

30 April 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2018

HIGHLIGHTS

- Ongoing discussions with the Botswana Energy Regulatory Authority (BERA) regarding the Sese Generation and Export License.
- Dialogue continued with Botswana Power Corporation (BPC) regarding connection of Sese into the local 400kV transmission grid at the Phokoje substation and use of the BPC transmission grid.
- Several meetings were held with Water Utilities Corporation to discuss the engineering requirement for the delivery of water from Shashe Dam and the construction timeframe for the water pipeline.
- Completed the delisting from Botswana Stock Exchange and migration of the Botswana shareholdings to ASX register.
- The Company implemented a number of management role changes to better reflect current activities, resulting in annual savings to the Company of approximately AU\$450,000.
- Mr Philip Clark and Mr Wayne Trumble retired as Directors of African Energy Resources Limited on 31 March 2018.
- AFR purchased a further 3.8M shares in Caravel Minerals, to become the largest shareholder with a 9.6% stake.
- At 31 March 2018, the Company had cash reserves of AU\$3.56M and investments in listed companies valued at AU\$1.61M.

OUTLOOK FOR NEXT QUARTER

Sese JV (37% AFR)

- Continued dialogue with BERA regarding the application for a Generation and Export Licence.
- Update to the Measured Resource in Block-C at Sese.
- Amendments will be submitted for the approved Environmental Impact Assessment to accommodate upward revision to 500MW of power generation.
- Continue engagement with regional power utilities to negotiate commercial agreements for use of system charges, power wheeling and transmission into Zambia.
- Continue Resettlement Action Plan (RAP) at Sese.

Mmamabula West Project (100% AFR)

- Ongoing hydrogeological observations for the ESIA baseline study.

- Review the Environmental and Social Impact Assessment submission for an integrated coal mine and power station of up to 600MW with the Department of Environmental Affairs in Botswana and update submission as required.
- Review the results of the all core drilling data and establish a measured resource in the proposed mining area for the 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.

PROJECTS:

1 Sese JV (AFR 37%, FQM 63%)

1.1 Overview

- FQM spent AU\$0.34M in the quarter and has now spent AU\$6.35M since their initial AU\$8M investment and have earned a 63% interest in Sese JV.
- FQM have agreed to invest a further AU\$3.65M 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)

- Draft update to the Measured Resource in Block-C was received from the independent resource consultant during the quarter and is currently being reviewed. This update is based on 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 to Zambia have been finalised.
- Several meetings have been held with Water Utilities Corporation to discuss the water supply for the project, including engineering considerations and the construction timeframe for the water pipeline which will supply water to the project from Shashe Dam (as required under the executed water supply agreement).

1.3 Permitting:

- A fully detailed application for an electricity Generation and Export License was submitted to BERA in July 2017, and acknowledged in September when BERA was formally inaugurated as the energy regulator in Botswana. Follow up meetings were held with BERA during the reporting period, with more expected in the next quarter.
- An application for a Transmission Connection and Use of System agreement was made to BPC in June 2017, acknowledged by BPC, with further discussions ongoing.
- Preliminary discussions on the transmission/wheeling of power from Botswana through Zimbabwe and into Zambia have been held with BPC and the Southern African Power Pool and are ongoing.

- The approved 300MW Environmental and Social Impact Assessment for the Sese Integrated Power Project has been updated for a larger project to include up to 500MW of power generation and the associated minor increase in volumes of coal mining/processing and airborne emissions. The updated document will be submitted to the Department of Environmental Affairs in the coming quarter.

1.4 Sese West (PL197/2007)

- Documentation of an updated measured resource for a portion of the large coal resource on this tenement is being finalised to JORC 2012 standard.

1.5 Foley North (PL004/2013)

- An application to renew Foley North industrial minerals licence was submitted during the quarter. A response from the Botswana Department of Mines is pending.
- No field programs were undertaken during the quarter.

2 Mmamabula West Project, Botswana (AFR 100%)

- The Mmamabula West project is being developed as an integrated underground mine and 600MW power station for submission into South Africa's 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.
- Baseline measurements of standing water levels and groundwater chemistry continued during the quarter. Baseline groundwater studies have now accumulated data for over two years on a minimum quarterly basis and have demonstrated a very stable water level and stable groundwater chemistry. The frequency of sampling will now reduce to twice per year, once at the end of the wet season, and once during the dry.
- In September a revised draft of the EIA was shared with the DEA for review. This review process continued during the last quarter with several meetings held between the Company's environmental consultants and the Department of Environmental Affairs.
- Further meetings are scheduled in the next quarter, including a stakeholder reference group meeting. Final revisions to the ESIA will be made after these meetings and then submitted for final approval.

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

- 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.
- The joint development agreement between TMC, OEM, EPC contractor and funding parties is close to finalisation after lengthy delays due to the (now largely completed) political changes occurring in South Africa's ruling ANC Party and management changes at the state electricity utility Eskom.
- 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, 63% FQM, 37% 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, 63% FQM, 37% 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%	37%	Botswana	Coal, U
PL096/2005 (Sese PL)	39%	37%	Botswana	Coal, U
PL197/2007 (Sese West)	39%	37%	Botswana	Coal, U
PL004/2013 (Foley North)	39%	37%	Botswana	Industrial
PL069/2007 (Mmamantswe)*	100%	100%	Botswana	Coal
PL056/2005 (Mmamabula West)	100%	100%	Botswana	Coal

* Mmamantswe subject to conditional sale agreement to TM Consulting

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	31 March 2018

Consolidated statement of cash flows	Current quarter (3 months) \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(11)	(70)
(b) development	-	-
(c) production	-	-
(d) staff costs	(127)	(453)
(e) administration and corporate costs	(26)	(186)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	51
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	(157)	(657)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(295)	(295)
(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	(295)	(295)

Consolidated statement of cash flows		Current quarter (3 months) \$US'000	Year to date (9 months) \$US'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	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
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,228	2,622
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(157)	(657)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(295)	(295)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,089
4.5	Effect of movement in exchange rates on cash held	(38)	(21)
4.6	Cash and cash equivalents at end of period	2,738	2,738
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	1,140	1,020
5.2	Call deposits	1,598	2,208
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)	2,738	3,228

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	127
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	24
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

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

8.1	Loan facilities
8.2	Credit standby arrangements
8.3	Other (please specify)
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	10
9.2	Development	-
9.3	Production	-
9.4	Staff costs	101
9.5	Administration and corporate costs	66
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	177

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				
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 April 2018

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.