African Energy

Annual Report 2018

Corporate **Directory**

DIRECTORS

Mr Alasdair Cooke
Executive Chairman

Dr Charles (Frazer) Tabeart
CEO/Executive Director

Mr Gregory (Bill) Fry
Executive Director

Mr Valentine Chitalu
Non-Executive Director

Mr Vincent (Ian) Masterton-Hume
Non-Executive Director

Mr John Dean
Non-Executive Director

Mr Philip Clark
Non-Executive Director
(retired 31 March 2018)

Mr Wayne Richard Trumble
Non-Executive Director
(retired 31 March 2018)

COMPANY SECRETARY

Mr Daniel Davis

REGISTERED OFFICE

Granite House
La Grande Rue
St Martin, Guernsey GY1 3RS

REPRESENTATIVE OFFICE IN AUSTRALIA

Suite 1, 245 Churchill Avenue
Subiaco, Western Australia, 6008

SHARE REGISTER

Link Market Services Limited
Level 12, QV1 Building, 250 St Georges Terrace
Perth, Western Australia, 6000

STOCK EXCHANGE LISTINGS

Australian Securities Exchange (ASX: AFR)

AUDITOR

BDO Audit (WA) Pty Limited
38 Station Street
Subiaco, Western Australia, 6008

SOLICITORS

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe, Western Australia, 6011

BANKERS

Westpac Banking Corporation
Level 6, 109 St Georges Terrace
Perth, Western Australia, 6000

WEBSITE

www.africanenergyresources.com

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Chief Executive's **Letter**

Dear Shareholder

Your Company remains focused on the development of the Sese Power Project, to provide a reliable source of low-cost base-load power into the Southern Africa Power Pool. First Quantum Minerals Ltd (FQM) continued to invest in the Sese JV Project, increasing its stake to 65%. FQM must invest a further A$3 million to reach a 75% interest by 12 July 2019, following which African Energy's 25% interest in any coal-to-power project developed at the site will be loan carried by First Quantum through to production.

Progress at Sese included;

- Environmental approvals for Sese were increased to 500MW of power generation (up from 300MW) plus associated increases in coal mining volumes and coal processing activities.
- The resettlement action plan (RAP) was implemented at Sese to re-settle 28 households that had grazing rights and minor property within the Land Rights area leased by the project.

The Southern Africa power market continues to be volatile, as evidenced by recent widespread power cuts throughout southern Africa during industrial action at several South African power stations. Eskom's situation remains the main variable in this market. The financial crisis within Eskom continues to dominate both the political and economic agendas with South Africa, with far reaching implications for the regional power market. With planned closures of older power stations as they reach the end of their lives, the supply side is likely to remain stretched for several years, providing opportunities for new projects to enter the market. The urgent requirement to stop ongoing losses at Eskom is also expected to see continued rapid increases in electricity tariffs.

The increasing uncertainty over the future of Eskom has raised the interest in Zambia and Botswana to obtain alternatives for secure, low-cost generation. Both countries continued to net importers of electricity during the year, putting upward pressure on local retail electricity tariffs. In Zambia an inquiry is underway into the cost of service and is expected to recommend an increase in tariffs to reflects the cost of new generation, to ensure the financial viability of the local utility Zesco and prevent continued subsidies from government.

These ongoing problems with loss making utilities are unsustainable and steep increases in electricity tariffs seem inevitable. The increasing risk of higher prices and certainty of supply have improved the fundamentals for the development of Sese. Negotiations are in progress for the sale of power and associated transmission agreements.

In addition to power generation projects, the Company continues to evaluate coal export opportunities. Global coal price increases have led to the re-emergence of South Africa as a potential market for coal exports with positive implications for the Company's Mmamabula West project which can produce export quality coal at low prices once developed.

African Energy remains well funded, carries no debt and has low corporate overheads. Coupled with a strong development partner at the Sese JV Project, and a high-quality portfolio, the Company is well placed to develop major power projects for the region and develop an export coal business.

Frazer Tabeart,
Chief Executive Officer

INTRODUCTION

African Energy's large coal projects in Botswana are situated close to the interconnected regional transmission grid *(Figure 1)*, and are all capable of providing secure, low cost fuel for large-scale base-load power projects.

