African Energy

Delivering power to the people

ASX RELEASE ASX:AFR

30 January 2015

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

HIGHLIGHTS

- All Conditions Precedent to conclude the Sese JV Shareholders Agreement were met in early January.
- African Energy Resources (AFR or the Company) currently owns a 49% interest in Sese JV and First Quantum Minerals (FQM, 51%) have assumed the role of project manager.
- A$8m of the funds invested by FQM in the Sese JV were returned to AFR to repay parent company loans.
- FQM will invest a further A$12m over the next 18 months to earn an additional 24% stake in the Sese JV, taking FQM's interest to 75%.
- On earning 75% interest in the Sese JV, FQM will loan carry AFR's 25% share of all development funding at Sese, with this loan to be repaid from AFR's share of future project cashflow.
- The company completed capital raisings of A$7.55m during the quarter by the issue of 137m shares at 5.5c.
- The company has fully repaid a US$5m loan facility to Macquarie Bank.
- AFR is now debt free, with approximately A$10m working capital and a 25% carried interest in new power projects to be developed at Sese.
- In December, the Board appointed Mr John Dean (an employee of FQM) as a Non-Executive Director.

OUTLOOK FOR NEXT QUARTER

Sese Coal & Power Project

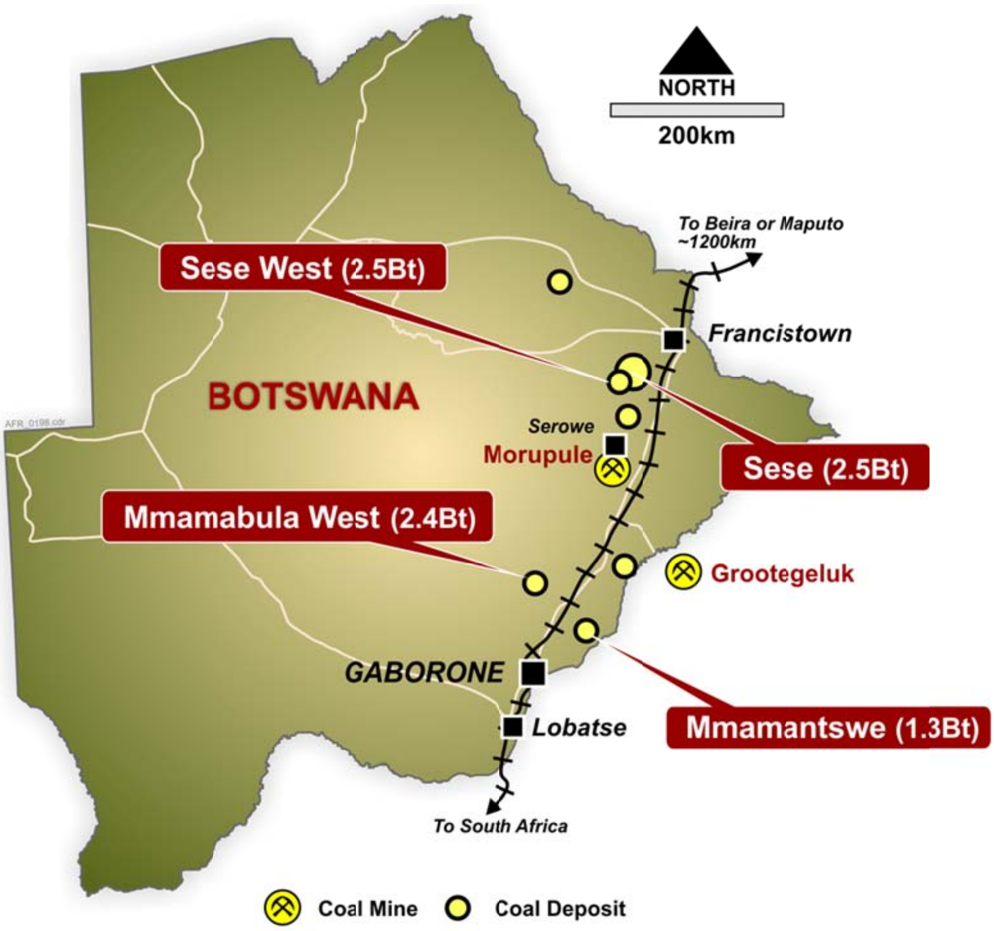
- Commence project management handover to FQM and provide technical assistance to help FQM finalise a pre-development programme and budget.
- Continue to assess power market opportunities in the southern African region suitable for the Sese project.

Mmamabula West Coal Project

- Finalise two-year extension to the Mmamabula West Prospecting License (PL56/2005).
- Continue assessment of export infrastructure options (rail, port, off-take) and potential project development partnerships for coal export to South Africa or seaborne global markets.

