

23 December 2019

SESE JV EXECUTES KEY POWER SALES DOCUMENT

Highlights

- Term Sheet for a Power Sales Agreement for 150MW for 15 years has been signed with Zimasco (Pvt) Ltd.
- Final permitting underway with energy regulators in Botswana.
- Negotiations underway with potential development and financing partners for an initial 300MW project with the potential to expand to 600MW or larger.
- African Energy is a 33.3% contributing shareholder in the Sese JV.

1. POWER SALES AGREEMENTS

African Energy Resources Limited ('African Energy' or 'the Company') is pleased to provide an update for the Sese JV Coal and Power Project ("**Sese Project**") in Botswana (Diagram 1).

The following relates to the sale of power from the first 300MW stage of the Sese Project:

1. A Power Sales Term Sheet, as a precursor to a Power Sales Agreement, has been executed between the Sese JV and Zimasco (Pvt) Ltd ("**Zimasco**") for the purchase of 150MW of power for 15 years. Zimasco is Zimbabwe's largest ferro-chrome mining and smelting business and is 100% owned by Sinosteel. It is the largest industrial consumer of power in Zimbabwe.
2. A Power Sales Agreement between the Sese JV and Zambian subsidiaries of First Quantum Minerals Ltd ("**FQM**") for the purchase of 100MW of power delivered to their Zambian copper operations for a period of 15 years is in the final stages of approval. FQM is the largest consumer of power in Zambia.

Both Power Sales Agreements will be subject to certain conditions precedent.

The execution of power sales agreements is a requirement for completion of final permits and approvals with Botswana regulators, which will now be progressed as a matter of urgency.

2. POWER PROJECT DEVELOPMENT

The Sese Joint Venture is engaged with prospective partners for financing and construction of the project and is progressing these negotiations. Negotiations to date have focussed on an initial installed capacity of 300MW gross (2 x 150MW units), which would produce approximately 260MW of net power available for sale. After allowing for transmission losses, the two power sales agreements noted above will consume the full output of the first 300MW stage.

Under a joint venture agreement signed in 2014, FQM have to date earned a 66.7% interest in the Sese Project, with African Energy owning the balance of 33.3%. The parties have agreed that the joint venture shareholding will remain fixed at these levels and that both parties will contribute pro rata to ongoing costs. All other obligations of the joint venture remain as agreed in 2014 (refer ASX release dated 20th October 2014).

3. BACKGROUND – REGIONAL ENERGY CRISIS

Southern Africa is currently experiencing a major energy crisis due to a combination of thermal power generation plant failures and severe drought-induced low river flows reducing hydro-electric output. This crisis is driving strong interest in the low-cost baseload power that can be delivered by the Sese Project.

Many major mining projects, which are critical to their national economies, are dependent on stable power supply. A number of new builds and expansion plans for such projects are contingent on securing long-term power supply at suitable prices.

The Sese Project is therefore receiving strong interest from potential buyers and is well placed to satisfy this demand and provide a valuable addition to the southern African energy market.

The Sese Project is ideally located at the centre of the regional transmission grid to deliver power to the entire region (see Diagram1) and has large resources of coal to support multiple long-term power generation projects (refer Appendix 1).

A further update on permitting and financing will be provided in Q1 2020.

For any further information, please contact the Company directly on +61 8 6465 5500.

The announcement is authorised for release by the CEO of African Energy.

For and on behalf of the board.

COMPETENT PERSONS STATEMENT

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code (2012 edition) and 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 Tabcart (an employee and the CEO of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart 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 Tabcart consents to the inclusion of the data in the form and context in which it appears.

