

31 July 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2018

HIGHLIGHTS

- Revision to the Sese JV Environmental and Social Impact Assessment to 500MW and associated increase in coal mining scale has been submitted to the Department of Environmental Affairs.
- Significant progress made on the Resettlement Action Plan (RAP) at Sese, with most stakeholders commencing their relocation out of the surface rights area during the quarter.
- The Company commenced acquisitions under the shareholder approved on-market share buyback plan. 3,698,394 shares were acquired during the quarter at an average price of 2.3 cents per share (AUD).
- The Company acquired a further 4.0M shares in ASX-listed Caravel Minerals for A\$200,000, to become the largest shareholder with 12.7%.
- At 30 June 2018, the Company had cash reserves of AU\$3.11M and held investments in listed companies of AU\$1.51M.

OUTLOOK FOR NEXT QUARTER

Sese JV (35% AFR)

- Update to the Measured Resource in Block-C at Sese.
- Continue discussion with the Department of Environmental Affairs on the Environmental and Social Impact Assessment revision to 500MW of power generation and associated coal mining.
- Continue engagement with regional power utilities to negotiate commercial agreements for power wheeling and transmission into Zambia.
- Complete the Resettlement Action Plan at Sese.
- Commence a programme to establish a hydrogeological baseline over the wider Sese Project area as part of ongoing project development activities.

Mmamabula West Project (100% AFR)

- Ongoing hydrogeological observations for the ESIA baseline study.
- Commence negotiations with potential South African partners to evaluate coal export options to South Africa.
- Finalise the Environmental and Social Impact Assessment submission for an integrated coal mine and power station of up to 600MW with the Department of Environmental Affairs.
- Establish a measured resource in the proposed mining area suitable for power station fuel or export quality coal.

Mmamantswe Power Project (100% AFR, operated by TM Consulting)

- Infill core drilling to upgrade a portion of the coal resource to JORC 2012 Measured Resource category.
- Continue Phase 2 of the feasibility study for the proposed coal mine and CHPP.
- Commence detailed power station design studies.

PROJECTS:**1 Sese JV (AFR 35%, FQM 65%)****1.1 Overview**

- FQM spent A\$0.91M in the quarter and has now spent A\$7.15M since their initial A\$8M investment and have earned a 65% interest in Sese JV.
- FQM have agreed to invest a further A\$2.85 million to reach a 75% interest, after which AFR's ongoing 25% interest in all projects undertaken in the Sese JV will be loan carried through to commercial operation.

1.2 Sese (ML 2016/42ML, PL96/2005)

- Draft update to the Measured Resource in Block-C was received from the independent resource consultant during the quarter and is currently being finalised. This update is based on more detailed drilling than previous Measured Resource estimates and will be to JORC 2012 standard. It is expected that the resource update will be finalised in the current quarter.

1.3 Permitting:

- During the second quarter of 2018, the resettlement budget was finalised for all known fixed asset holders within the surface rights area.
- Contracts were prepared and signed with twenty-five fixed asset owners. The Tonota Land Board witnessed all contracts.
- In accordance with the contracts, 70% of the total compensation value was paid to the asset owners who then began the process of moving assets and resettling outside of the surface rights area. Once owners have moved they will be paid the outstanding 30% of the contractual value.
- Further discussions were held with various government departments and regional utilities regarding the application for a Generation and Export Licence and for Wheeling and Use of System Agreements (i.e. related to transmission of power from and within Botswana to Zambia).
- The approved 300MW Environmental and Social Impact Assessment (ESIA) for the Sese Integrated Power Project has been updated for a larger project to include up to 500MW of power generation and the associated minor increase in volumes of coal mining/processing and airborne emissions. The updated document was submitted to the Department of Environmental Affairs (DEA) during the quarter.

1.4 Sese West (PL197/2007)

- Documentation of an updated measured resource is being finalised to JORC 2012 standard.

1.5 Foley North (PL004/2013)

- An application to renew Foley North industrial minerals licence was approved by the Minister during the Quarter. The Prospecting Licence is now valid until 31 March 2020.
- No field programs were undertaken during the quarter.

