)	Albidon Exploration Limited	PLLS 245	0% (Note 7)	17 08 S	27 25 E	101	24-Jun-05	23-Jun-07	\$43	N/A	3
Kariba Valley	Mugolo	Albidon Exploration Limited	PLLS 250	0% (Note 7)	16 38 S	27 58 E	1,017	24-Jun-05	23-Jun-07	\$434	N/A	3
Kariba Valley	Masuku	Albidon Exploration Limited	PLLS 193	0% (Note 7)	16 40 S	27 48 E	787	20-Dec-04	19-Dec-06	\$336	N/A	4
Chirundu	Mugolo	Albidon Exploration Limited	PLLS 250	0% (Note 7)	15 55 S	28 53 E	1,301	24-Jun-05	23-Jun-07	\$555	N/A	3
Luano Valley	Lunsentwa	Albidon Exploration Limited	PLLS 247	0% (Note 7)	14 30 S	29 55 E	2,017	24-Jun-05	23-Jun-07	\$861	N/A	3
Luano Valley	Kamoto	Albidon Exploration Limited	PLLS 246	0% (Note 7)	13 58 S	30 42 E	4,953	24-Jun-05	23-Jun-07	\$2,115	N/A	3
Central Luangwa Valley	Kamoto	Albidon Exploration Limited	PLLS 246	0% (Note 7)	13 05 S	31 59 E	3,770	24-Jun-05	23-Jun-07	\$1,610	N/A	3
Central Luangwa Valley	Chilonga	Albidon Exploration Limited	PLLS 260	0% (Note 7)	12 05 S	31 54 E	6,315	14-Jul-05	13-Jul-07	\$2,696	N/A	3
Botswana												
Sese	Sese	African Energy Resources (Proprietary) Ltd	PL 96/2005	100%	21 37 S	27 13 E	580	1-Jul-05	30-Jun-08	\$451	\$9,850	5
Sese	Sese West	African Energy Resources (Proprietary) Ltd	Application	100%	21 43 S	27 07 E	320	Pending		\$249	-	
Zimbabwe												
Kariba Zimbabwe	Sinamatella 1	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 17/05	100%	18 29 S	26 23 E	233	Pending				6
Kariba Zimbabwe	Sinamatella 2	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 19/05	100%	18 41 S	26 15 E	644	Pending				6
Kariba Zimbabwe	Sebungwe	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 20/05	100%	17 55 S	27 19 E	504	Pending				6
Kariba Zimbabwe	Tenchiwende	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 39/05	100%	17 29 S	28 04 E	1,193	Pending				6
Kariba Zimbabwe	Chirundu	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 40/05	100%	16 05 S	29 02 E	1,443	Pending				6
Kariba Zimbabwe	Mapamba	African Energy Resources (Proprietary) Ltd (Zimbabwe)	SG 12/05	100%	18 23 S	26 42 E	121	Pending				6

Notes: 1. In the case of Malawi, the indicated expenditure is based on the exploration program and budget proposed to the Department of Mines and included in the conditions attached to the licence. The figure shown is the annual average expenditure commitment over the three year life of the licences, converted from Malawian Kwacha to US Dollars at the average exchange rate for September 2006. Rent is charged at 100 Malawi Kwacha per square km.

2. There are no statutory minimum expenditure commitments in Zambia. The rent charge is based on 1,800 Zambian Kwacha per square km, converted to US Dollars using the average exchange rate for September 2006.

3. The Annual Rent shown for these tenements reflects African Energy's share of the Annual Rent as based on the actual area of each tenement which is subject to the Exploration Agreement with Albidon Limited, calculated as noted in Note 2 above.

4. The Masuku Tenement is currently under renewal and will be the subject of a 50% relinquishment of the tenement area by Albidon Exploration Ltd. The area to be retained includes all of the area subject to the Exploration Agreement.

5. The annual expenditure commitment shown for the Sese tenement in Botswana is the annual average expenditure commitment over the three year life of the licence, converted to US Dollars at the average exchange rate for September 2006. Rent is 5 Botswana Pula per square km, also converted to US Dollars using the average exchange rate for September 2006.

6. The six tenements in Zimbabwe are yet to be granted.

7. African Energy has the right to earn up to 70% equity in the projects on tenements owned by Albidon Limited under the terms of the Exploration Agreement.

The following breakdown of expenditures has been provided, utilising existing funds supplemented by additional funds raised through this placement:-

Table 2 Proposed Exploration Expenditures (US \$)			
Project	Year One	Year Two	Total
Chirundu JV, Zambia	401,220	534,520	935,740
Kariba Valley JV, Zambia	470,937	541,337	1,012,274
Other Zambian Projects	894,361	1,103,811	1,998,172
Malawi	533,982	587,442	1,021,424
Botswana	108,682	108,632	217,314
Totals	2,409,182	2,875,742	5,284,924

Details of proposed exploration are discussed under individual project headings.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of African Energy's Projects, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$2,409,182 and US\$2,875,742 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Projects and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements.

3 BACKGROUND INFORMATION ON COUNTRIES

3.1 Zambia

3.1.1 Demographics and Geographic Setting

Zambia is a land-locked independent republic situated in southern Africa to the east of Angola, south of the Democratic Republic of the Congo ('DRC'), west of Tanzania and with Zimbabwe to the south. The country has a land area of approximately 752,614 sq km. The capital city is Lusaka and other major cities are Ndola and Kitwe. Zambia has a tropical climate with the rainy season between October and April, and its terrain is mostly high plateau with some hills and mountains. The population of Zambia is approximately 10 million.

The official language is English, but there are over 80 indigenous languages that are spoken. An estimated 50% to 75% of the population is Christian, with the remainder being Muslim or Hindu. Over 80% of the population is considered to be literate by World Bank standards (age 15 and over able to read and write).

3.1.2 Political and Financial Status

Zambia was formerly the Territory of Northern Rhodesia, administered by the British South Africa Company from 1891 until it became an official British Colony in 1923. During the 1920's and 1930's, mining and infrastructure development accelerated. Zambia gained independence in 1964 and income from the copper belt and Kabwe mines boosted GDP. Poor management, limited capital investment and declining copper prices in the 1980's and 1990's, together with prolonged drought, severely affected the economy and by the late 1990's the country was essentially bankrupt and burdened by excessive debt.

Zambia held substantially free and fair multi-party elections in 1991, but the subsequent vote in 1996 was rife with harassment of opposition parties. Administrative problems emerged at the next election in 2001, with three parties challenging the election of the winning candidate Levy Mwanawasa. Parliament was dissolved for further elections in August 2006. President Mwanawasa was re-elected for a further five year term on 28 September 2006.

In 2005, Zambia's GDP (purchasing power parity) was estimated to be US \$10.59 billion, and annual per capita income was US \$900. Real growth in Zambia is estimated at 5.1% annually with an underlying inflation rate on consumer prices of 18.3%. In the last few months Zambia has experienced single digit inflation with the September rate averaging 8.3%. The GDP breakdown by sector is estimated at 22% agriculture, 29% industry and 48.9% services (CIA World Fact Book 2006).

Although there have been minor problems with the privatisation of the government owned copper mines of the copper belt, the mining industry in Zambia is currently profitable. The Lumwana copper project (owned and operated by Equinox Minerals Limited) will become the first new large-scale, modern copper mine to open in Zambia for many years, and approval for contracts associated with the development of the Konkola Deep Project (owned and operated by Konkola Copper Mines Plc) has recently been agreed.

3.1.3 Mining Industry

Zambia has a long history of mining, predominantly for copper, cobalt and zinc, with the Zambian copper belt remaining the main focus of mining activities. The copper belt, situated between Zambia and the DRC, is one of the world's greatest metallogenic provinces. It is estimated to contain 34% and 10% of the world's cobalt and copper reserves respectively, and the mines within the belt are considered to be among the world's highest grade copper and cobalt deposits. Unfortunately, many of these mines face tough technical challenges including depth, hydrology, ground conditions and seismicity. Mining costs in these deep mines are high.

In addition to the mines of the copper belt, Zambia contains small-scale gold, coal and manganese mines. During the last two years, exploration has significantly expanded in Zambia to include prospecting for zinc, nickel, copper, gold, uranium and diamonds.

3.1.4 Mining Tenure

The Mines and Minerals Act (1995) governs mining activities within Zambia. The Act allows for a simple licencing procedure and places minimum and reasonable constraints on prospecting and mining activities, creating a favourable investment environment.

Government policy is not to participate in exploration or other mining activities or any shareholding other than a regulatory and promotional role. The Zambian mineral exploration and mining rights are summarised in Table 3

3.2 Malawi

3.2.1 Demographics and Geographic Setting

Malawi is a landlocked independent republic with a democratic government. It lies to the south of Tanzania, east of Zambia and west of Mozambique, and forms part of the southern Africa region. Malawi has a total land area of approximately 118,480 sq km. The capital city is Lilongwe, and other major cities are Blantyre and Zomba. The country has a sub-tropical climate and a terrain characterised by a narrow elongated plateau with rolling plains, rounded hills and some mountains. The population of Malawi is estimated at 13 million of which approximately 14% are HIV positive (CIA World Fact Book, 2006 edition).

The official languages are English and Chichewa. The most practised religions are Christianity (80%) and Islam (13%) with the remainder either indigenous beliefs or none. Approximately 63% of the population is considered literate by World Bank standards.

Table 3 Zambia Mineral Exploration and Mining Rights	
Zambia	Mineral Exploration and Mining Rights
Mining Act	1995
State Ownership of Minerals	Yes
Negotiated Agreements	No
Mining Title/Licence Types	
Exploration Tenements and Prospecting Licences	Prospecting Permit or Prospecting Licence
Mining Tenements	Large Scale Mining Licence
Retention Tenement	Retention Licence
Special Purpose Tenements	Gemstone Licence
Small Scale Mining Tenements	Small Scale Mining Licence, Prospecting Permit
Artisanal Mining Tenements	Artisanal Miners Right
Exploration Tenement	
Name	Prospecting Permit
Purpose	Small scale prospecting permit used for all minerals except gemstones
Maximum Area	10 sq km
Duration	2 years
Renewal	No
Area Reduction	No
Procedure	By application
Granted By	Minister of Mines and Minerals Development
Exploration Tenement	
Name	Prospecting Licence (PLLS)
Purpose	Confers right to prospect for any mineral over any size of area
Maximum Area	No
Duration	2 years
Renewals (Note 1)	2 year extensions (multiple)
Area Reduction	50% reduction at each renewal
Procedure	By application
Granted By	Minister of Mines and Minerals Development
Mining Tenement	
Name	Large Scale Mining Licence (LML)
Purpose	Exclusive rights to carry out mining operations and other acts reasonably incidental thereto in the specified area
Maximum Area	Depends on deposit size
Duration	25 years
Renewal	25 year extension
Area Reduction	No
Procedure (Note 2)	Applications need to be accompanied by environmental protection plans and by proposals for the employment and training of citizens of Zambia
Granted By	Minister of Mines and Minerals Development
Retention Tenement	
Name	Retention Licence
Purpose (Note 3)	Confers the right to retain an area unviable for current development
Maximum Area	Size of area may be that of the Prospecting Licence or smaller as redefined by the Licence holder
Duration	3 years
Renewal (Note 4)	3 years only
Area Reduction	As defined by the Licence holder
Procedure	By application to Minister
Granted By	Minister of Mines and Minerals Development

- Notes:
1. The Minister may further renew the licence in order for the holder to complete a feasibility study.
 2. The holder of a prospecting licence is entitled to a Large Scale Mining Licence upon fulfilling certain conditions such as the submission of monthly returns, quarterly, annual and geological reports as required. The area to be held should not exceed the area reasonably required to carry out the proposed mining operation.
 3. A Retention Licence confers the right to retain an area, subject to the Ministers agreement, over which feasibility studies have been completed but market conditions are unfavourable for development of a deposit at that time. Development may be non-viable due to adverse market conditions or other economic and technological factors of a temporary character.
 4. The Minister may further renew the licence in order for the holder to complete the feasibility study.

3.2.2 Political and Financial Status

The British Protectorate of Nyasaland was established in 1891, achieving independence and adopting the name Malawi in 1964. After three decades of single party rule, multi-party elections were held in 1994 under the country's first provisional constitution, which came into effect the following year. Multi-party elections were held again in 1999 and 2004.

Malawi ranks amongst the world's least developed countries. In 2005, Malawi's GDP amounted to US \$7.5 billion (purchasing power parity), with an annual per capita income of US \$600. The country is currently in recession with an economic growth rate of -3% in 2005, with concomitant inflation on consumer prices being 15% per annum.

Malawi's economy is based largely on agriculture, which accounts for nearly 35% of GDP. The tobacco industry alone accounts for almost 50% of export revenue, with this industry being the key to Malawi's short term growth. The economy depends on significant economic assistance from the IMF, the World Bank and individual donor nations. In late 2000, Malawi was approved for relief under the Heavily Indebted Poor Countries (HIPC) program. In November 2002, the World Bank approved a US \$50 million drought recovery package to be used for famine relief.

The government faces strong challenges, including developing a market economy, improving educational facilities, facing up to environmental problems, dealing with the rapidly growing problem of HIV/AIDS, and satisfying foreign donors that fiscal discipline is being tightened. In 2005, President Mutharika championed an anti-corruption campaign. Malawi's recent fiscal policy performance has been very strong, but a serious drought in 2005 and 2006 has heightened pressure on the government to increase spending.

3.2.3 Mining Industry

Malawi does not have a large mining industry, with mining and quarrying only contributing about 1% of GDP and generating export revenue of approximately US \$500,000. Most of the industry is centred on domestic consumption and the short term outlook therefore depends largely on the state of the domestic economy. The outlook for Malawi's unexploited mineral commodities is tied to global demand because the country's severe poverty limits its domestic market for its bauxite, niobium, graphite, REE, titanium and uranium resources.

3.2.4 Mining Tenure

Mining tenure is summarised in Table 4

Table 4 Malawian Mineral Exploration And Mining Rights	
Malawi	Mineral Exploration and Mining Rights
Mining Act	Mines and Mineral Act (1981)
State Ownership of Minerals	Yes
Administration	Commissioner for Mines and Minerals in the Ministry of Energy and Mining
Negotiated Agreements	No
Mining Title/Licence Types	
Reconnaissance Tenements	Reconnaissance Licence
Exploration Tenements	Exclusive Prospecting Licence
Mining Tenements	Mining Licence
Retention Tenement	No
Special Purpose Tenements	No
Small Scale Mining Tenements	3 types of licence limited by financial cost and technical expertise
Artisanal Mining Tenements	Covered by Small Scale Mining Tenements
Reconnaissance Tenement	
Name	Reconnaissance Licence
Purpose	Exploration over an agreed area. No subsurface operations unless authorised.
Maximum Area	100,000 sq km
Duration	1 year
Renewal	No
Area Reduction	No
Procedure	By application
Granted By	Commissioner for Mines and Minerals in the Ministry of Energy and Mining
Exploration Tenement	
Name	Exclusive Prospecting Licence (EPL)
Purpose	Exclusive rights to carry out a program of prospecting operations for specified minerals over a specified area.
Maximum Area	2,500 sq km
Duration	3 years
Renewal	Twice for periods not exceeding two years each
Area Reduction	50% at each renewal
Procedure (Note 1)	Detailed program of exploration, expected expenditures and personnel details required. Proposal for training and employment of Malawi citizens.
Granted By	Commissioner for Mines and Minerals in the Ministry of Energy and Mining
Mining Tenement	
Name	Mining Licence
Purpose	Exclusive rights to prospect, mine, produce and sell specified minerals from the designated area.
Maximum Area	250 sq km for non holders of EPL. Not more than the land subject to the EPL for holders of an EPL.
Duration	25 years or estimated life of mine
Renewal	15 year extension
Area Reduction	No
Procedure	Detailed feasibility study including program, EIA and Malawian employment proposals. Regular reports on the operation must be made to the Minister.
Granted By	Commissioner for Mines and Minerals in the Ministry of Energy and Mining

Notes: 1. The holder has the automatic right to apply for and be granted a Mining Licence after recording a final and on submission of a feasibility study report. Progress reports must be submitted to the Minister at the end of each phase, including a work program and cost estimates.

3.3 Botswana

3.3.1 Demographics and Geographic Setting

Botswana is a landlocked independent country in southern Africa, bordered by Zimbabwe to the east, South Africa to the south and Namibia to the west. The capital city is Gaborone.

Botswana covers an area of 600,370 sq km and has a semi-arid climate with warm winters and hot summers. Most of the country comprises flat to gently rolling plains with an elevation of about 1,000masl. The south-western part of the country is covered by the Kalahari Desert. Botswana has a population of 1.64 million, of which an estimated 37.3% are HIV positive (CIA World Fact Book of 2006).

The official language is English, although the indigenous language Setswana is widely spoken. Indigenous beliefs account for 85% of the population with the remainder being Christian. Approximately 80% of the population meets World Bank standards for adult literacy.

3.3.2 Political and Financial Status

Botswana has enjoyed a stable democratic government since achieving independence from Britain in 1966. Politics are dominated by the Botswana Democratic Party, but the Botswana National Front provides enough challenges to ensure the maintenance of democratic debate. Botswana is one of the wealthiest countries in Africa, largely due to the discovery of large deposits of high quality diamonds just after independence. The revenue from the mining of these deposits has been soundly managed and much has been reinvested in infrastructure. This has brought great stability to Botswana, which has never been involved in armed conflict of any type.

Botswana has a GDP (Purchasing Power Parity) of US \$17.2 billion and an annual per capita GDP of US \$10,500 in 2005. Botswana is rated the lowest credit risk in Africa. Diamond mining accounts for more than one third of GDP and 90% of export earnings, and Botswana produces more value from diamonds than any other country in the world.

The major challenges facing the government of Botswana are high unemployment and poverty. Unemployment is currently around 24% and over 30% of the population lives below the poverty line. HIV/AIDS infection rates are amongst the highest in the world with 37% prevalence in adults, leading to negative population growth in 2006.

3.3.3 Mining Industry

Mining contributes 36% of the country's GDP and 50% of its tax revenues, compared to less than 1% of GDP prior to Independence. This can be attributed to the discovery of diamonds and nickel. Diamonds are mined by Debswana, a 50/50 joint venture between the government and De Beers. Nickel and copper are mined at Selebi-Phikwe and in the Tati district in north-eastern Botswana. Approximately 80% of the 13,000 people employed in the mining industry are employed by the two biggest mining companies (Debswana and BCL). Botswana is the world's leading producer of diamonds by value and has significant nickel, copper, cobalt, gold, soda ash and coal deposits.

3.3.4 Mining Tenure

Botswana has a transparent system of mining tenure whereby the entire process from prospecting to mining is predictable and largely automatic. The government's general mining policy aims to maximise the national economic benefit from the development of mineral resources. The Government of Botswana retains the right to acquire up to 15% equity interest in a company that applies for a Mining Licence by reimbursing the project developer the equivalent share of costs expended on the project. Exploration rights for diamonds are separate from the rights to explore for base and precious metals and tenements for these commodities may therefore overlap. The Botswana mineral exploration and mining rights are summarised in Table 5 below.

Table 5 Botswana Mineral Exploration and Mining Rights	
Botswana	Mineral Exploration and Mining Rights
Mining Act	1998
State Ownership of Minerals (Note 1)	Yes
Negotiated Agreements (Note 2)	Yes (Special Projects)
Mining Title/Licence Types	
Exploration Tenements	Prospecting Licence (PL)
Mining Tenements	Mining Licence
Retention Tenement	Retention Licence
Special Purpose Tenements	Gemstone Licence
Small Scale Mining Tenements	No
Artisanal Mining Tenements	No
Prospecting Tenement	
Name	Prospecting Licence (PL)
Purpose (Note 3)	Exclusive rights to explore for specific minerals
Maximum Area	1000 sq km
Duration	3 years
Renewal	2 x 2 years
Area Reduction (Note 4)	50% reduction of area on each renewal
Procedure (Note 5)	Application to the Minister via the Department of Geological Survey
Granted By	Minister of Minerals, Energy and Water Resources
Prospecting Tenement	
Name (Note 3)	Restricted Prospecting Licence (RPL)
Purpose	Exclusive rights to explore for Building and Industrial minerals
Maximum Area	10 sq km
Procedure	Application to the Minister via the Department of Geological Survey
Granted By	Minister of Minerals, Energy and Water Resources
Mining Tenement	
Name	Mining Licence
Purpose	Exclusive rights to extract specific minerals
Maximum Area	Depends on deposit size
Duration	25 years
Renewal	Multiple 25 year extension
Area Reduction	No
Procedure (Note 6)	Application to the Minister via the Department of Geological Survey
Granted By	Minister of Minerals, Energy and Water Resources
Retention Tenement	
Name	Retention Licence
Purpose (Note 3)	Confers the right to retain an area unviable for current development for a limited period
Maximum Area	Depends on deposit size
Duration (Note 7)	3 years
Renewal (Note 4)	1 x 3 years
Procedure	Application to the Minister via the Department of Geological Survey
Granted By	Minister of Minerals, Energy and Water Resources

- Notes:
1. All mineral rights in Botswana are vested in the State, with the exception of certain lands reserved for traditional use.
 2. The previous Act of 1976 allowed negotiated agreements with the Government. However, the 1998 Mines and Minerals Act replaces negotiated agreements with standard provisions for all prospecting and mining activities, except in special and exceptional cases.
 3. Only the holder of a Prospecting Licence can apply for a Mining Licence, and only for the area covered and the mineral indicated in such a Prospecting Licence.
 4. The Prospecting Licence conditions therefore assume that a seven year exploration program is sufficient to fully define a mineral deposit target.
 5. A Prospecting Licence application must be accompanied by a comprehensive program of exploration with sufficient capital to carry out the exploration. The holder of a PL is expected to submit quarterly reports throughout the active period of the PL, and a terminal final report of the findings to the Minister through the Director of the Geological Survey within 3 months of expiry of such a permit.
 6. The applicant for a mining licence has to satisfy several requirements:-
 - a) The mining operation will ensure the most efficient and beneficial use of the resource.
 - b) That adequate precaution has been taken to ensure that the mining operation will not irreparably damage the environment.
 7. This will provide for two retention periods of three years each. The first of these periods will remain exclusive subject to confirmation that the development remains viable. The second period, with an escalating licence fee, will permit for limited rights of access to third parties to reassess the prospect.

3.4 Zimbabwe

Zimbabwe is a landlocked country between South Africa, Botswana, Zambia and Mozambique. Although internally billed as a multiparty democracy, it is generally considered a dictatorship by western standards. In response to the pressures of poverty and a strongly skewed wealth distribution, the president, Robert Mugabe, sponsored a land re-distribution program whereby predominantly white-owned farms were seized and re-distributed among formerly disadvantaged portions of the population. This has resulted in decreased agricultural output and increased poverty among the population.

The mining industry in Zimbabwe is well developed with nickel-copper, gold, chrome, platinum and coal mines. Recently there has been a change from ownership by large multinational companies to smaller juniors, and although they face many challenges, especially in regard to availability of fuel, foreign exchange and capital, the mining industry has continued to operate despite the political turmoil.

Exploration for uranium in Zimbabwe requires an application for a Special Grant Licence, which ultimately requires Presidential approval. Currently, Zimbabwe is in the process of amending the Mines and Minerals Act Chapter 21:05. These amendments have elicited much publicity and have become increasingly politicised, leading to concerns about the stability and economic viability of foreign investment in Zimbabwean mining ventures.

African Energy applied for six Special Grant licences for uranium in Zimbabwe in 2005. However, until the current economic, fiscal and commercial instability has stabilised, it is considered highly unlikely that the licences will be granted. These licences are thus considered to be highly speculative, and African Energy currently ascribes no value to these tenement applications. No work is planned on this project by African Energy until this position is clarified and licences have been granted under acceptable commercial terms.

4 BACKGROUND INFORMATION ON EXPLORATION MODELS

4.1 Uranium

4.1.1 Genetic Model for Sandstone-Type Uranium Deposits

African Energy is currently targeting sandstone-type uranium deposits. Similar deposits have been the source of a significant proportion of uranium ore production globally, particularly in the United States. While no sandstone hosted uranium deposits have yet been mined from Karoo rocks in Africa, there has been underground exploration development in the Beaufort West area of South Africa and Omega Corp has recently completed a study on an adjacent property to the southwest of Njame in Zambia.

Most of the known sandstone hosted uranium mineralisation in Southern Africa occurs towards the base of the Upper Karoo in the Beaufort Group sediments (South Africa), or their equivalents (the Escarpment Group and Madumabisa Mudstone in Zambia, Malawi, Tanzania and Mozambique). Sandstone-type uranium deposits in the Karoo of southern Africa are Kayelekera in Malawi (which contains over 15,000t of U_3O_8), Beaufort West in South Africa and Kanyemba in Zimbabwe (3,150t U_3O_8 , 7,300t V_2O_5).

The largest resource of sandstone-type uranium occurs at Beaufort West, where eight deposits were identified and explored by Union Carbide in the late 1980's. These eight deposits combined contain approximately 45,000t U_3O_8 .

The Escarpment Group sandstones host several sandstone-type uranium deposits in Zambia, including a number of small deposits discovered by the Italian Company AGIP SpA in the Kariba Valley during the late 1970's.

The Chirundu and Kariba Valley licences host generally tabular/stratabound uranium mineralisation usually comprising pitchblende (uranium oxide U_3O_8), uraninite (uranium oxide UO_2) or coffinite (hydrated uranium silicate) as fine disseminations within the enveloping sediments. Sandstone hosted deposits are controlled largely by solution/dissolution reactions and permeability in the host rocks.

Other similar deposits in South Africa are generally considered to represent fossilised "roll front" deposits. In roll fronts, uranium may be dissolved and precipitated repeatedly as groundwater conditions fluctuate. Consequently, roll front deposits often form arcuate bodies that crosscut facies boundaries. Diagenesis in the Karoo host rocks has resulted in essentially impermeable strata and preserved the uranium concentrations. In many cases, near surface weathering has leached prospective strata and minor reconcentration occurs in ferricrete rubble layers.

Insufficient work has been carried out on the deposits controlled by African Energy to determine whether the roll front model or a simpler tabular sandstone model applies, nevertheless, the basic mechanism is likely to be controlled by:-

- **Source;** Uranium is derived from older rocks (the 'basement') which occur below and along the margins of the basins which host the sediments. These rocks are typically highly radiogenic ("hot") granites or uranium bearing metamorphic rocks.
- **Transport;** Oxidised, acidic ground water under atmospheric conditions or oxidised hydrothermal-magmatic fluids dissolve uranium from the host rocks. If fluid chemistry remains favourable, uranium can be transported for considerable distances, often along sub-vertical faults, or along permeable horizons in clean, oxidised sediments.
- **Trap;** When groundwater chemistry changes through redox or acidity changes, uranium may be precipitated at a trap site. In general, the host rocks for these types of deposits are deltaic to fluvial sediments deposited into intra-montane basins or shallow marginal marine plains. These sequences often contain reduced facies rocks in overbank or lacustrine environments. Furthermore bacterial activity may result in the precipitation of pyrite from iron-rich, stagnant pore fluids as interstitial cement. Where uranium bearing, oxidised fluids react with reduced sediments, the uranium can be precipitated. The efficiency of this process is improved if the uranium bearing fluids are focussed through a relatively small, highly reduced porous medium, particularly where this is capped by an impermeable layer (such as a shale or mudstone).
- **Preservation** The Karoo strata are now largely impermeable except for secondary porosity associated with faults and intrusions, with diagenesis and cementation essentially preserving mineralisation.

4.1.2 Exploration Criteria for Sandstone-Type Uranium Deposits

Exploration for sandstone hosted uranium deposits is relatively simple and requires:-

- Identification of highly radiogenic basement as a potential source region. This can be done directly through reference to radiometric survey data, or can be inferred when the basement geology is well understood. In Zambia and Malawi, Pan-African orogenic granites are highly radiogenic and underlie the Karoo Basins. These granites and their first order erosional products are ideal source rocks. Significant amounts of Pan-African and older granites have been eroded to provide detritus for the Karoo sedimentation. Both the granites and the unconsolidated Karoo sediments could have provided uranium sources.
- Identification of fluid pathways that have enhanced the transport of uranium in solution. There is evidence of growth faulting along the northern margin of the Karoo basin in Zambia, shown by rapid facies and thickness changes, immature conglomerates and other sedimentary facies. The growth faults provide enhanced (secondary) porosity and fluid flow, both for percolating meteoric waters and deep basin pore waters expelled during compaction. Furthermore an array of extensional faults has imbricated the Karoo sediments. Most of these faults are parallel to the strike of the sediments (generally trending to the northeast) and play a role in the migration of fluids, as do the tilted sedimentary layers. Wrench faults at a high angle to these (trending to the southeast) are significant in focussing fluid flow, and provide the shortest path from the source region to the trap site.

- Identification of the best trap sites. The intersections of the faults with originally permeable reduced sediments form the most favourable locations for uranium mineralisation, particularly where the permeable horizons are enclosed by impermeable horizons.
- The large number of potentially favourable trap sites need to be prioritised for further evaluation. This is best done through airborne radiometric surveys which directly measure the gamma radiation levels due to uranium, thorium and potassium decay. The recognition and ground truthing of surface radiometric anomalies may lead to the recognition of near-surface deposits.

4.2 Coal, Coal-Bed Methane

4.2.1 Genetic Model for Coal and Coal-Bed Methane

4.2.1.1 Coal

Coal is a fossil fuel formed by the burial, compaction and heating of organic material deposited in sedimentary basins. The organic material consists largely of plant remains. There is evidence of significant temperate forest development during the Permian Karoo sequence (Ecca Group) and fossil beds of *Glossopteris* and petrified wood occur in association with terrestrial sedimentation, overbank deposits and lacustrine environments, together with glacial outwash deposits during the post glacial warming period.

During accumulation of the plant material, quiescent conditions are optimal as they allow for the slow accumulation of great thicknesses of organic material. Rapid burial by younger sediments preserves the organic matter and provides an environment suitable for the development of coal. The pressure and temperature of the subsequent burial converts the organic matter to coal, with the grade (quality) of the coal determined by the pressure and temperature of burial. Better quality coals are generally produced by deeper burial.

