

16th August 2018

COMPANY UPDATE: SESE EIA APPROVAL INCREASED TO 500MW, COAL PRICES RISE**Highlights**

- ***Sese Power Project environmental approval increased to 500MW of power generation and associated coal mining and coal processing***
- ***Commencement of the Sese Relocation Action Plan to compensate and re-settle 28 households of cattle grazers to outside the Sese Land Rights area as per the guidelines of the Equator Principles***
- ***Positive impact on coal export opportunities for the Company's 100% owned Mmamabula West project from sustained increases to the coal price over the last twelve months***
- ***AFR now seeking a South African equity partner for Mmamabula West to help unlock access to regional coal markets***

SESE POWER PROJECT UPDATE

African Energy Resources Ltd ("African Energy" or the "Company") advises that the Department of Environmental Affairs in Botswana has approved an updated Environmental Impact Assessment ("EIA") for the Sese Power Project to allow up to 500MW of power generation and the associated coal mining and coal processing activities. This is subject to the standard conditions of such approvals in Botswana, including a requirement that the project be implemented within two years.

This marks an important milestone for the project as it will allow for the development of two 225MW units, rather than two smaller, less efficient 150MW units as contemplated under the original EIA approval.

Work is continuing on the development of Sese Power Project in which AFR currently owns a 35% interest. AFR continues to assist First Quantum Minerals Ltd (FQM), the majority owner of the Sese JV, with a number of commercial and permitting activities related to the development of the project as an exporter of power to FQM's Zambian copper operations.

Current activities at Sese are as follows:

- Implementation of the resettlement action plan (RAP) around Sese, under which 25 households have to date had their grazing rights, water bores and access trails relocated to outside the Land Rights Lease. Re-settlement of a further 3 households is required to complete this process, which has been jointly monitored by Sese JV staff and the Tonota Land Board.
- Negotiations with the Botswana Energy Regulatory Authority for a Generation and Export Licence.

- Negotiations with Botswana Power Corporation for a Grid Connection and Use of System agreement.
- Ongoing negotiations relating to the commercial aspects of importing power into Zambia.
- Negotiations with other credit-worthy offtakers for the remaining 88MW of power available from development of the first 225MW unit at Sese.

MMAMABULA WEST PROJECT UPDATE

The Company notes that there has been a sustained increase in global coal prices over the last twelve months, with current prices being approximately US \$102/t for RB1 spec coal and \$85/t for RB3 spec coal (FOB Richards Bay).

The higher coal price may provide renewed export opportunities for the Company's Mmamabula West coal project which contains 2,443 Mt of Indicated and Inferred Resources of thermal coal (see Appendix 1).

Prefeasibility studies undertaken for the Company in 2014 (Press Statement 12 May 2014) indicated that this deposit could be extracted using conventional underground mining methods to produce ROM coal suitable for South African power stations for approximately US \$15 per tonne at the mine gate (costs as per Q1 2014 using local currency FX rates at the time). The study also indicated that RB3 spec coal could be produced for US \$25 per tonne at the mine gate.

The Company believes that the Mmamabula West project may be an attractive source of coal for South African markets and has commenced a process to identify a suitable project level equity partner to help develop this opportunity.

An updated Company Presentation providing further details on the above programs can be viewed on the Company's website www.africanenergyresources.com

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

For and on behalf of the Board

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 has been presented in accordance with the JORC Code and references to "Measured Resources", "Inferred Resources" and "Indicated Resources" are to those terms as defined in the JORC Code.

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabearth (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabearth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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 Tabearth consents to the inclusion of the data in the form and context in which it appears.

APPENDIX 1: Global Coal Resources for African Energy's Coal Projects in Botswana

Sese: Resource Summary (Raw coal on an air-dried basis, 65% First Quantum Minerals Ltd, 35% 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: Resource Summary (Raw coal on an air-dried basis, 65% First Quantum Minerals Ltd, 35% 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: Resource Summary (Raw coal on an air-dried basis, 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: Resource Summary (Raw coal on an air-dried basis, 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), with the exception of Sese West which is reported as per the 2012 edition. There have been no material changes to any of the resources since they were first announced.