2 Mmamabula West Project, Botswana (AFR 100%)

- The Mmamabula West project contains two ~5m thick coal seams and is being developed as an integrated underground coal mine and 600MW power station for submission into the South African cross-border IPP procurement program.
- Mmamabula West coal can be processed for use as a fuel in power stations or for export to South Africa or into the seaborne thermal coal market.
- During the last twelve months, the price of seaborne thermal coal has experienced steady growth, with the highest-quality coal from South Africa (Richards Bay RB1 specification) increasing in price from US \$95/t to \$107/t.
- The increase in export prices has invigorated South African coal producers to increase their coal exports, potentially compromising local coal contracts for South African consumers. This provides a potential market for Botswana coal.
- AFR intends to seek a South African partner and jointly evaluate export options for coal into South Africa.
- Baseline measurements of standing water levels and groundwater chemistry continued during the quarter.
- A two-year extension to the term of Mmamabula West Prospecting Licence PL56/2005 was granted by the Botswana Department of Mines. The licence is valid until 30 September 2019.
- In September 2017 a revised drafting of the ESIA was shared with the DEA for review. This review process is ongoing. Final revisions to the ESIA will be made after the review process and then submitted for final approval.

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

- The Company has executed a binding Share Sale Agreement under which it will sell the Mmamantswe Coal and Power project to TM Consulting (TMC) for US\$20 million, subject to certain conditions being met, principally the financial close of a 600MW integrated power project.
- Further drilling is planned at Mmamantswe to upgrade a portion of the measured resource (JORC 2005) to JORC 2012 and SAMREC 2012 standard. This drilling will commence once the development consortium has been formalised (a consortium between TMC and other parties including an original equipment manufacturer, EPC contractor and various funding parties).
- The Mmamantswe Prospecting Licence PL69/2007 is valid until 31st December 2018.
- An application for Land Rights over the project area, project access corridor and grid connection corridor has been submitted.

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

Sese Project: Resource Summary (Raw coal ADB, 65% FQM, 35% 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, 65% FQM, 35% 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 the quarter and their location

	Interest at beginning of quarter	Interest at end of quarter	Location	Commodity
ML2016/42L (Sese ML)	37%	35%	Botswana	Coal, U
PL096/2005 (Sese PL)	37%	35%	Botswana	Coal, U
PL197/2007 (Sese West)	37%	35%	Botswana	Coal, U
PL004/2013 (Foley North)	37%	35%	Botswana	Industrial
PL069/2007 (Mmamantswe)*	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal

* Mmamantswe subject to conditional sale agreement to TM Consulting

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	
ABN	Quarter ended ("current quarter")
45 123 316 781	30 June 2018

Consolidated statement of cash flows	Current quarter (3 months) \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(14)	(84)
(b) development	-	-
(c) production	-	-
(d) staff costs	(102)	(555)
(e) administration and corporate costs	(99)	(285)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	87
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(179)	(836)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(146)	(441)
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	49	49
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(97)	(392)

Consolidated statement of cash flows		Current quarter (3 months) \$US'000	Year to date (12 months) \$US'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,089
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Payments for Share buyback)	(64)	(64)
3.10	Net cash from / (used in) financing activities	(64)	1,025
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,738	2,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(179)	(836)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(97)	(392)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(64)	1,025
4.5	Effect of movement in exchange rates on cash held	(98)	(118)
4.6	Cash and cash equivalents at end of period	2,300	2,300
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	747	1,020
5.2	Call deposits	1,553	2,208
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,300	3,228

6. Payments to directors of the entity and their associates

Current quarter \$US'000

- | | | |
|-----|--|----|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 82 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Payment of director fees

7. Payments to related entities of the entity and their associates

Current quarter \$US'000

- | | | |
|-----|--|----|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | 18 |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

Payments to Mitchell River Group for administration and technical staff and provision of a serviced office

8. Financing facilities available

Add notes as necessary for an understanding of the position

- | | Total facility amount
at quarter end
\$US'000 | Amount drawn at
quarter end
\$US'000 |
|-----|--|--|
| 8.1 | Loan facilities | - |
| 8.2 | Credit standby arrangements | - |
| 8.3 | Other (please specify) | - |
| 8.4 | Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | |

9. Estimated cash outflows for next quarter

\$US'000

- | | | |
|-----|--------------------------------------|------------|
| 9.1 | Exploration and evaluation | - |
| 9.2 | Development | - |
| 9.3 | Production | - |
| 9.4 | Staff costs | 96 |
| 9.5 | Administration and corporate costs | 72 |
| 9.6 | Other (provide details if material) | - |
| 9.7 | Total estimated cash outflows | 168 |

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Daniel Davis
Company Secretary
Date: 31 July 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.