
8 September 2023

Activities Report to Shareholders

Dear Shareholder,

We are pleased to provide an update on activities relating to our Botswana coal and power projects:

- African Energy Limited (AEL) has now executed an agreement with First Quantum Minerals Ltd (FQM) to terminate the Sese JV and return 100% interest to AEL.
- Under the agreement, FQM has provided AEL with US \$308,457 in working capital and transferred their holding in Alma Metals Ltd (86,692,308 shares) to AEL.
- FQM also provided AEL with US \$108,000 to fund 30% of possible rehabilitation costs at the Sese trial pit. FQM remains liable to pay the remaining 70% of pit rehabilitation costs (capped to US \$360,000 total rehabilitation budget) if the pit is rehabilitated within 24 months.
- AEL currently has approximately AUD \$900,200 cash on hand (which includes the US \$108,000 provision for 30% of the Sese pit rehabilitation cost). This will cover budgeted working capital requirements for the next 15-18 months.
- AEL also now owns 86.7m shares in ASX listed Alma Metals Ltd, valued at around \$900,000.
- All Sese and Mmamabula West coal and industrial mineral prospecting licenses in Botswana in which AEL has an interest have been renewed until 31 December 2024 (31 March 2024 in the case of Mmamabula West).
- The Mmamantswe Coal Prospecting License has been allowed to lapse due to lower likelihood of realising a commercial development.
- AEL is engaged with multiple parties who are interested in acquiring an interest in the Sese project and has commenced a sale process for the Mmamabula coal project.

In the last 15-months, the power shortages in southern Africa have worsened significantly. In Zambia the water levels at Lake Kariba early this year were at the lowest levels seen in over 20-years, causing restrictions in hydro power generation. In South Africa a further deterioration in Eskom's coal-fired fleet availability has resulted in widespread and persistent load shedding. In Botswana ongoing problems with the Morupule power plant has resulted in regular load shedding. The generation problems in the major power producers have caused severe power disruptions across the southern African region with blackouts and widespread load shedding on a regular basis in many countries. This regional power crisis, which in February was declared as a 'State of Disaster' in South Africa, is driving strong interest in the Sese Project.

Sese is one of very few fully permitted, large scale, power generation projects in the SAPP and is therefore one of very few options for quickly developing new generation at significant scale.

Whilst investment in new coal generation is considered difficult in many western countries, the reality is that coal remains the main fuel for baseload power in most countries and particularly in the fast-growing economies of India and China. In sub-Saharan Africa the predominant domestic fuel sources remain charcoal and animal dung. The harvest of charcoal has devastating impacts on the environment and is the leading cause of deforestation. The use of these fuels for cooking indoors is well documented as one of the major health issues for Africa, with respiratory diseases from particulate inhalation being one of the leading causes of death amongst women. Providing low-cost electricity is essential to addressing these issues and lifting living standards more generally.

These issues are widely recognised in Africa and the opportunity to use established technology such as coal fired power generation to address such problems is widely seen as a greater imperative than reducing CO2 emissions. Once electricity is widely available and living standards increase then other more expensive forms of renewable power generation may be introduced, as has happened in developed countries.

AEL has commenced a process of engagement with parties who wish to develop new generation. A project data room has been established and multiple expressions of interest have been received.

We expect this process to progress over the coming months with the intention of concluding a transaction that will see the introduction of a new investor to the Sese Project. This may result in AEL selling down its equity position in the project to facilitate the new partners and retaining a minority interest or a coal production royalty. These arrangements will be the subject of commercial negotiations with the interested parties, and we will provide a further update when possible.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Alasdair Cooke".

Alasdair Cooke
Chairman

Background

African Energy Limited (AEL) is an unlisted public company which holds the coal and power assets previously housed in ASX-Listed African Energy Resources Ltd (AFR). AEL was spun out of AFR in November 2021, at which time you had a shareholding reflecting a 1:1 distribution of AEL based on the number of shares held in AFR at the time of the divestment. AFR was subsequently renamed to Alma Metals Limited (ASX: ALM).

At the time of the spin-out, AEL's main assets were a 33% interest in the Sese Coal and Power Project Joint Venture, in which First Quantum Minerals Ltd was the majority shareholder (67%) and sole funder, and a 100% interest in the Mmamabula West coal project. AEL has now returned to 100% ownership of these assets.