



African Energy Resources Limited
ARBN 123 316 781

Interim Financial Statements
for the six months ended
31 December 2019

AFRICAN ENERGY RESOURCES LIMITED

Contents page

Interim Financial Statements - 31 December 2019

Directors' Report	3
Directors' Declaration	5
Independent Auditor's Review Report	6
Independence Declaration	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13

AFRICAN ENERGY RESOURCES LIMITED

Directors' Report

Interim Financial Statements - 31 December 2019

Your Directors present their report on the consolidated entity consisting of African Energy Resources Limited ("African Energy" or the "Company") and the entities it controlled at the end, or during, the half-year ended 31 December 2019 ("Consolidated Entity").

DIRECTORS

Mr Alasdair Cooke	Executive Chairman
Dr Charles (Frazer) Tabcart	Executive Director - investor relations and business development
Mr Gregory (Bill) Fry	Non-Executive Director
Mr Valentine Chitalu	Non-Executive Director
Mr Vincent (Ian) Masterton-Hume	Non-Executive Director
Mr John Dean	Non-Executive Director

REVIEW OF OPERATIONS

The Consolidated Entity's core business remains the development of Sese Coal to Power Project ("Sese Project") in Botswana, in which it holds a 33.3% interest.

Under a joint venture agreement signed in 2014, FQM earned a 66.7% interest in the Sese Project, with African Energy owning the balance of 33.3% (Sese JV). The parties contribute pro rata to ongoing costs.

The Sese JV has completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design has determined that Sese coal is a suitable fuel for all common power station boiler technologies and can readily meet the required air quality and emissions standards set in the environmental approvals for the project.

These studies have also established the operating costs, capital costs and a robust financial model for a power project and the associated coal mine and coal processing facilities and have demonstrated that power from Sese could be delivered to the Zambian Copperbelt where FQML operates a large copper mining and smelting business.

The project has secured the majority of licences, permits and stakeholder approvals that are required for such an operation including:

- A large-scale mining licence has been granted for an initial period of 25-years over an area of approximately 51 km² which contains 650Mt of coal in Block-C.
- A Development Approval Order which sets the fiscal framework for the project, including a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate.
- Land Rights and an associated 50-year Land Lease Agreement.
- Water extraction rights from Shashe Dam.
- Environmental approval for the project for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- Implementation of the resettlement action plan (RAP) around Sese.

Sese Power has signed power sales agreements which consume the full output of the first 300MW stage for a period of 15 years.

Sese JV is in discussions with several additional parties. A second 300MW unit can be considered if suitable demand and associated power sales agreements can be established

Southern Africa is experiencing severe power shortages with major load shedding (forced blackouts to conserve power) throughout the region, particularly in South Africa, Zimbabwe and Zambia. This shortage of generation capacity is accompanied by rapidly rising electricity tariffs. Access to reliable and affordable power is one of the main issues affecting economic growth and living standards in the southern African region.

At 31 December 2019, the Consolidated Entity had cash reserves of US\$1,484,646 (30 June 2019: US\$1,941,739).

EVENTS OCCURRING AFTER REPORTING PERIOD

The Botswana Energy Regulatory Authority advised Sese JV that they had approved the issue of an electricity generation license for the proposed 300MW Sese Power Station (Sese Project). The generation license was the final regulatory approval required for the Sese Project to commence.

AFRICAN ENERGY RESOURCES LIMITED

Directors' Report

Interim Financial Statements - 31 December 2019

No other matters or circumstances have arisen since the end of the interim financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity or the parent company in future reporting periods.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half year ended 31 December 2019.



Charles Frazer Tabeart
Executive Director
13 March 2020

AFRICAN ENERGY RESOURCES LIMITED

Directors' Declaration

Interim Financial Statements - 31 December 2019

The opinion of the directors of African Energy Resources Limited:

- a. The financial statements and notes set out on pages 9 to 16 are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - ii. Complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b. There are reasonable grounds to believe that African Energy Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Charles Frazer Tabeart
Executive Director
13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of African Energy Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of African Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in dark ink, appearing to read 'J Prue', is written below the printed name.

