

10 August 2017

SESE JV UPDATE AND SHARE PLACEMENT

African Energy Resources Ltd (“African Energy” or the “Company”) advises that the Sese JV, managed by First Quantum Minerals Ltd (“FQM”), has completed the required technical studies related to coal mining and power generation to evaluate the 450MW Sese integrated power project. To date FQM have invested approximately A\$13 million in the Sese JV to earn a 61% project interest, and are required to invest a further \$7 million to reach 75%, after which FQM must fund AFR’s 25% interest as a loan carry.

The Sese JV has secured the majority of the licences and permits required for the power project, including the recently awarded Mining Licence and Manufacturing Development Approval Order. A Generation and Export Licence and suitable transmission and wheeling agreements with the relevant southern African power utilities are the only key outstanding commercial documents.

In order to conclude these commercial arrangements, FQM has sought to extend the period required to complete its earn-in for 75% interest in the Sese JV. The Company advises that the parties have agreed to extend the period for FQM to complete the earn-in by 12 months, to 12 July 2018, at which time if firm arrangements for wheeling power are not in place the commitment date may be extended by a further 12 months. The extension of the earn-in period is subject to the following terms:

- FQM shall immediately subscribe for 17,692,308 new African Energy shares at a price of A\$0.078 per share, for total proceeds of A\$1.38 million.
- As a result of this investment, FQM’s interest in African Energy shall increase to 86,692,308 shares representing 13.8% of shares on issue.
- FQM shall transfer to African Energy, their entire holding (5,985,886 shares) in ASX-listed Caravel Minerals (ASX:CVV) within 30 days.
- FQM will continue to retain African Energy personnel to assist in the negotiations for transmission and wheeling arrangements, under FQM’s direction, at a rate of A\$20,000 per month.
- FQM will continue using its best endeavours to secure the necessary Generation and Export Licence, and transmission and wheeling arrangements and will continue to provide adequate funding for such activities.
- The balance of funds that FQM are required to commit to the Sese JV to complete 75% earn-in will be reduced by A\$2,000,000 to approximately A\$5,000,000.

African Energy’s cash reserves will increase to approximately A\$4.8 million on completion of the share placement.

For further information, please contact the Company directly on +618 6465 5500.

For and on behalf of the Board