Mmamantswe Coal Project

- Finalise project partner for the development of a 600MW cross-border independent power project for South Africa's power procurement tender programme.
- Commence documentation for a formal submission in response to South Africa's Request for Proposals (RFP) for a coal-fired, cross-border independent power project.



PROJECTS

1 Sese Coal and Power Project, Botswana (AFR 49%, FQM 51%)

1.1 Joint Venture Investment by First Quantum Minerals (FQM)

- FQM and AFR have executed a binding Shareholders Agreement under which FQM has made a Joint Venture Investment to acquire a majority interest in African Energy Holdings SRL.
- African Energy Holdings SRL is the Barbados project entity which owns African Energy Resources Botswana (Pty) Ltd (AFR Botswana), the holder of the Sese and Sese West coal prospecting licences, the Foley North industrial minerals prospecting licence, the approved EIA, surface rights and water allocation.
- FQM has invested A$8m for a 51% stake in African Energy Holdings SRL. The A$8m has been used to repay outstanding project loans between African Energy Holdings SRL and AFR (increasing AFR's available working capital to A$10m).
- FQM will invest a further A$12m within 18 months to increase its project interest to 75%. These funds will remain in the project entity to fund pre-development and development activities at Sese.
- Upon reaching a majority interest, FQM has become the project manager and the joint venture will be managed as per the provisions of the Shareholders Agreement.
- A work programme and associated budget for the Sese integrated power project will be submitted to the board of AFR Botswana in due course.
- AFR's 25% interest in all projects undertaken in African Energy Holdings SRL and its subsidiaries will be loan carried through to commercial operation, with its share of debt to be priced on the same terms as FQM's, and repaid from its share of operating cash flow.

1.2 Permitting

- A formal Lease Agreement for the approved Surface Rights area is being prepared for execution.
- The Environmental and Social Impact Assessment for the Sese Integrated Power Project has been approved by the Department of Environmental Affairs (DEA). This covers a 300MW power station, associated coal mine and related infrastructure and an access corridor to the main A1 highway and regional transmisison grid.
- The Company has been advised that the EIA approval can be expanded to a larger 600MW project through amendments to the Environmental Management Plan (EMP) without the need to re-submit the entire EIA.

1.3 Botswana 300MW Greenfield Tender Opportunity

- In late December, the Ministry of Minerals, Energy and Water Resources (MMEWR) released a tender for the appointment of the Owner's Engineer for the Greenfield Tender project.
- No formal notification for the date of the release of the Request for Proposals (RFP) for the 300MW Greenfield Project has been released.

1.4 Sese West Coal Project

- The Sese West project contains an inferred resource of 2.5Bt of thermal coal, and is part of the Sese joint venture with FQM.
- The Botswana Department of Mines has granted a two-year PL extension to 31st December 2016 for PL197/2007 Sese West.
- A small programme of infill drilling to increase resource confidence to an Indicated Resource will be implemented later in the year to meet the conditions of the prospecting licence.

1.5 Foley North Limestone Project

- The Foley North industrial minerals licence contains limestone occurrences that are being evaluated for use as sulphur sorbent for power station emissions management.
- Foley North is part of the Sese joint venture with FQM.

2 Mmamantswe Coal Project, Botswana (AFR 100%)

- The Mmamantswe Coal Project comprises a Measured and Indicated Resource of approximately 1.24 billion tonnes of thermal coal less than 20km from the border with South Africa.
- The Dept. of Mines has approved the Company's application for a 2-year extension to the prospecting license over Mmamantswe (PL69/2007) under Section 17 (6) of the Mines and Minerals Act, 1999. The PL has been extended until 31st December 2016.
- South Africa's Department of Energy has issued a Request for Proposals ("RFP") to developers of projects for their 2,500MW coal baseload IPP procurement programme. This specifically includes cross-border projects of up to 600MW.
- African Energy is seeking to execute a formal partnership with a project developer in order to submit a joint RFP bid for a 600MW coal-fired cross-border power project at Mmamantswe prior to the 8th June 2015 deadline.

3 Mmamabula West Coal Project, Botswana (AFR 100%)

- Prospecting License PL56/2005 Mmamabula West has been granted a temporary extension to 26th February 2015 whilst the Dept. of Mines finalises its review of AFR's formal request for a two-year extension under Section 17 (6) of the Mines and Minerals Act, 1999.
- The Environmental and Social Impact Assessment for a potential 4.4 Mtpa underground coal mine in the preferred mining area has been submitted to the Department of Environmental Affairs.