Jarrad Prue

Director

Perth, 13 March 2020

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor for the review of African Energy Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of African Energy Resources Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 13 March 2020

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019

		31-Dec-19	31-Dec-18
		US\$	US\$
Interest received		12,543	23,248
Share based payment (expense) / reversal		9,699	(17,039)
Share of net loss in Sese Joint Venture	4	(299,626)	(201,499)
Administration and other corporate expenses		(97,408)	(61,276)
Exploration & evaluation expensed		(79,349)	(59,156)
Salaries and employee benefits expense		(16,074)	(123,390)
Loss on derivative		(18,880)	(92,494)
Foreign currency gain (loss)		(3,848)	(45,388)
Loss before tax		(492,943)	(576,994)
Income tax expense		-	-
Loss after tax for the half year		(492,943)	(576,994)
Attributable to:			
Equity holders of the Company		(492,943)	(576,994)
Loss for the half year		(492,943)	(576,994)
Other comprehensive income			
Other comprehensive items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)		(216,969)	(137,733)
Other comprehensive items that may be reclassified to profit or loss			
Foreign currency translation reserve		(4,337)	(102,235)
Total other comprehensive income / (loss) for the half year		(221,306)	(239,968)
Total comprehensive income / (loss) attributable to the ordinary equity holders of the Company:			
Total comprehensive (loss) for the half year		(714,249)	(816,962)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)		(0.08)	(0.09)

The above consolidated statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31-Dec-19 US\$	30-Jun-19 US\$
Assets			
Current assets			
Cash & cash equivalents		1,484,646	1,941,739
Financial Assets at FVOCI	3	411,440	630,610
Derivative Asset		34,240	53,120
Trade & other receivables		15,418	51,482
Total current assets		1,945,744	2,676,951
Non current assets			
Investment in Sese Joint Venture	4	7,050,151	6,924,616
Exploration & evaluation		2,500,000	2,500,000
Total non-current assets		9,550,151	9,424,616
Total assets		11,495,895	12,101,567
Liabilities			
Current liabilities			
Trade & other payables		218,818	100,541
Total current liabilities		218,818	100,541
Total liabilities		218,818	100,541
Net assets		11,277,077	12,001,026
Equity			
Contributed equity		64,134,977	64,134,977
Reserves		(643,641)	(412,635)
Retained Earnings (Accumulated losses)		(52,214,259)	(51,721,316)
Total equity attributable to shareholders of the Company		11,277,077	12,001,026

The above consolidated statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

	Contributed equity	Accumulated losses	Foreign Currency Translation Reserve	Other Comprehensive Income Reserve (FVOCI)	Share-Based Payments Reserve	Total equity
For the half-year ended 31 December 2019	US\$	US\$	US\$	US\$	US\$	US\$
Opening balance 1 July 2019	64,134,977	(51,721,316)	(5,218,589)	(183,042)	4,988,996	12,001,026
Net loss for the period	-	(492,943)	-	-	-	(492,943)
Other Comprehensive loss						
Effect of translation of foreign operations to group presentation currency	-	-	(4,337)	-	-	(4,337)
Movement in fair value of financial assets at FVOCI	-	-	-	(216,969)	-	(216,969)
Total comprehensive income (loss) for the period	-	(492,943)	(4,337)	(216,969)	-	(714,249)
Transactions with owners in their capacity as owners:						
Employee performance rights and options	-	-	-	-	(9,700)	(9,700)
Equity settled share based payment transactions	-	-	-	-	-	-
	-	-	-	-	(9,700)	(9,700)
Balance at 31 December 2019	64,134,977	(52,214,259)	(5,222,926)	(400,011)	4,979,296	11,277,077

