

31 July 2015

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2015

HIGHLIGHTS

- African Energy (“AFR”) executed a binding term sheet with an experienced South African project developer (“Developer”) for the conditional sale of the Mmamantswe coal and power project for US \$20M.
 - The Developer will form a bid consortium which will sole fund the preparation and submission of a bid into South Africa’s coal-fired base load IPP procurement programme using the Mmamantswe project.
 - If the Mmamantswe bid is shortlisted by South Africa’s Department of Energy, AFR will transfer it’s interest in the Mmamantswe prospecting licence to the Developer for US \$10M.
 - AFR will receive an additional US \$10M should the shortlisted project reach Financial Close.
- AFR retained a 49% interest in Sese Joint Venture at the end of the quarter. First Quantum Minerals Ltd (“FQM”) will invest a further A \$12M in the Sese JV over the next 12 months to acquire an additional 24% interest from AFR.
 - Initial five months under FQM management has focused on a detailed review of the project scope originally developed by AFR.
 - Key appointments to Sese JV project team were made during the quarter.
 - AFR continued to provide assistance with the technical and administrative integration of the Sese JV and migration to full FQM management.
- Review of AFR director’s remuneration and reduction of company overheads will result in total annual savings of ~A \$1m

OUTLOOK FOR NEXT QUARTER

Sese Integrated Power JV (49% AFR, 51% FQM)

- Ongoing provision of technical assistance to FQM to finalise a development programme and budget for the assessment of a fully integrated power business at Sese to construct, generate and sell the output from a potential power station.
- Continue to assess power market opportunities in the southern African region suitable for expansions of the Sese Integrated Power JV.

Mmamantswe Integrated Power Project (100% AFR)

- Completion of due diligence by the Developer.
- Execution of a Share Sale Agreement which will include delivery of a bank guarantee in favour of African Energy or the creation of an escrow account for the initial US \$10m payment.
- 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.

Mmamabula West Project (100% AFR)

- Continue discussions with potential project development partners for mine-mouth power generation opportunities, coal exports to South Africa or coal exports into seaborne global markets.

PROJECTS

1 Sese JV, Botswana (AFR 49%, FQM 51%)

1.1 Sese Joint Venture (Sese JV)

- The Sese JV comprises five entities that control the Sese, Sese West and Foley North prospecting licenses.
- FQM acquired a 51% interest in the Sese JV on 9 January 2015.
- FQM can increase their interest in Sese JV to 75% by investing a further A \$11.5M by 15 July 2016. This investment will be used to fund the evaluation and development of the proposed Sese Integrated Power Project.
- FQM spent US\$342,980 in the quarter and has spent \$498,134 to date.
- Once FQM has reached a 75% project interest, AFR's ongoing 25% interest in all projects undertaken in the Sese JV will be loan carried through to commercial operation, with the loan to be priced on the same terms as FQM's weighted average cost of long-term debt, and repaid from AFR's share of operating surplus cash flow.

1.2 Integrated Power Project

- Initial five months under FQM management have focused on a detailed review of the project scope that was developed by AFR.
- Appointments of key consultants to Sese JV project team were made during the quarter, bringing expertise in coal-fired power plant design and operation, coal fuel, transmission, geotechnical, and environmental aspects.
- Norwegian engineering and design consultants, Norconsult, were engaged by Sese JV to evaluate transmission integration solutions for Sese, including various options for wheeling power to neighbouring countries along a combination of existing and new-build transmission infrastructure in southern Africa.

- German engineering consultants, STEAG, were appointed to undertake a desktop review of the power station feasibility work completed to date and assist with key technology selection decisions and preliminary power plant design considerations.

1.3 Permitting

- A formal Lease Agreement for the approved Surface Rights area at Sese 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 an initial 300MW power station, associated coal mine and related infrastructure, including an access corridor to the main A1 highway and regional transmission grid.
- The Botswana Department of Mines has granted extensions for both of Sese (PL96/2005) and Sese West (PL197/2007) prospecting licenses, which are now valid until 31 December 2016.

2 Mmamantswe Integrated Power Project, Botswana (AFR 100%)

2.1 Binding Term Sheet

- A binding Term Sheet was signed in early July with an experienced South African project developer (the “Developer”) for the sale of the 100% owned Mmamantswe coal and power project.
- Subject to certain conditions precedent, African Energy agreed to sell the Mmamantswe project on the following terms:
 - The Developer will form a bid consortium which will sole fund the preparation and submission of a bid into South Africa’s coal-fired base load IPP procurement programme using the Mmamantswe project.
 - African Energy will be paid an initial sum of US \$10m if the project bid is shortlisted by South Africa’s Department of Energy.
 - On receipt of the initial US \$10m, African Energy will transfer ownership of its shares in the Mmamantswe project company to the Developer.
 - African Energy will receive a second payment of US \$10m if the project reaches Financial Close.
- The conditions precedent include completion of due diligence by the buyer within 30-days, delivery of a bank guarantee or the creation of an escrow account for the initial US \$10m payment within 60 days, and completion of a Share Sale Agreement within 60 days.

