

29 July 2021

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2021**

### **HIGHLIGHTS:**

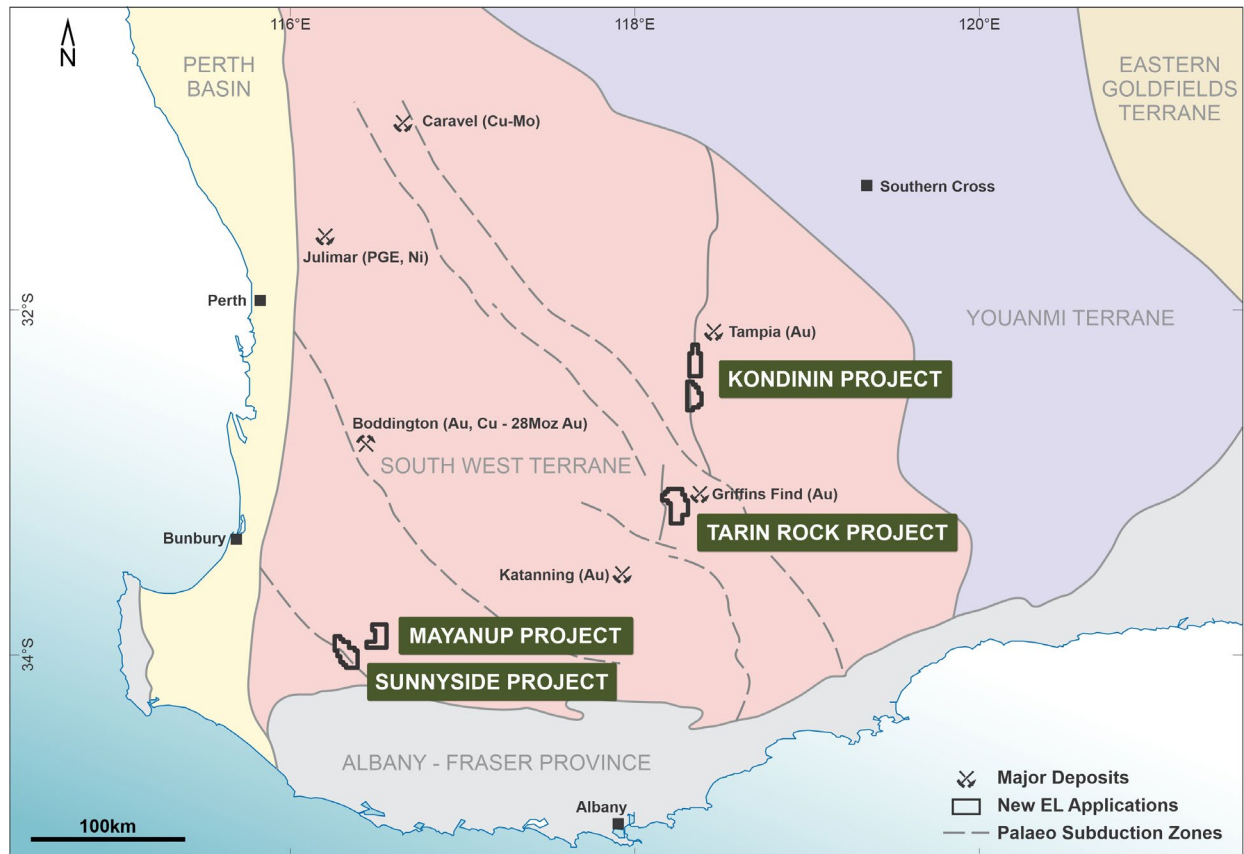
- The Company's five exploration licence applications for copper-gold exploration in Western Australia were granted on 3 May 2021.
- Preliminary fieldwork comprising soil sampling and geological mapping along public roadsides will commence in the September quarter, initially at the Mayanup and Sunnyside projects near Bridgetown (see Figure 1).
- The Company continues to evaluate additional exploration opportunities for copper and gold in Australia.
- The Sese JV in Botswana is fully permitted and in a strong position to submit a bid into the proposed 300MW coal-fired power generation tender once it has been opened for submission by the Government of Botswana.
- Business development activities for the Sese JV continued in China and southern Africa related to pursuing project development partners, EPC/OEM contractors and additional power offtake customers.
- At the date of this report, the Company has A\$1.30M cash plus A\$6.0M in share investments and carries no debt.

