

30 October 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

- First Quantum Minerals Ltd (“FQM”) increased its shareholding in African Energy to 13.8% via an equity placement of A\$1.38 million at 7.8 cents per share.
- The period for FQM to invest a further A\$5M and earn a 75% interest in the Sese JV was extended to 8 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.
- 5,985,886 shares in ASX-listed Caravel Minerals (ASX:CVV) (“Caravel”) were transferred from FQM to African Energy in part consideration of the 12-month extension. Caravel shares are currently worth A\$0.33M.
- The Sese JV earn-in period extension was requested by FQM in order to negotiate suitable transmission agreements with the relevant southern African power utilities and to secure a Generation and Export licence from the authorities in Botswana.
- An application for a Generation and Export Licence was submitted to the Botswana Energy Regulation Authority (BERA) for first review.
- An extension of the Mmamabula West prospecting licence to 30 September 2019 was granted.
- At 30 September 2017, the Company had cash reserves of AU\$4.5M.

OUTLOOK FOR NEXT QUARTER

Sese JV (39% AFR)

- Advice regarding the application for a Generation and Export Licence is expected from BERA.
- Update to the Measured Resource in Block-C at Sese.
- Amendments will be made to the approved Environmental Impact Assessment to accommodate 500MW of power generation
- Continue engagement with regional power utilities to finalise commercial agreements for power wheeling and transmission into Zambia

Mmamabula West Project (100% AFR)

- Ongoing hydrogeological observations for the ESIA baseline study.
- Submit updates to the Environmental and Social Impact Assessment to the Department of Environmental Affairs in Botswana
- Evaluate the results of the infill drilling and establish a measured resource in the proposed mining area for an initial 600MW power station fuel supply.

Mmamantswe Power Project (100% AFR, operated by TM Consulting)

- Infill core drilling to upgrade a portion of the coal resource to JORC 2012 Measured Resource category.
- Continue Phase 2 of the feasibility study for the proposed coal mine and CHPP.
- Commence detailed power station design studies.

Corporate

- The Company is seeking shareholder approval for an on-market share buyback at the annual general meeting to be held on 23 November 2017.
- The sale of African Energy's Zambian uranium projects to TSX-V listed GoviEx Uranium Inc. (Govix) awaits consent by the Zambian Minister of Mines as the only outstanding condition precedent. African Energy will receive 3.0M GoviEx shares and 1.6M common share purchase warrants upon completion of the sale.

PROJECT

1 Sese JV (AFR 39%, FQM 61%)

1.1 Overview

- FQM spent A\$0.25M in the quarter and has now spent A\$5.3M since their initial A\$8M investment and have earned a 61% interest in Sese JV.
- FQM have agreed to invest a further A\$4.75 million to reach a 75% interest, after which AFR's ongoing 25% interest in all projects undertaken in the Sese JV will be loan carried through to commercial operation.

1.2 Sese (ML 2016/42ML, PL96/2005)

- The independent resource consultant has integrated data from recent technical programmes into the existing resource model and will prepare an update to the Measured Resource in the next quarter. This update includes more detailed drilling than previous Measured Resource estimates, and will be to JORC 2012 standard. The revised resource estimate will provide the basis for a mining reserve statement in due course.
- Technical studies for the Sese coal and power project have largely been completed to prefeasibility standard.
- Detailed engineering studies and completion of a formal mine plan will be completed once commercial aspects of power wheeling and transmission have been finalised.
- African Energy is assisting FQM on the commercial aspects of power wheeling and transmission, including engagement with the regional power utilities, the Southern African Power Pool and SADC Energy Regulator.

1.3 Permitting:

- A fully detailed application for an electricity Generation and Export License was submitted to the Botswana Energy Regulation Authority (BERA) in July. Follow up meetings have been held with BERA, with more expected in the next quarter.
- A Water Supply Agreement was executed on 1st August 2017, securing water supply to the Sese project for a 30-year term.
- The Ministry of Finance and Economic Development has approved several fiscal incentives for the project as requested under a Manufacturing Development Approval Order. The principal incentives are that the power generation business will be granted a five-year tax holiday from its first year of commercial operation, followed by a preferential 15% tax rate for the life of the project.
- Sese Power will formalize this approval through a Tax Agreement to be approved by Botswana's National Assembly, following which the Tax Agreement will become a Statutory Instrument that will form part of the Subsidiary Legislation under the Income Tax Act.
- An application for a Transmission Connection and Use of System agreement was made to Botswana Power Corporation.
- Preliminary discussions on the transmission/wheeling of power from Botswana through Zimbabwe and into Zambia have been held with Botswana Power Corporation and the Southern African Power Pool.

- The approved 300MW Environmental and Social Impact Assessment for the Sese Integrated Power Project is being updated to seek supplementary approvals for up to 500MW of power generation (staged development of 2 x 225MW units) and the associated minor increase in volumes of coal mining and processing and airborne emissions.

1.4 Sese West (PL197/2007)

- Resource modelling and estimation calculations completed to upgrade the north eastern corner of the prospecting licence to measured resource status. Documentation of the measured resource update is being finalised.