2.2 Integrated Power Project

- South Africa’s Department of Energy has issued a Request for Proposals (“RFP”) to developers of projects for the first bid window of a 2,500MW coal baseload IPP procurement programme. This first bid window is for 1,600MW, of which up to 600MW can come from cross border projects (i.e. those physically located outside South Africa’s border).
- It is expected that specific qualifying criteria for the cross-border projects will be released under an

amended RFP in Q4 2015.

- The Mmamantswe project is only 20km from the border with South Africa and has been previously evaluated by Eskom for integration into the South African grid.
- The Developer will prepare and submit a Mmamantswe RFP bid for a 600MW coal-fired cross-border power project.
- Mmamantswe prospecting licence (PL069/2007) has been granted an extension until 31st December 2016.

3 Mmamabula West Project, Botswana (AFR 100%)

- The Mmamabula West project contains two ~5m thick coal seams which provide a variety of developments options as either a stand-alone integrated power project, and stand-alone export coal mine (for export of coal to South Africa or into the seaborne global market), or a combination of the two.
- The Environmental and Social Impact Assessment (ESIA) for the project has now been subjected to stakeholder review, with meetings held on-site and at the Dept. of Environmental Affairs in Gaborone.
- Feedback from the stakeholder meetings will be incorporated into the final version of the ESIA, which will be re-submitted when ready.
- The revised ESIA will also incorporate all necessary amendments to add a 300MW power station to the project description.
- Mmamabula West (PL56/2005) has been granted a two-year extension to 31 March 2017.

4 Global 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.

Dr. Frazer Tabeart
Managing Director

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

	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
PL096/2005 (Sese)	100%	49%	Botswana	Coal, U
PL197/2007 (Sese West)	100%	49%	Botswana	Coal, U
PL004/2013 (Foley North)	100%	49%	Botswana	Industrial
PL069/2007 (Mmamantse)	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal
12634-HQ-LML (Chirundu ML)	100%	100%	Zambia	U
13265-HQ-LPL (Chirundu PL)	100%	100%	Zambia	U
19800-HQ-LPL (Kariba Valley)	0%	100%	Zambia	U
13646-HQ-LPL (Sinazongwe East)*	0%	0%	Zambia	Coal

*Renewal of Sinazongwe East prospecting licence is under application

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

123 316 781

Quarter ended ("Current Quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$US'000	Year to date (12 months) \$US'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for:		
	(a) exploration and evaluation	(40)	(650)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(295)	(2,009)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	8
1.5	Interest and other costs of finance paid	-	(132)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(328)	(2,783)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	(1,678)
	(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	-	6,556
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	4,878
1.13	Total operating and investing cash flows	(328)	2,095

1.13	Total operating and investing cash flows (carried forward)	(328)	2,095
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	6,639
1.15	Cost of the Issue	-	(229)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(5,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	1,410
	Net increase (decrease) in cash held	(328)	3,505
1.20	Cash at beginning of quarter/year to date	6,602	3,319
1.21	Exchange rate adjustments to item 1.20	(37)	(587)
1.22	Cash at end of quarter	6,237	6,237

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\$151,522 – director remuneration payments
US\$49,696 – 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	33
4.2 Development	-
4.3 Production	-
4.4 Administration	355
Total	388

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	554	381
5.2 Deposits at call	5,683	6,221
5.3 Bank overdraft	-	-
Total: Cash at end of quarter (item 1.22)	6,237	6,602

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	618,668,435	618,668,435	-	-									
7.4 Changes during quarter (a) Increases through issue of new shares	2,000,000	2,000,000											
7.5 *Convertible debt securities	-	-	-	-									
7.6 Changes during quarter	-	-	-	-									
7.7 Options/Rights													
Unquoted options	50,405,900	<table><tr><th>No. of options</th><th>Strike Price</th><th>Expiry Date</th></tr><tr><td>36,605,900</td><td>AUD \$0.15</td><td>31-Dec-15</td></tr><tr><td>13,800,000</td><td>AUD \$0.10</td><td>27-Nov-17</td></tr></table>	No. of options	Strike Price	Expiry Date	36,605,900	AUD \$0.15	31-Dec-15	13,800,000	AUD \$0.10	27-Nov-17		
No. of options	Strike Price	Expiry Date											
36,605,900	AUD \$0.15	31-Dec-15											
13,800,000	AUD \$0.10	27-Nov-17											
Unquoted rights	12,433,332	Performance rights subject to various vesting hurdles and expiry dates											
7.8 Issued during quarter	1,400,000	Performance rights subject to various vesting hurdles and expiry dates											
7.9 Exercised during quarter													
7.10 Expired during quarter													
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: 31 July 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.