### **PROJECTS:**

#### **1. Exploration Projects for Copper and Gold in Western Australia**

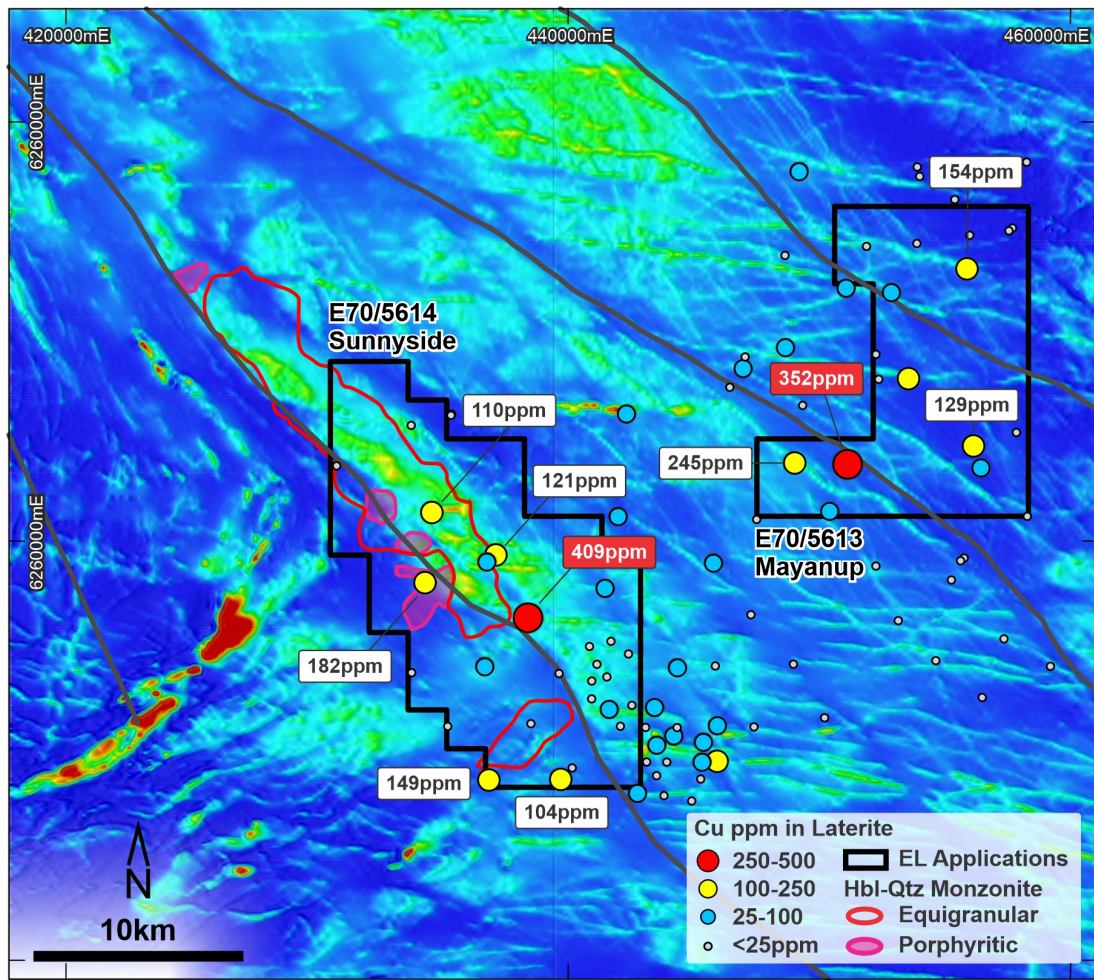
AFR previously announced that it had submitted five Exploration Licence applications in the highly prospective South-West Terrane of Western Australia. These applications were approved on 3 May 2022, and cover three project areas which are considered prospective for large porphyry-style Cu-Au deposits or intrusion related orogenic Au deposits (see Figure 1 for location):

- The Sunnyside-Mayanup and Tarin Rock projects are located close to major crustal scale lineaments believed to represent palaeo-subduction zones that may be spatially related to large-scale porphyry deposits such as Boddington and Caravel.