4.2.1.2 Coal-bed Methane

Coal-bed methane (CBM) is a secondary fossil fuel produced when methane is slowly released from coal measures or carbonaceous shale horizons and is trapped within voids and joint surfaces (cleats) within the coal layers. The reservoirs act as their own sources and seals, but secondary porosity and contact metamorphism from intrusive (Jurassic) dykes and sills can be significant. The source coal or carbonaceous sequences must have been reasonably deeply buried for the confining pressure to retain the methane within the fabric of the coal. Overlying argillaceous material and intrusive dolerite can also act as trap formations.

4.2.2 Exploration Criteria for Coal-Bed Methane

Exploration for coal bed methane is conceptually relatively simple and requires:-

- Identification of a source of carbonaceous shale or coal bearing sequence at least many 10's of metres thick. This can be done through reference to published maps and exploration reports.
- Identification of gas emissions in boreholes.
- Consideration of the depth of burial of the coal/carbonaceous sequence. The ideal window of burial depths for the formation and retention of methane is between 350m and 1,000m depth.
- Consideration of the structural setting and the nature of faulting of the source sequence. In general, a coherent block of at least 100 sq km surface area is considered to be the minimum requirement for an economic field.
- The source rocks must contain inherent permeability to permit flow of the gas. Ideally some form of impermeable barrier overlying the source rocks to prevent excessive escape of the gas will maximise gas storage and production.

4.3 Regional Geology of the Karoo Basin

African Energy's exploration permits comprise clastic sedimentary rocks of the Karoo Supergroup, particularly the Upper Karoo Escarpment Group ("Grit") and the underlying Madumabisa Mudstone from the Lower Karoo. Karoo sediments are widespread across southern Africa, and thick sequences are preserved in the rift basins of the Kariba and Luano-Luangwa valleys in Zambia.

The basal group of the Karoo (the Lower Karoo) predominantly comprises glaciogene rocks of the Dwyka Group, overlain by fluvio-deltaic rocks of the Ecca Group and Vryheid Formation. The Lower Karoo hosts most of South Africa's coal reserves. Significant coal reserves also occur in Lower Karoo equivalents in Zimbabwe (for example, Hwange Colliery and associated deposits) and Zambia (for example, Maamba Colliery in the Gwembe Coalfield).

The Upper Karoo in the northern portions of the Karoo basin consists of thick sequences of predominantly coarse grained sediments overlain by basalts. The coarse alluvial Upper Karoo sediments are equivalent to the Beaufort Group in South Africa and are overlain by the coarser-grained debris fans and fluvial deposits equivalent to the Stormberg Group. The overlying Jurassic basaltic lavas represent the final stages of the Karoo.

Since the Jurassic, the Karoo sequence has been subject to uplift and extensive erosion, with the most significant preservation occurring within deeper portions of the basin in the Cape Fold Belt and in the rift basins through southern and eastern Africa.

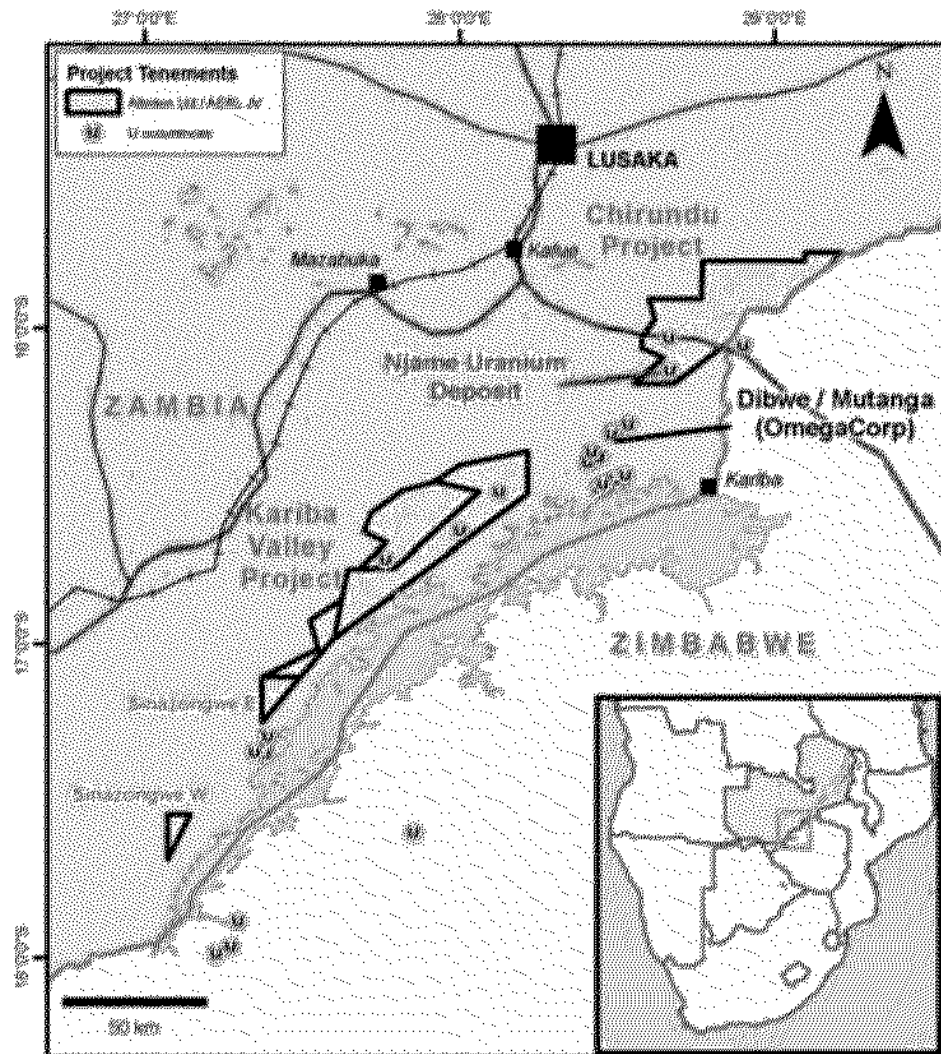
5 ZAMBIAN PROJECTS

5.1 Chirundu Project

5.1.1 Location, Access and Physiography

The Chirundu Project is located in southern Zambia, situated at the eastern end of the low lying Kariba Valley, south of the Zambezi Escarpment. Topography is dominated by a series of low lying hills with a general northeast trend. The project can be readily accessed from Lusaka via the sealed road to Chirundu and then a series of gravel roads and tracks (Figure 3).

Figure 3
Chirundu Project
Project Location and Principal Access Routes from Lusaka



5.1.2 Tenure

The Chirundu Project comprises a single tenement block with an area of 1,301sq km. This is a component of an Exploration Agreement with Albidon and covers part of Albidon's Prospecting Licence PLLS.250 Mugoto. The agreement allows African Energy to prospect for uranium, coal and coal-bed methane, while Albidon retains the rights to other minerals, specifically base metals that may occur in the basement. African Energy has nominated this project as a single Target Area under the terms of the Exploration Agreement. The project is therefore subject to the terms of a Farm-In Agreement under which African Energy can earn a 30% interest by expending A\$1 million and may proceed to earn a 70% interest in the project by completing a Pre-Feasibility study on an Indicated Resource consistent with the JORC Code guidelines. To the end of December 2006, cumulative expenditure by African Energy attributed to this project amounts to A\$481,843.

5.1.3 Local Geology

The Chirundu Project is situated at the northern edge of the Kariba Rift, a major extensional fault basin which contains extensive outcrop of the Upper Karoo Escarpment Group (Grits) and the Lower Karoo Madumabisa Formation mudstone (Figure 4). A series of northeast trending normal faults have resulted in large, stacked, imbricate blocks. These rotated fault blocks have resulted in a topography dominated by gentle hills with steep northwest scarp faces and gentle southeast dip slopes.

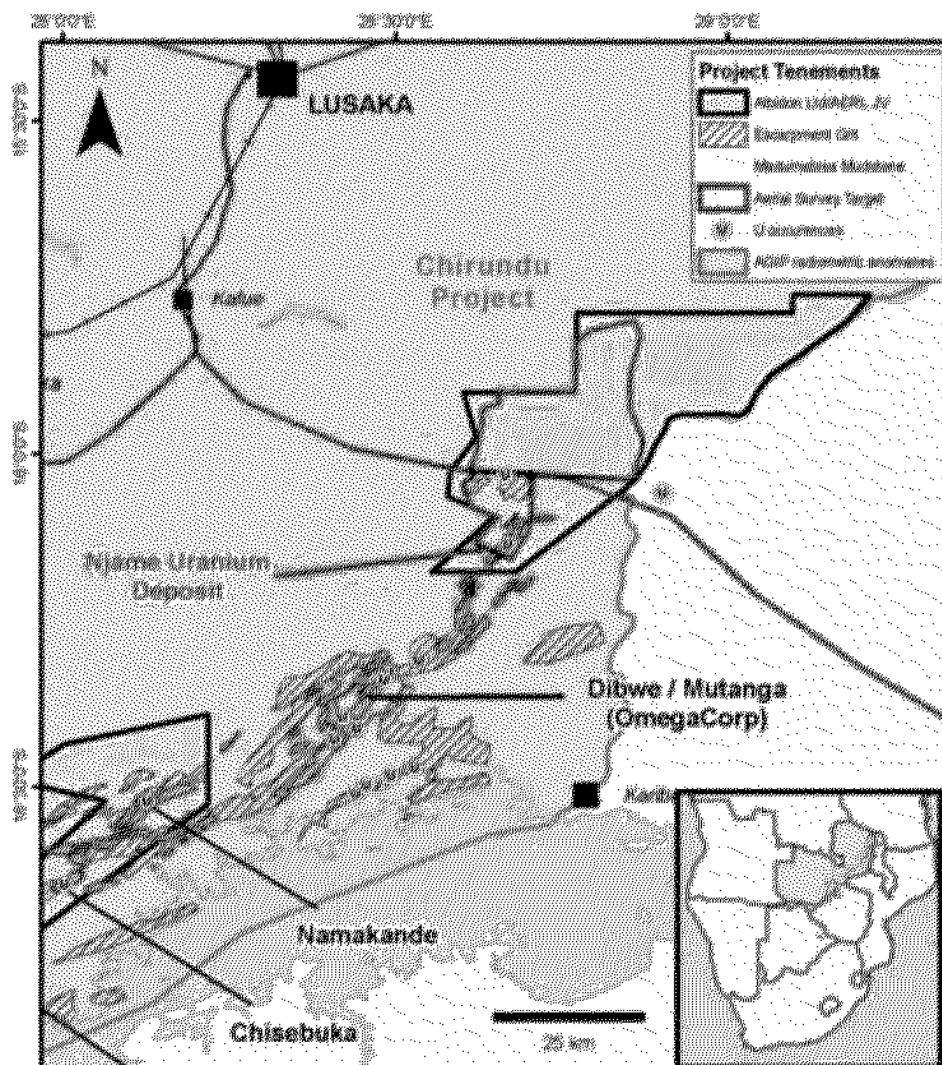
In the Kariba Rift, the Lower Karoo comprises fine clastic sediments with a basal conglomerate overlain by siltstones and sandstones, carbonaceous mudstones and a thick sequence of grey mudstones with calcareous bands making up the Madumabisa Mudstone Formation.

Unconformably overlying the Madumabisa Mudstones are the Upper Karoo sequences. The Escarpment Group forms the lower part of the Upper Karoo and comprises a 400m thick series of continental arenaceous silici-clastic sediments with interbedded mudstones. Although locally referred to as Escarpment "Grits", this group is a correlative of the Beaufort Group elsewhere in the Karoo Supergroup and contains interbedded mudstones and fine grained sandstones as well as grits and conglomerates. The Escarpment Group is overlain by the Interbedded Mudstone-Sandstone Formation and the Karoo Supergroup is capped by the Jurassic Batoka Basalt.

5.1.4 Exploration and Mining History

The Italian Company AGIP SpA (AGIP) carried out extensive exploration in the Kariba Rift during the 1970's and early 1980's (Table 6). Since this time, however, very little uranium exploration has been undertaken due to depressed prices for the metal. Recently, however, the uranium price has risen in response to demand for energy resources.

Figure 4
Chirundu Project
Mapped Position of the Escarpment Grit and Position of Ground Radiometric Anomalies
defined by AGIP SPA



African Energy was able to gain access to a large proportion of the exploration database compiled by AGIP during this period, including regional and detailed baseline maps showing the locations and results of ground radiometric surveys within the Chirundu and Kariba Valley projects. A significant number of drill cross-sections illustrating the geology and grade of uranium mineralisation intersected are also available for several prospects. Within African Energy's project areas, AGIP focussed on the Njame Prospect in the Chirundu Project, and the Chisebuka, Munyumbwe and Namakande prospects in the Kariba Valley. Based on this information, African Energy identified areas for follow-up drill testing, including infill drilling at Njame (North and South).

Table 6 Summary of Previous Exploration, Chirundu Project and Kariba Valley Project, Zambia PLLS.250 Mugoto PLLS.193 Masuku and PLLS.245 Sinazeze				
Explorer / Client	Survey Type	Amount of Work	Period	Key results
Geometrics / Govt Zambia	Airborne radiometrics	1301 line km (1km spacing)	1973 -1976	Not reported
AGIP	Ground radiometrics	100m x 50m stations covering >38,000ha over entire region (including areas outside Chirundu Project)	1980-1982	Identified numerous anomalies and surface indications of uranium mineralisation, leading to drilling at Dibwe, Mutanga, Njame, Chisebuka, and Munyumbwe.
AGIP	Trenching	5350m ³	1980	Not recorded
AGIP	Drilling	8,678m Diamond Drilling 5,803m Rotary Drilling 11,356m Wagon Drilling over region	1980-1982	Resources (non-JORC compliant) identified at Dibwe, Mutanga, Njame
African Energy	Drilling	Njame North: 2019m Njame South: 1281m Munyumbwe 'A': 1589m	June-July 2006	Inferred resource at Njame North 5.5Mt @ 400ppm U ₃ O ₈ . Significant mineralisation at Njame South (eg 3m @ 474ppm U ₃ O ₈).

The Escarpment "Grit" is the host for known uranium mineralisation. The underlying Madumabisa Mudstone appears to have acted as an impermeable barrier controlling the base of the mineralisation. The Escarpment "Grit" itself shows a wide variation in lithology which is typical of continental sediments. African Energy interprets a depositional environment analogous to a broad alluvial flood plain. Sediment transport is interpreted to be largely from the northwest to northeast. Uranium mineralisation appears to have been introduced after sedimentation, and occurs as fillings into pore spaces, fractures, joints, coatings on sand grains and occasionally along steeply dipping cross beds.

Albidon pegged the Chirundu and Kariba Valley tenements on the basis of their basement geology, believing them favourable for base metal mineralisation similar to the Munali nickel deposit. They also recognised the importance of the Karoo sediments in the Kariba Valley for uranium and fossil fuels, but the Albidon business model is focussed on base metals. Consequently, African Energy was able to enter into an Exploration Agreement which covers those portions of Albidon's tenements which contain the Karoo Supergroup and which are believed to be highly prospective for uranium, coal and coal-bed methane. This prospectivity is supported by the occurrence of a number of known uranium deposits. Examples include the Escarpment Grit-hosted Dibwe and Mutanga deposits, where OmegaCorp Limited ('OmegaCorp') has estimated a resource containing approximately 6,220t U₃O₈ (Table 7), and the producing Maamba colliery in the Gwembe coal field in the Lower Karoo sediments, underlying the Madumabisa Mudstone.

Dibwe and Mutanga were originally identified by the Italian company AGIP in the late 1970's, and were extensively drilled in the early 1980's. At Mutanga, AGIP drilled 274 diamond and percussion holes aggregating over 12,000m, and a further 175 holes were drilled at Dibwe. OmegaCorp used these drilling data to estimate an initial Inferred Resource, consistent with the JORC Code guidelines, for Dibwe, Mutanga, and three satellite deposits as summarised in Table 7 below.

Table 7 Summary of OmegaCorp's Inferred Resources at Dibwe-Mutanga using a 200ppm U₃O₈ lower cut-off				
Deposit	JORC Category	Tonnage	Grade (U₃O₈)	Contained U₃O₈
Dibwe	Inferred	8.2 Mt	370 ppm	6.60 Mlb
Mutanga	Inferred	7.0 Mt	400 ppm	6.20 Mlb
Mutanga extensions	Inferred	0.50Mt	340 ppm	0.40 Mlb
Mutanga East	Inferred	0.20 Mt	320 ppm	0.10 Mlb
Mutanga West	Inferred	0.50 Mt	340 ppm	0.40 Mlb
Total		16.40 Mt	380 ppm	13.70 Mlb

These resources are hosted in the Escarpment Grit. Mineralisation at Dibwe is developed as a single layer between 2m and 10m thick near the contact between rocks that OmegaCorp describe as meandering facies sediments and overlying interbedded sandstone and siltstone. The mineralisation at Mutanga occurs stratigraphically lower in the Escarpment Grit in braided river facies sediments. Here, mineralisation occurs as a broad layer of semi-continuous lenses reaching as much as 21m thick, generally within 20m of the surface. A similar mode of occurrence is evident at the Mutanga East and West satellite deposits, although mineralisation occurs as three stacked lenses of limited extent.

5.1.5 The Njame Prospect

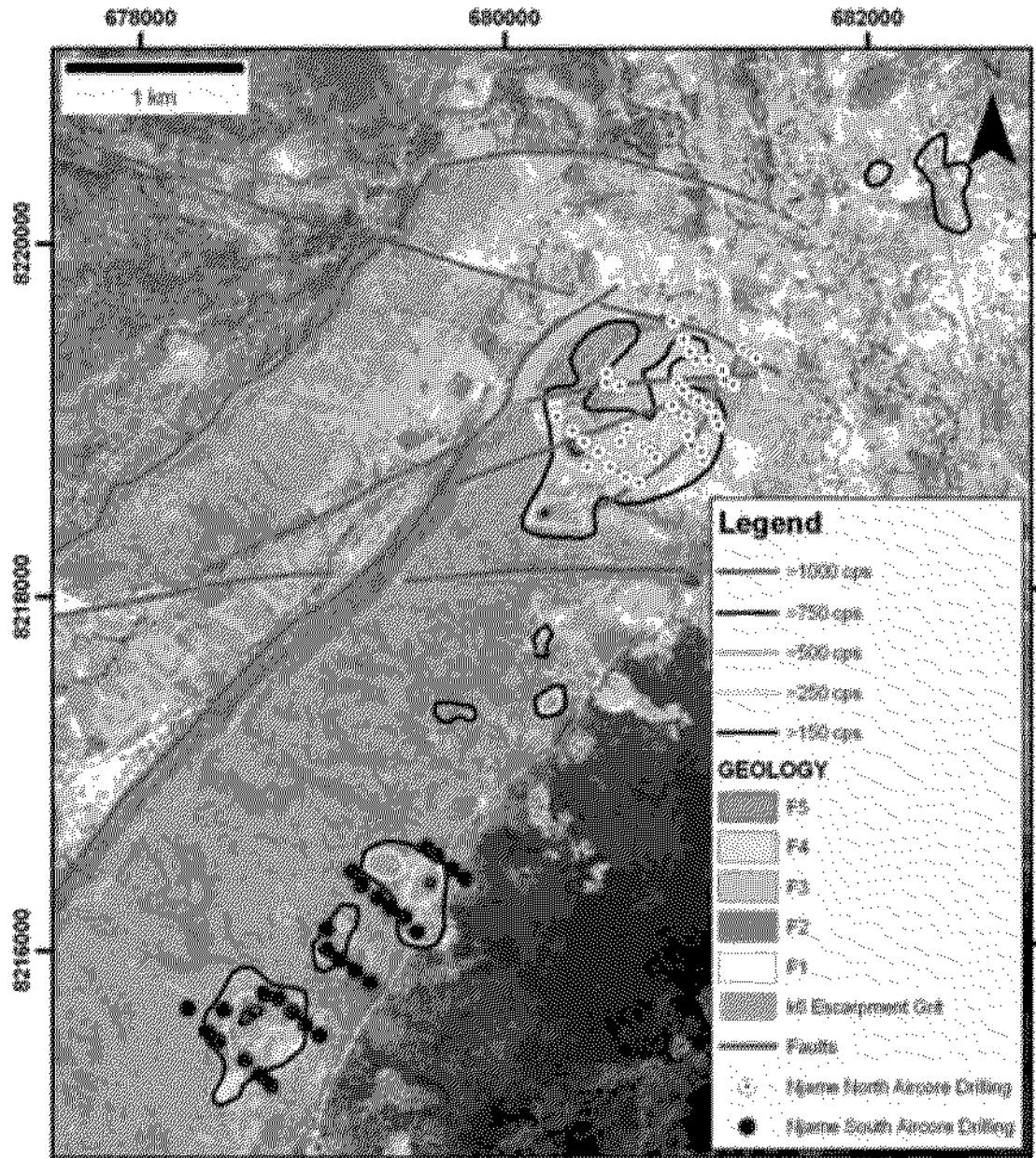
5.1.5.1 Geology

The geology of the Njame Prospect is relatively simple, consisting entirely of Escarpment "Grit" exposed on a gentle dip slope which faces to the southeast. In the northwest the slope is a much steeper scarp controlled by the position of a northwest dipping normal fault. This fault is down-thrown several hundred meters to the northwest, representing one of a number of faults which has caused imbrication in the Kariba Rift. Similarly, the eastern limit of the Njame mineralisation is a major southeast trending fault that truncates the slope and the stratigraphy (Figure 5). The sequence is also cut by a number of smaller strike-parallel normal faults which have caused northwest block down displacements of up to 25m. Furthermore, a second series of faults with displacements less than the strike-parallel faults have offset the stratigraphy and the mineralised horizons.

A variety of clastic sediments are developed at Njame, ranging from coarse conglomerate beds several tens of metres thick to thinly bedded or cross-bedded fine to medium grained sandstones. Thin bands of shale and mudstone are intercalated in the sequence. Because of the complex facies changes, especially in the coarser grained sediments, African Energy has developed a sequence classification in which five facies packages have been identified from drilling data and outcrops (Figure 6). Each of these sequences (numbered F1 to F5 from base to top) show a general fining upwards trend, often with a thin mudstone or shale horizon defining the top of the sequence and marking the base of the next cycle. Individual sequences also trend towards finer sediments down-dip, reflecting changes from proximal to distal environments. This interpretation is consistent with palaeo-current indicators suggesting transport from between the northwest and

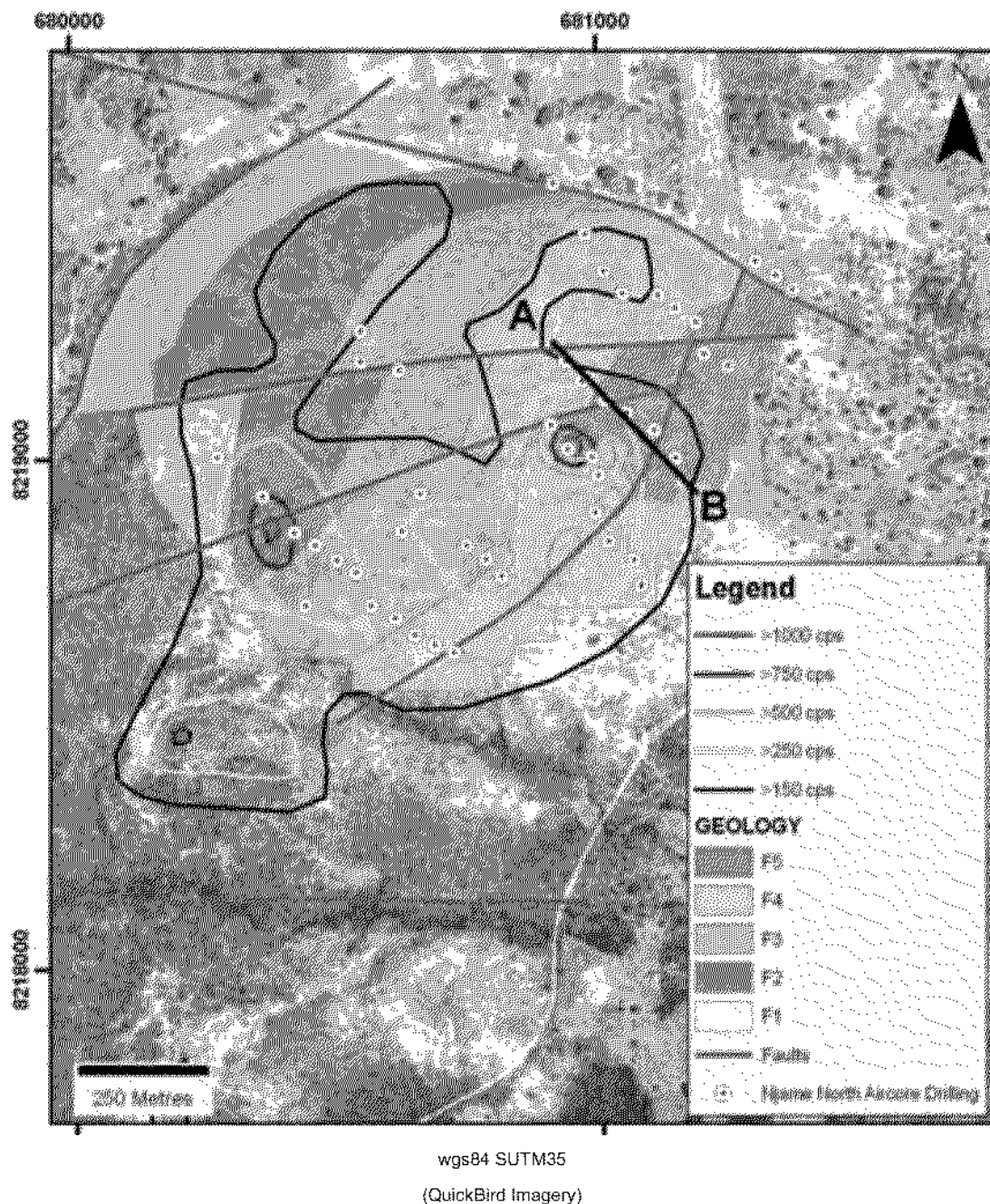
northeast. The mudstone horizons, which represent quiescent phases in the sedimentation, comprise the most laterally continuous lithologies.

Figure 5
Chirundu Project
Geological Map of the Njame Prospect showing Location of African Energy Drillholes



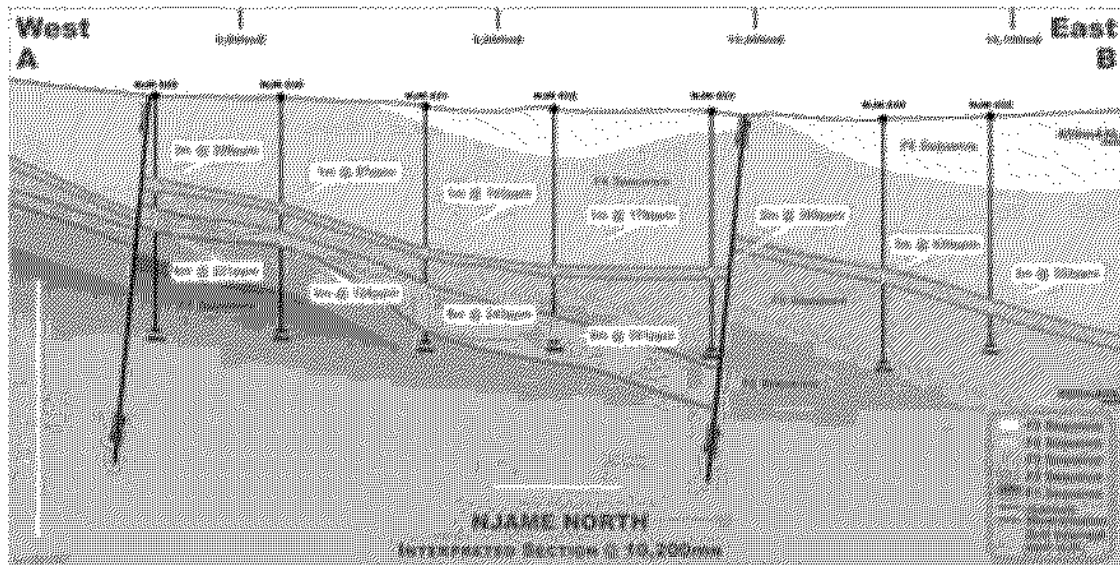
Grid is wgs84 SUTM35

Figure 6
Chirundu Project
Surface Geological Map of Njame North Prospect



Drilling undertaken by African Energy has identified two mineralised horizons which are generally parallel to the boundaries between the sequences noted above. The thickest, most consistent and highest grade mineralisation is the lower horizon within the F2 sequence (Figure 7).

Figure 7
Chirundu Project
Interpreted Geological Cross-Section of Njame North Mineralisation, Local Grid



(for location, refer to section line A-B in Figure 6)

5.1.5.2 Historic Resource Estimates

Njame consists of two prospects, Njame North and Njame South, which were defined as separate ground radiometric anomalies in the late 1970's. Both were drilled by AGIP, with significant uranium intersections recorded at each prospect. AGIP inferred the uranium content from calibrated down-hole gamma logging rather than chemical assays. AGIP reports lodged with the Ministry of Mines include an estimate of mineralisation amounting to 994t U₃O₈ (2.2Mt @ 446ppm U₃O₈) using a 200ppm U₃O₈ cutoff grade, however this estimate is inconsistent with the current JORC Code guidelines and therefore cannot be formally reported as a Mineral Resource. Details of the estimation are not recorded, but cross-sections suggest stratabound mineralisation. AGIP only mapped two lithologies in the Escarpment Grit; a lower G1 unit representing braided river facies, and an upper G2 "Main Sequence" which hosts most of the uranium.

5.1.5.3 Database and Data Quality

Data collected by African Energy (AERL) and previous explorers is summarised in Table 8.

African Energy has adopted quality control procedures throughout its drilling program at Njame and this work is summarised below:-

- Drilling program comprised 47 holes for a total of 2,019m drilled at Njame North.
- Reference samples collected from three tier riffle splitter at base of cyclone for every metre drilled.
- 937 reference samples selected for XRF assay at ALS Chemex, based on hand-held scintillometer measurements.