**For the half-year ended 31
December 2018**

Opening balance 1 July 2018	64,134,977	(50,775,745)	(5,180,211)	(9,223)	5,215,287	13,385,085
Net loss for the period	-	(576,994)	-	-	-	(576,994)
Other Comprehensive loss						
Effect of translation of foreign operations to group presentation currency	-	-	(102,235)	-	-	(102,235)
Movement in fair value of financial assets at FVOCI	-	(17,777)	-	(119,956)	-	(137,733)
Total comprehensive income (loss) for the period	-	(594,771)	(102,235)	(119,956)	-	(816,962)
Transactions with owners in their capacity as owners:						
Employee performance rights and options	-	-	-	-	17,039	17,039
Equity settled share based payment transactions	-	-	-	-	-	-
	-	-	-	-	17,039	17,039
Balance at 31 December 2018	64,134,977	(51,370,516)	(5,282,446)	(129,179)	5,232,326	12,585,161

The above consolidated statement should be read in conjunction with the accompanying notes.

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

	31-Dec-19	31-Dec-18
	US\$	US\$
Cash flows from operating activities		
Payment for exploration and evaluation	(93,370)	(63,240)
Payment to suppliers and employees	(80,685)	(213,341)
Interest received	13,795	16,780
Net cash used in operating activities	(160,260)	(196,562)
Cash flows from investing activities		
Investment in Sese JV	(292,475)	-
Receipts from sale of listed investments	-	429,615
Acquisitions of Shares in Caravel Minerals	-	(29,166)
Net cash from (used in) investing activities	(292,475)	337,209
Cash flows from financing activities		
Issue of shares	-	-
Net cash from financing activities	-	-
Cash and cash equivalents at 1 July	1,941,739	2,300,244
Net (decrease) / increase in cash and cash equivalents	(452,735)	140,647
Effect of exchange rate fluctuations on cash held	(4,358)	(123,093)
Cash and cash equivalents at 31 December	1,484,646	2,317,798

The above consolidated statement should be read in conjunction with the accompanying notes.

1. Basis of Preparation

1.1 Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB'), AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The financial report of the Consolidated Entity also complies with IFRSs and interpretations as issued by the International Accounting Standards Board. African Energy Resources Limited is a for-profit entity for the purposes of preparing financial statements.

The financial report was authorised for issue by the Directors on 13 March 2020.

1.2 Basis of measurement

The financial report is prepared under the historical cost convention.

1.3 Functional and presentation currency

These consolidated financial statements are presented in US dollars ('US\$').

The functional currency of the Company and each of the operating subsidiaries is US\$ which represents the currency of the primary economic environment in which the Company and each of the operating subsidiaries operates.

Subsidiaries denominated in Australian dollars ('AU\$') are translated at the closing rate on reporting date. Profit and loss items are translated on the prevailing rate on the date of transaction.

1.4 Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

1.5 Reporting entity

African Energy Resources Limited (referred to as the 'Parent Entity' or the 'Company') is a Guernsey registered company domiciled in Australia. The consolidated financial statements of the Company as at and for the half-year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity' or the 'Group').

1.6 Use of estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Investments in Associates – The carrying value of investments in associates are assessed for impairment indicators in accordance with AASB 128 Investments in Associates and Joint Ventures. In the event an impairment indicator is identified the investment would then be tested for impairment in accordance with AASB 136 Impairment of Assets. The Group has not identified any impairment indicators in relation to the investment for the period ended 31 December 2019.
- Exploration & evaluation expenditure - If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.
- Share-based payments arrangements - The Group values options issued at fair value at the grant date using the binomial option pricing model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option. Performance rights are valued at face value of the share on the date of issue. At each reporting period management assess the probability of the vesting of options and performance rights where applicable

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2019

in accordance with AASB 2 – Share based payments (non-market conditions). The probability is assessed to either be less likely or more likely (0% or 100%) and a vesting expense is recorded accordingly.