**Figure 1:** Location map showing the five new exploration licence application areas in the SW Terrane of Western Australia.

- The Sunnyside project straddles a structure which represents a sub-terrane boundary. On the northern side of this structure, the GSWA regional mapping indicates the presence of hornblende-bearing quartz monzonites which are locally porphyritic in nature. These types of rocks are considered prospective for porphyry Cu-Au mineralisation. This is supported by strong geochemical anomalism for copper in the CSIRO-CRC-LEME Laterite Geochemical database in this area, with anomalous samples (>100ppm Cu) containing up to 409ppm Cu over an area of ~14km x 3.5km (Figure 2).
- The Mayanup application straddles two linear structures and contains copper anomalism up to 352ppm Cu over an area of ~12km x 5km (Figure 2).
- The Tarin Rock project occurs in an area of geological complexity where regional aeromagnetic data indicates the presence of a series of complex, nested felsic intrusive rocks to the immediate north-east of a jog in a major NNE trending structure. The Griffins Find intrusion related orogenic gold deposit occurs a further 5km to the NE of the tenement application. Tarin Rock is considered prospective for intrusion related orogenic gold deposits.
- The Kondinin Project straddles a major N-S fault zone which links a palaeo-subduction zone with the terrane boundary between the South-West Terrane and the Youanmi Terrane, and which is considered prospective for intrusion related orogenic gold mineralisation.



**Figure 2:** CSIRO laterite sampling sites and copper assays for the Sunnyside and Mayanup projects in SW Western Australia

### Outlook:

- A program of 400m spaced roadside soil sampling and geological mapping of the Sunnyside and Mayanup projects will be undertaken. Planning, selection of contractors to perform the work, and logistics preparation are well advanced, and work is expected to commence in the September Quarter.
- Initial field reconnaissance of the Tarin Rock and Kondinin project areas will be undertaken in the following quarter to evaluate the geochemical sampling medium and to assist with planning follow up sampling.
- The Company is currently evaluating other exploration opportunities for copper and gold in Australia and will provide a market update if a material transaction or acquisition is made.

## **2. Regional Energy Market in Southern Africa**

- Botswana's Ministry of Mineral Resources, Green Technology and Energy Security (MMGE) launched the country's Integrated Resource Plan in late December, for the period 2020-2040.

- The IRP proposes adding 300MW of coal-fired power generation via a tender process which MMGE expects to conclude before the end of 2021. The 300MW is to be fully installed and operational by 2026 i.e. within 4 years of procurement.
- The Sese JV (see below) is fully permitted and in a very strong position to submit a bid into the 300MW tender once it is announced.

### 3. Sese JV (AFR 33.3%, FQM 66.7%)

African Energy owns 33.3% of the Sese Joint Venture, which is developing the Sese Project. First Quantum Minerals Ltd (FQM) own the remaining 66.7% interest in the Sese Project and is the manager.

The Sese JV has completed several technical studies covering mining, coal preparation and power generation. These studies have 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 large power consumers in the Zambian Copperbelt or closer (e.g. Botswana should the project be selected under the 300MW coal-fired tender discussed above).

The Sese JV has secured all key licences, permits and stakeholder approvals that are required for power sales including:

- A large-scale mining licence for 25-years (can be renewed) over an area of approximately 51 km<sup>2</sup> which contains 650Mt of coal in resources.
- A Development Approval Order under which the project qualifies for a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate.
- Secured Land Rights and an associated 50-year Land Lease Agreement.
- Water extraction rights from Shashe Dam, and an associated Water Supply Agreement.
- Environmental approval for the project for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- Electricity Generation and Export Licence.

Sese JV has executed power sales agreements with Kalumbila Minerals Limited (Zambian subsidiary of FQM) and a Term Sheet with Zimasco (Pvt) Ltd, which together would consume the full output of the initial 300MW power station for a period of 15 years.