Table 8 Summary of Drilling, Sampling and Analysis				
Drilling				
Drilling Technique	Project		In Resource	
	Number	Metres	Number	Metres
Unknown	11	279.0	10	278.0
Wagon	76	4,645.8	73	4,443.3
Aircore	74	3,300.0	46	1,979.0
RC	-	-	-	-
Core (Diamond tail)	25	2,151.2	21	1,785.4
Total	186	10,376.0	150	8,485.7
Note: in resource includes all holes in the area – not all of these have been used for the estimation.				
Collar Survey	DGPS Collars for AERL holes, calculated collars for all others			
DH Survey	No down hole surveys have been completed – given the depth of holes and that all holes are vertical, they are not expected to have deviated from their nominal positions.			
Sampling				
Sample Type	Aircore chips and RC Chips			
Sample Length	All AERL samples are 1m so composite length for the resource is at 1m			
Analysis				
Sample Prep.	ALS Chemex Johannesburg, South Africa			
Analysis Method	XRF 06			
Elements	Uranium (DL – 2.5ppm), converted to U ₃ O ₈ (by ALS Chemex) using conventional conversion factors.			

Quality control samples were collected and inserted as follows:-

- Field duplicates collected by re-splitting reference samples using riffle splitter. Nominal frequency is 1 duplicate every 20 samples (5%). A total of 69 duplicates were collected.
- Blanks inserted with nominal frequency of 1 blank every 25 samples (4%). In this case 35 blanks were inserted.
- Analytical standards inserted with nominal frequency of 1 standard every 25 samples (4%). A total of 31 standards were inserted.
- 74 laboratory standards were inserted by ALS Chemex.

Key conclusions from the quality control program are as follows:-

- Blanks: All blanks returned XRF assays at or below detection limit (2.5ppm U₃O₈), suggesting that there was no contamination of samples whilst in the laboratory.
- Analytical standards inserted by African Energy (AMIS0004) have a mean value of 103.03ppm U₃O₈. Of thirty-one standards analysed, only one sample plots outside 2 standard deviations. This sample assayed 111ppm U₃O₈, 7.7% higher than the mean for all standards. This is not considered significant.
- The laboratory standards (STSD-2) have a mean value of 21.38ppm U₃O₈. Only two laboratory standards plotted outside the +/-2 standard deviation range. In each case

these two samples lie less than 1ppm outside 2 standard deviations. This is not considered significant.

- Of the 69 duplicates analysed, four show variance greater than 10% of the original assay. Two of these show variance greater than 50%, in one case a repeat assay of 63ppm U₃O₈ (vs. original 134ppm U₃O₈) was recorded, while in the other a result of 58ppm U₃O₈ (vs. 12ppm U₃O₈ in the original) was recorded. Only the latter is considered to be a significant variation.

RSG Global has reviewed the quality control information and considers that the data meets industry standards and is suitable for use in resource estimation consistent with JORC Code guidelines and other international reporting standards.

5.1.5.4 African Energy's Resource Estimate

African Energy has completed an initial resource estimate for the Njame North uranium deposit as summarised in Table 9 below.

Table 9 African Energy Njame North Deposit September 2006 Resource Estimate (200ppm U₃O₈ Cutoff)									
Class	Type	Gross				Net Attributable to African Energy (Note 1)			
		Million Tonnes	Grade U ₃ O ₈ ppm	Contained Metal Tonnes U ₃ O ₈	Contained Metal Million Pounds U ₃ O ₈	Million Tonnes	Grade U ₃ O ₈ ppm	Contained Metal Tonnes U ₃ O ₈	Contained Metal Million Pounds U ₃ O ₈
Inferred	Interpolated	4.8	400	1,915	4.2	3.4	400	1,340	2.95
Inferred	Extrapolated	0.7	400	285	0.6	0.5	400	200	0.45
Total Inferred	All	5.5	400	2,200	4.8	3.9	400	1,540	3.40

- Notes
- The net attributable amounts shown in Table 9 reflect the 70% interest that African Energy can earn through completion of A\$1.0M in expenditure followed by completion of a Pre-Feasibility Study on a JORC Indicated Resource. African Energy is the operator of the project.
 - Data in this table was provided by Mr Mike Dunbar, an employee of Mitchell River Group and a consultant to African Energy, and has been audited by Dr Julian Verbeek an employee of RSG Global when the audit was performed.

The resource estimate was carried out using an inverse distance (squared) algorithm into a parent block of 50 x 50 x 2m, with sub-blocking by 4 in each of the Cartesian directions in order to achieve reasonable volumetric representation, which RSG Global considers to be appropriate.

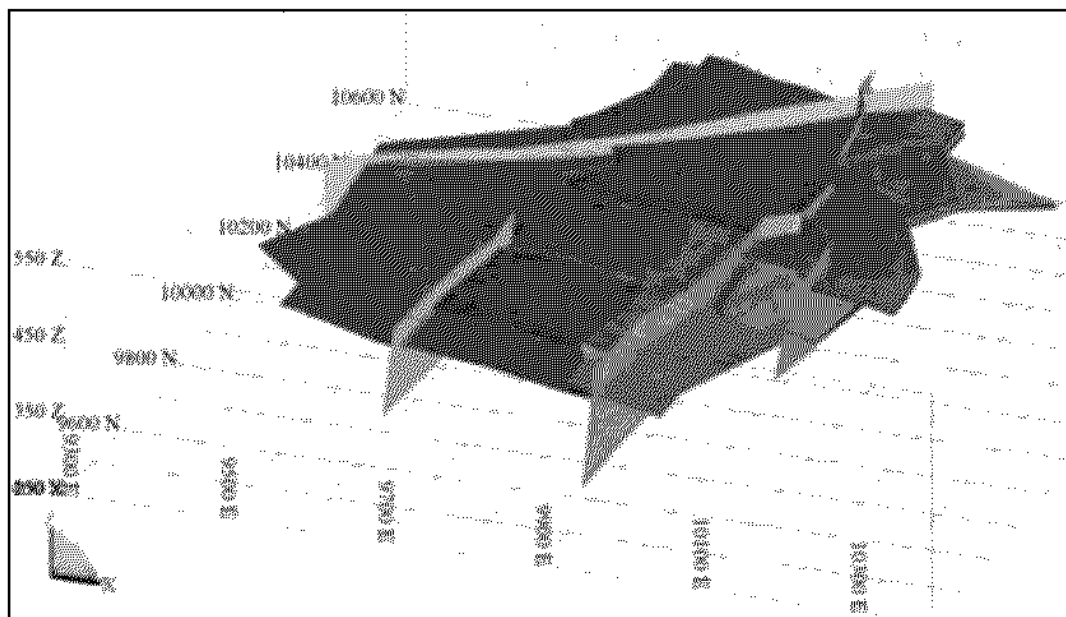
Upper cutoffs of 2,000ppm and 800ppm U₃O₈ have been applied to the lower and upper horizons respectively. A bulk density of 2.11t/m³ has been applied throughout. This was based on determinations using the wax-sealed displacement method from relatively unweathered surface samples of the sandstone horizons. RSG Global considers this appropriate for an Inferred Resource.

Sample search criteria have been set to a minimum of 6 samples and a maximum of 32 samples, with a maximum search radius of 400m. Thereafter a minimum of 4 samples and a maximum of 32 samples were used, up to a maximum search radius of 800m. Most blocks are informed with a minimum of 6 samples.

Drilling density is approximately 200m x 50m, samples were composited to 1m intervals in order to provide regular support, however as African Energy had sampled the drillholes at 1m intervals, the composites are essentially the same as the raw data.

Although historic gamma (AGIP) data has been used to constrain the geological model, only chemical assays from the African Energy program have been used to interpolate grade. Hangingwall and footwall boundaries have been deterministically modelled at 100ppm U_3O_8 (Figure 8).

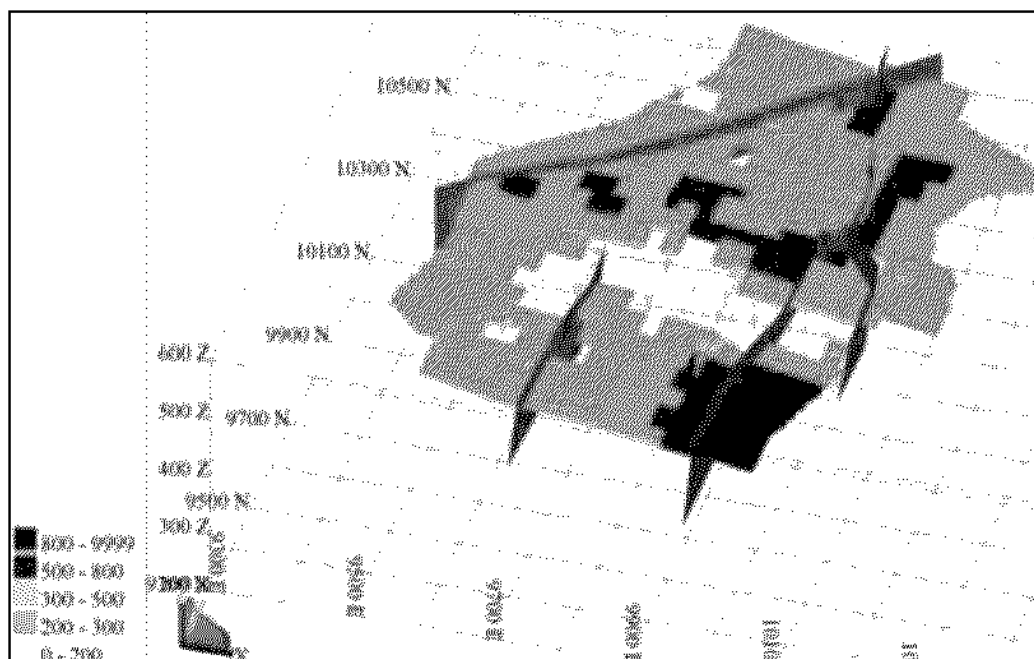
Figure 8
Chirundu Project
Oblique view (looking north-west) of Njame North Resource wireframes, local grid



Brown zone represents the lower mineralised horizon, Blue the upper mineralised horizon, Yellow = post -mineralisation Faults which offset the mineralised horizons.

The resource is reported at a 200ppm U_3O_8 cutoff at the parent block support. Although reporting inverse distance models above a cutoff at block support is unlikely to accurately predict recoverable resources, especially with a relatively large block size and high degree of smoothing from extensive searches, the variability of the deposit is low, and the application of the cutoff results in the exclusion of a coherent block along a central axis. (Figure 9). The resource at 200ppm U_3O_8 cutoff is thus considered reasonable for a bulk mining underground or open pit extraction technique.

Figure 9
Chirundu Project
View of Inferred Resource outline at Njame North looking Northeast (U_3O_8 grade in ppm), local grid



The miss-match between the deterministic 100ppm U_3O_8 hangingwall and footwall cutoffs, and the internal 200ppm U_3O_8 cutoff, is conceptually equivalent to the inclusion of dilution into the model, resulting in some drillholes with +200ppm U_3O_8 intersections falling outside of the resource. This is largely restricted to thin zones of mineralisation and is not considered material to the quality of the resource estimate.

On balance, RSG Global considers the African Energy resource estimate to meet the requirements of an Inferred Resource under the JORC Code guidelines.

After completion of the resource estimate in late 2006, African Energy drilled three diamond core holes at Njame. Preliminary scintillometer readings indicate that mineralisation was encountered in each hole. Assay results from quarter core are pending. Samples from the diamond drill core will be used to assess the variability of the mineralisation and to evaluate metallurgical processing options.

5.1.6 Exploration and Resource Potential

African Energy's drilling at Njame North has not defined the limits of mineralisation, either down-dip or along strike. African Energy intends to undertake further drilling and metallurgical testing at Njame North to establish if the resource is of sufficient size and amenable to leaching, thereby warranting a scoping study to evaluate its economic potential.

In the opinion of RSG Global, while further drilling to define the limits of the mineralisation is likely to increase the resource, it is unlikely to do so to any significant degree. While the margins of the resource are yet to be defined by drilling, reasonably good coverage of the

radiometric anomalies has been achieved. Infill drilling at Njame North and appropriate improvements in estimation technique are likely to result in conversion to an Indicated Resource.

Drilling undertaken by African Energy on a nominal 400m x 100m grid at the Njame South prospect identified a number of mineralised zones in a similar geological setting to the mineralisation identified at Njame North. However, whilst the style of mineralisation at Njame South is analogous to that at Njame North, continuity of mineralisation between the widely spaced drillholes has not been established to date. Further work at Njame South is not planned in the short to medium term by African Energy.

The exploration to date at Njame further confirms the presence of significant sandstone-type uranium mineralisation within the Karoo Escarpment Group sediments. In the opinion of RSG Global there is significant potential to identify other (potentially larger) resources similar to Njame North within the Chirundu and nearby Kariba Valley projects, potentially supplementing the Njame North resources for processing at a central plant.

It is possible that other similar zones of mineralisation exist in the Chirundu Project that have yet to be identified by radiometric or other prospecting tools, particularly in the northern two-thirds of the Chirundu block which were not tested by AGIP.

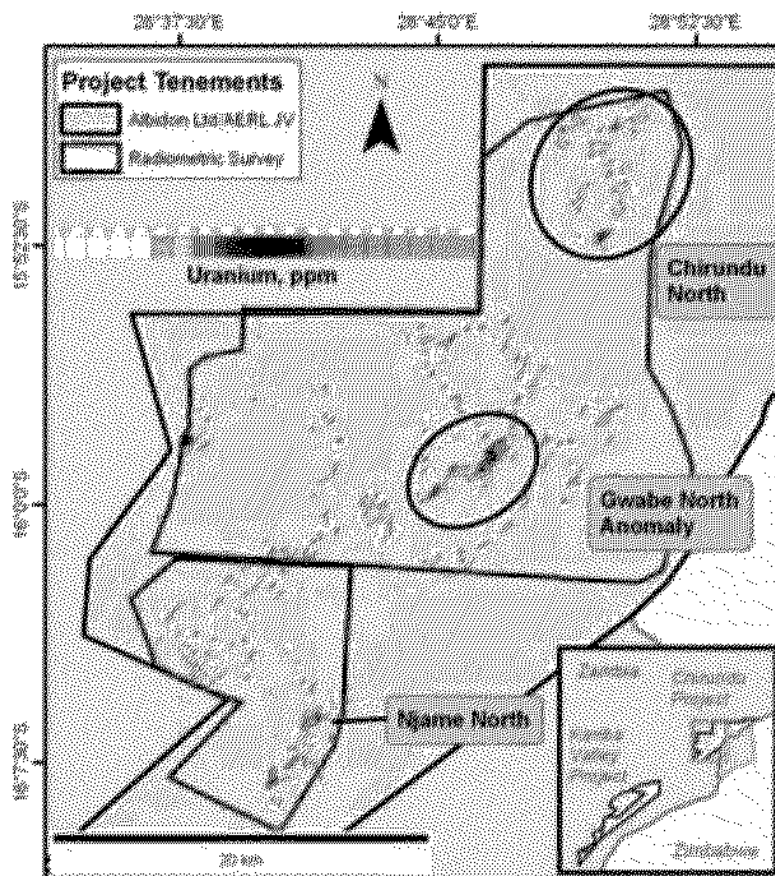
In late November 2006, African Energy completed an airborne radiometric survey over these areas north of the main Lusaka-Chirundu road (Figure 4). This area was surveyed using low-level helicopter-borne equipment flown at a 500m line-spacing (1,316 line kilometres), with a more detailed orientation survey flown over the mineralisation at Njame (821 line kilometres using 125m line spacing). Several anomalous areas in the northern section were infilled on a 250m line spacing to better define the anomalies (Figure 10). Several significant anomalies were defined by this survey, including one high-intensity anomaly which is 6km long and 1km wide, larger and more intense than the anomaly defined in the orientation survey at Njame. These anomalies represent high priority targets for field evaluation and reconnaissance drilling by African Energy in the 2007 exploration program.

5.1.7 Exploration Strategy and Expenditure

African Energy plans to undertake the following program at its Chirundu Project:-

- Further drilling at Njame North with the objective of expanding the current resource.
- Commencement of scoping on metallurgical and processing options for Njame mineralisation with the objective of determining if a scoping study to evaluate the development potential of the prospects are warranted.
- Reconnaissance aircore/reverse circulation drill testing of the highest priority new radiometric anomalies defined in the airborne survey.
- Development of an exploration program to assess the coal-bed methane potential of the tenements and commencement of this program.

Figure 10
Chirundu Project
Airborne Radiometric Survey



African Energy has provided an exploration budget (Table 10) covering the first two years exploration on the Chirundu Project. African Energy has nominated the Chirundu Project as a Target under the terms of the exploration agreement with Albion, and will therefore be required to expend at least A\$300,000 (US\$225,000) per annum on the project. There is no statutory minimum expenditure commitment in Zambia.

Table 10 Proposed Exploration Expenditure for Years 1 and 2, Chirundu Project (US\$)			
Activity	Year One	Year Two	Total
Geochemistry	50,000	80,000	130,000
Geophysics	50,000	25,000	75,000
Geology	60,000	80,000	140,000
Drilling	200,000	300,000	500,000
Tenements	620	620	1,240
Field Support/Travel	25,000	30,000	55,000
Technical Support	5,600	5,000	10,600
Administration	10,000	13,900	23,900
Total	401,220	534,520	935,740

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Chirundu Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$401,220 and US\$534,520 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Chirundu Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the minimum statutory expenditure commitments for the project tenement.

5.2 Kariba Valley Project

5.2.1 Location, Access and Physiography

The Kariba Valley Project is located in southern Zambia, situated in the low lying Kariba Valley to the south of the Zambezi Escarpment. Topography is dominated by a series of low lying hills with a general northeast trend. The project can be readily accessed from Lusaka via the sealed road to Livingstone, and then by a series of gravel roads and tracks (Figure 11).

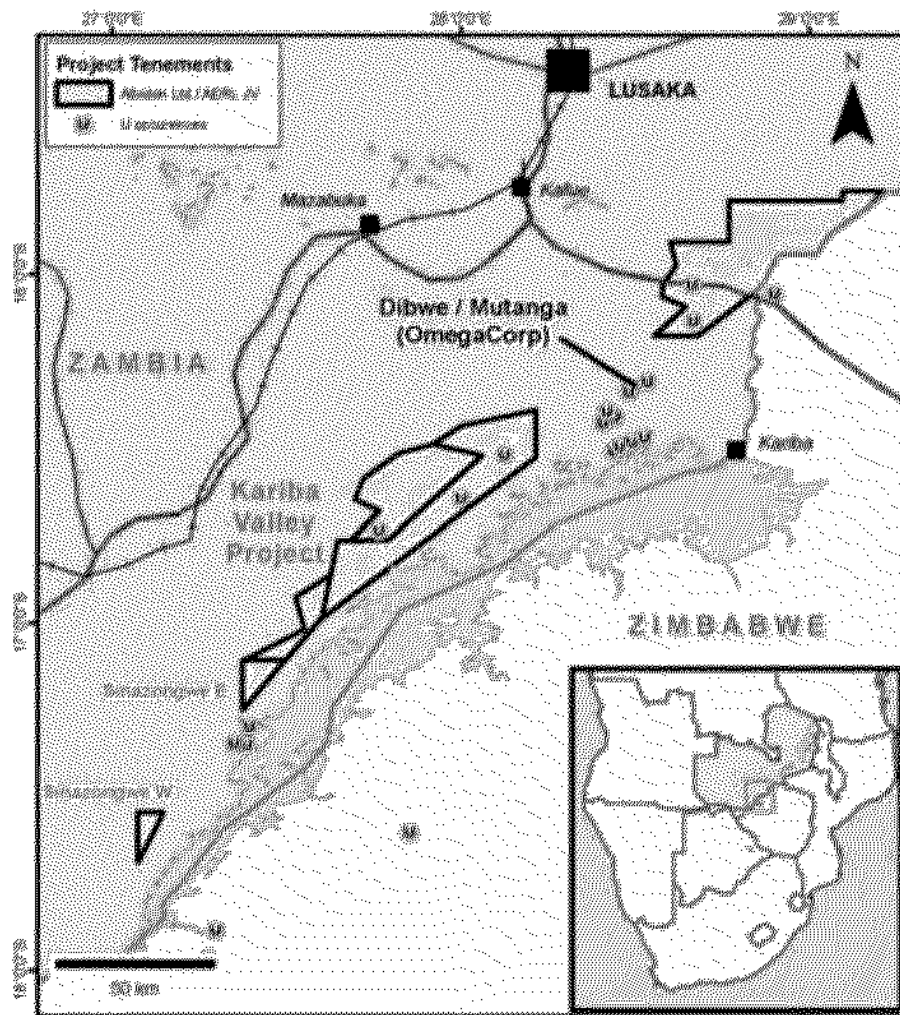
5.2.2 Tenure

The Kariba Valley Project comprises three tenement blocks with a combined area of 1,968sq km. The project comprises an element of the Exploration Agreement with Albidon and covers part of Albidon's Prospecting Licences PLLS.250 Mugoto, PLLS.245 Sinazeze and PLLS.193 Masuku. African Energy has nominated this project as a single Target Area under the terms of the Exploration Agreement. The project is therefore subject to the terms of a Farm-In Agreement under which African Energy can earn a 30% interest by expending A\$1 million and may proceed to earn a 70% interest in the project by completing a Pre-Feasibility study on an Indicated Resource consistent with the JORC Code guidelines. To the end of December 2006, cumulative expenditure by African Energy attributed to this project amounts to A\$201,061.

5.2.3 Local Geology

The Kariba Valley Project is situated at the northern edge of the Kariba Rift, a major extensional fault basin which contains extensive outcrop of the Upper Karoo Escarpment Group (Grits) and the Lower Karoo Madumabisa Formation mudstone (Figure 12). In the Kariba Rift, the Lower Karoo comprises fine clastic sediments with a basal conglomerate overlain by siltstones and sandstones, carbonaceous mudstones and a thick sequence of grey mudstones with calcareous bands making up the Madumabisa Mudstone Formation. The geology is very similar to that on the Chirundu Project, representing the along-strike continuation of the same mapped rock units.

Figure 11
Kariba Valley Project
Project location and principal access routes from Lusaka

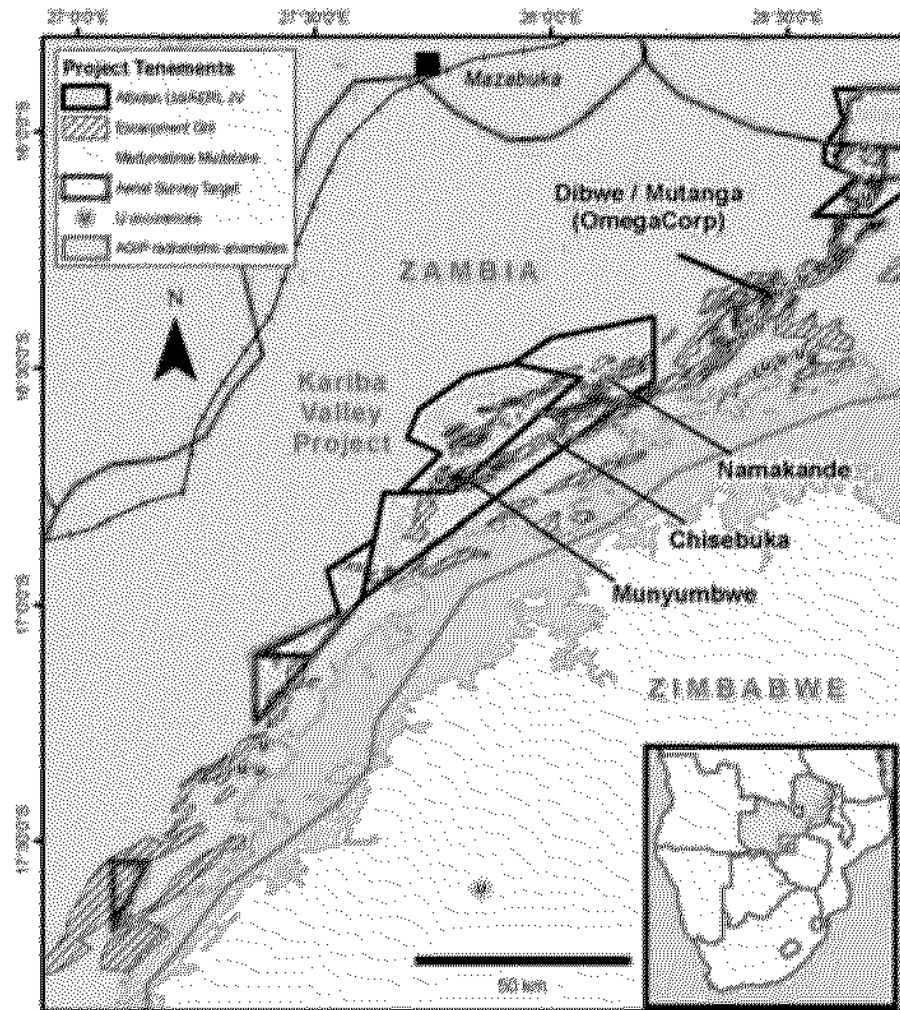


5.2.4 Exploration and Mining History

The Italian Company AGIP carried out extensive exploration in the Kariba Rift during the 1970's and early 1980's (for more details on these programs refer to Section 5.1.4 and Table 6 in this report).

African Energy was able to gain access to a large proportion of the exploration database compiled by AGIP during this period including regional and detailed baseline maps showing the locations and results of ground radiometric surveys within the Kariba Valley Project. A number of drill cross-sections illustrating the geology and grade of uranium mineralisation intersected are also available for several prospects. Within African Energy's Kariba Valley Project, AGIP focussed on the Chisebuka, Munyumbwe and Namakande prospects, where extensive ground radiometric anomalies were defined.

Figure 12
Kariba Valley Project
Mapped Position of the Escarpment Grit and Position of Ground Radiometric Anomalies
defined by AGIP SPA



At Chisebuka, Munyumbwe and Namakande, the Escarpment "Grit" is the host for known uranium mineralisation. The underlying Madumabisa Mudstone appears to have acted as an impermeable barrier controlling the base of the mineralisation. The likely controls on mineralisation in the Kariba Valley Project are thus similar to those described for the Chirundu Project in Section 5.1.4 of this report.

Large deposits of coal are developed throughout the southern African region, with the largest occurring in the Ecca Group in South Africa. Many smaller deposits occur in equivalent rocks in the Karoo Basins of Botswana, Zambia and Mozambique. In Zambia, the most prominent of these deposits is the Maamba Colliery in the Kariba Valley. The productive horizon is the Lower Gwembe Coal Formation of the Lower Karoo Sequence, which produces sub-bituminous, high-ash, thermal quality coal. This mine has been in production since 1967 and currently contains 20Mt of reserves. Current production rates are approximately 34,000t per month, with the bulk (30,000t) for domestic consumption,

and the remainder exported to the DRC. Power supply disruptions, debt liquidation pressures and labour force issues have prevented the mine from realising full production capacity of 50,000t per month.

5.2.5 Exploration and Resource Potential

5.2.5.1 Uranium

The Chisebuka, Munyumbwe and Namakande prospects have a similar geological setting to the Njame Prospect within the Chirundu Project, and represent high-priority targets for African Energy.

Chisebuka is characterised by a well defined, intense radiometric anomaly over an area of 1,500m x 400m, but appears to have undergone minimal drill testing by AGIP. A drilling program to test this anomaly has been planned by African Energy and will commence soon.

At Munyumbwe, two prospects have been identified. Munyumbwe 'A' consists of a broad ground radiometric anomaly, which has been tested by African Energy via reconnaissance drilling. Evaluation of the drill cuttings using a hand-held scintillometer failed to identify consistent zones of radiometric anomalism, suggesting that no uranium mineralisation worthy of follow-up has been identified. Munyumbwe 'B', further to the north, has not been tested to date.

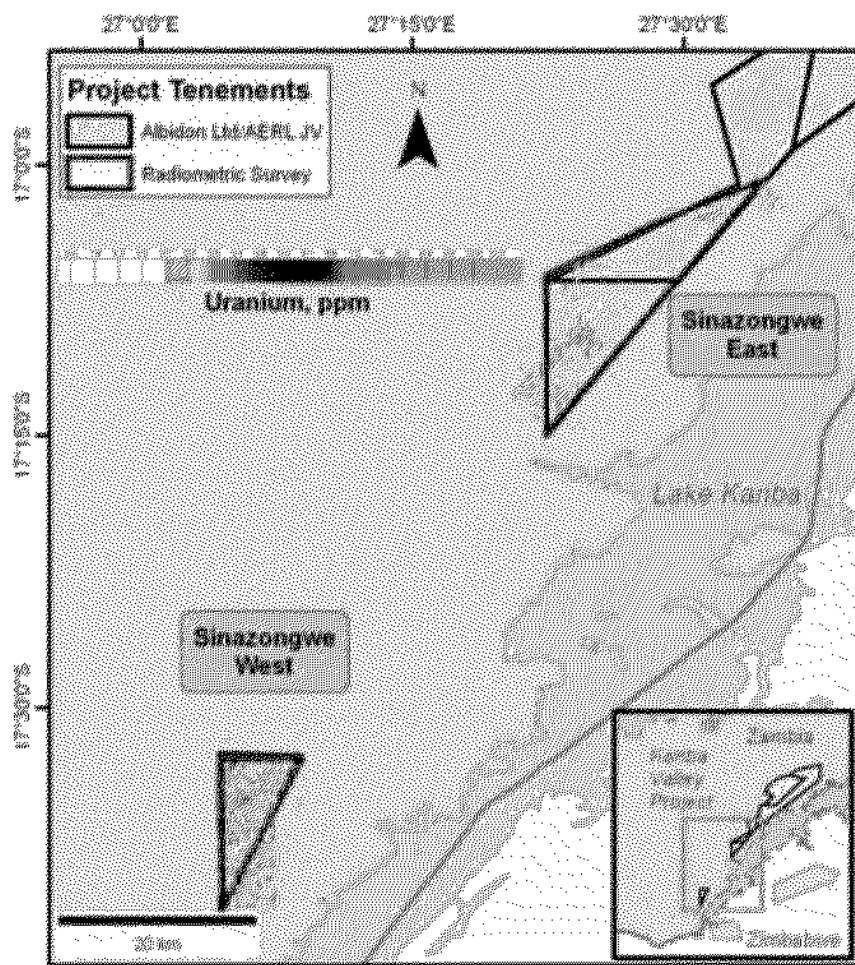
The Namakande Prospect consists of a series of poorly constrained ground radiometric anomalies over an area exceeding 7km x 2km. Field work is required at this prospect to evaluate the potential of these anomalies and to prioritise targets for drill testing.

