



African Energy Resources Limited
ARBN 123 316 781

Interim Financial Statements
for the six months ended
31 December 2020

AFRICAN ENERGY RESOURCES LIMITED

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AFRICAN ENERGY RESOURCES LIMITED
Directors' Report
Interim Financial Statements - 31 December 2020

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 2020 ("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 (Retired 15 July 2020)
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% interest. Under a joint venture agreement signed in 2014, First Quantum Minerals ("FQM") earned a 67% interest in the Sese Project, with African Energy owning the balance of 33% (Sese JV). FQM will earn a 75% interest in Sese JV by spending an additional A\$1,277,450.

In October 2020, the Consolidated Entity submitted applications for five exploration licences in the highly prospective South West Terrane of Western Australia. The applications cover three areas, the Kondinin, Tarin Rock and Sunnyside-Mayanup projects are considered prospective for large porphyry Cu-Au deposits and/or intrusion related orogenic gold deposits. These applications have been made as part of an internal project generation program which is designed to diversify the Company's portfolio away from a reliance solely on coal-to-power development projects in Botswana.

At 31 December 2020, the Consolidated Entity had cash reserves of US\$882,499 (30 June 2020: US\$1,013,017).

EVENTS OCCURRING AFTER REPORTING PERIOD

In January 2021, the Consolidated Entity sold 2,419,600 shares in Caravel Minerals for US\$452,154. On 10 March 2021 it lodged a form notifying Caravel Minerals that it ceased to be a substantial shareholder. At the date of this report the Consolidated Entity held 15,683,872 Caravel Minerals shares.

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 7 and forms part of the Directors' report for the half year ended 31 December 2020.



Charles Frazer Tabcart
Executive Director
16 March 2021

AFRICAN ENERGY RESOURCES LIMITED

Directors' Declaration

Interim Financial Statements - 31 December 2020

The opinion of the directors of African Energy Resources Limited:

- a. The financial statements and notes set out on pages 8 to 15 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 2020 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
16 March 2021

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 2020, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue
Director

Perth, 16 March 2021

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 2020, 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, 16 March 2021

AFRICAN ENERGY RESOURCES LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

	Note	31-Dec-20 US\$	31-Dec-19 US\$
Government grants		16,102	-
Interest received		3,202	12,543
Salaries and employee benefits expense		(101,551)	(16,074)
Administration and other corporate expenses		(86,475)	(97,408)
Exploration & evaluation expensed		(85,459)	(79,349)
Share of net loss in Sese Joint Venture	4	(119,032)	(299,626)
Share based payment (expense) / reversal		-	9,699
Loss on derivative		-	(18,880)
Foreign currency gain (loss)		155	(3,848)
Loss before tax		(373,058)	(492,943)
Income tax expense		-	-
Loss after tax for the half year		(373,058)	(492,943)
Attributable to:			
Equity holders of the Company		(373,058)	(492,943)
Loss for the half year		(373,058)	(492,943)
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)		2,098,263	(216,969)
Other comprehensive items that may be reclassified to profit or loss			
Foreign currency translation reserve		176,013	(4,337)
Total other comprehensive income / (loss) for the half year		2,300,159	(221,306)
Total comprehensive income / (loss) attributable to the ordinary equity holders of the Company:			
Total comprehensive (loss) for the half year		1,927,101	(714,249)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)		(0.06)	(0.08)

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 2020

	Note	31-Dec-20 US\$	30-Jun-20 US\$
Assets			
Current assets			
Cash & cash equivalents		882,499	1,013,017
Financial Assets at FVOCI	5	2,774,140	631,257
Trade and Other Receivables		119,733	19,229
Total current assets		3,776,372	1,663,503
Non current assets			
Investment in Sese Joint Venture	4	6,810,920	7,077,471
Total non-current assets		6,810,920	7,077,471
Total assets		10,587,292	8,740,974
Liabilities			
Current liabilities			
Trade & other payables		66,025	146,808
Total current liabilities		66,025	146,808
Total liabilities		66,025	146,808
Net assets		10,521,267	8,594,166
Equity			
Contributed equity		64,134,977	64,134,977
Reserves		(3,125,655)	(5,425,814)
Retained Earnings (Accumulated losses)		(50,488,055)	(50,114,997)
Total equity attributable to shareholders of the Company		10,521,267	8,594,166

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 2020

	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 2020	US\$	US\$	US\$	US\$	US\$	US\$
Opening balance 1 July 2020	64,134,977	(50,114,997)	(5,255,307)	(170,507)	-	8,594,166
Net loss for the period	-	(373,058)	-	-	-	(373,058)
Other Comprehensive loss						
Effect of translation of foreign operations to group presentation currency	-	-	176,013	-	-	176,013
Movement in fair value of financial assets at FVOCI	-	-	-	2,124,146	-	2,124,146
Total comprehensive income (loss) for the period	-	(373,058)	176,013	2,124,146	-	1,927,101
Transactions with owners in their capacity as owners:						
Employee performance rights and options	-	-	-	-	-	-
Equity settled share-based payment transactions	-	-	-	-	-	-
	-	-	-	-	-	-
Balance at 31 December 2020	64,134,977	(50,488,055)	(5,079,294)	1,953,639	-	10,521,267
For the half-year ended 31 December 2019						
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