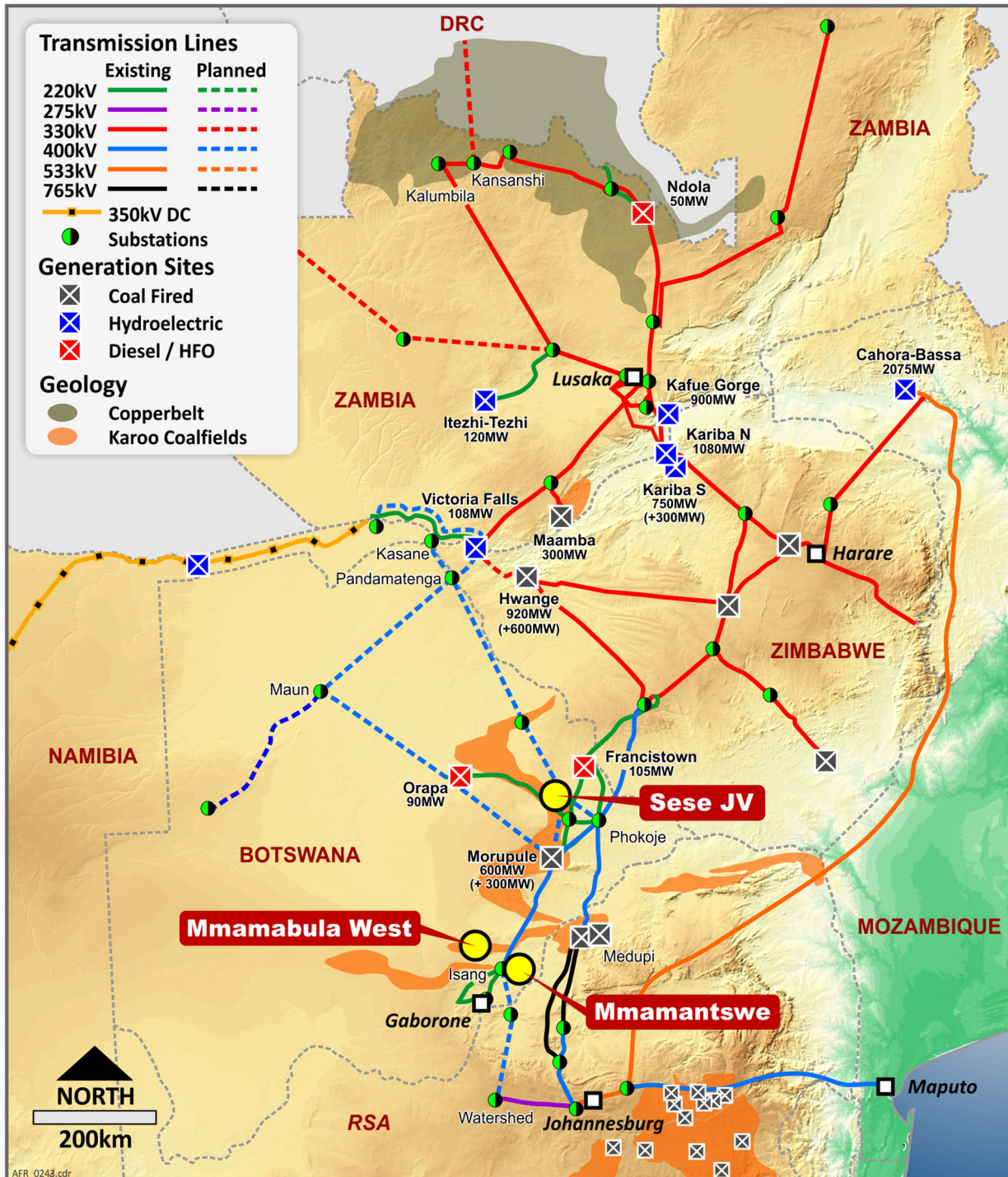


Diagram 1 – Location Map showing the location of the Sese Project and the regional high voltage transmission grid.

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

Sese JV Project (AFR 33%, FQML 67%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Bk-C)	325 Mt	17.6	4,200	30.1	7.9	20.6	41.5	2.1
MEASURED (Bk-B)	304 Mt	16.0	3,820	34.8	7.4	20.3	37.6	1.6
INDICATED	1,663 Mt	15.4	3,700	38.4	6.8	18.7	34.1	2.0
INFERRED	126 Mt	14.2	3,400	41.4	6.4	18.8	31.2	2.2
TOTAL	2,418 Mt							

Sese West Project (AFR 33%, FQML 67%): Resource Summary (Raw coal on an air-dried basis)								
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 (AFR 100%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	17 Mt	22.2	5,300	19.6	7.3	24.8	48.2	1.6
INDICATED	1,061 Mt	20.4	4,875	24.4	6.1	26.5	43.1	1.5
INFERRED	1,858 Mt	20.3	4,850	24.7	5.8	26.2	43.4	1.6
TOTAL	2,935 Mt							

Mmamantswe Project (AFR 100%): Resource Summary (Raw coal on an air-dried basis)								
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 Mmamantswe Project 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). The coal resources quoted for Sese, Sese West and Mmamabula West are reported as per the 2012 edition. There have been no material changes to any of the Sese, Sese West and Mmamantswe resources since they were first announced.