2. Segment information

For the period ended 31 December 2019	Power Development Projects	Power Investments	Other segments	Consolidated
	US\$	US\$	US\$	US\$
(Loss) before income tax	(79,349)	(299,626)	(113,968)	(492,943)
Segment Assets at 31 December 2019				
Investment in Sese JV	-	7,050,151	-	7,050,151
Exploration and evaluation	2,500,000	-	-	2,500,000
Financial Assets at FVOCI	-	-	411,440	411,440
Cash and short term receivable	-	-	1,534,304	1,534,304
Total Segment Assets	2,500,000	7,050,151	1,945,744	11,495,895
Segment Liabilities at 31 December 2019				
Trade & other payables	-	-	218,818	218,818
Total Segment Liabilities	-	-	218,818	218,818
For the period ended 31 December 2018				
(Loss) before income tax	(59,156)	(201,499)	(316,339)	(576,994)
Segment Assets at 30 June 2019				
Investment in Sese JV	-	6,924,616	-	6,924,616
Exploration and evaluation	2,500,000	-	-	2,500,000
Financial Assets at FVOCI	-	-	630,610	630,610
Cash and short term receivable	-	-	2,046,341	2,046,341
Total Segment Assets	2,500,000	6,924,616	2,676,951	12,101,567
Segment Liabilities at 30 June 2019				
Trade & other payables	-	-	100,541	100,541
Total Segment Liabilities	-	-	100,541	100,541

The Company's main activity is development of coal to power projects in southern Africa. Power investments related to the Company's minority interest in Sese Power Project.

3. Financial assets at FVOCI

	Caravel Shares	Goviex Shares	Total
Carrying amount at 30 June 2018	677,346	470,584	1,147,930
Additions	111,135	-	111,135
Movement in fair value of financial assets	(156,278)	(35,310)	(191,588)
Effect of movements in foreign exchange	(1,593)	-	(1,593)
Disposals	-	(435,274)	(435,274)
Carrying amount at 30 June 2019	630,610	-	630,610
Movement in fair value of financial assets	(216,969)	-	(216,969)
Effect of movements in foreign exchange	(2,201)	-	(2,201)
Carrying amount at 31 December 2019	411,440	-	411,440

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2019

4. Investments in Associates

	31-Dec-19	30-Jun-19
	US\$	US\$
Balance at the beginning of the period	6,924,616	7,301,534
Contributions to Sese JV	425,161	-
Share of losses after income tax	(299,626)	(376,918)
Balance at the end of the period	7,050,151	6,924,616

	Ownership	Assets	Company's share of:		
	interest		Liabilities	Revenues	Losses
	%	US\$	US\$	US\$	US\$
Sese JV	33.3%	5,014,240	110,632	-	(299,626)

5. Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
31 December 2019				
Financial assets at FVOCI	411,440	-	-	411,440
Derivative asset	-	-	34,240	34,240
Total assets	411,440	-	34,240	445,680
30 June 2019				
Financial assets at FVOCI	630,610	-	-	630,610
Derivative asset	-	-	53,120	53,120
Total assets	630,610	-	53,120	683,730

There were no transfers between levels during the Period.

6. Related Party Transactions

There have not been any changes to transactions with related parties in the consolidated entity since the last reporting date (30 June 2019).

7. Dividends

No dividends were paid by the consolidated entity (June 2019: nil).

8. Commitments & Contingencies

There have not been any material changes to contingencies in the consolidated entity since the last reporting date (30 June 2019).

9. Events Occurring After Reporting Period

The Botswana Energy Regulatory Authority advised Sese JV that they had approved the issue of an electricity generation license for the proposed 300MW Sese Power Station (Sese Project). The generation license was the final regulatory approval required for the Sese Project to commence.

No other matters or circumstances have arisen since the end of the interim financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity or the parent company in future reporting periods.

10. New and Amended Standards Adopted by the Group

A number of new or amended standards became applicable for the current reporting period for which the Group had adopted:

- AASB16 Leases

The Group applied the practical expedient available regarding accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short term leases, and adopted the modified retrospective approach. Therefore, the standard has had no impact on the entity for the interim period ended 31 December 2019.