Final commercial agreements are required for grid connection and use-of-system agreements in Botswana (negotiations underway), and use-of-system (wheeling) agreements with Zimbabwe and Zambia for power destined for those export markets.

Should the Sese JV be successful in the IRP 300MW tender, this would expand the total project to 600MW, and could result in the first stage (300MW) being allocated to Botswana, with the second stage for export.

**Outlook:**

- Prepare for 300MW IRP tender submission.
- Continue negotiations for:
  - Conversion of the Zimasco Term Sheet to a Power Sales Agreement
  - Engagement with international power industry partners regarding potential participation in development and financing of the Sese Project.
  - Engagement with OEM and EPC contractors that could provide the equipment and build the proposed power station at Sese.
  - Connection Agreement to the Botswana transmission grid
  - Use of System Agreement related to use of Botswana transmission grid
  - Wheeling Agreements (i.e. commercial agreement and costs to transmit the power through third party countries such as Zimbabwe).

**4. Mmamabula West Project, Botswana (AFR 100%)**

PL56/2005 (Mmamabula West Prospecting Licence) contains 2.9BT of thermal coal and was renewed for a further two years, expiring on 30 September 2022. African Energy is seeking a partner who is prepared to buy a majority equity stake in the project as an export option for coal into South Africa.

**5. Mmamantswe Integrated Power Project, Botswana (AFR 100%)**

Mmamantswe contains 1.24Bt of thermal coal close to the South African border. The coal quality and coal geometry are suitable for the development of a mine-mouth power station and integrated coal mine but requires a large off-taker for ~600MW to be viable.

*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.*

## 6. 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)	33%	33%	Botswana	Coal, U
PL096/2005 (Sese PL)	33%	33%	Botswana	Coal, U
PL197/2007 (Sese West)	33%	33%	Botswana	Coal, U
PL004/2013 (Foley North)	33%	33%	Botswana	Industrial
PL069/2007 (Mmamantswe)	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal
E70/5611 (Kondinin North)	0%	100%	Western Australia	Gold-copper
E70/5612 (Kondinin South)	0%	100%	Western Australia	Gold-copper
E70/5613 (Mayanup)	0%	100%	Western Australia	Copper
E70/5614 (Sunnyside)	0%	100%	Western Australia	Copper
E70/5615 (Tarin Rock)	0%	100%	Western Australia	Gold-copper

## 7. Corporate

At the date of this report, the Company had;

- 622,960,630 shares on issue
- 31,124,532 unlisted options exercisable at A\$0.02 expiring 20 July 2022 on issue
- Cash reserves of **A\$1.30M**
- Investments in ASX-listed companies valued at **A\$6.0M**
- Nil debt

Approximately US\$62,000 of exploration and evaluation expenditure expensed during the quarter predominantly comprised project generation costs.

Due to the advanced nature of the Companies projects, no substantive mining exploration activities occurred during the quarter.

There were no substantive mining production and development activities during the quarter.

The aggregate amount of payments to related parties and their associates during the quarter of approximately US\$67,000 (refer Item 6 of the accompanying Appendix 5B) comprises the following:

- Director fees (approximately US\$59,000); and
- Mitchell River Group serviced office (approximately US\$8,000)

Authorised for release by Frazer Tabeart, Executive Director of African Energy.

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

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

African Energy Resources Limited

ABN

45 123 316 781

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12- months) \$US'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for	-	-
	(a) exploration & evaluation	(62)	(132)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(89)	(298)
	(e) administration and corporate costs	(65)	(212)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	16
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(213)</b>	<b>(620)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (12- months) \$US'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	101	553
	(e) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>101</b>	<b>553</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,137	1,013
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(213)	(620)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	101	553
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12- months) \$US'000
4.5	Effect of movement in exchange rates on cash held	85	164
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,109</b>	<b>1,109</b>

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	1,044	1,070
5.2	Call deposits	65	67
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,109</b>	<b>1,137</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	67
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(213)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(213)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,109
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,109
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	5.2
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## 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.

Date: 29 July 2021

Authorised by: Managing Director – Frazer Tabeart  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.