No work was undertaken by AGIP on the Sinazongwe blocks due to security concerns related to proximity to the Zimbabwean border during the civil war in the late 1970's and early 1980's. The potential of this area has therefore not been tested to date. African Energy completed a helicopter-borne radiometric survey over these areas (Figure 12), collecting 790 line kilometres of data at 500m line spacing. Inspection of this data (Figure 13) reveals several targets for field evaluation and possibly reconnaissance drilling.

5.2.5.2 Coal-Bed Methane

There are several small coal occurrences in Lower Karoo Sequence sediments on licences in the Kariba Valley project area. The prospective stratigraphy includes the Gwembe Coal Formation, which is subdivided into lower and upper units. The lower unit has a maximum thickness of 60m and contains economic seams at Gwembe and a high proportion of carbonaceous material. The upper unit contains five sandstone horizons, only one of which is persistent over the whole Gwembe area, and mudstones and carbonaceous mudstones. The upper unit is 250m thick in places. Seam thickness decreases to the northeast and, to a lesser degree, to the southwest towards the limits of the deposit.

Figure 13
Kariba Valley Project
Airborne Radiometric Survey



African Energy intends to undertake a program to evaluate the coal potential, and more particularly the potential for accumulations of coal-bed methane in these areas. A report produced for African Energy by an independent consultant, Alan Golding of Analytika Holdings, concludes that the coal-bed methane potential of the Kariba Valley is variable, and in places is very good and justifies an evaluation program. In summary, the report suggests that:-

- There are significant coal/carbonaceous sequences developed in the Gwembe (Kariba) Valley area and the strike limits to the coal development are well defined.
- The coal development extends down-dip to the required depths for CBM development.
- Areas covered by rocks younger than the Madumabisa Mudstone are likely to be too deep for CBM production.
- The coals at Gwembe give off gas, however the composition of the gas has not yet been tested.

- Coal development at Gwembe was the result of a unique set of conditions which may or may not occur elsewhere in the Zambian Karoo rocks.
- The intensity of faulting will restrict the delineation of reasonable sized blocks.

African Energy intends to further utilise consultants to help design an evaluation program for CBM.

RSG Global considers the conclusions in the independent consultants report for coal and coal bed-methane potential to be reasonable and it is possible that economic deposits may be identified.

5.2.6 Exploration Strategy and Expenditure

African Energy plans to undertake the following program at its Kariba Valley Project:-

- Reconnaissance aircore drilling at Chisebuka and Munyumbwe B to test existing ground radiometric anomalies.
- Field evaluation of all new airborne radiometric anomalies and the Namakande Prospect area with the objective of prioritising targets for drill testing.
- Reconnaissance aircore/reverse circulation drill testing of the highest priority anomalies.
- Development of an exploration program to assess the coal-bed methane potential of the tenements and commencement of this program.

African Energy has provided an exploration budget (Table 11) covering the first two years exploration on the Kariba Valley Project. African Energy has nominated the Kariba Valley Project as a Target under the terms of the exploration agreement with Albion, and will therefore be required to expend at least A\$300,000 (US\$225,000) per annum on the project. There is no statutory minimum expenditure commitment in Zambia.

Table 11 Proposed Exploration Expenditure for Years 1 and 2, Kariba Valley Project (US\$)			
Activity	Year One	Year Two	Total
Geochemistry	70,000	80,000	150,000
Geophysics	25,000	25,000	50,000
Geology	85,000	86,400	171,400
Drilling	250,000	300,000	550,000
Tenements	937	937	1,874
Field Support/Travel	25,000	30,000	55,000
Technical Support	5,000	6,000	11,000
Administration	10,000	13,000	23,000
Total	470,937	541,337	1,012,274

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Kariba Valley Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$470,937 and US\$541,337 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Kariba Valley Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements.

5.3 Luano Valley Project

5.3.1 Location, Access and Physiography

The Luano Valley Project is situated in central-east Zambia, approximately 250km northeast of Lusaka and immediately south of the South Luangwa National Park. Access to the southern side of the project is via the sealed Lusaka to Chipata road and then by all-weather unsealed roads. Access to the northern part of the project is poor, via the Kapiri-Mposhi to Serenje sealed road and then by gravel tracks. The project is situated within the low lying Luano Valley, bounded by a series of northeast trending escarpments (Figure 14). A small proportion of the project is covered by the South Luangwa National Park (Figure 15). No work will be undertaken in the National Park by African Energy.

5.3.2 Tenure

The Luano Valley Project comprises two blocks, Lunsemfwa and Bulonga, and is part of the Exploration Agreement with Albidon. The two blocks cover part of two Albidon Prospecting Licences (Bulonga covers part of PLLS.246 Kamoto, and Lunsemfwa covers part of PLLS.247 Lunsemfwa) with a combined area of 6,970 sq km. This project forms part of the area of mutual interest covered under the terms of the Exploration Agreement with Albidon. African Energy has earned the right to nominate any number of target areas from within this project prior to 21 October 2007.

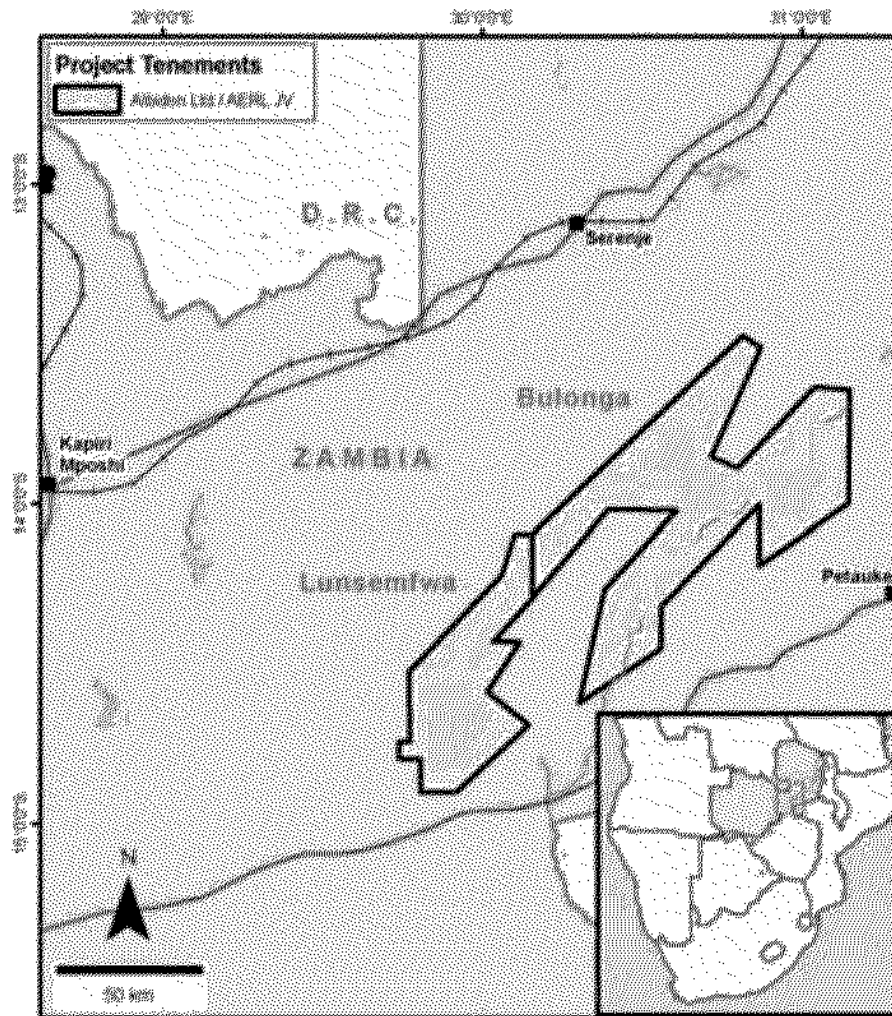
5.3.3 Local Geology

The Luano Valley area forms a series of linear depressions that extend in a northeast orientation, arranged in an en-echelon pattern linking the Luangwa Valley to the northeast. The structure is interpreted as a half graben, with the north-western margin being faulted and the south-eastern margin unconformably overlying basement. Exposure of the Lower Karoo sequence is largely restricted to the western end and parts of the southern margin of the trough. Faulting forms elongate rectangular blocks, with margins primarily parallel to the basin and subordinately at right angles to it. The blocks rarely reach 100 sq km size.

5.3.4 Exploration and Mining History

Previous drilling by the Geological Survey of Zambia and exploratory shafts encountered the basement at approximately 150m depth, with the best coal occurrences identified in the western part of the area where coal development is between 60m and 120m thick. Data density is insufficient to correlate intersections between the scattered boreholes and shafts (Table 12).

Figure 14
Luano Valley Project
Location Map



The Madumabisa Mudstone and the Escarpment Grit (Upper Karoo) are reasonably well developed and exposed in the Luano Valley. Geological Survey maps show a series of elongate regions of Escarpment Grit and Madumabisa Mudstone, extending for up to between 50km and 60km along strike, and cut by a number of high angle wrench faults. The maps indicate that the Escarpment Grit reaches thicknesses of up to 300m in the Luano Valley. The thickness of the Madumabisa Mudstone has not been ascertained in this region as no drillholes have gone deep enough to penetrate through its base.

Airborne radiometric surveys were carried out in central Zambia in the region of the Luano Valley tenements between 1973 and 1976 by Geometrics on behalf of the Government of Zambia. African Energy has acquired copies of the relevant paper maps from these surveys, defining potassium (K), uranium (U) and thorium (Th) values with peak values in counts per second (cps).

There has been no documented exploration for uranium in the Luano Valley except for a regional airborne radiometric survey. A significant radiometric (U/Th ratio) anomaly was identified at Myvuwe River, to the immediate south of the South Luangwa National Park. This anomaly covers an area of approximately 20km by 10km in the Bulonga tenement block where Madumabisa Mudstone has been mapped but Escarpment Grits have not been identified (Figure 15).

Coal was discovered in the western parts of the Luano Valley in 1899, and further work was carried out discontinuously between 1907 and 1929. Coal seams in the Luano Valley are variable in thickness and grade. Limited coal exploration was undertaken by the Geological Survey of Zambia from 1975 to 1977 in the eastern parts of the Luano Valley, and a limited number of shafts were excavated and boreholes drilled. Exploration was terminated because the area was considered inaccessible and the seam quality and thickness too poor to warrant any further work. However, these horizons represent a potential source for coal-bed methane.

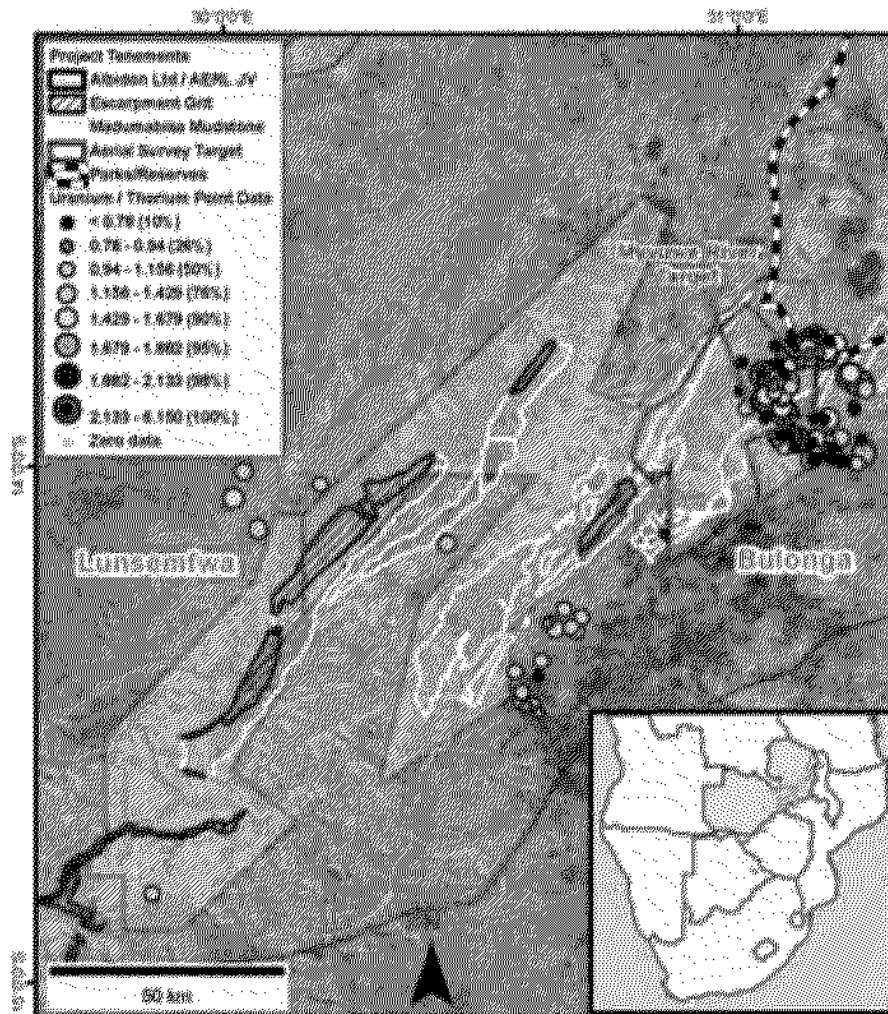
Table 12 Summary of Previous Exploration, Luano Valley, Zambia, Tenements PLLS.247 Lunsemfwa and PLLS.246 Kamoto				
Explorer / Client	Survey Type	Amount of Work	Period	Key results
Geometrics / Govt Zambia	Airborne radiometrics	6970 line km (1km spacing)	1973 -1976	Not reported
Geological Survey of Zambia	Drilling	Not recorded	1975-1977	Failed to locate significant coal bearing horizons

5.3.4.1 Uranium

Radiometric surveys in the Luano Valley in the early to mid 1970's were flown with a mean line spacing of 1,000m, a sensor height of 150m and a 7.2 litre crystal pack in the spectrometer. The relatively small size of this spectrometer (modern surveys use a 16 litre single crystal spectrometer) and the relatively high altitude of the sensor suggest that these surveys were only capable of detecting large anomalies with highly elevated gamma ray counts. Detailed ground radiometric surveys carried out in the 1970's were able to detect weaker anomalies not visible in the regional airborne data. There is potential to identify further uranium mineralisation with the application of modern geophysical techniques.

African Energy has commenced an assessment of this potential with a helicopter-borne radiometric survey flown in December 2006, collecting 694 line kilometres of data at 1000m line spacing and a further 669 line kilometres at a 250m line spacing (Figure 16). This survey identified two broad areas of uranium anomalism, one in the northeast of the target area, reproducing that noted in previous less sensitive surveys, and the other in the southern part of the project representing a totally new target not previously recognised.

Figure 15
Luano Valley Project
Outcrop outlines of Escarpment Grit and Madumabisa Mudstone showing area of anomalous U/Th



5.3.5 Exploration and Resources Potential

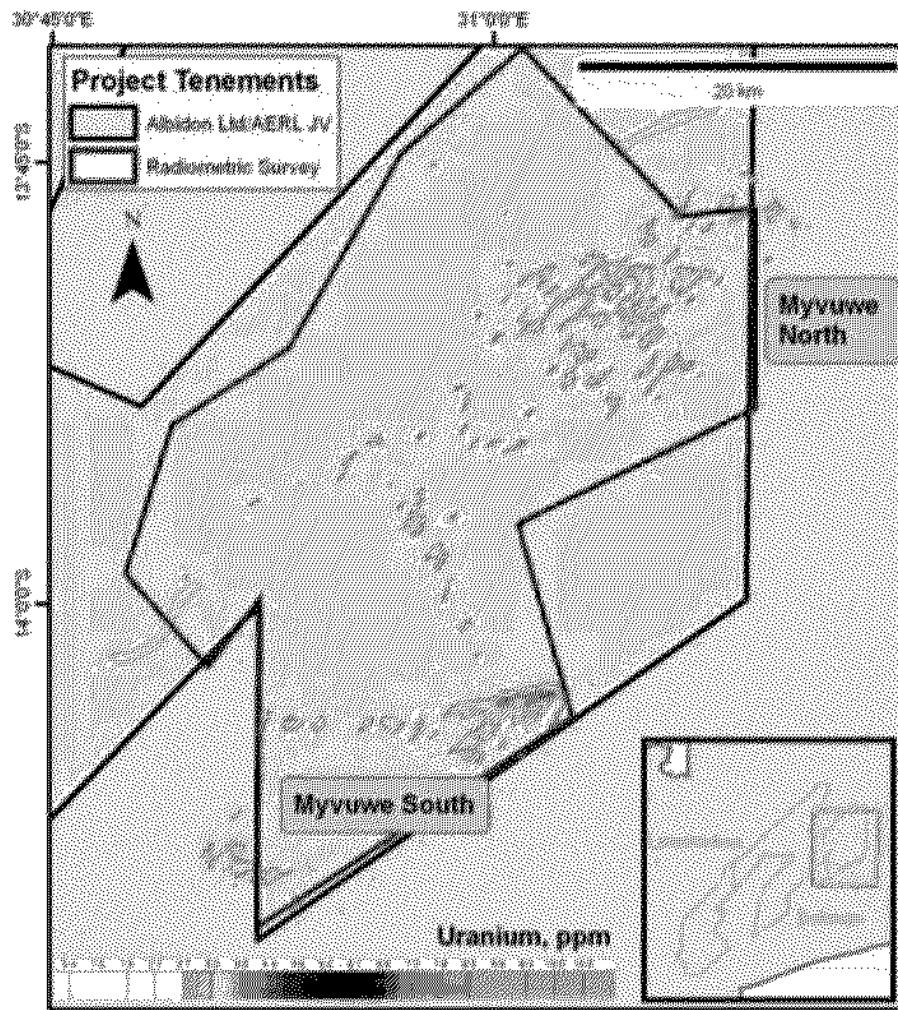
5.3.5.1 Coal-Bed Methane

The coal-bed methane potential of the Luano Valley is considered variable, but in places is sufficient to warrant evaluation as follows:-

- The best occurrences of carbonaceous material are found in the western area of the valley.
- The carbonaceous sequence is between 60m and 120m in thickness, and as such would have good CBM potential, but the carbonaceous sequence has as yet to be proven at the required depth for CBM production.

The size of fault blocks is marginally adequate for CBM production.

Figure 16
Luano Valley Project
Airborne Radiometric Survey



5.3.6 Exploration Strategy and Expenditure

African Energy is proposing to undertake the following program with the objective of testing the uranium and CBM potential of the Luano Valley Project:-

- Desktop studies to better define the structural architecture of the project through analysis of satellite imagery and digital elevation models. This will be used to identify additional conceptual targets for ground evaluation or airborne surveying.
- Ground evaluation of airborne radiometric anomalies at Myvuwe River and the best conceptual targets for uranium. This will include hand-held spectrometer traverses and geological mapping.
- Drill testing of the best targets.

- Development and implementation of a coalbed methane exploration program which will include stratigraphic drilling to test for the presence and depth of potential source rocks.

African Energy has provided an exploration budget (Table 13) covering the first two years exploration on the Luano Valley Project. There is no statutory minimum expenditure commitment in Zambia.

Table 13 Luano Valley, Planned Exploration Expenditure (US\$)			
Activity	Year One	Year Two	Total
Geochemistry	5,000	40,000	45,000
Geophysics	20,000	50,000	70,000
Geology	155,000	80,700	235,700
Drilling	-	150,000	150,000
Tenements	3,321	3,321	6,642
Field Support/Travel	30,000	25,000	55,000
Technical Support	4,800	6,000	10,800
Administration	11,100	12,350	23,450
Total	229,221	367,371	596,592

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Luano Valley Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$229,221 and US\$367,371 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Luano Valley Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements.

5.4 Central Luangwa Valley Project

5.4.1 Location, Access and Physiography

The Central Luangwa Valley Project is situated in eastern Zambia, approximately 500km northeast of Lusaka, between the South Luangwa National Park and the North Luangwa National Park. Access to the southern side of the project can be gained via the sealed Lusaka to Chipata road and then by a number of unsealed roads. Access to the northern part of the project is not as good, but can be made via the Kapiri-Mposhi to Mpika sealed road and then by gravel tracks (Figure 17). The Luangwa Valley forms a prominent broad linear depression which extends in a northeast direction some 100's of kilometres. Portions of the Central Luangwa Valley Project are covered by National Parks (Figure 17). African Energy does not plan to undertake any work in these parks.

5.4.2 Tenure

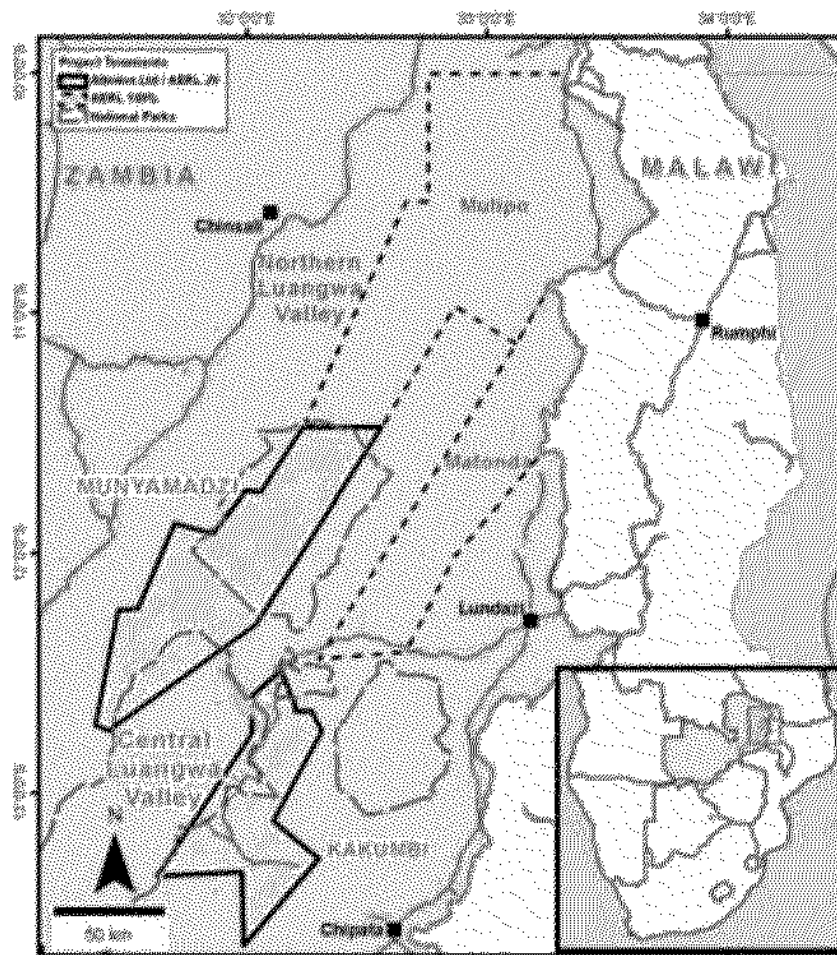
The Central Luangwa Valley Project comprises two blocks, Munyamadzi and Kakumbi, and is part of the Exploration Agreement with Albidon. The two blocks cover part of two of

Albidon's Prospecting Licences (Munyamadzi covers part of PLLS.260 Chilonga, while Kakumbi covers part of PLLS.246 Kamoto) with a combined area of 10,085 sq km. This project forms part of the area of mutual interest covered under the terms of the Exploration Agreement with Albidon. African Energy has earned the right to nominate any number of target areas from within this project prior to 21 October 2007.

5.4.3 Local Geology

The Central Luangwa Valley is a half-graben with a strongly faulted western margin and Karoo sediments unconformably overlapping the basement in the east. Faulting is predominantly parallel to the basin margins, with subordinate faults at right angles to these, resulting in rectangular fault blocks lying parallel to the western basin margin. The block size rarely reaches the 100 sq km size. Outcrops of coal and carbonaceous horizons within the Luwumba Formation (Lower Karoo sequence) are limited.

Figure 17
Central Luangwa Valley Project
Project Location (Munyamadzi and Kakumbi)



5.4.4 Exploration and Mining History

In parallel with the regional airborne radiometric surveys undertaken by Geometrics in the 1970's, Power Reactor and Nuclear Fuel Development Corporation (PNC) carried out a car-borne geophysical and hydro-geochemical survey for uranium during 1973 and 1976

over PL89, located in the Lundazi District of the Central Luangwa project area. A number of anomalies were identified which led to the drilling of 42 holes for a total of 5,845m. Several holes intersected uranium mineralisation located within sandstones belonging to the Escarpment Grit and underlying Madumabisa Mudstone Formations, including several intersections greater than 2 times background level, with a maximum value of 0.08% U_3O_8 being detected. No further work was undertaken. (Figure 18, Table 14).

No records of coal or coal-bed methane exploration were found for the Central Luangwa Valley project area

Table 14 Summary of Previous Exploration Central Luangwa Valley, Zambia. Tenements PLLS.246 Kamoto and PLLS.260 Chilonga				
Explorer / Client	Survey Type	Amount of Work	Period	Key results
Geometrics/Govt Zambia	Airborne radiometrics	10,085 line km (1km spacing)	1973-1976	Not reported
Power Reactor and Nuclear Fuel Development Corp (PNC)	Car-borne radiometric survey and hydrogeochemical survey	No precise details, covered former PL89 in Lundazi district	1973-1976	Identified anomalies considered worthy of drilling
PNC	Drilling	5,845m (42 holes)	1976	Several holes intersected uranium bearing Escarpment Grit and Madumabisa Mudstone with several holes showing uranium at twice background. Peak value 800ppm U_3O_8

5.4.5 Exploration and Resource Potential

The uranium potential in the Central Luangwa leases is highest along the western margin where coarse-grained sedimentary rocks were deposited in a high energy environment and lowest along the eastern margin where quiescent conditions prevailed, while the reverse is true for the coal-bed methane potential.

Due to the lack of high quality historical radiometric data, African Energy plans to generate targets on the basis of geological interpretation. Key criteria will involve defining the presence of Escarpment Grit, potentially radiogenic basement and faults linking the two. The sedimentary environment is predominantly high energy, fed by material from the fault scarp slope, which is perceived to be favourable for the development of uranium trap sites. Due to the paucity of previous exploration for uranium, African Energy considers that this project offers considerable potential for a major uranium discovery.

An independent consultants report, written for African Energy by Alan Golding of Analytika Holdings Pty Ltd, suggests that the coal-bed methane potential of the Central Luangwa Valley is generally poor due to the following:-

5.4.6 Exploration Strategy and Expenditure

African Energy's objective is to focus on uranium and to rapidly identify targets for drill testing through:-

- Desktop uranium target generation by detailed structural analysis of satellite and digital elevation data, and synthesis of published maps to determine the distribution of the most prospective stratigraphic horizons.
- Airborne radiometric surveying over all uranium targets generated from the desktop targeting, leading to a prioritised target portfolio for ground follow-up.
- Ground assessment of the best targets to include hand-held spectrometer traverses and geological mapping.
- Drill testing of the best targets selected after the initial ground follow-up.

African Energy's exploration budget (Table 15) covers the first two years of exploration. There is no statutory minimum expenditure commitment in Zambia.

Table 15 Central Luangwa Valley Project, Planned Exploration Expenditure (US \$)			
Activity	Year One	Year Two	Total
Geochemistry	5,000	40,000	45,000
Geophysics	100,000	50,000	150,000
Geology	75,000	80,700	155,700
Drilling	-	150,000	150,000
Tenements	4,805	4,805	9,610
Technical Support	4,800	6,000	10,800
Administration	11,100	12,350	23,450
Total	225,705	368,855	594,560

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Central Luangwa Valley Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$225,705 and US\$368,855 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Central Luangwa Valley Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements.

5.5 Northern Luangwa Valley Project

5.5.1 Location, Access and Physiography

This project occurs at the northern end of the Luangwa Valley in northeast Zambia, extending as far as the international border with Malawi (Figure 19). Access to the eastern

side of this project is generally good, with a major road running the length of the tenements, whereas access to the western side is generally very poor. The bulk of the project occurs in the low lying Luangwa Valley, but the northern end comprises a more rugged terrain where the Luangwa Valley ends in a series of smaller rift structures at higher elevations. There are no National Parks over this project, with the exception of a very small part of the southern corner of the Mulipo Licence, where no work is planned.