1.5 Foley North (PL004/2013)

- No field programs were undertaken during the quarter.

2 Mmamabula West Project, Botswana (AFR 100%)

- The Mmamabula West project contains two ~5m thick coal seams (K-Seam, A-Seam) and is being developed as an integrated underground coal mine and 600MW power station for submission into the South African cross-border IPP procurement program.
- A two-year extension to the term of Mmamabula West Prospecting Licence PL56/2005 was granted by the Botswana Department of Mines. The licence is valid until 30 September 2019.
- Ongoing hydrogeological baseline studies were recorded during the quarter.
- In August, information was provided to the Department of Environmental Affairs (DEA) covering; coal, fuel and ash material movement between the proposed mine, coal processing facilities and the power station.
- In September a revised drafting of the EIA was shared with the DEA for review.

3 Mmamantswe Integrated Power Project, Botswana (AFR 100%)

- The Mmamantswe project is 20km from the border with South Africa and has been previously evaluated by Eskom for integration into the South African grid.
- In December 2015, the Company executed a binding Share Sale Agreement under which it will sell the Mmamantswe Coal and Power project to TM Consulting (TMC) for US\$20 million, subject to certain conditions being met, principally the financial close of a 600MW integrated power project.
- A joint development agreement between TMC, OEM, EPC contractor and funding parties is close to finalisation.
- Once finalised, further drilling will be undertaken at Mmamantswe to upgrade a portion of the measured resource (JORC 2005) to JORC 2012 and SAMREC 2012 standard.
- The Mmamantswe Prospecting Licence PL69/2007 is valid until 31st December 2018.
- An application for Land Rights over the project area, project access corridor and grid connection corridor has been submitted.

4 Global Resources for African Energy's Coal Projects in Botswana

Sese Project: Resource Summary (Raw coal ADB, 61% FQM, 39% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Bk-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Bk-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	2,517 Mt							

Sese West Project: Resource Summary (Raw coal ADB, 61% FQM, 39% AFR)								
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: Resource Summary (Raw coal ADB, 100% AFR)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
TOTAL	2,433 Mt							

Mmamantswe Project: Resource Summary (Raw coal ADB, 100% AFR)								
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 Sese, Mmamabula West and Mmamantswe Projects 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). Sese West is reported as per the 2012 edition. There have been no material changes to any of the resources since they were first announced.

5 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)	39%	39%	Botswana	Coal, U
PL096/2005 (Sese PL)	39%	39%	Botswana	Coal, U
PL197/2007 (Sese West)	39%	39%	Botswana	Coal, U
PL004/2013 (Foley North)	39%	39%	Botswana	Industrial
PL069/2007 (Mmamantswe)*	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal
12634-HQ-LML (Chirundu ML)**	100%	100%	Zambia	U
19800-HQ-LPL (Kariba Valley)**	100%	100%	Zambia	U
20612-HQ-LPL (Sinazongwe)	100%	-%	Zambia	Coal
16566-HQ-LPL (Sinazongwe Central)	100%	100%	Zambia	Coal

* Mmamantswe subject to conditional sale agreement to TM Consulting

** Chirundu ML and Kariba Valley subject to sale agreement to Goviex Uranium

Dr. Frazer Tabcart
Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the African Energy Resources website at: www.africanenergyresources.com

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 Tabcart (an employee and the Managing Director 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.

For any queries please contact the Company Secretary, Mr Daniel Davis on +61 8 6465 5500

Appendix 5B

Mining exploration entity quarterly report

Name of entity	
African Energy Resources Limited	
ABN	Quarter ended ("current quarter")
45 123 316 781	30 September 2017

Consolidated statement of cash flows	Current quarter (3 months) \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(47)	(47)
(b) development	-	-
(c) production	-	-
(d) staff costs	(172)	(172)
(e) administration and corporate costs	(78)	(78)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	39	39
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(258)	(258)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) 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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$US'000	Year to date (3 months) \$US'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,089	1,089
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	1,089	1,089
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,622	2,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(258)	(258)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,089	1,089
4.5	Effect of movement in exchange rates on cash held	33	33
4.6	Cash and cash equivalents at end of period	3,487	3,487
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	858	604
5.2	Call deposits	2,629	2,018
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,487	2,622

6. Payments to directors of the entity and their associates

Current quarter \$US'000

6.1	Aggregate amount of payments to these parties included in item 1.2	168
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of director fees

7. Payments to related entities of the entity and their associates

Current quarter \$US'000

7.1	Aggregate amount of payments to these parties included in item 1.2	28
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments to Mitchell River Group for administration and technical staff and provision of a serviced office

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
-	-
-	-
-	-

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter

\$US'000

9.1	Exploration and evaluation	30
9.2	Development	-
9.3	Production	-
9.4	Staff costs	162
9.5	Administration and corporate costs	125
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	317

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	20612-HQ-LPL (Sinazongwe, Zambia)	Direct	100%	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

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.



Daniel Davis
Company Secretary
Date: 30 October 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.