4 Global Coal Resources for African Energy's Coal Projects in Botswana

Sese Project: Resource Summary (Raw coal ADB, 51% FQM, 49% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
MEASURED (Bk-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Bk-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	**2,517 Mt**							

Sese West Project: Resource Summary (Raw coal ADB, 51% FQM, 49% AFR)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
INFERRED	2,501 Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
TOTAL	**2,501 Mt**							

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

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

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

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

5 Mining tenements held at the end of each quarter and their location

	Interest at beginning of quarter	Interest at end of quarter	Location
PL 96/2005 (Sese)	100%	100%*	Botswana
PL197/2007 (Sese West)	100%	100%*	Botswana
PL004/2013 (Foley North)	100%	100%*	Botswana
PL069/2007 (Mmamantswe)	100%	100%	Botswana
PL056/2005 (Mmamabula West)	100%	100%	Botswana
13764-HQ-LPL (Nangandwe)	100%	100%	Zambia
12634-HQ-LML (Chirundu ML)	100%	100%	Zambia
13265-HQ-LPL (Chirundu PL)	100%	100%	Zambia
13642-HQ-LPL (Munyumbwe)	100%	100%	Zambia
13646-HQ-LPL (Sinazongwe East)	100%	100%	Zambia
16556-HQ-LPL (Sinazongwe Central)	100%	100%	Zambia
16775-HQ-LPL (Sinazongwe South)	100%	100%	Zambia

*Interest diluted to 49% by the date of this quarterly.

Dr. Frazer Tabeart

Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the African Energy Resources website at: www.africanenergyresources.com

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement was prepared under the JORC Code 2012. References to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code (2012 edition).

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabeart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabeart consents to the inclusion of the data in the form and context in which it appears.

For any queries please contact the Company Secretary, Mr Daniel Davis on +61 8 6465 5500

Appendix 5B
Mining exploration entity quarterly report

Name of entity

African Energy Resources Limited

ARBN	Quarter ended ("Current Quarter")
123 316 781	31 December 2014

Consolidated statement of cash flows

	Cash flows related to operating activities	Current Quarter $US'000	Year to date (6 months) $US'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
	(a) exploration and evaluation	(223)	(558)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(501)	(1,170)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	(52)	(132)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	**(775)**	**(1,858)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	**-**	**-**
1.13	**Total operating and investing cash flows (carried forward)**	**(775)**	**(1,858)**

1.13	**Total operating and investing cash flows (carried forward)**	**(775)**	**(1,858)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	6,639	6,639
1.15	Cost of the Issue	(226)	(226)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(5,000)	(5,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	**1,413**	**1,413**
	Net increase (decrease) in cash held	**638**	**(445)**
1.20	Cash at beginning of quarter/year to date	2,190	3,319
1.21	Exchange rate adjustments to item 1.20	(54)	(99)
1.22	**Cash at end of quarter***	**2,774**	**2,774**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities.

		Current quarter $US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	201
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

US$99,354 – director remuneration payments
US$101,979 – payments for administrative staff, technical staff and provision of a fully serviced office

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

		Amount available $US'000	Amount used $US'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$US'000
4.1	Exploration and evaluation	50
4.2	Development	-
4.3	Production	-
4.4	Administration	430
	Total	**480**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $US'000	Previous quarter $US'000
5.1	Cash on hand and at bank	2,706	2,190
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
	Total: Cash at end of quarter (item 1.22)	**2,706**	**2,190**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities**	-	-	-	-
7.2	Changes during quarter	-	-	-	-
7.3	**+Ordinary securities**	616,395,708	616,395,708	-	-
7.4	Changes during quarter (a) Increases through issue of new shares (b) Increases through conversion of rights	 139,810,703 300,000	 139,810,703 300,000		
7.5	**+Convertible debt securities**	-	-	-	-
7.6	Changes during quarter	-	-	-	-
7.7	**Options/Rights** Unquoted options	50,405,900	**No. of options** 36,605,900 13,800,000	**Strike Price** AUD $0.15 AUD $0.10	**Expiry Date** 31-Dec-15 27-Nov-17
	Unquoted rights	11,283,332	Performance rights subject to various vesting hurdles and expiry dates		
7.8	**Issued during quarter** Unquoted options	13,800,000	**No. of options** 13,800,000	**Strike Price** AUD $0.10	**Expiry Date** 27-Nov-17
	Unquoted rights	5,833,334	Performance rights subject to various vesting hurdles and expiring 28 November 2019		
7.9	Exercised during quarter	300,000	Vested performance rights converted to ordinary shares		
7.10	Expired during quarter	Nil			
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Mr Daniel Davis
Company Secretary
Date: 30 January 2015

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.