5.5.2 Tenure

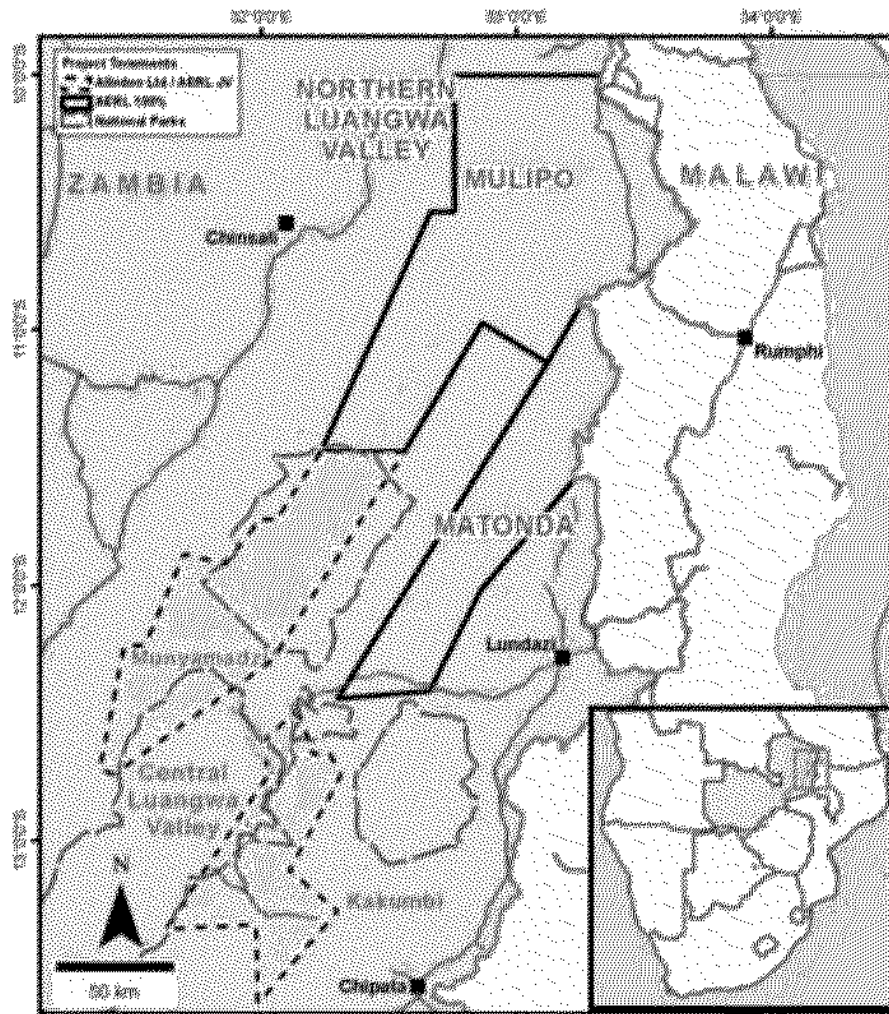
The Northern Luangwa Valley Project comprises two Prospecting Licences (PLLS.270 Matonda, PLLS.271 Mulipo) granted to African Energy and covering a total area of 18,767 sq km. The tenements were pegged to cover the northern extension of the Karoo sediments in the Luangwa Valley, 30km along strike from the Kayelekera uranium deposit in northern Malawi, where Paladin Resources have outlined a resource containing over 15,000t of U_3O_8 .

5.5.3 Local Geology

The Northern Luangwa Valley is a half-graben, with the opposite sense of symmetry to the Central Luangwa Valley. The steeper, fault bounded high energy environments occur on the eastern margin, with the lower energy sediments predominating on the western side of the valley and along the northern margin. Outcrops of coal and carbonaceous horizons in the Luwumba Formation occur mainly along the northern and north-eastern margins, and more rarely along north-western margins. Outcrops along the eastern margin are of the Madumabisa Mudstone. The Luwumba Formation was deposited on an alluvial plain in an axial marginal delta, while the Madumabisa Mudstone Formation represents the lateral lacustrine equivalents occupying the centre of the basin. The eastern margin is considered less prospective for CBM with no development of stable shelf-swamp sedimentary environments, and increased faulting and structural complexity. This is supported by the results of the Chama Well, drilled only some 7km from the basin margin, which reached 3,270m without penetrating Luwumba Formation. The total thickness of sediments in the basin is estimated to be in the order of 8,000m.

The Escarpment Grit appears to be well developed along the eastern margin of the valley, and also in the southern portion of the Mulipo PL where it occurs closer to the centre of the valley. This latter large area of relatively un-faulted Escarpment Grit is unlikely to favour uranium due to the distance from basement and the lack of fluid conduits. The eastern side of the valley, in contrast, appears to be ideally suited to uranium mineralisation, with long narrow fault bounded blocks of Escarpment Grit close to the edge of the rift and therefore close to basement.

Figure 19
Northern Luangwa Project
Project Location (Mulipo and Matonda)



5.5.4 Exploration and Mining History

African Energy has acquired copies of paper maps depicting the results of regional airborne radiometric surveys flown for the Government in the 1970's. Anomalous readings have been digitised from these surveys and used to help define areas for immediate follow-up. Whilst the surveys are crude by modern standards, they are adequate to identify regional targets for follow up evaluation.

Uranium exploration is largely restricted to work undertaken by Power Reactor and Nuclear Fuel Development Corporation (PNC) which carried out a drilling program in 1974-1975 on PL117 in the eastern part of the Northern Luangwa Valley. 18 holes were drilled for a total of 2,189m. Several holes displayed anomalous intersections (2 to 3 times background levels), but no further work was carried out.

Exploration for hydrocarbons using seismic, gravity and aeromagnetic surveys, and shallow bore holes was carried out by the Geological Survey of Zambia, and two exploration wells for oil and gas were drilled. Following satellite image interpretation, photo-geological

studies, seismic surveying, gravity and aeromagnetic surveys in 1986/1987, two wildcat holes were drilled in Northern Luangwa Valley by Placid Oil Company (Zambia). The targeted Lower Karoo Sequence rocks were not intersected despite drilling to depths of more than 3,000m (Table 16).

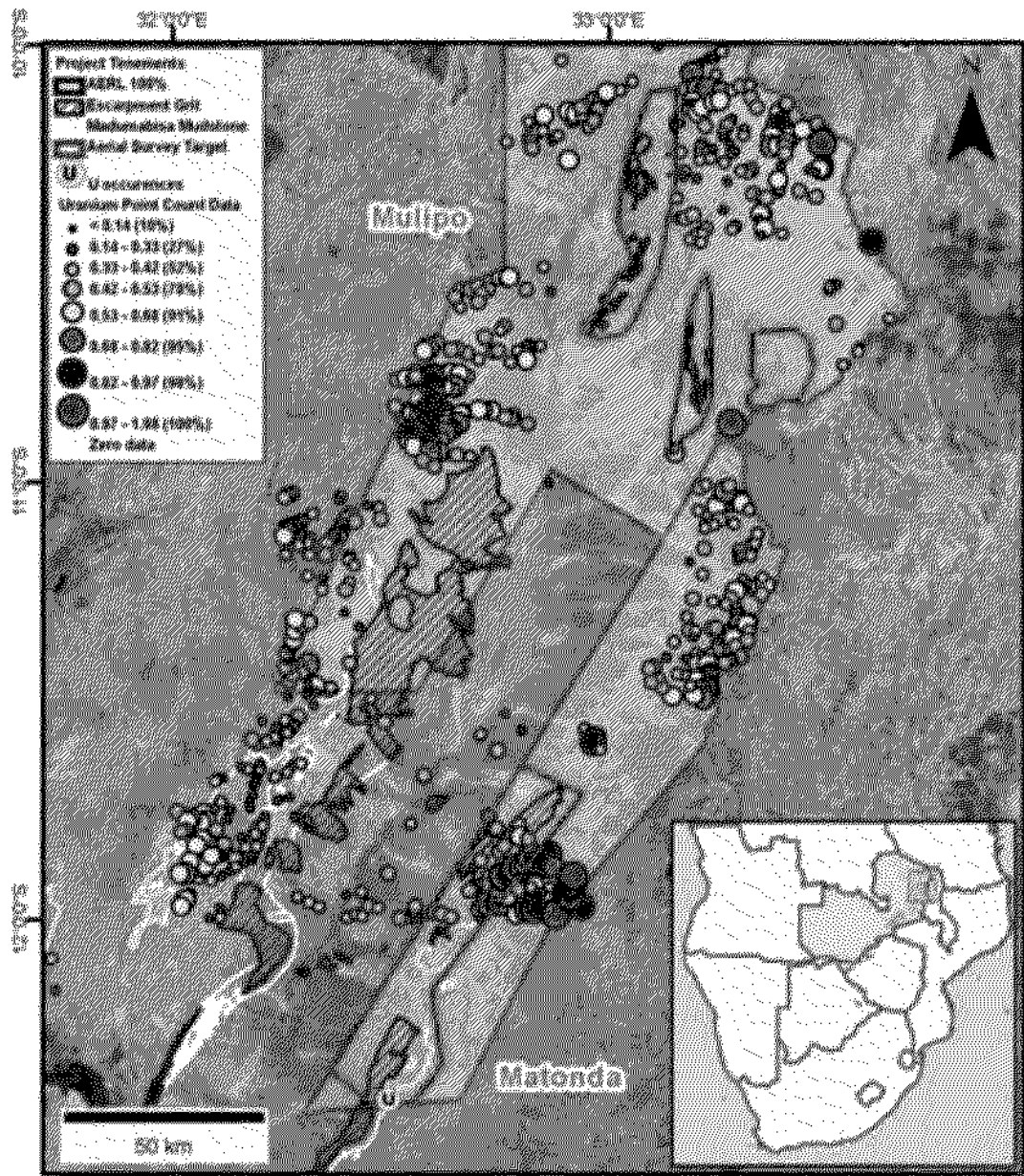
The area has been the subject of various phases of mapping by the Geological Survey of Zambia. These mapping programs identified coal occurrences along the northern part of the basin in a series of smaller sub-basins. The Geological Survey of Zambia drilled several holes targeting the Luwumbu Coal Formation in northern and north-eastern parts of the Northern Luangwa Valley during 1971 and 1972. Several thin (max thickness 2m), steeply dipping coal seams were intersected. Correlation between boreholes was difficult due to faulting. Limited coal exploration was carried out along the western margins of the North Luangwa Valley. In most cases the carbonaceous horizons are considered too thin to provide good sources for CBM, and complex faulting has resulted in blocks smaller than 100km². Further into the valley, the overlying Madumabisa Mudstone attains thicknesses in the order of 1,500m, suggesting that carbonaceous material below these may be too deep to generate CBM.

Table 16				
Summary of Previous Exploration, Northern Luangwa Valley, Zambia. Tenements PLLS.270 Matonda and PLLS.271 Mulipo				
Explorer / Client	Survey Type	Amount of Work	Period	Key results
Geometrics/Govt Zambia	Airborne radiometrics	17,915 line km (1km spacing)	1973 -1976	Not reported
PNC	Drilling	2,189m (18 holes) on former PL117	1974-1975	Several holes with anomalous uranium at 2 to 3 times background.
Geological Survey of Zambia	Drilling	"Several holes"	1971 -1972	Intersected several steeply dipping, <2m thick coal seams
Placid Oil Company	Aeromagnetic survey	Not specified	1986	Not specified
Placid Oil Company	Drilling	2 Wells, >3000m each	1987	Target Lower Karoo not intersected due to thick Upper Karoo sequence

5.5.5 Exploration and Resource Potential

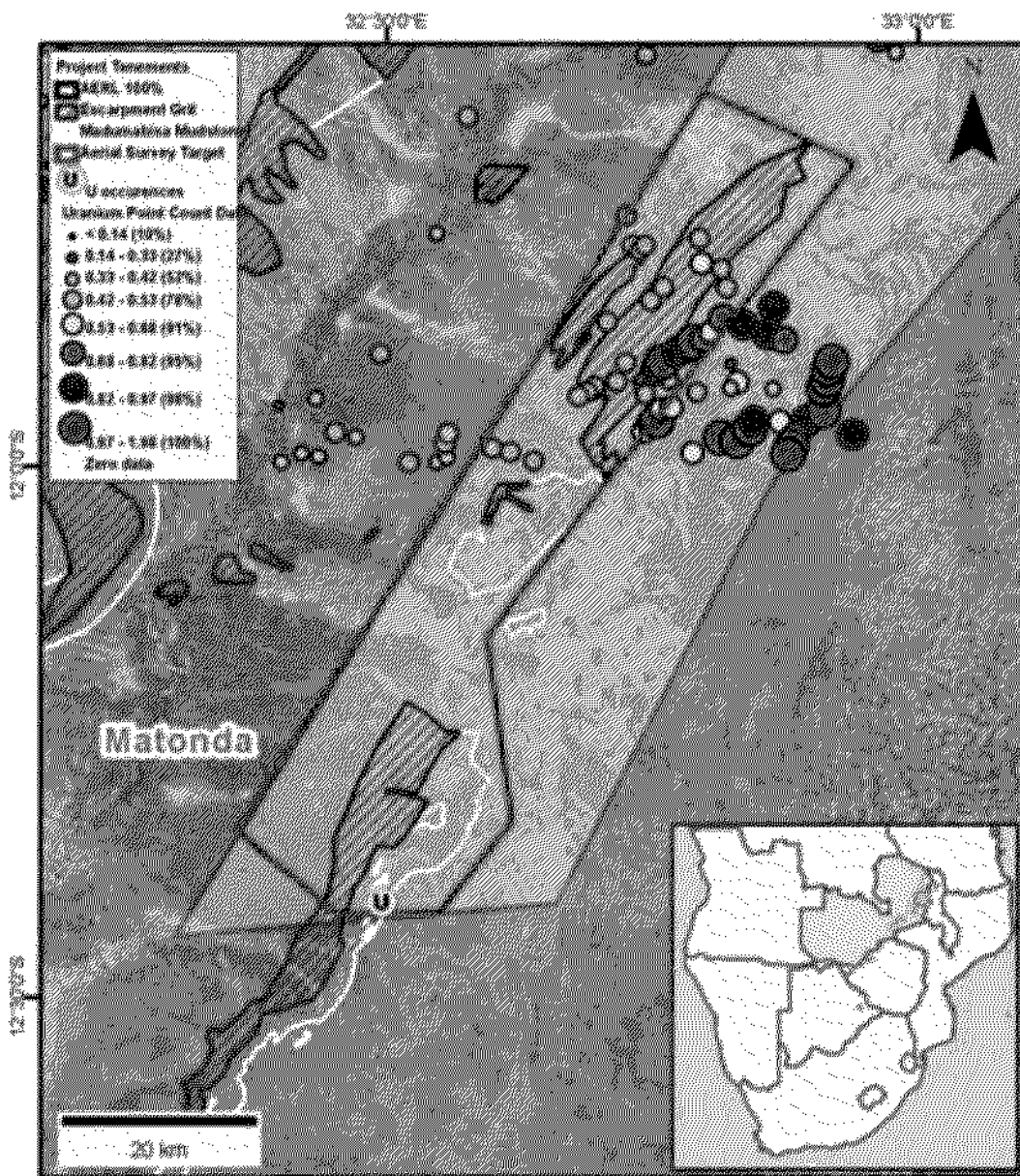
One significant multi-point regional radiometric anomaly, covering over 400 sq km has been identified in the Northern Luangwa leases, along with a number of smaller, lower level anomalies (Figures 20; 21). The large anomaly includes a number of highly anomalous readings from the older basement as a potential source of uranium, and highly anomalous readings from fault-bounded blocks of Escarpment Grit, the likely host for uranium mineralisation. African Energy evaluated this area with a detailed airborne radiometric survey in December 2006 to identify the precise location of uranium anomalies for more detailed follow-up mapping, surveying and drilling. A total of 1,811 line kilometres of radiometric data were collected using heli-borne survey equipment flown at a 1km line spacing, with a further 583 line kilometres of data collected at a 250m line spacing over anomalous regions.

Figure 20
Northern Luangwa Project
Locations of Anomalous Uranium Picks from Previous Airborne Radiometric Surveys



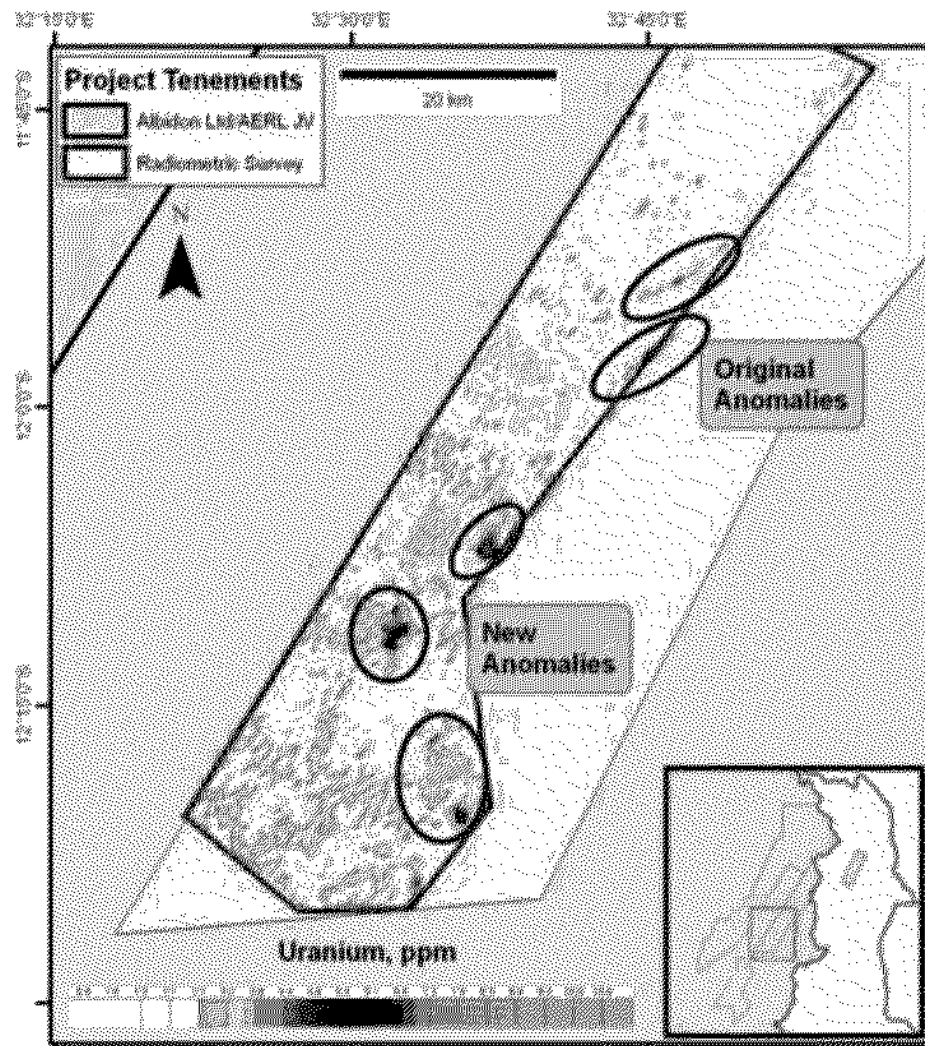
The airborne radiometric survey flown over the southern part of the Matondaka tenement has identified several uranium anomalies (Figure 22), including two areas reflecting the original anomaly picks, but also including new areas of uranium anomalism further to the south. These represent new targets for evaluation in 2007, and along with the two original anomalies will require field evaluation and, if warranted, a reconnaissance drill testing program.

Figure 21
Northern Luangwa Project
District-Scale View of the Southern Matonda Target Area showing the Radiometric Anomaly of Interest
and the Outline of the Recently Flown Radiometric Survey



A further three areas in the northern part of the Northern Luangwa leases were selected for airborne radiometric surveys (Figure 23). The westernmost two of these cover a series of long, linear, fault bounded blocks of Escarpment Grit believed to lie close to basement highs along the northeast margin of the Luangwa Valley. The eastern block, close to the Malawi border, covers an area poorly documented in Zambia, but incorporated on regional radiometric data published in Malawi. This data shows a large uranium anomaly on the edge of the Malawian survey, extending into Zambia. The nature of the uranium anomaly in Malawi was unclear, and may possibly have resulted from gridding edge effects, but the area was selected for follow-up evaluation regardless.

Figure 22
Northern Luangwa Valley Project
Matonda Airborne Radiometric Survey



In December 2006, the three areas at the northern end of the project were evaluated by a heli-borne radiometric survey which collected 1,543 line kilometres of 1km spaced data, with a small block infilled to a 250m line spacing (a further 90 line kilometres of data). Whilst no large anomalies were defined, several clusters of low level uranium anomalies have been defined which will require field evaluation in 2007 (Figure 24).

The Northern Luangwa Project is considered to have moderate prospectivity for coal, with records of previous exploration indicating 13 coal outcrop occurrences within the Mulipo PL. Outcrops of the Luwumba Formation are limited mainly to the northern and north-eastern margins, and more rarely the north-western margin, of the area. Outcrops along the eastern margin are exclusively within Madumabisa Mudstone. Coal-bed methane potential is considered to be low due to the lack of thick sequences of carbonaceous sediments at the correct depth, and the relatively small size of the fault blocks (Figure 23).

[illegible]

The Northern Luangwa Project has the potential to be rapidly escalated to exploration drilling for uranium mineralisation at multiple targets. The following program is designed with the objective to rapidly identify and drill test these targets, and the budget for this program is presented in Table 17:-

- 

Figure 24
Northern Luangwa Valley Project
Mulipo Airborne Radiometric Survey

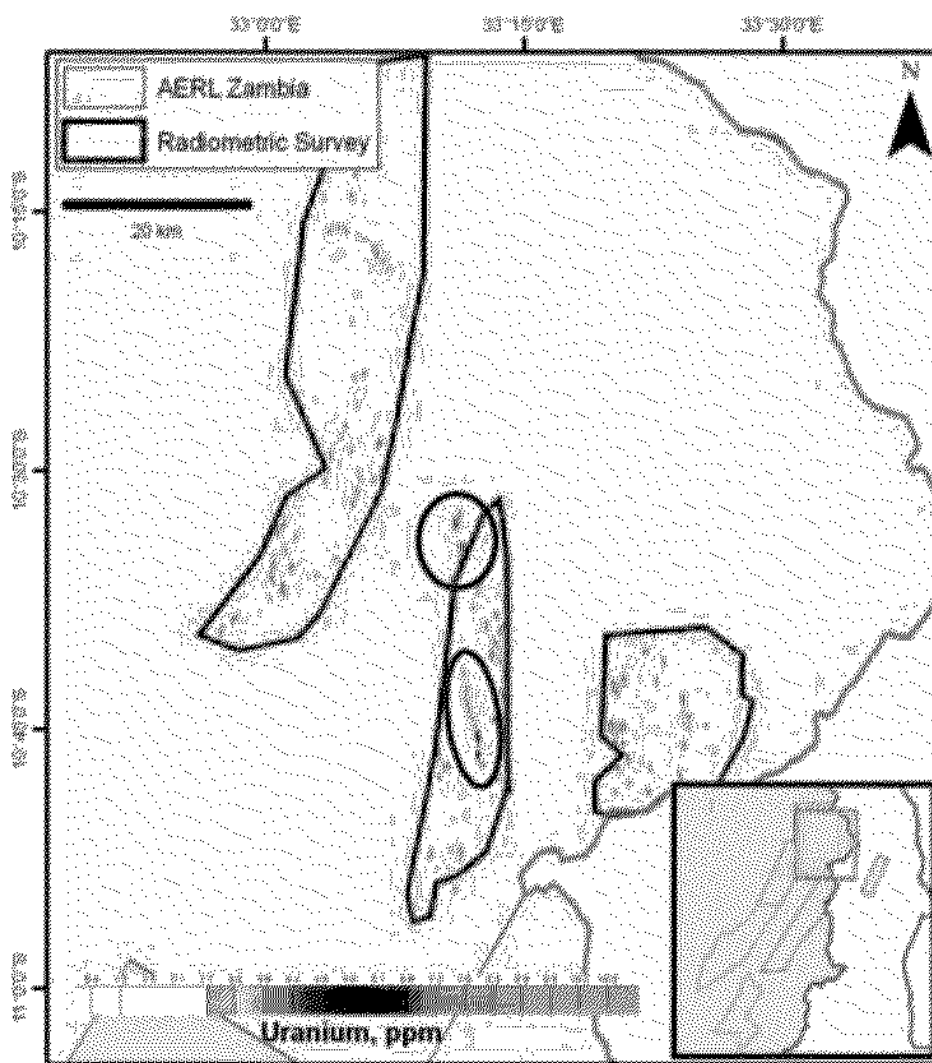


Table 17
Planned Expenditure for Northern Luangwa Valley Project
(US \$)

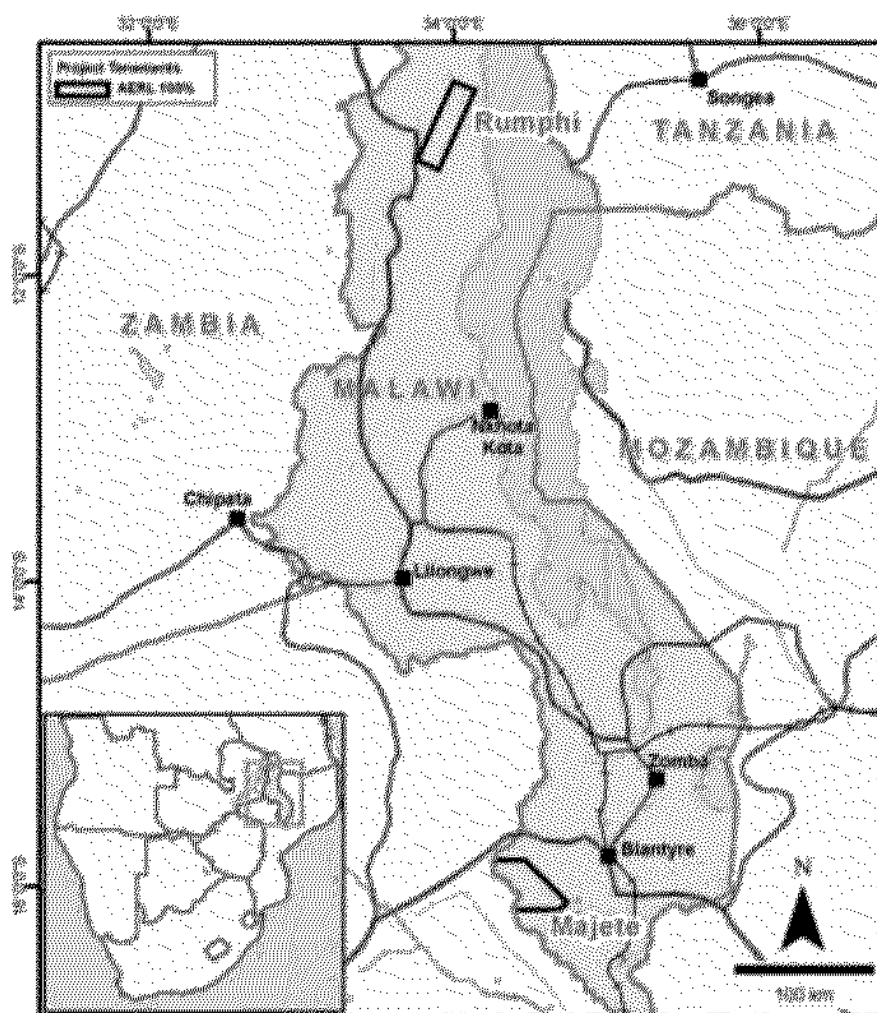
Activity	Year One	Year Two	Total
Geochemistry	40,000	35,000	75,000
Geophysics	75,000	50,000	125,000
Geology	125,000	80,700	205,700
Drilling	150,000	150,000	300,000
Tenements	8,535	8,535	17,070
Field Support/Travel	25,000	25,000	50,000
Technical Support	4,800	6,000	10,800
Administration	11,100	12,350	23,450
Total	439,435	367,585	807,020

There is no minimum expenditure requirement in Zambia.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Northern Luangwa Valley Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$439,435 and US\$367,585 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Northern Luangwa Valley Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the combined minimum statutory expenditure commitments for the project tenements.

Figure 25
Rumphi Project
Project Location in Northern Malawi



6 MALAWIAN PROJECTS

6.1 Rumphi Project

6.1.1 Location, Access and Physiography

The Rumphi uranium project is located in northern Malawi. Access to the project is good, via sealed road from the capital city, Lilongwe (Figure 25). The project occupies a narrow northeast trending valley flanked by parallel escarpments. The valley contains a large number of settled areas.

6.1.2 Tenure

The Rumphi uranium project comprises a single Exclusive Prospecting Licence, EPL0176/05 granted to African Energy. The project covers an area of 1,061 sq km in northern Malawi (Figure 26). African Energy holds a 100% interest in the project.

6.1.3 Local Geology

The project occurs in a 60km x 15km, fault-bounded basin filled with Karoo Supergroup sediments. This small basin occurs in a very similar setting to the basin which hosts the Kayelekera uranium deposit, located some 125km to the north. In northern Malawi the Karoo Supergroup occurs in narrow, elongate basins that comprise an en echelon array linking the Luangwa Valley in Zambia and the Selous Basin in Tanzania. These narrow, fault-bounded basins have provided depo-centres for clastic Karoo sedimentation and permit circulation of uraniferous solutions derived from the nearby basement.

The Livingstonia Coalfield is located immediately to the north of Rumphi and hosts Malawi's only operating coal mine at Mchenga.

6.1.4 Exploration and Mining History

Coverage of government sponsored regional airborne radiometric data over the project is incomplete, with the central part of the project lacking data. Where data is present, there are a number of discrete uranium anomalies in the Karoo sediments, and broad areas of elevated uranium response in the adjacent basement. The setting of the Rumphi Project is considered to be similar to the nearby Kayelekera deposit.