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 2020

	31-Dec-20 US\$	31-Dec-19 US\$
Cash flows from operating activities		
Payment for exploration and evaluation	(41,098)	(93,371)
Payment to suppliers and employees	(251,199)	(80,685)
Interest received	2,829	13,795
Net cash used in operating activities	(289,468)	(160,260)
Cash flows from investing activities		
Investment in Sese JV	1,676	(292,475)
Receipts from sale of listed investments	42,147	-
Net cash from / (used in) investing activities	43,823	(292,475)
Cash and cash equivalents at 1 July	1,013,017	1,941,739
Net (decrease) / increase in cash and cash equivalents	(245,645)	(452,735)
Effect of exchange rate fluctuations on cash held	115,127	(4,358)
Cash and cash equivalents at 31 December	882,499	1,484,646

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 16 March 2021.

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 2020 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

AFRICAN ENERGY RESOURCES LIMITED

Notes to the consolidated financial statements

Interim Financial Statements - 31 December 2020

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 2020.

- 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 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 2020	Power Development Projects	Power Investments	Other segments	Consolidated
	US\$	US\$	US\$	US\$
(Loss) before income tax	(85,459)	(119,032)	(168,567)	(373,058)
Segment Assets at 31 December 2020				
Investment in Sese JV	-	6,810,920	-	6,810,920
Cash and short-term receivable	-	-	3,776,372	3,776,372
Total Segment Assets	-	6,810,920	3,776,372	10,587,292
Segment Liabilities at 31 December 2020				
Trade & other payables	-	-	66,025	66,025
Total Segment Liabilities	-	-	66,025	66,025
For the period ended 31 December 2019				
(Loss) before income tax	(79,349)	(299,626)	(113,968)	(492,943)
Segment Assets at 30 June 2020				
Investment in Sese JV	-	7,077,471	-	7,077,471
Cash and short term receivable	-	-	1,663,503	1,663,503
Total Segment Assets	-	7,077,471	1,663,503	8,740,974
Segment Liabilities				
Trade & other payables	-	114,273	32,535	146,808
Total Segment Liabilities	-	-	32,535	146,808

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.

AFRICAN ENERGY RESOURCES LIMITED
Notes to the consolidated financial statements
Interim Financial Statements - 31 December 2020
3. Financial assets at FVOCI

	Caravel Shares
Carrying amount at 30 June 2019	677,346
Additions	111,135
Movement in Fair Value of Financial assets at FVOCI	(156,278)
Effect of movements in foreign exchange	(1,593)
Disposals	-
Carrying amount at 30 June 2020	630,610
Additions	-
Movement in Fair Value of Financial assets at FVOCI	2,124,146
Effect of movements in foreign exchange	61,531
Disposals	(42,147)
Carrying amount at 31 December 2020	2,774,140

4. Investments in Associates

	31-Dec-20 US\$	30-Jun-20 US\$
Balance at the beginning of the period	7,077,471	6,924,616
Investment in Sese JV / (Refund of Sese JV contributions)	(147,518)	561,559
Share of losses after income tax	(119,032)	(408,704)
Balance at the end of the period	6,810,921	7,077,471

	Ownership interest %	Assets US\$	Company's share of: Liabilities US\$	Revenues US\$	Losses US\$
Sese JV	33.3%	5,066,511	107,676	-	(119,032)

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 US\$	Level 2 US\$	Level 3 US\$	Total US\$
31 December 2020				
Financial assets at FVOCI	2,774,140	-	-	2,774,140
Total assets	2,774,140	-	-	2,774,140
30 June 2020				
Financial assets at FVOCI	631,257	-	-	631,257
Total assets	631,257	-	-	631,257

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 2020).

7. Share-based Payments

Options granted during the Period have been valued using the Black-Scholes Option Valuation model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for the assumptions used for grants made during the Period.

On 20 July 2020, the Company issued 31,124,532 options exercisable at AUD\$0.02 ("Options") to ALS (Hong Kong) Limited, a consultant appointed by the Sese Joint Venture to provide advice and assistance in securing a project partner for the Sese Power Project. Options will vest upon the successful completion of an agreement that results in a new party becoming a majority shareholder in the Sese Joint Venture and expire on 20 July 2022.

African Energy has valued the Options at AUD\$404,619 based on the following inputs, however has determined that the Options are less likely than more likely to vest and has not expensed the Options during the Period.

Number:	31,124,532
Date of Issue	22/07/2020
Spot price on Date of Issue	AUD\$0.02
Exercise price:	AUD\$0.02
Expiry:	Two years from date of issue
Volatility	132%
Risk free rate	0.145%
Value per Option on date of issue	\$0.013
Total value of options	A\$404,619

8. Dividends

No dividends were paid by the consolidated entity (June 2020: nil).

9. Commitments & Contingencies

There have not been any material changes to contingencies in the consolidated entity since the last reporting date (30 June 2020).

10. Events Occurring After Reporting Period

In January 2021, the Consolidated Entity sold 2,419,600 shares in Caravel Minerals for US\$452,154. On 10 March 2021 it lodged a form notifying Caravel Minerals that it ceased to be a substantial shareholder. At the date of this report the Consolidated Entity held 15,683,872 Caravel Minerals shares.

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.

11. New and Amended Standards Adopted by the Group

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.