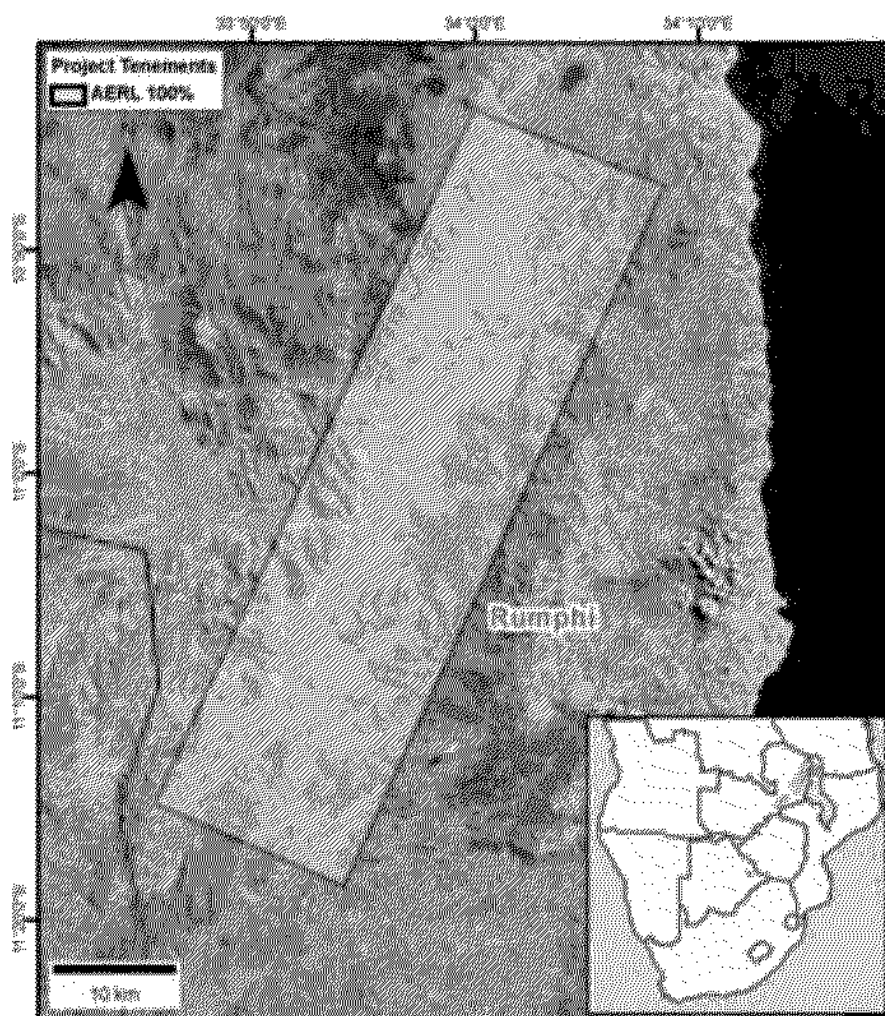
Kayelekera was discovered in the early 1980's by the Central Electricity Generating Board of Great Britain (CEGB) which was evaluating previously identified radiometric anomalies. The CEGB spent US\$9M on exploration studies at Kayelekera, culminating in a full feasibility study which was completed in 1991. The project was abandoned in 1992 largely due to the poor outlook for global uranium prices, coupled with the privatisation of CEGB and its re-prioritisation to core business of power generation.

Paladin acquired the project in 1998 through a joint venture with Balmain Resources. The deposit contains six lenses of coffinite bearing mineralisation in reduced arkosic units to a depth of 100m below surface. The mineralised lenses are vertically disposed along the trend of a synclinal axis within a fault-bound structure.

No knowledge of previous coal-bed methane or uranium exploration exists within the Rumphi Project. Previous exploration in the Livingstonia area, immediately to the northeast, was very limited and focused entirely on coal. Government diamond drilling in 1950 intersected a thin bed of radioactive coaly shale that assayed 0.73% U_3O_8 and showed a high calcium phosphate content.

The Livingstonia Coalfield is located immediately to the north of Rumphi and hosts Malawi's only operating coal mine at Mchenga. Coal was discovered in the area in 1907, following which it was evaluated by the Geological Survey, as well as British South Africa Company (1924), and again by the Geological Survey in 1947.

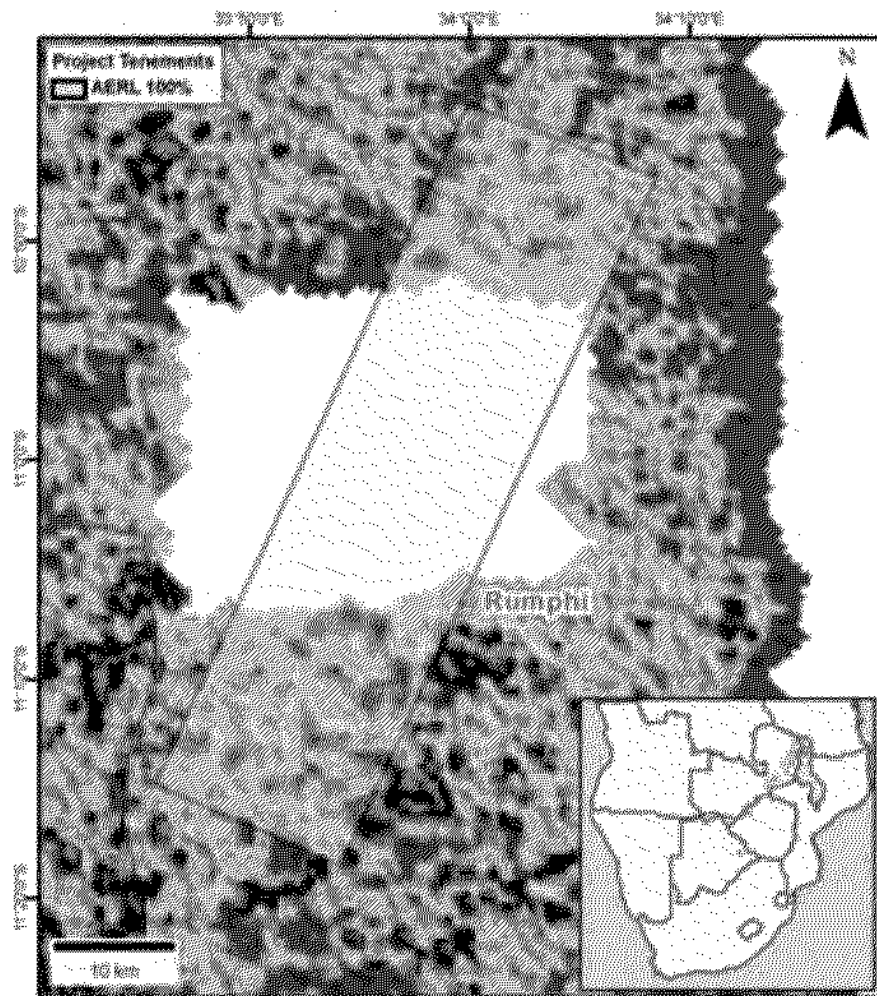
Figure 26
Rumphi Project
Tenement Outline on Satellite Imagery showing the Presence of an Elongated Northeast
Trending Valley Running the Length of the Project



6.1.5 Exploration and Resource Potential

The exploration potential for uranium within the Rumphi Project is based on the large gap in the regional radiometric data (Figure 27) and the lack of previous systematic uranium exploration. The relatively high settlement density in this area will pose challenges to an effective and efficient exploration program.

Figure 27
Rumphi Project
Tenement Superimposed on an Image of the Uranium Channel from Regional Radiometric Survey



6.1.6 Exploration Strategy and Expenditure

African Energy plans to evaluate this tenement area through ground-based geological fieldwork to establish the cause of the uranium anomalism identified in the regional radiometric surveys. A series of spectrometer traverses will be used to measure radioactivity across the basin and to generate preliminary targets where regional radiometric data is absent. The following program has been planned:-

- Field evaluation of uranium anomalies identified in regional radiometric data. This will include geological mapping and hand-held spectrometer traverses.
- Reconnaissance traverses across the central part of the project where no radiometric data currently exist. These traverses will include hand-held spectrometer readings to define uranium anomalies.
- Desktop interpretation of structure and stratigraphy to help prioritise empirical uranium targets.

- Detailed field evaluation of the highest priority anomalies identified from the above programs leading to reconnaissance drill testing of those deemed most likely to represent economic mineralisation.

The African Energy exploration budget is outlined in Table 18. The minimum expenditure requirement over the three year life of the Exclusive Prospecting Licence is US\$584,073.

Table 18 Exploration Expenditure for Rumphi Project, Malawi (US \$)			
Activity	Year One	Year Two	Total
Geochemistry	30,000	30,000	60,000
Geophysics	50,000	50,000	100,000
Geology	50,000	53,800	103,800
Drilling	100,000	110,000	210,000
Tenements	794	794	1,588
Field Support/Travel	20,000	22,500	42,500
Technical Support	3,200	4,000	7,200
Administration	7,000	8,630	15,630
Total	260,994	279,724	540,718

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Rumphi Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$260,994 and US\$279,724 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Rumphi Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the minimum statutory expenditure commitments for the project tenement.

6.2 Majete Project

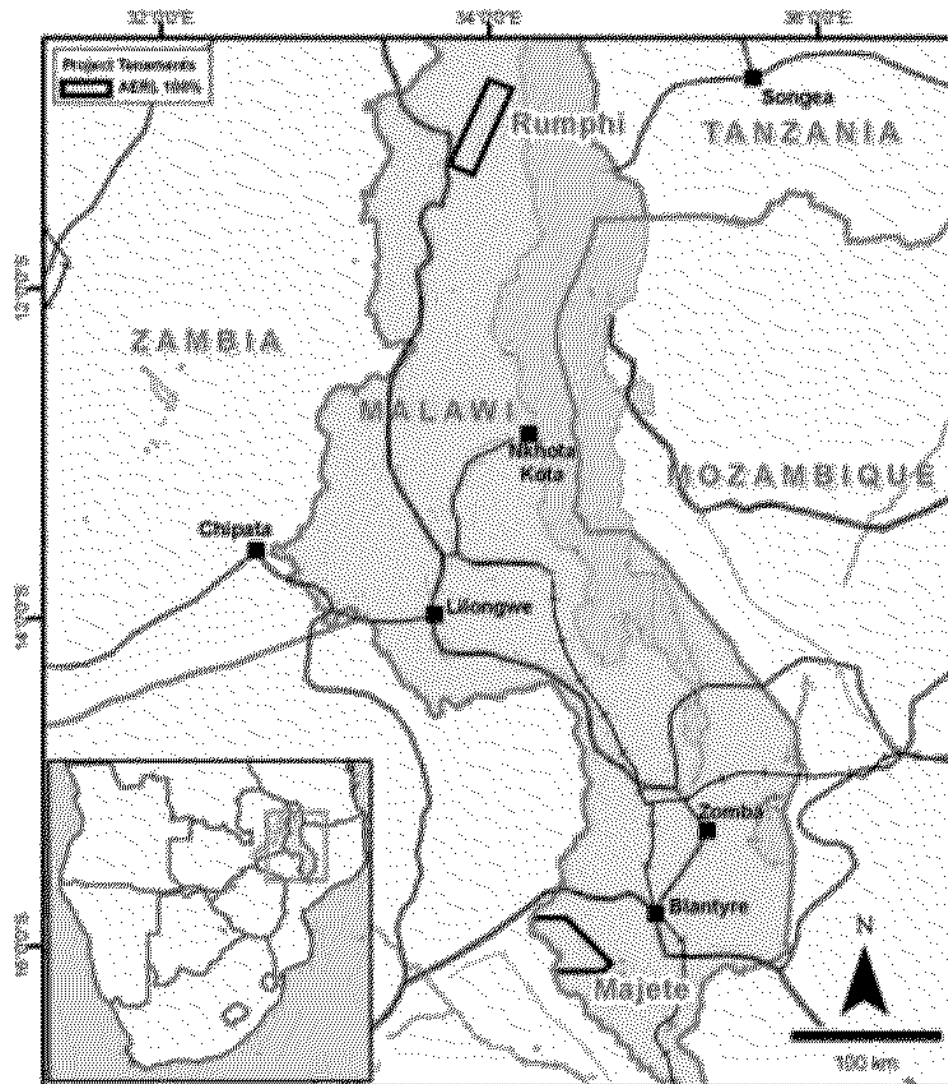
6.2.1 Location, Access and Physiography

The Majete Project is located in southern Malawi, approximately 50km to the south of the regional centre of Blantyre (Figure 28 and Figure 29). The project is readily accessible by sealed road and gravel tracks. The physiography of the project is dominated by a northwest trending narrow valley flanked by steep escarpments.

6.2.2 Tenure

The Majete Project comprises a single Exclusive Prospecting Licence, EPL0175/05, granted to African Energy. It encompasses an area of 1,075 sq km in southern Malawi. African Energy holds a 100% interest in the project.

Figure 28
Majete Project
Project Location in Southern Malawi



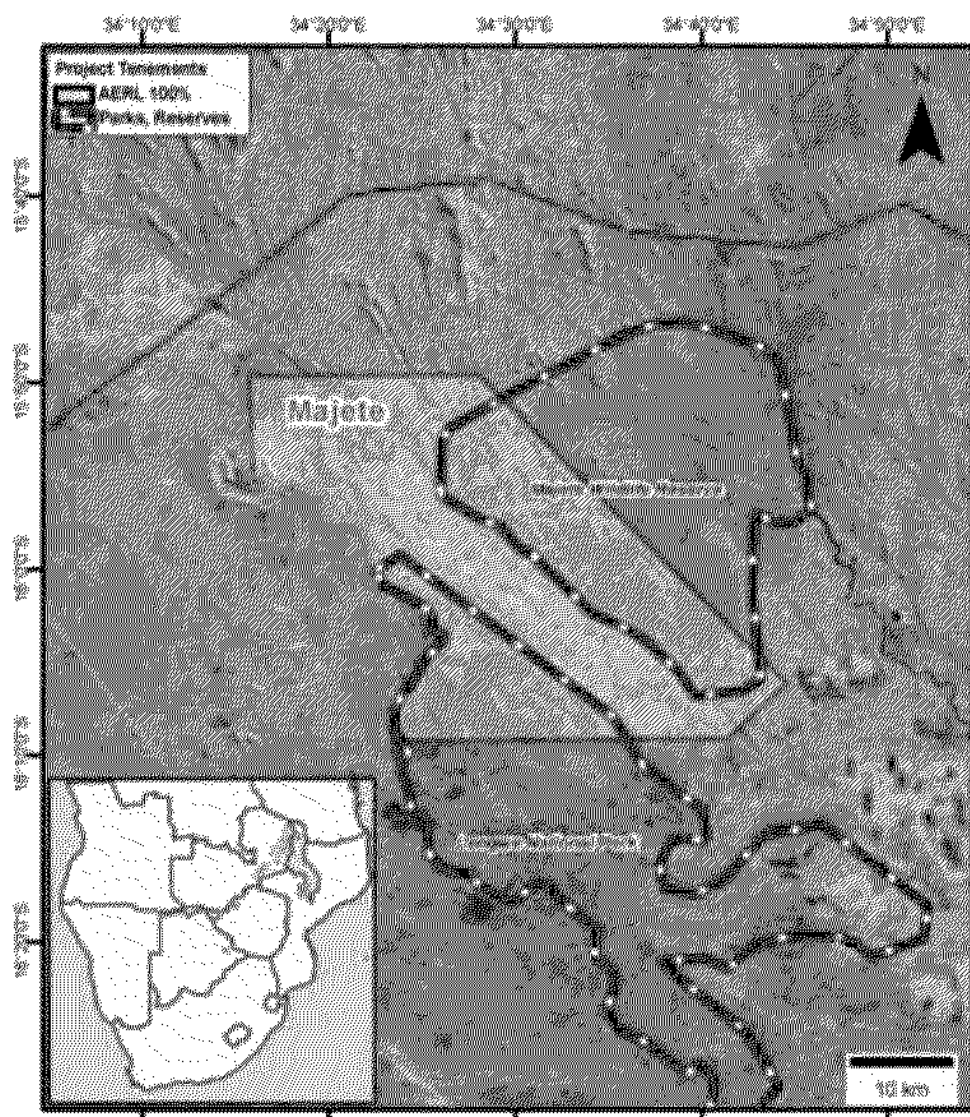
Approximately 50% of the project is covered by National Parks (the Lentswe National Park and the Majete Game Reserve). African Energy has been informed by the Ministry of Mines that permission from the Department of Parks and Wildlife (DPW) will be required before any fieldwork can commence. Any subsequent discovery will require an Environmental Impact Assessment which will have to be approved by the Department of Environmental Affairs after consultation with the DPW.

6.2.3 Local Geology

The project straddles the faulted contact (the Mwanza Fault) between metamorphic basement rocks and younger sediments of the Upper Karoo, which are the local equivalents of the Beaufort Group and the Escarpment Grit in South Africa and Zambia respectively. A small uranium occurrence in the basement rocks is noted on regional

geological maps and airborne radiometric surveys. This demonstrates that the basement is locally enriched and may provide a source of uranium which may have been remobilised into the nearby Karoo sediments.

Figure 29
Majete Project
Major Reserves and National Parks on Satellite Imagery



6.2.4 Exploration and Mining History

The Geological Survey of Malawi carried out rock chip sampling over uranium bearing zones located proximal to the Mwanza Fault. Assaying, carried out by the Atomic Energy Division of the Geological Survey of Great Britain, recorded up to 0.1% U_3O_8 . The associated mineralised horizons are approximately 1m wide with several exceeding 30m in length.

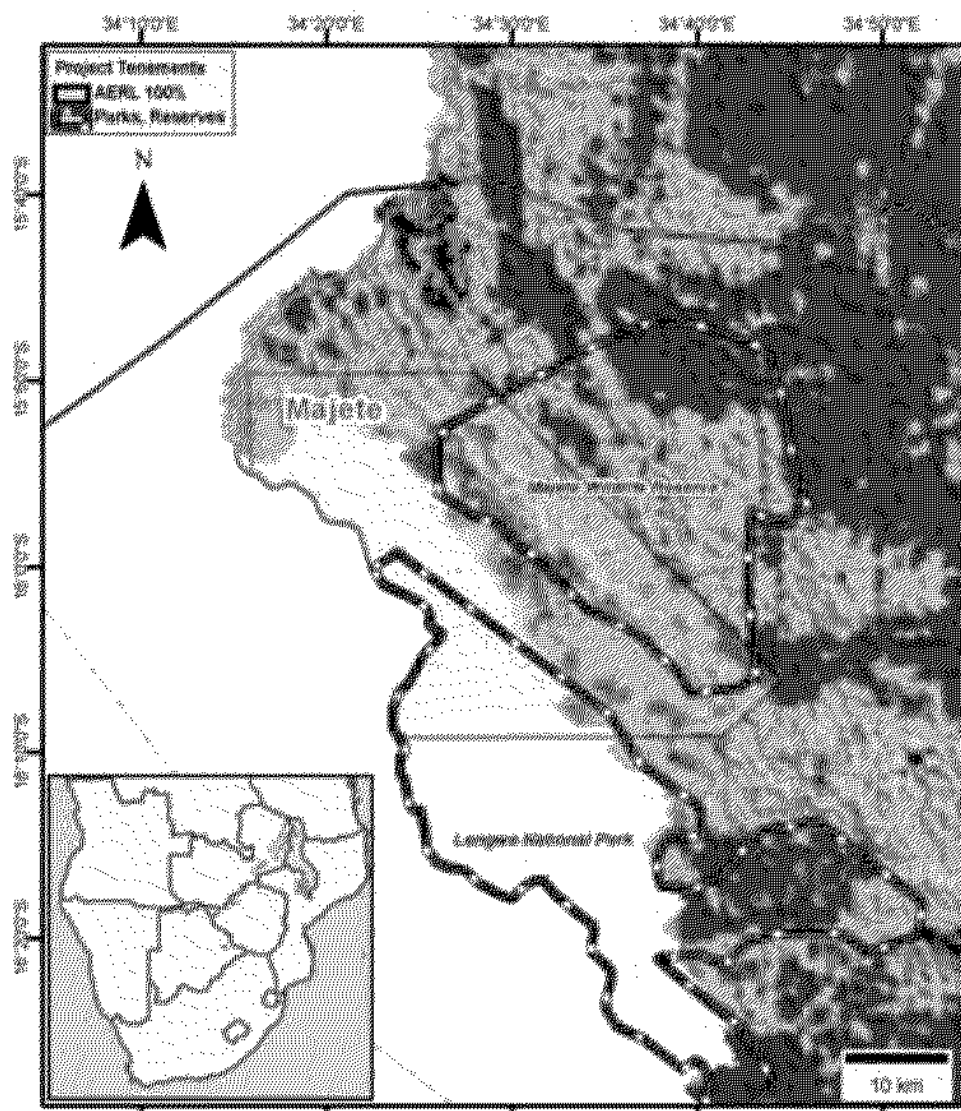
There is no known coal or CBM exploration data for the Majete EPL. However, coal was discovered north of the project in the lower Shire Valley at Lengwe in 1898, and at Mwabvi

between 1906 and 1908. The Geological Survey of Malawi completed geological mapping and reconnaissance drilling, before BRGM completed a further 5,000m of drilling at Lengwe and Mwabvi in 1989/90. The Lengwe basin is described as containing poor quality coal at depth, whilst the Mwabvi basin is estimated to contain 2.2Mt coal (<40% ash) at depths of less than 100m.

6.2.5 Exploration and Resource Potential

Due to the paucity of modern exploration for uranium in the Majete area of Malawi, and the demonstrated presence of uranium mineralisation in the basement rocks, the uranium potential in the Karoo sediments of the Majete Project is considered good, justifying follow-up desktop and field programs (Figure 30).

Figure 30
Majete Project
Tenement outline, Reserves and National Parks on an Image of Uranium Channel from
Regional Airborne Radiometric Survey Data



6.2.6 Exploration Strategy and Expenditure

African Energy has planned a program of field evaluation to investigate the Majete Project, with the ultimate objective of identifying uranium targets for drill testing. This program includes:-

- A detailed assessment of the basement-hosted uranium occurrence to ascertain its nature and potential.
- A series of traverses across the Karoo sediments to map the rock types and measure their surface prospectivity for uranium using a hand-held spectrometer.
- Desktop interpretation of structure and stratigraphy to help prioritise empirical uranium targets.
- Detailed field evaluation of the highest priority anomalies identified from the above programs, leading to reconnaissance drill testing of those deemed to have potential for economic mineralisation.

African Energy has provided an exploration budget (Table 19) covering the first two years exploration on the Majete Project. The minimum expenditure over the three year life of the Exclusive Prospecting Licence is US\$608,412.

Table 19 Proposed Exploration Expenditure, Majete (US \$)			
Activity	Year One	Year Two	Total
Geochemistry	35,000	40,000	75,000
Geophysics	50,000	50,000	100,000
Geology	47,000	56,800	103,800
Drilling	105,000	120,000	225,000
Tenements	788	788	1,576
Field Support/Travel	25,000	27,500	52,500
Technical Support	3,200	4,000	7,200
Administration	7,000	8,630	15,630
Total	272,988	307,718	580,706

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Majete Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$272,988 and US\$307,718 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Majete Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the minimum statutory expenditure commitments for the project tenement.

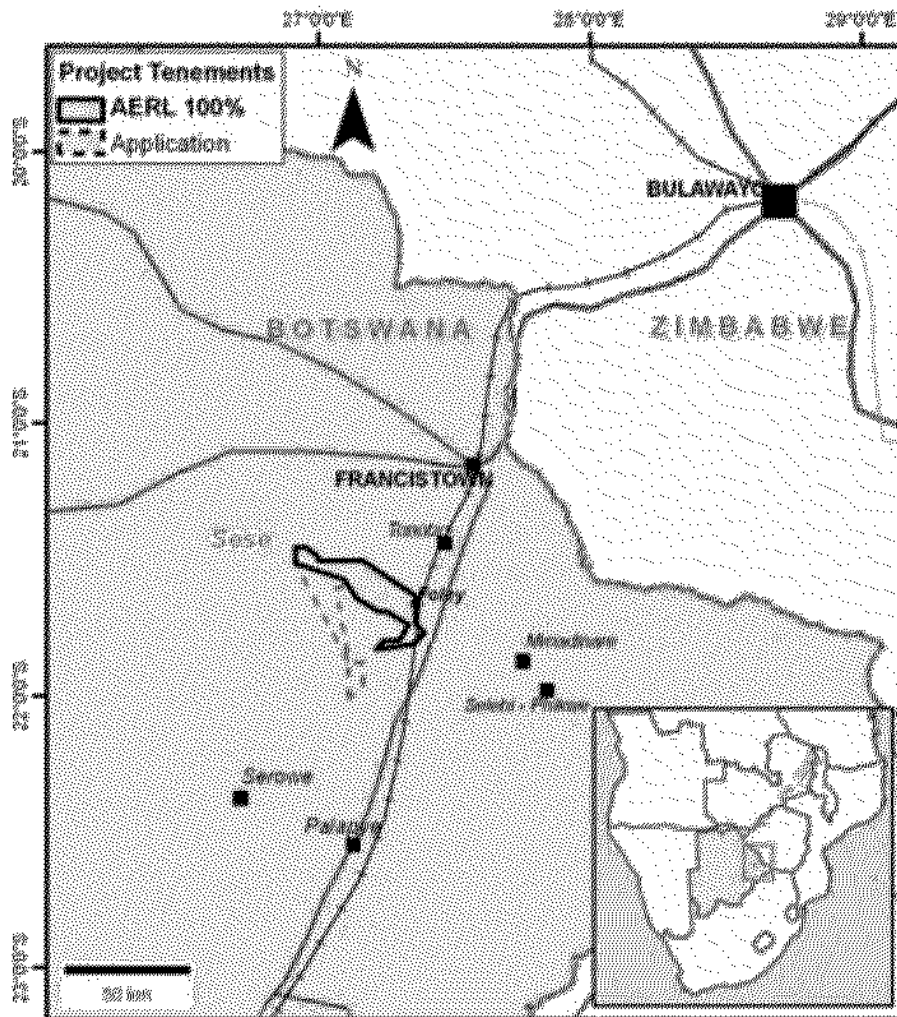
7 BOTSWANAN PROJECTS

7.1 Sese Project

7.1.1 Location, Access and Physiography

The Sese uranium project is located in northeast Botswana and is approximately 50km southwest of the town of Francistown. The project is situated close to the sealed highway between Francistown and Gaborone and is easy to access. The project is characterised by flat to gently undulating terrain covered by moderately thick Mopane scrub (Figure 31).

Figure 31
Sese Project
Location Map of Tenement in North-Eastern Botswana



7.1.2 Tenure

The Sese uranium project comprises a single Prospecting Licence (PL96/2005) of 580 sq km granted to African Energy, with a further 320 sq km under application. African Energy has a 100% interest in the property.

7.1.3 Local Geology

The Sese Project covers an area of Karoo sediments where very high background uranium levels have been observed in publicly available regional radiometric data. The Karoo sediments form a band approximately 5km to 10km wide, occupying a position between older basement gneisses to the east and younger, flat lying Kalahari Sand cover to the west. Calcrete horizons are locally developed immediately above the Karoo sediments in this part of Botswana.

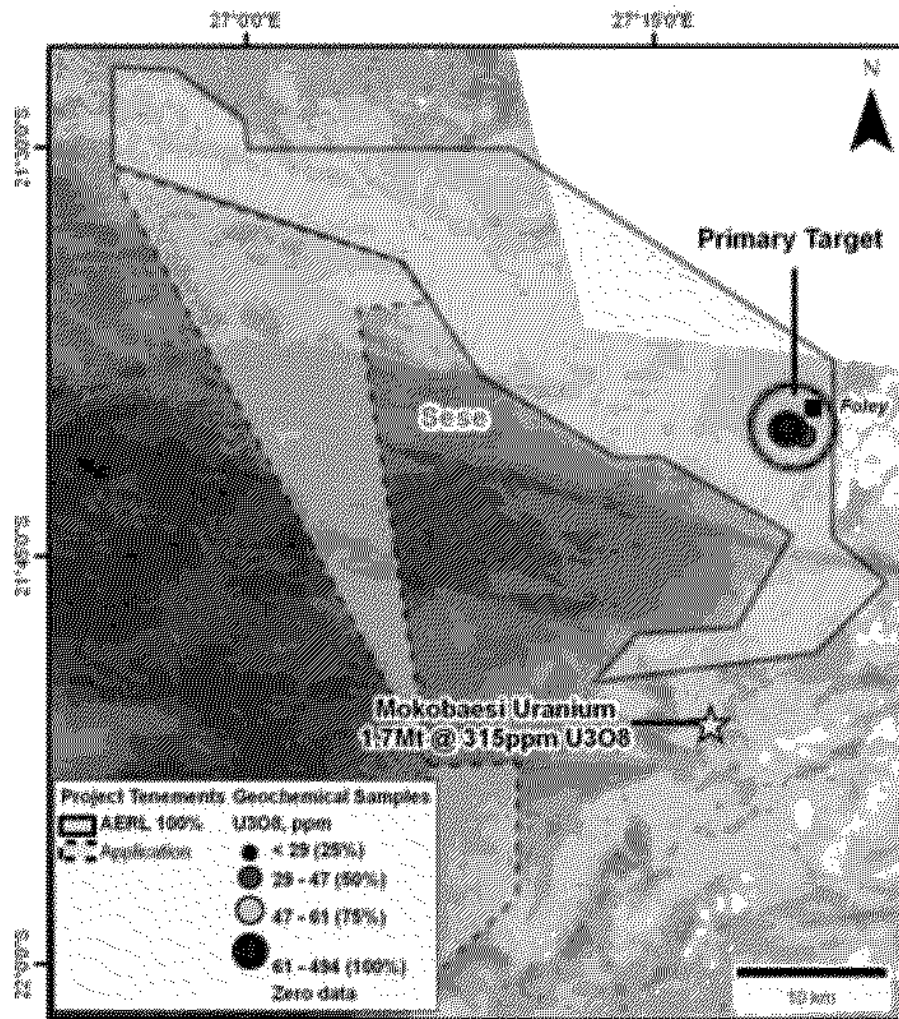
7.1.4 Exploration and Mining History

Bamangwato Concessions Ltd (BCL) discovered the Mokobaesi Cluster of uranium anomalies near Serule between 1970 and 1972 (Table 20). Work focused on the Mokobaesi No. 1 anomaly, located immediately south of the current Sese project area (Figure 32). The area was re-investigated by Falconbridge Exploration Ltd (1976 – 1978) utilising airborne and ground radiometric surveys, followed by soil geochemistry and pitting. Although inconsistent with the current JORC guidelines, Falconbridge estimated a 'proven ore reserve' of 1,192,000t at 373ppm U_3O_8 (over an average width of 0.93m) using an assay cutoff of 200ppm U_3O_8 . This small deposit occurs in a calcrete layer immediately overlying Karoo mudstones (the local equivalent of the Madumabisa Mudstone). Published 1:125,000 scale maps from the Geological Survey of Botswana suggest that a similar geological setting is present within the Sese Project.

Table 20 Previous Exploration Summary for Sese Project, Botswana				
Country		Project		Lease Name
Botswana		Sese		PL96/2005
Explorer / Client	Survey Type	Amount of Work	Period	Key Results
BCL	Radiometrics?	Not specified	1970-1972	Led to the discovery of the Mokobaesi No1 anomaly
Falconbridge Exploration Ltd	Airborne and ground radiometric surveys	Not specified	1976-1978	Identified areas for ground follow-up
Falconbridge Exploration Ltd	Soil geochemical and trench sampling	Not specified	1976-1978	Delineation of Mokobaesi anomaly for drilling
Falconbridge Exploration Ltd	Drilling	Not specified	1976-1978	Proven Ore Reserve (non-JORC compliant) 1.2Mt @ 373ppm U_3O_8 over average width of 0.93m in calcrete using 200ppm U_3O_8 cutoff.
Imperial Geological Survey	Drilling	4 holes	1950's	Interested poor quality coal in the Foley area.
Anglo Botswana Coal Prospecting	Drilling	Not specified	1974	Defined poor washability coal
Shell Coal Botswana	Drilling	24 holes	1974-1977	Located irregularly developed, poor quality coal.

The Geological Survey drilled four holes in the Foley Area in the 1950's, close to the eastern edge of the Sese Prospecting Licence, that intersected poor quality coal. Anglo Botswana Coal Prospecting followed up with limited drilling that defined low grade, poor washability coal in 1974. This work was followed by Shell Coal Botswana, which completed photo-geology, field mapping, magnetometer surveys and drilling (24 holes) between 1974 and 1977. Coal quality was confirmed to be poor and irregularly developed. No CBM exploration has been recorded to date.

Figure 32
Sese Project
PL Outline over a Ternary Image (U, K, Th) of Regional Radiometric Data

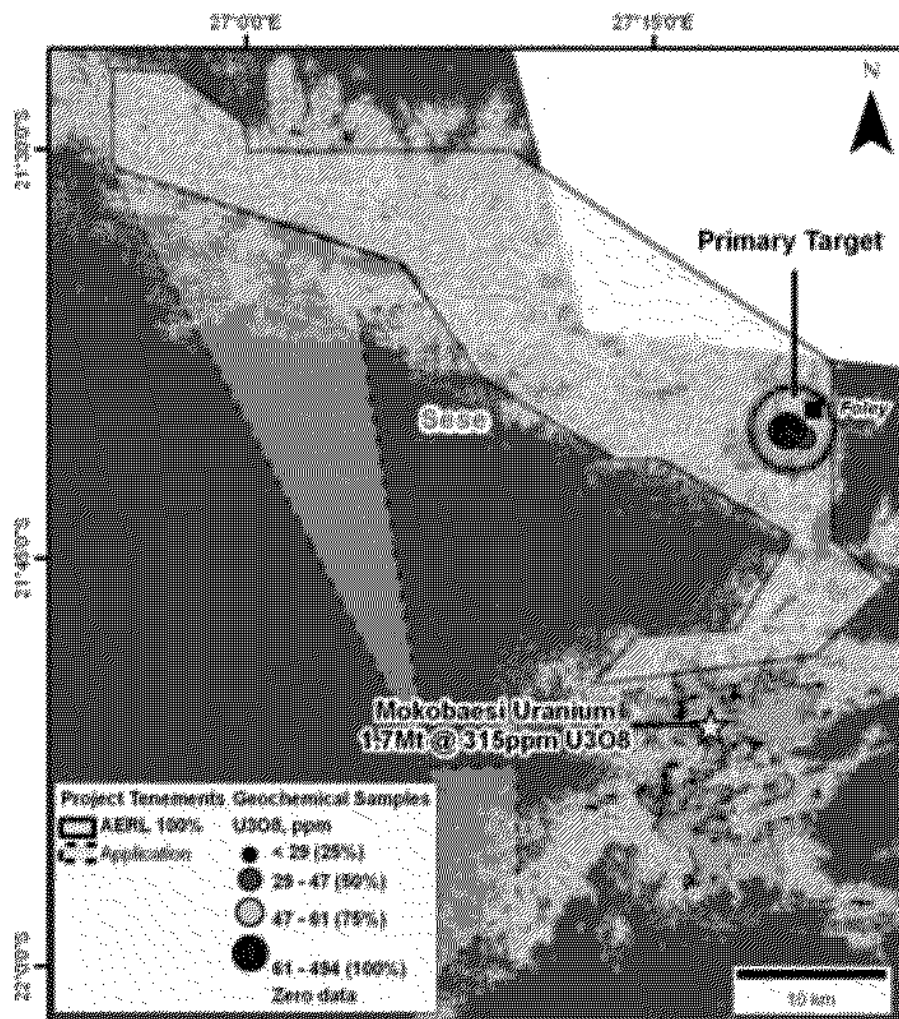


7.1.5 Exploration and Resource Potential

A reconnaissance visit to the Sese Project was undertaken by African Energy geologists in June 2006 to assess outcrop radiation levels within the largest target area. The geologists were able to observe a thin layer of iron-rich gravels on the calcrete, overlying the Karoo sediments. Four samples were collected for analysis, with one sample of the iron-rich gravels returning an assay of 495ppm U₃O₈. This encouraging result indicates that uranium is present in the system, potentially remobilised from the Karoo sediments and/or the overlying calcrete (Figure 33). This project therefore offers the potential to host sandstone-type uranium mineralisation in the underlying Karoo or younger associated calcretes in the near-surface environment.

The Sese West tenement application has been submitted to cover the postulated down-dip extension of the Karoo sediments below the younger Kalahari cover to the west of PL96/2005, and is therefore a largely speculative exploration proposition.

Figure 33
Sese Project
PL outline on an image of Uranium-Potassium ratio (U/K) from regional radiometric survey data



7.1.6 Exploration Strategy and Expenditure

African Energy's strategy is to move this project to a drilling stage as soon as possible. The following program has been developed to achieve this objective:-

- Desktop prioritisation of the numerous U/K anomalies using interpreted structural information.
- A program of detailed ground traverses across the best targets to accurately define surface uranium anomalism.
- Assessment of ground spectrometer data and prioritisation of drill targets for reconnaissance drilling.

The associated budget for the initial two years of exploration is provided in Table 21 below.

Table 21 Sese Project Proposed Exploration Expenditure, Sese (US \$)			
Activity	Year One	Year Two	Total
Geochemistry	20,000	17,500	37,500
Geophysics	-	-	-
Geology	22,500	29,400	51,900
Drilling	50,000	45,000	95,000
Tenements	732	732	1,464
Field Support/Travel	10,000	10,000	20,000
Technical Support	1,600	2,000	3,600
Administration	3,850	4,000	7,850
Total	108,682	108,632	217,314

The minimum annual expenditure for this project amounts to US\$9,850 over the three year life of the Prospecting Licence. This would increase to approximately US \$16,000 if the Sese West application is successful, in which case the budget allocation noted above would be slightly modified to permit exploration of both tenements.

RSG Global considers that the proposed exploration and evaluation strategy is entirely consistent with the potential of the Sese Project, providing it is appropriately staged to allow review at the completion of each phase of exploration.

The proposed annual expenditure of US\$108,682 and US\$108,632 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Sese Project and is adequate to cover the costs of the proposed programs. The budgeted expenditure is also considered adequate to meet the minimum statutory expenditure commitments for the project tenement.

8 ZIMBABWEAN PROJECTS

8.1 Access and Physiography

The Kariba Projects in Zimbabwe are situated to the south of Lake Kariba and northwest of the capital, Harare. The projects are located within the low lying southern part of the Kariba Valley, characterised by gently rolling hills. Access is generally good via gravel tracks, and is locally very good, particularly where close to the collieries at Hwange.

8.2 Tenure

African Energy applied for six Special Grant licences for uranium in Zimbabwe in 2005, covering known uranium prospects on the southern side of the Kariba Valley. The six applications (SG12/05 Mapamba, SG17/05 Sinamatella 1, SG19/05 Sinamatella 2, SG20/05 Sebungwe, SG39/05 Tenchiwende and SG40/05 Chirundu) cover a total area of 4,138 sq km. In January 2006, four of these applications were recommended for Ministerial Approval by the Mining Affairs Board of Zimbabwe, but to date this has not been acted upon. The remaining two licence applications (SG39/05 and SG40/05) are yet to be reviewed by the Mining Affairs Board (Figure 34). The licence applications are held 100% by African Energy.

African Energy considers the permit applications in Zimbabwe largely of strategic value at this stage due to political complications.

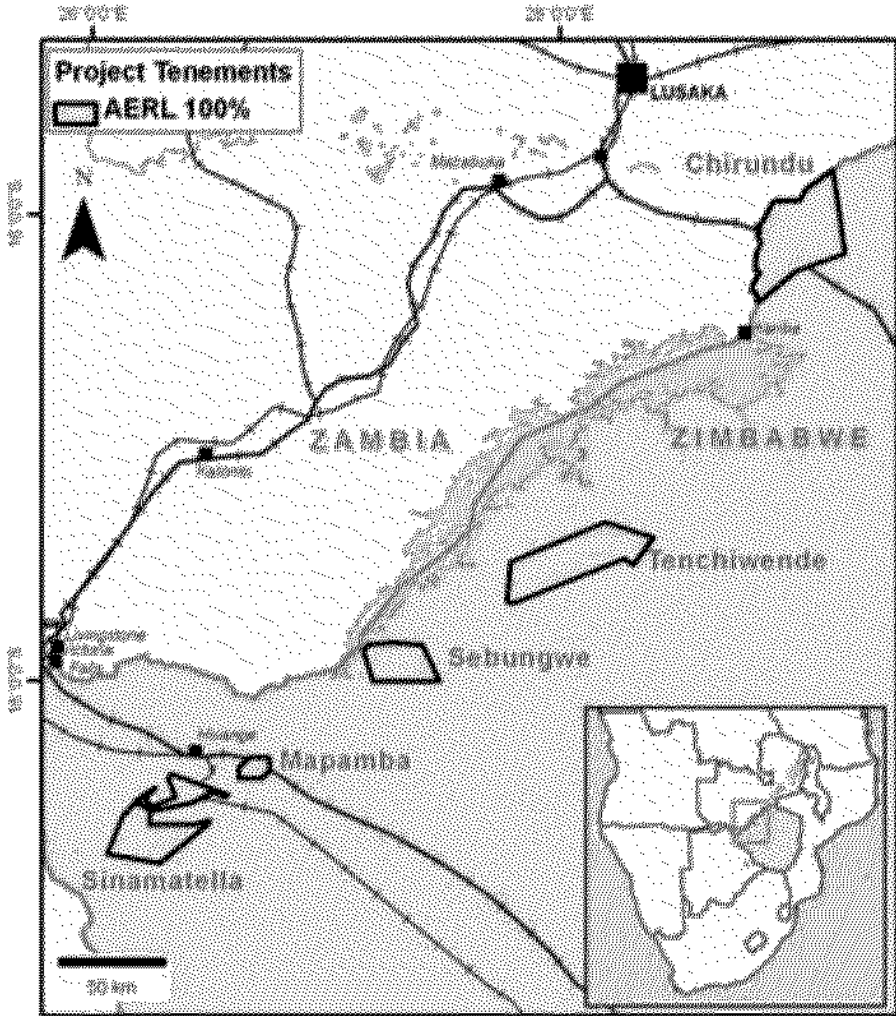
8.3 Local Geology

The Kariba Projects comprise Karoo sediments of the Kariba Rift. The Zimbabwean Chirundu Project occurs on the northern part of the rift, in an Upper Karoo (Escarpment Grit) setting almost identical to that of the Zambian Chirundu licence, which hosts the mineralisation at Njame. The remaining tenements in Zimbabwe occur closer to the passive southern margin of the Kariba Rift, where sedimentation was of a generally more quiescent nature. These tenements are considered more likely to host coal deposits or CBM accumulations based on proximity to the major coal producing town of Hwange. However, minor uranium occurrences also attest to uranium prospectivity in these tenements.

8.4 Exploration Strategy and Expenditure

African Energy is currently awaiting Presidential approval for the six Special Grant licence applications. Until this has been achieved, and the amendments to the Mines and Minerals Act have been implemented in such a manner that foreign investment in Zimbabwe is commercially attractive, the Company will not undertake any work in Zimbabwe, and therefore no exploration program or budget has been prepared.

Tenement applications in northern Zimbabwe



9 GLOSSARY OF TECHNICAL TERMS

<i>analytical standards</i>	A sample with a known concentration of elements of interest used to calibrate assay equipment and/or batches of samples.
<i>atmospheric conditions</i>	Conditions that occur in the atmosphere, oxidised, low pressure, hydrated.
<i>blank</i>	A sample with quantified very low levels of elements of interest, usually used to calibrate assay equipment and/or batches of samples.
<i>calcrete</i>	Superficial residual deposits cemented by or precipitated from groundwater as secondary calcium carbonate as a result of evaporation.
<i>carbonaceous</i>	Containing fossil organic material in the form of coal or graphite.
<i>carbonaceous mudstones</i>	A mudstone containing significant carbon, which may be of organic or inorganic origin.
<i>carbonaceous shale</i>	A shale containing significant carbon, which may be of organic or inorganic origin.
<i>clastic</i>	Components of a sedimentary rock that were deposited by erosion and transportation of mineral and rock fragments.
<i>coal</i>	Readily combustible rock containing more than 50% by weight and more than 70% by volume of carbonaceous material, including inherent moisture; formed from compaction and induration of variously altered plant remains similar to those in peat. Differences in the kinds of plant materials (type), in degree of metamorphism (rank), and in the range of impurity (grade) are characteristic of coal and are used in classification.
<i>coal-bed methane</i>	Methane trapped within permeable coal strata that accumulates below impermeable trap sites.
<i>coffinite</i>	A naturally occurring ore mineral of uranium, $U(SiO_4)_{1-x}(OH)_{4x}$, commonly fine-grained and mixed with organic matter and other minerals.
<i>conglomerate</i>	A rock composed predominantly of rounded or angular pebbles, cobbles or boulders deposited by the action of water.
<i>deltaic</i>	Pertaining to sedimentary deposits laid down in a river or stream delta.
<i>detection limit</i>	Lower threshold of detection for a laboratory analytical method.
<i>digenesis</i>	Process of limitation of sediments.
<i>facies</i>	A rock unit defined by its composition, internal geometry and formation environment.
<i>ferricrete</i>	A mineral conglomerate consisting of surficial sand and gravel cemented into a hard mass by iron oxide
<i>fluvialite</i>	Material transported and deposited in rivers and streams.
<i>footwall</i>	The part of a rock mass occurring below a zone of reference or interest
<i>gamma radiation</i>	Emission by radioactive substances of quanta of energy corresponding to X-rays and visible light but with a much shorter wavelength than light. May be detected by gamma-ray Geiger counters.
<i>glacigene rocks</i>	Sedimentary rocks formed through processes related to the accumulation, movement and subsequent melting of glacial ice.
<i>hangingwall</i>	The part of a rock mass above a zone of reference or interest

<i>imbricate</i>	A tectonic structure displayed by a series of nearly parallel and overlapping minor thrust faults, high-angle reverse faults, or slides, and characterized by rock slices, sheets, plates, blocks, or wedges that are approx. equidistant and have the same displacement and that are all steeply inclined in the same direction (toward the source of stress).
<i>impermeable</i>	Said of a rock that does not permit the passage of fluids under the pressure conditions ordinarily found in the subsurface. Ant: permeable.
<i>inverse distance (squared)</i>	A grade estimation technique in which the influence of assays is determined by the inverse of the square of the distance away from the point being estimated.
<i>JORC</i>	The Australasian Code for Reporting of Mineral Resources and Ore Reserves (the 'JORC Code' or 'the Code'), which sets out minimum standards, recommendations and guidelines for Public Reporting of exploration results, Mineral Resources and Ore Reserves in Australasia.
<i>lacustrine</i>	Lake environment.
<i>meteoric</i>	Pertaining to the atmosphere.
<i>mudstones</i>	Sedimentary rock formed from mud or clay.
<i>normal fault</i>	A fault or fracture in a rock mass along which there has been observable displacement with a down-dip sense of movement across the fault plane.
<i>orogenic</i>	Pertains to mountain building processes.
<i>overbank</i>	Developed in a deltaic environment usually in times of flood when levees are breached. Marginal to active channels.
<i>oxidised</i>	Decomposed by exposure to the atmosphere and ground water. Exists in an oxidised state. Ant: reduced.
<i>palaeo-current</i>	Ancient water current direction.
<i>permeable</i>	Pertaining to a rock or soil having a texture that permits passage of liquids or gases under the pressure ordinarily found in earth materials.
<i>pitchblende</i>	Variety of uranium oxide containing UO_2 and UO_3 .
<i>ppm</i>	Parts per million, quantitative equivalent of g/t.
<i>QA/QC</i>	Quality Assurance / Quality Control.
<i>radiogenic</i>	Produced by radioactive transformation. Thus, uranium minerals contain radiogenic lead and radiogenic helium.
<i>radiogenic (hot) granites</i>	Granites that produce a high degree of radiation, usually high in Potassium, Thorium, Uranium.
<i>radiometric survey</i>	A geophysical surveying technique which measures the spatial distribution of three radioactive elements (potassium-K, thorium-Th and uranium-U) in the top 30-45 cm of the earth's crust. The abundances of K, Th and U are measured by detecting the gamma-rays produced during the natural radioactive decay of these elements. Survey instruments may be hand-held or car-borne, or may be mounted in aircraft.
<i>redox</i>	Acronym for reduction - oxidation, pertaining to oxidation state or reduction - oxidation reactions.
<i>rift</i>	A linear depression or basin caused by the subsidence of a central block of ground between two semi-parallel fault surfaces.
<i>roll-front</i>	Progressive, arcuate zone of uranium dissolution and precipitation in response to groundwater flow and redox reactions.

<i>sandstone</i>	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
<i>sandstone-type uranium deposits</i>	Stratabound uranium deposits formed by percolating groundwater through permeable sandstones.
<i>scintillometer</i>	An instrument for measuring radioactivity, based on emission of light by certain crystals under the impact of gamma rays.
<i>shale</i>	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
<i>siltstone</i>	A rock intermediate in character between a shale and a sandstone. Composed of silt sized grains.
<i>spectrometer</i>	An instrument used for detecting and measuring different portions of a spectrum.
<i>stratabound</i>	Occurring parallel to the rock strata, but not necessarily deposited at the same time.
<i>stratiform</i>	Occurring parallel to the rock strata, and deposited at the same time.
U_3O_8	Uranium oxide or "yellow-cake".
<i>uraninite</i>	An oxide mineral of uranium, UO_2 .
<i>Uranium, U</i>	A radioactive, silvery-white, metallic element. Symbol, U. Occurs in numerous minerals such as pitchblende, uraninite, carnotite, autunite, uranophane, davidite, and tobernite. It is also found in phosphate rock, lignite, and monazite sands. Uranium and its compounds are highly toxic, both chemically and radiologically. Uranium is of great importance as a nuclear fuel; it is used as ballast for missile re-entry vehicles, as a shielding material, and for production of high-energy X-rays.
V_2O_5	Vanadium pentoxide, often used as a catalyst in the production of sulphuric acid.
<i>Vanadium, V</i>	A soft, ductile, white metal. Symbol V. Vanadium occurs in numerous minerals such as carnotite, vanadinite and patronite. Vanadium is generally used as ferrovandium or as a steel additive.
<i>XRF assay</i>	X-ray refraction, an analytical method that stimulates the orbits of electrons using- x-rays and measures the subsequent relaxation emissions to determine concentration.

10 PRINCIPAL SOURCES OF INFORMATION

General

- Wright R.J.** 1979 Sandstone-Type Uranium Deposits. IAEA-AG-109/13 Technical Paper. In: Uranium Deposits in Africa: Geology and Exploration. IAEA Vienna, 1979

Zambia Projects

- AGIP S.p.A.** 1980 Valutazione Quantitativa Preliminare Dell' Area Di Njami. Internal AGIP report on resource at Njame.
- AGIP S.p.A.** 1985 Report on activities from 1980 to 1984 and Programme for 1985. Report submitted to Government of Zambia.
- Analytika Holdings (Pty) Ltd** 2005 A review of the coalbed methane potential of Areas of Mutual Interest covered by the Agreement between Albido and AER in Zambia.
- Brandon, A. & Reichwalder P.** 1977 The Geology of the Luano Valley. Explanation of Degree Sheet 1429, SW & SE. Rep. Geol. Surv. Zambia No 61.
- Money N.J. and Prasad R.S.** 1979 Uranium Mineralisation in the Karoo System of Zambia IAEA-AG-109/2 Technical Paper. In: Uranium Deposits in Africa: Geology and Exploration. IAEA Vienna, 1979.
- Geol Surv Zambia** 1979 The Geology and Mineral Resources of Zambia" Memoir no. 6 Geological Survey of Zambia. Coats et al 2001
- PNC Report 9-13** 1978 Quarterly Report for PL 117 No.12 (1 Nov 1977 – 31 Jan 1978). Power Reactor & Nuclear Fuel Development Corporation (PNC). 9-13, 1-Chome, Akasaka, Minato-ku, Tokyo, Japan
- Saviaro K** 1979 Airborne gamma-ray spectrometric surveys in Zambia IAEA-AG-109/9 Technical Paper. In: Uranium Deposits in Africa: Geology and Exploration. IAEA Vienna, 1979
- Utting J.** 1978 The Karoo Stratigraphy of the Northern part of the Luangwa Valley, Memoir No 4, Geological Survey of Zambia

Malawi Projects

- Cooper, WGG & Habgood, F.** 1959 The Geology of the Livingstonia Coalfield Bulletin Report Geological Survey Department Nyasaland Protectorate. Bulletin 11
- Habgood, F.** 1963 The Geology of the Country West of the Shire River between Chikwakwa and Chiromo Bulletin Report Geological Survey Department, Republic of Malawi. Bulletin 14
- Marteau, P & Chipili, E.** 1991 Evaluation of the Coal Potential of the Lower Shire Area – Drilling in the Lengwe and Mwabvi Coalfields. BRGM and Republic of Malawi R 32077 GEO SGN 91

Botswana Projects

- Smith, RA & Phofuetsile, P.** 1985 The Geology of the Foley Area. An Explanation of Quarter Degree Sheet 2127C". Bulletin Rep. Geol. Surv. Botswana Bulletin 31



BDO Consultants (WA) Pty Ltd

Level 8, 256 St George's Terrace Perth WA 6000
PO Box 7426 Cloisters Square Perth WA 6850
Tel: (61-8) 9360 4200
Fax: (61-8) 9481 2524
AFS Licence Number 246328
Email: bdo@bdowa.com.au
www.bdo.com.au

Our ref: SA:

27 February 2007

The Directors
African Energy Resources (Guernsey) Limited
Level 2
675 Murray Street
West Perth WA 6005

Dear Sirs

8. INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have prepared this Investigating Accountant's Report ("**Report**") on historical financial information of African Energy Resources (Guernsey) Limited ("**African Energy**" or "**the Company**") for inclusion in the Prospectus. The Prospectus will offer up to 12.5 million shares at an issue price of \$0.40 each ("**The Offer**").

Expressions defined in the prospectus have the same meaning in this Report.

2. Basis of Preparation

This Report has been prepared to provide investors with information on the Income Statement, Statement of Changes in Equity and the Balance Sheet and the pro-forma Balance Sheet as noted in Appendices 1, 2 and 3.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the complete Offer being achieved. BDO Consultants (WA) Pty Ltd ("**BDO**") has not been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. BDO accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in the Prospectus.

Expressions defined in the Prospectus have the same meaning in this Report.

3. Background

African Energy Resources (Guernsey) Limited was incorporated on 29 September 2006 in Guernsey and on 13 November 2006 entered into an agreement to acquire an 100% interest in African Energy Resources Pty Ltd, ("**AEL**") from Energy Ventures Limited (a company listed on ASX) for the consideration of 34,900,000 Shares in African Energy Resources (Guernsey) Limited.

In November 2006 African Energy successfully completed a GBP 2,625,000 placement through the issue of 8,750,000 ordinary shares at 30 pence each. This reduced Energy Venture's interest in African Energy from 100% to 79%. In February 2007, AEL finalised this placement with the allotment of 875,000 shares to the investment group African Lion 2 Ltd ("**African Lion**") at 30 pence each to raise GBP 262,500 (approximately US\$500,000), reducing Energy venture's interest to 77%.

AEL was established in July 2005 by Mr A Cooke and Dr D Windrim, the Company's initial objective was to acquire uranium exploration and development projects in this region. AEL's uranium focus was driven by the increasing importance of nuclear power to the world's major economies, and forecast increases in future uranium prices.

On 28 July 2005, Energy Ventures Limited entered into an agreement with Messrs Cooke and Windrim to acquire all of the issued capital of AEL, in consideration for the issue of 25,296,342 ordinary fully paid shares and 44,704 A, B, and C class performance shares in Energy Ventures, which have now been converted to ordinary shares. The share sale agreement completed on 25 November 2005.

4. Scope

You have requested BDO to prepare an Investigating Accountant's Report covering the following financial information of African Energy and its wholly owned subsidiary AEL (together "**the Group**"):

- ◆ the Income Statement and Statement of Changes in Equity for the period from incorporation to 31 December 2006;
- ◆ African Energy's Balance Sheet as at 31 December 2006;
- ◆ the pro-forma balance sheet as at 31 December 2006 reflecting the actual position as at that date, major transactions between that date and the date of our report and the proposed capital raising under the Prospectus; and
- ◆ the accounting policies applied by African Energy in preparing its financial statements.

The historical financial information set out in the appendices to this Report has been extracted from the financial statements of the Company for the period from incorporation to 31 December 2006.

The Directors are responsible for the preparation of the historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- ◆ a review of work papers, accounting records and other documents pertaining to balances in existence at 31 December 2006;
- ◆ a review of the half yearly review file of the parent entity of African Energy at 31 December 2006, Energy Ventures Limited prepared by Ord Partners.
- ◆ a review of the assumptions used to compile the pro-forma Balance Sheet;
- ◆ a review of the adjustments made to the pro-forma historical financial information;

- These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

In relation to the information presented in this Report:

- ## 5. Conclusion

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly the financial performance for the period ended 31 December 2006 or the financial position as at 31 December 2006 in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information does not present fairly the financial position of the Group as at 31 December 2006, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

6. *Subsequent Events*

In February 2007, AEL finalised a placement with the allotment of 875,000 shares to the investment group African Lion 2 Ltd ("**African Lion**") at 30 pence each to raise GBP 262,500 (approximately US\$500,000), reducing Energy venture's interest to 77%.

Upon listing 12,225,000 options exercisable at 12.5p each issued to directors and employees will vest.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. *Assumptions Adopted in Compiling the Pro-forma Balance Sheet*

The pro-forma balance sheet post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 31 December 2006 and the transactions and events relating to the issue of shares under this Prospectus being:

- ◆ The issue of 12.5 million shares at \$0.40 each raising \$5,000,000; and
- ◆ Costs associated with the capital raising amounting to \$401,341 per the notes.

8. *Disclosures*

BDO Consultants (WA) Pty Ltd is the licensed corporate advisory arm of BDO in Perth, and is wholly owned by partners of that firm.

Neither BDO Consultants (WA) Pty Ltd nor BDO (Perth), nor any partner or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

BDO Consultants (WA) Pty Ltd



Sherif Andrawes
Director

APPENDIX 1

AFRICAN ENERGY (GUERNSEY) LIMITED CONSOLIDATED INCOME STATEMENT

Period from 29
September 2006 to
31 December 2006
\$

Revenue from ordinary activities	<u>32,733</u>
Total Revenue	<u>32,733</u>
Expenses	
Professional fees	(1,585)
Administration fees	(30,045)
Personnel expenses	<u>(27,243)</u>
Profit/(Loss) from ordinary activities before income tax expense	(26,140)
Income tax expense relating to ordinary activities	-
Net Profit/(loss) from ordinary activities after income tax expense attributable to members	<u>(26,140)</u>

The Income Statement is to be read in conjunction with the notes to and forming part of the financial statements set out in Appendix 4.

APPENDIX 2
AFRICAN ENERGY (GUERNSEY) LIMITED
CONSOLIDATED BALANCE SHEET

	Notes	31 December 2006 \$	Pro-forma Adjustment s \$	Pro-forma After Issue \$
CURRENT ASSETS				
Cash	2	6,023,092	4,598,659	10,621,751
Receivables		373,846	-	373,846
TOTAL CURRENT ASSETS		6,396,938	4,598,659	10,995,597
NON-CURRENT ASSETS				
Property plant and equipment		38,132	-	38,132
Exploration and Evaluation Expenditure		4,152,806	-	4,152,806
TOTAL NON-CURRENT ASSETS		4,190,938	-	4,190,938
TOTAL ASSETS		10,587,876	4,598,659	15,186,535
CURRENT LIABILITIES				
Accounts Payable		529,859	-	529,859
TOTAL CURRENT LIABILITIES		529,859	-	529,859
NON CURRENT LIABILITIES				
Loan payable to Energy Ventures Limited		1,247,749	-	1,247,749
Deferred tax liabilities		511	-	511
TOTAL NON CURRENT LIABILITIES		1,248,260	-	1,248,260
TOTAL LIABILITIES		1,778,119	-	1,778,119
NET ASSETS		8,809,757	4,598,659	13,408,416
EQUITY				
Share Capital	3	9,064,965	4,598,659	13,663,624
Foreign Currency Translation Reserves		(229,068)	-	(229,068)
Share based payments reserve		-	1,579,450	1,579,450
Retained profits/(losses)		(26,140)	(1,579,450)	(1,605,590)
TOTAL EQUITY		8,809,757	4,598,659	13,408,416

The pro-forma Balance Sheet after Issue is as per the Balance Sheet before Issue adjusted for the transactions relating to the issue of shares pursuant to this Prospectus. The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in Appendix 4.

APPENDIX 3
AFRICAN ENERGY (GUERNSEY) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 December 2006	Pro-forma Adjustments \$	Pro-forma After Issue \$
Total equity at the beginning of the period	-	-	
Loss for the period	(26,140)	(1,579,450)	(1,605,590)
Total recognised for the period	(26,140)	(1,579,450)	(1,605,590)
Movement in foreign currency translation reserve	(229,068)	-	(229,068)
Total recognised for the period	(229,068)	-	(229,068)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	9,064,965	4,598,659	13,663,624
Share based payments	-	1,579,450	1,579,450
Total equity	8,809,757	4,598,659	13,408,416

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out in Appendix 4.

APPENDIX 4
AFRICAN ENERGY (GUERNSEY) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Company was incorporated on 29 September 2006 and is domiciled in Guernsey. The financial information has been prepared in accordance with Australian International Financial Reporting Standards ("AIFRS").

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets. The following is a summary of the accounting policies adopted by the Company in the preparation of the financial information.

All figures are in Australian Dollars unless otherwise stated. The significant accounting policies applied in the financial information are applied consistently in the financial information.

(a) Principles of consolidation

The consolidated financial information incorporates the results of the Company and its subsidiary undertakings as at 31 December 2006 using the principles of acquisition accounting. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included from the date that control commences until the date that control ceases.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Interest income

Interest income is recognised as it accrues.

(c) Trade and other receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(d) Acquisition of assets

All assets acquired including plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(e) **Property, plant and equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

Plant and furniture	3 - 10 years
---------------------	--------------

Exploration and evaluation costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the entities of the Group have obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstance suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and term deposits.

(g) **Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(h) **Trade and other payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 60 days.

(i) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) **Employee entitlements**

Wages, salaries and annual leave

The provision for employee entitlements to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at undiscounted amounts based on remuneration rates that the Company expects to pay as at reporting date, including related on-costs.

Share-based payment transactions

The fair value of options granted to directors and employees is recognised as an expense in the income statement, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which entitlement to the options vests. The fair value of any options granted is measured using a pricing model which takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Share Capital

Transaction costs of an equity transaction are accounted for as a deduction from equity.

	31 December 2006 \$	Pro-forma After Issue \$
NOTE 2. CASH		
Cash at bank	<u>6,023,092</u>	<u>10,621,751</u>
Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:		
Reviewed balance at 31 December 2006		6,023,092
Proceeds from shares issued under this Prospectus		5,000,000
Share issue costs		(401,341)
Pro-forma Balance		<u>10,621,751</u>

NOTE 3. CONTRIBUTED EQUITY

	Number of Shares	\$
Shares at 31 December 2006	44,250,000	9,064,965
Shares issued February 2007*	875,000	
Additional shares issued in 3 for 1 share split	90,250,000	-
12,500,000 shares at 40c each issued pursuant to the Prospectus	12,500,000	5,000,000
Share issue expenses	-	(401,341)
Pro forma balance	<u>147,875,000</u>	<u>13,663,624</u>

* 875,000 share were applied for and allotted in February 2007 to African Lion at the same terms and the same price (30 pence) as other seed placement shares.

NOTE 4: SHARE BASED PAYMENTS

On 13 November 2006 the Board resolved to issue 4,075,000 unlisted options (12,225,000 post 3:1 reconstruction) to Directors and employees to vest upon a successful listing of the Company, with an exercise price of 12.5p and an expiry period of five years. The full terms and conditions of the options are disclosed in the prospectus. Using the Black Scholes Model we have calculated the fair value of an option based on the following criteria:

Input	Value
Weighted average share price	10p
Exercise price	12.5p
Expected volatility	60%
Expiry date	5 years from issue
Expected dividends	Nil
Risk free interest rate	5.99%

NOTE 5: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 6: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the prospectus.

9. RISK FACTORS

9.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.2 General Risks

General economic conditions, commodity and currency price fluctuations, changes in inflation, industrial disruption and other factors may have an adverse impact on the Company's exploration and development activities.

These factors are beyond the control of the Company and its directors.

9.3 Risks Specific to African Energy

Reliance on key personnel

The success of the Company in part will depend on the ability of the Directors, management team and other executive personnel (employed by the Company or its business partners) to develop the Company's project portfolio and enhance project value. Should one or more of the key personnel cease to be involved, for whatever reason, then the capability of the Company may be expected to be impaired pending a suitable replacement being identified and retained by the Company or its business partners.

Sovereign risk

African Energy's project interests are located in Zambia, Botswana, Malawi and Zimbabwe with each of these considered to be a developing country and as such subject to emerging legal and political systems compared with the system in place in Australia.

Possible sovereign risks include without limitation changes in the terms of mining tenements, changes to royalty arrangements, changes to taxation rates and concessions and changes in the ability to enforce legal rights. Any of these factors may in the future adversely affect the financial performance of the Company and the market price of its Shares.

No assurance can be given regarding future stability in these or any other country in which African Energy may have an interest.

Title Risks

The mining tenements in which the Company will or may in the future acquire an interest are subject to the applicable local laws and regulations. There is no guarantee that any tenement applications or conversions in which the Company has a current or potential interest will be granted.

Tenements (or applications) in which the Company has an interest are (or, if granted, will be) subject to the relevant conditions applying in each jurisdiction. Failure to comply with these conditions may render the licences liable to forfeiture.

All of the projects in which the Company has an interest will be subject to application for tenement renewal from time to time. Renewal of the term of each tenement is subject to applicable legislation. If a tenement is not renewed for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement. However, the Directors are not aware of any reason why renewal of the term of any tenement will not be granted.

Contractual Risk

The Company is reliant to a certain extent on the cooperation and compliance of parties to the agreements to which it is a party.

Exploration costs

The proposed exploration expenditure of the Company is based on certain assumptions with respect to the method and timing of exploration and feasibility work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice.

Future capital needs and funding

The Company anticipates that it will be required to raise additional equity and/or debt capital to finance its future activities. There can be no assurance that the Company will be able to raise that finance on acceptable terms or in a timely manner. Any inability to obtain finance may adversely affect the business and financial condition of African Energy and, consequently, its performance.

Land Access

Approximately 50% of the Majete Project (in Malawi) is covered by National Parks. The Company has been informed by the Ministry of Mines that permission from the Department of Parks and Wildlife (DPW) will be required prior to any fieldwork being conducted. Any subsequent discovery will require an Environmental Impact Assessment which will require approval by the Department of Environmental Affairs after consultation with the DPW. The Company is confident of obtaining such approvals (if required).

9.4 Risks Specific to Mineral Exploration and Development Companies

Exploration and feasibility risks

Exploration for minerals is speculative and involves significant degrees of risk. There is no guarantee that exploration on African Energy's tenements, or on other tenements that may be acquired in the future, will lead to the discovery of mineral resources that can be economically exploited. Furthermore, feasibility studies on the potential development of operations to exploit any mineral resources that are delineated may not prove positive.

Exploration and feasibility activities may be delayed or disrupted by the availability of drilling rigs or other technical contractors, adverse weather conditions, difficulties in gaining access to the desired exploration sites, delays in approvals from authorities or technology providers or technical issues such as unexpected geological formations or process test work results.

Resource and reserve estimates

African Energy adheres to the JORC Code for the reporting of its Mineral Resources. As such, its estimates of Mineral Resources are not based on any feasibility studies and do not imply in any way that such Mineral Resources can be economically exploited.

Environmental risks

The Company's projects are subject to relevant environmental legislation and will themselves have varying levels and types of potential impact on the natural environment. Like most countries, Zambia, Botswana and Malawi and other countries in Southern Africa, have laws and regulations regarding environmental matters, including disturbance, rehabilitation and the discharge of hazardous waste and materials. These will be dealt with in the normal course of operations.

Exploration work is intended to be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored, and as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been completed to date, and discovery of such could limit or even prevent further work in certain areas.

Economic, price and government risks

Changes in the current and expected future price of uranium and other commodities can change rapidly and significantly and this can have a substantial effect on the value of the Company's assets and the potential future revenue and profits that might be earned from any successful development of those assets.

Changes in government, monetary policies, taxation and other laws and regulations can also have a significant influence on the outlook for projects and companies and the actual and potential returns to investors.

Foreign exchange risk

The Company operates internationally and is therefore exposed to the effects of changes in currency exchange rates. In particular, commodity prices (and therefore the potential future revenues of the Company) are typically denominated in United States dollars, whereas a portion of the Company's costs (capital and revenues) are incurred in other currencies. The Company does not currently hedge these currency risks.

Insurance

Insurance against all risks associated with mineral exploration is not always available or affordable. African Energy intends to maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

9.5 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

10. MATERIAL CONTRACTS

10.1 Albidon Exploration Agreement – African Energy (Australia) and Albidon

On 21 October 2005, Energy Ventures and Albidon Limited entered into a cooperation agreement for the exploration and evaluation of properties within an area of mutual interest (**AMI**) in Zambia. On 6 October 2006 Energy Ventures, Albidon and African Energy entered into a novation deed whereby Energy Ventures assigned and novated its interest in the Cooperation Agreement to African Energy.

The AMI covers portions of the following tenements: Sinazeze (PLLS 245), Mugoto (PLLS 250), Lunsemfwa (PLLS 247), Chilonga (PLLS 260), Masuku (PLLS 193) and Kamoto (PLLS 246) (together, the **Tenements**).

The material terms and conditions of the agreement are set out below:

- (a) **(Evaluation Phase):** Albidon grants African Energy the exclusive right to:
 - (i) access all data related to the Tenements;
 - (ii) explore and evaluate the Tenements;
 - (iii) exclude one or more of the Tenements from the AMI; and
 - (iv) elect to earn and hold an equity interest in one or more of the Tenements;
- (b) **(Term):** the agreement commences on the grant by Albidon to African Energy of full and free access to the Tenements and terminates on the second anniversary thereof. The agreement may be extended by mutual consent;
- (c) **(Initial Allocation):** African Energy must expend a minimum of A\$500,000 within the AMI. African Energy has already achieved this minimum expenditure requirement; and
- (d) **(Equity Interest):** African Energy has the right in its sole discretion to earn and hold an equity interest in any or all the Tenements. African Energy has so far elected to nominate 2 Project Areas. These Tenements have been excised from the AMI and have become subject to the terms of a Farm-in Agreement;
- (e) **(Farm-in Agreement):** The material terms of a Farm-in Agreement must include the following:
 - (i) **(Expenditure):** African Energy must expend at least A\$300,000 annually or the annual statutory annual expenditure commitment in exploration of the targeted Tenements (Target Area);
 - (ii) **(Termination):** African Energy may terminate the Farm-in Agreement at any time prior to becoming vested with an equity interest;

- (iii) **(30% Equity Interest):** Upon expending at least A\$1,000,000 in exploration, African Energy shall become vested with a 30% equity interest in the Target Area, the mining venture formed by the Farm-in Agreement and all assets held under the Farm-in Agreement (**Project**);
- (iv) **(70% Equity Interest):** If African Energy elects to fund the Project through a formal technical and economic evaluation of the exploitation of a mineral resource (Prefeasibility Study), African Energy shall become vested with a 70% equity interest;
- (v) **(Election):** Upon completion of the Prefeasibility Study, Albidon must elect whether to participate in subsequent Project costs including a Bank Feasibility Study (BFS);
- (vi) **(Bankable Feasibility Study):** If Albidon elects to participate on a 30% equity basis in the BFS, each party shall bear its proportionate share of the BFS cost. If Albidon elects not to participate on a 30% equity basis, then African Energy shall become vested with an 80% equity interest under the Farm-in Agreement, and the first A\$10,000,000 in costs of the BFS shall be borne solely by African Energy; and
- (vii) **(Further Equity Interest):** Upon meeting the A\$10,000,000 expenditure obligation, African Energy must notify Albidon which may elect to either:
 - A. bear its 20% of the remaining BFS costs and retain its 20% equity interest;
 - B. require African Energy to loan Albidon its share of BFS costs in which case the equity ownership would become African Energy: 85% and Albidon: 15%; or
 - C. convert its 20% equity to a sliding scale net smelter return on the terms contained in the Farm-in Agreement.

The agreement contains other terms and conditions which are usual for an agreement of this nature.

10.2 Energy Ventures Limited and African Energy Resources (Guernsey) Limited Share Swap Agreement

On 13 November 2006, African Energy Resources (Guernsey) Limited (**Company**) entered into a share sale agreement with Energy Ventures Limited (**Energy Ventures**), the sole shareholder of African Energy Resources Pty Ltd (**AER**), to purchase 100% of AER shares.

Settlement was completed on 17 November 2006 and the consideration was satisfied by the issue of 34,900,000 Shares to Energy Ventures.

The share sale agreement is governed by the laws of Western Australia and contains the terms and conditions considered standard for an acquisition agreement of this nature.

10.3 Employee Share Option Plan

The Company has established an employee share option plan (**ESOP**). The full terms of the ESOP may be inspected at the registered office of the Company during normal business hours.

Purpose

The purpose of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of the Company.

Consideration

Each Employee Option issued under the plan will be issued for no consideration.

Exercise Price

The exercise price for Employee Options granted under the ESOP will be the price fixed by the Board prior to the grant of the Employee Options.

Powers of the Board

The Directors have the power to determine procedures for administration of the ESOP and terminate, suspend or amend the ESOP at any time (provided that this does not adversely affect or prejudice the rights of holders of Employee Options).

Participation in Dividends, Pro Rata Issues and Bonus Issues

The Employee Options granted under the ESOP do not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Employee Option. The number of Shares issued on the exercise of Employee Options will be adjusted for bonus issues made prior to the exercise of the Employee Options. If there is a pro rata issue (other than a Bonus Issue) during the currency of, and prior to the exercise of any Employee Options, the exercise price of an Employee Option will be adjusted in the manner provided for in the ASX Listing Rules.

Eligibility

Under the ESOP, the Directors may invite employees or directors to participate in the ESOP and receive Employee Options. The number of Shares underlying Employee Options granted under the ESOP when aggregated with:

- ∞ the maximum number of Shares that could be issued on exercise of unexercised Employee Options and any other employee incentive share or option plan; and
- ∞ the number of Shares issued on exercise of Employee Options under the ESOP and any other employee incentive share or option plan in the last 5 years,

must not exceed 5% of the issued Shares at the time of that offer.

Term of Employee Options

The Employee Options granted under the ESOP have a term as determined by the Board but in any event no longer than 5 years from the issue date.

Reorganisation of Capital

If the Company, after having granted any Employee Option, reduces its issued Share capital or subdivides or consolidates its Shares, the number and Exercise Price of the Shares issued to the option holder on exercise of an Employee Option will be reduced, subdivided or consolidated, as the case may be, in accordance with the ASX Listing Rules.

Restrictions on Transfer

Employee Options are not transferable.

Governing Law

The ESOP is governed by the laws of the Island of Guernsey.

11. ADDITIONAL INFORMATION

11.1 Rights Attaching to securities

Ordinary Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person or by proxy or a duly authorised representative of a corporation which is a Shareholder to attend and vote at general meetings of the Company.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. The quorum for a general meeting shall be two Shareholders present in person or by proxy or a duly authorised representative of a corporation which is a Shareholder.

At any meeting a resolution put to the vote shall be decided by a show of hands or by a poll at the option of the Chairman. Nevertheless, before or on the declaration of the result, a poll may be demanded:-

- (i) by the Chairman of the meeting;
- (ii) in writing by at least five Shareholders present in person or by proxy or being a duly authorised representative of a corporation which is a Shareholder; or
- (iii) in writing by any Shareholder present in person or by proxy or being a duly authorised representative of a corporation which is a Shareholder and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting.

(b) Voting Rights

Subject to any provision of the Company Memorandum and Articles of Association and without prejudice to any special rights, privileges or restrictions as to voting attached to any Shares:

- (i) on a show of hands, every Shareholder present in person or being a duly authorised representative of a corporation which is a Shareholder, shall have one vote;
- (ii) on a poll, every Shareholder present in person or by proxy or being a duly authorised representative of a corporation which is a Shareholder, shall have one vote for each fully paid Share held by him.

Where there are joint registered holders of any Share, such persons shall not have the right of voting individually in respect of such Share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name.

No Shareholder shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls on unpaid Shares due by him have been paid.

A Shareholder may appoint any person (whether a member or not) his proxy and may appoint more than one proxy to attend and vote on the same occasion.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit (whether a member or not) to act as its representative at any meeting of the Company.

(c) Changes in Share Capital

The Company may, by ordinary resolution, increase its Share capital and prescribe any preference or priority as regards dividends or in the distribution of assets or as to voting.

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its Share capital into Shares of larger amount than its existing Shares;
- (ii) subdivide all or any of its Shares into Shares of smaller amount; and
- (iii) cancel any unissued Shares.

Subject to the relevant laws, the Company may, by special resolution, reduce its Share capital.

(d) Dividend Rights

The Company in general meeting may, by ordinary resolution, declare dividends out of the profits of the Company. No dividend shall exceed the amount recommended by the Board.

All dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid.

The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company. The Board may also declare and pay any fixed dividend which is payable on any Shares of the Company half-yearly or otherwise on fixed dates whenever the position, in the opinion of the Board, so justifies.

The Board may deduct from any dividend payable to any Shareholder on or in respect of a Share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

No dividend on or in respect of a Share shall bear interest against the Company.

With the prior approval of an ordinary resolution of the Company passed at any general meeting, the Board may, in respect of any dividend specified by the ordinary resolution, offer any holders of the Shares the right to elect to receive in lieu of that dividend (or part of any

of that dividend) an allotment of Shares credited as fully paid. The value of the additional Shares each holder of Shares who elects to receive the same shall be allotted in lieu of any amount of dividend shall equal as nearly as possible the net cash amount of the dividend that such holder elects to forgo and may exceed that amount. The additional Shares so allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue.

(e) **Transfer**

All transfers of Shares may be effected in writing in any usual or common form or in any other form acceptable to the Board or by any other manner as the Board may accept. Any instrument of transfer shall be signed by or on behalf of the transferor who shall be deemed to remain the holder until the name of the transferee is entered in the register.

The Board may in its absolute discretion refuse to register the transfer of a Share which is not fully paid or on which the Company has a lien. The Board may also refuse to register a transfer of any Share in favour of more than four persons jointly or a transfer of an uncertificated Share.

(f) **Variation of Rights**

If at any time the share capital is divided into different classes of Shares, the rights attached to any class may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the Shareholders of three-quarters of the issued Shares of that class or with the sanction of an extraordinary resolution cast at a separate meeting of the Shareholders of the Shares of that class.

At any separate general meeting of a class the provisions relating to general meetings shall apply, except that the necessary quorum shall be two persons holding in person or by proxy one-third of the issued shares of that class and that any holder of Shares of that class present in person or by proxy may demand a poll and every such holder shall, on a poll, have one vote for every Share of the class held by him.

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the Shares of that class) be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(g) **Winding Up**

If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of an extraordinary resolution, divide among the Shareholders in specie or in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders.

(h) **Governing Law and Jurisdiction**

The rights attaching to Shares pursuant to the Company Memorandum and Articles of Association are governed by and shall be construed in

accordance with the laws of Guernsey and the Company, Directors and Shareholders agree that all claims, disputes or proceedings howsoever arising under, from, or in connection with the Company Memorandum and Articles of Association, shall be governed exclusively by, and shall be determined in accordance with, the laws of Guernsey in the Guernsey courts.

Options

A summary of the terms and conditions of the Options are as follows:

- (a) each Option entitles the holder to one (1) Share in the Company;
- (b) the Options are exercisable at any time on or prior to 5.00pm (WST) on 30 June 2012 (**Expiry Date**) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (c) the Option exercise price is 12.5p (AUD equivalent 31.25cents using an exchange rate of A\$1.00 : GBP0.40) per option;
- (d) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of the Options and all Shares issued upon exercise of the Options on ASX;
- (g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

11.2 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have an interest in the Company's securities (either directly or through a controlled entity) as set out in the table below:

Director	Shares	Options
Alasdair Cooke*	nil	1,187,652
Bill Fry	1,403,175	818,160
Ian Duncan*	nil	899,736
Donal Windrim	nil	899,736
Valentine Chitalu	nil	899,736
Michael Curnow*	nil	899,736

* These Directors are also Directors of Energy Ventures Limited, the majority shareholder of African Energy (Guernsey) Limited. Energy Ventures holds 104,700,000 shares in African Energy, representing a 70.8% interest in the Company (assuming full subscription under the Offer).

As at the date of this Prospectus, the Directors have an interest in Energy Ventures Limited as set out in the table below:

Director	Shares	% Interest
Alasdair Cooke*	25,999,784	11.59
Bill Fry	5,500,000	2.45
Ian Duncan*	500,000	0.22
Donal Windrim	23,400,655	10.43
Michael Curnow*	500,000	0.22

The Directors of the Company may participate in the Offer and reserve the right to do so.

11.3 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors is proposed to be set at an amount not to exceed \$300,000 per annum at the next general meeting.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

11.4 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;

- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of securities under this Prospectus; or
- (iii) the offer of securities under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of securities under this Prospectus.

BDO Consultants (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 8 of this Prospectus. The Company estimates it will pay BDO Consultants (WA) Pty Ltd a total of \$7,500 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Consultants (WA) Pty Ltd has been paid \$12,673 for services provided to the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin \$22,500 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin have been paid \$25,200 for legal services provided to the Company.

Stripe Capital Pty Ltd has acted as broker to the Company in relation to the Offer and has been involved in capital raisings on behalf of the Company. The Company estimates it will pay Stripe Capital Pty Ltd \$155,000 for services in relation to the Offer under the Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Stripe Capital Pty Ltd have received \$143,000 for services provided to the Company.

RSG Global Consulting Pty Ltd has acted as the Independent Geologist and has prepared an Independent Geologist's Report which has been included in Section 7 of this Prospectus. The Company estimates that it will pay RSG a total of \$30,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSG has been paid \$7,756 for services provided to the Company.

11.5 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

BDO Consultants (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 8 in the form and context in which the report is included. BDO Consultants (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Stripe Capital Pty Ltd has given its written consent to being named as the manager of the Offer to the Company in this Prospectus. Stripe Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSG has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 7 in the form and context in which the report is included. RSG has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services (Channel Islands) Limited has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

11.6 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$151,341 (excluding fund raising costs), based on the Offer being fully subscribed and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC fees	\$2,010
ASX fees	\$67,574
Advisers' fees	\$60,000
Printing	\$7,000
Miscellaneous	\$14,757
TOTAL	\$151,341

11.7 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

11.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at info@africanenergyresources.com and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.africanenergyresources.com.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

11.9 Taxation

The acquisition and disposal of securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for securities under this Prospectus.

11.10 Forecasts

The Company is an exploration company. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts can not be prepared and accordingly have not included any forecasts in this Prospectus.

12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



ALASDAIR COOKE

For and on behalf of

AFRICAN ENERGY RESOURCES (GUERNSEY) LIMITED

1st of March 2007

13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

African Energy means African Energy Resources (Guernsey) Limited, a company incorporated in Guernsey on 29 September 2006.

African Energy (Australia) means African Energy Resources Pty Ltd (ACN 115 065 640), a company incorporated in Australia, which is a subsidiary of African Energy.

Albidon Exploration Agreement means the agreement between Albidon and the Company (as novated and assigned) summarised in Section 10.1 of this Prospectus.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Company means African Energy Resources (Guernsey) Limited (ARBN 123 316 781) and its subsidiaries.

Closing Date means the closing date of the Offer as set out in Section 3.3.

Constitution means the constitution or articles and memorandum of association of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Energy Ventures means Energy Ventures Ltd (ACN 106 523 611), a company incorporated in Australia.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

General Offer means the offer to Shareholders and investors to apply for up to 4,750,000 Shares as set out in Section 4.2 of this Prospectus.

General Offer Application Form means the general offer application form accompanying this Prospectus relating to the General Offer.

General Offer Closing Date means the closing date for receipt of application forms under this Prospectus, being 5pm (WST) on 23 March 2007 or an extended date set by the Board.

Listing Rules means the official listing rules of ASX.

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to subscribe for a Share subject to the terms and conditions set out in Section 11.1 of this Prospectus.

Priority Offer means the offer of 7,750,000 Shares to shareholders of Energy Ventures on the Record Date, on the terms set out in Section 4.2 of this Prospectus.

Priority Offer Application Form means the priority offer application form accompanying this Prospectus relating to the Priority Offer.

Priority Offer Closing Date means the closing date for receipt of Priority Offer Application Form under this Prospectus, being 5pm (WST) on 23 March 2007 or an extended date set by the Board.

Prospectus means this prospectus.

Record Date means the record date for determining entitlements to participate in the Priority Offer, being 5pm (WST) on 9 March 2007.

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

Share Registry means Computershare Investor Services (Channel Islands) Limited.

Shareholder means a holder of Shares.

WST means Western Standard Time, Perth, Western Australia.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Broker Reference – Stamp Only

Broker / Advisor Code

AFRICAN ENERGY RESOURCES (GUERNSEY) LIMITED

Priority Offer Application Form for Shares to Energy Ventures Shareholders as per the Terms and Conditions Outlined in the Prospectus

An Offer of 7,750,000 Shares at an issue price of 40 cents each
which is payable in full on application.

Applicants should read this Prospectus in its entirety before completing this form. A person who gives another person access to this Application Form, must at the same time and by the same means give that person access to the Prospectus.

Please use BLOCK LETTERS – refer to the following pages for instructions on completing this form. Applications must be for a minimum of 5,000 Shares (\$2,000) and thereafter multiples of 1,000 Shares (\$400).

A Number of Shares Applied For

I/We apply for Shares at 40 cents per share.

B Total Amount Payable by Cheque for Shares

A\$

C Full Name Details - Title, Given Name(s) and Surname or Company Name

Name of Joint Applicant or Account Designation eg. <Super Fund A/C>

D Tax File Number or Exemption Category

--	--	--	--	--	--	--	--	--	--

 (First Applicant)

--	--	--	--	--	--	--	--	--	--

 (Second Applicant)

G Chess HIN (if applicable)

E Full Postal Address

Suburb/City/Town: State: Postcode:

F Contact Details

Contact Name: Tel (home): Tel (work):

Email: Mobile:

H Payment Details - All cheques should be made payable to "African Energy Resources (Guernsey) Limited – IPO Account" and crossed "Not Negotiable"

Drawer: Bank: Branch: Amount of cheque/s A\$:

You should read the Prospectus dated 1 March 2007 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

I/We declare that:

- (a) This Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Articles of Association of African Energy Resources (Guernsey) Limited; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form or a derivative of the Application Form, before applying for Shares; and
- (c) I/we consent to the Shares being issued as CDIs*

* If a holder of CDIs wishes to convert their CDI holdings to underlying Shares they may do so at any time by contacting either their stockbroker or the Company's Share Registry (or its Australian branch), in which case the Shares will be transferred from CHESS Depositary Nominees Pty Ltd into the name of the holder and a certificate will be issued by the Share Registry.

Return of the Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company. Please note that the Company will not accept electronic lodgement of Application Forms or electronic funds transfer.

This Application Form does not require a signature

Guide to the Application Form

This Application Form relates to the offer of Shares in African Energy Resources (Guernsey) Limited pursuant to the Prospectus dated 1 March 2007. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of African Energy Resources (Guernsey) Limited and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, African Energy Resources (Guernsey) Limited will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained in the table below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 5,000 Shares and thereafter in multiples of 1,000 Shares.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, total the number of Shares applied for multiplied by 40 cents.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the Company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to the ASX to participate in CHES. This means that a holder will receive a statement of holding rather than a share certificate. If you are already a participant in CHES you may complete this section or send the signed Application Form to your sponsoring broker for completion prior to lodgement, otherwise leave this section blank.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to African Energy Resources (Guernsey) Limited. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use Company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

All shareholders will receive CDI's on the issuer sponsored subregister or CHES subregister unless they specifically advise African Energy Resources (Guernsey) Limited in writing that they wish to receive shares in certificated form. For holders who are currently sponsored on CHES, please provide the relevant CHES HIN in the space provided.

- H** Please complete cheque details as requested:

Make your cheque payable to **"African Energy Resources (Guernsey) Limited – IPO Account"** in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank.

The amount should agree with the amount shown in section B.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

- I** Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in African Energy Resources (Guernsey) Limited upon and subject to the terms of this Prospectus and agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Applications

Return your completed Application Form with cheque(s) attached to:

By Mail: **Stripe Capital Pty Ltd**
African Energy Resources (Guernsey) Limited Share Offer
GPO Box 2592
Perth WA 6001

or

By Hand: **Stripe Capital Pty Ltd**
African Energy Resources (Guernsey) Limited Share Offer
Level 2, 55 St Georges Terrace
Perth WA 6000

Application Forms must be received no later than the Closing Date which may be changed immediately after the Opening Date at any time at the discretion of the Company.

Guide to the Application Form

This Application Form relates to the offer of Shares in African Energy Resources (Guernsey) Limited pursuant to the Prospectus dated 1 March 2007. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of African Energy Resources (Guernsey) Limited and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, African Energy Resources (Guernsey) Limited will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained in the table below.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 5,000 Shares and thereafter in multiples of 1,000 Shares.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, total the number of Shares applied for multiplied by 40 cents.

C Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the Company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that presently registered in the CHES system.

D Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is compulsory and will not affect your Application.

E Please enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.

F Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.

G The Company will apply to the ASX to participate in CHES. This means that a holder will receive a statement of holding rather than a share certificate. If you are already a participant in CHES you may complete this section or send the signed Application Form to your sponsoring broker for completion prior to lodgement, otherwise leave this section blank.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to African Energy Resources (Guernsey) Limited. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use Company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

All shareholders will receive CDf's on the issuer sponsored subregister or CHES subregister unless they specifically advise African Energy Resources (Guernsey) Limited in writing that they wish to receive shares in certificated form. For holders who are currently sponsored on CHES, please provide the relevant CHES HIN in the space provided.

H Please complete cheque details as requested:

Make your cheque payable to **"African Energy Resources (Guernsey) Limited – IPO Account"** in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank.

The amount should agree with the amount shown in section B.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

I Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in African Energy Resources (Guernsey) Limited upon and subject to the terms of this Prospectus and agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Applications

Return your completed Application Form with cheque(s) attached to:

By Mail: Stripe Capital Pty Ltd
African Energy Resources (Guernsey) Limited Share Offer
GPO Box 2592
Perth WA 6001

or

By Hand: Stripe Capital Pty Ltd
African Energy Resources (Guernsey) Limited Share Offer
Level 2, 55 St Georges Terrace
Perth WA 6000

Application Forms must be received no later than the Closing Date which may be changed immediately after the Opening Date at any time at the discretion of the Company.

info@africanenergyresources.com
www.africanenergyresources.com