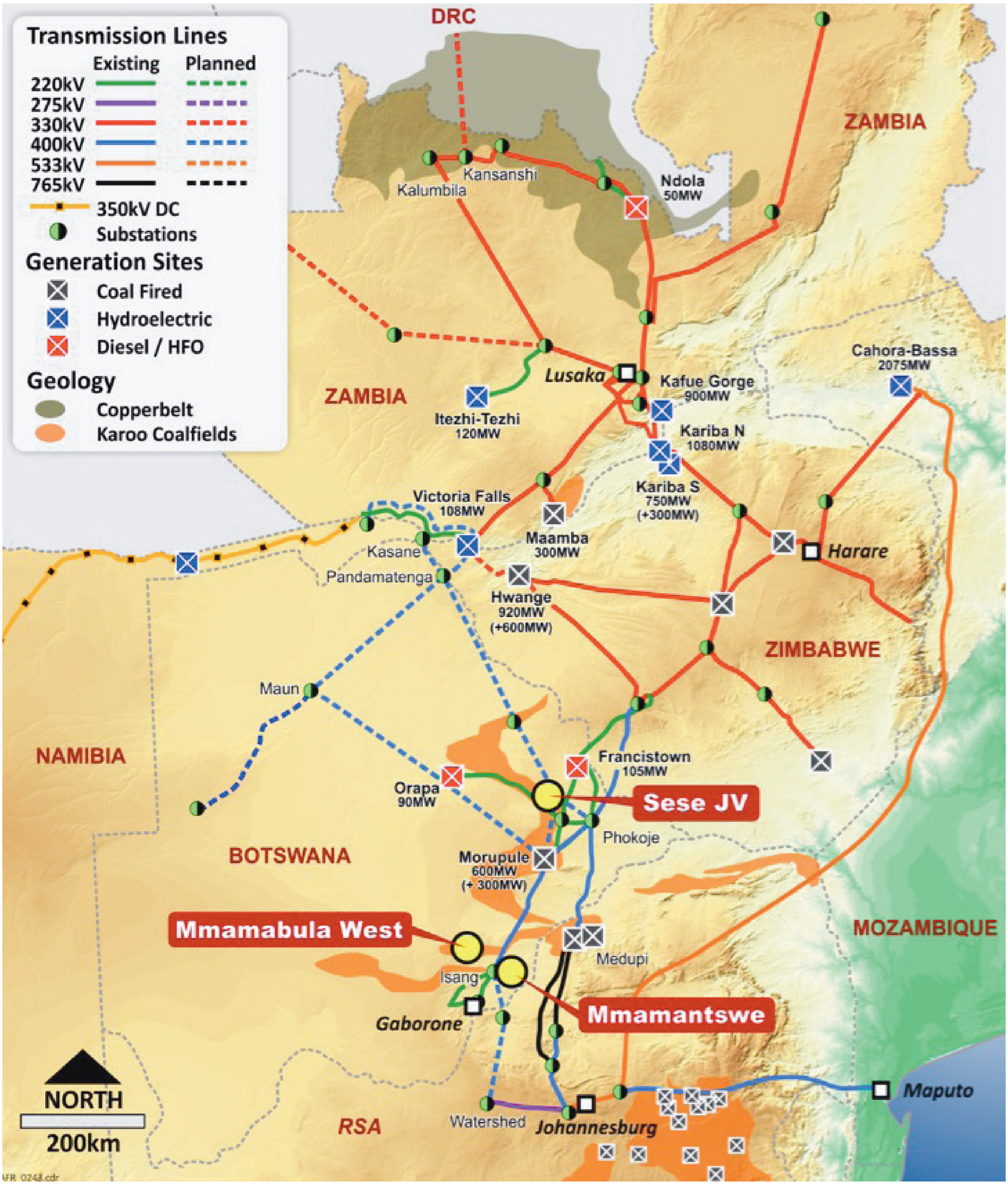


Figure 1. Location of African Energy's Botswana coal and power projects and the existing and planned regional transmission interconnectors

REGIONAL POWER MARKETS

The key power markets of relevance to African Energy are Zambia, Botswana and South Africa *(Figure 2)*. The current installed capacity in Zambia appears to exceed demand but given that some 80% of Zambia's capacity is from hydro-electric plants which are not always available, Zambia has become a net importer of power from South Africa and Mozambique.

UTILITY	OPERATING CAPACITY (MVW)	PEAK DEMAND (MW)	PEAK PLUS RESERVE MARGIN (MW)	BALANCE (MW)
ESKOM	48,463	38,897	44,732	+3,731
ZESKO	2,734	2,194	2.523	+211
PBC	489	610	702	-243

Figure 2. Capacity vs demand for key utilities (SAPP published data 2017)

Botswana has also become a net importer of power from South Africa and frequently needs to run its diesel peaking plants at great cost. Botswana's forecast operating capacity includes the yet to be fully refurbished Morupule-A plant, 100MW of solar and solar storage which has yet to be awarded and continued use of expensive diesel emergency plants *(Figure 3)*.

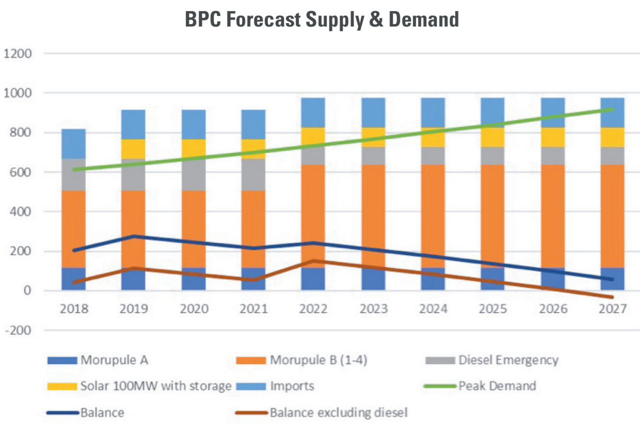


Figure 3. BPC Forecast supply and demand (BPC Annual Report 2017)

Eskom's current surplus is being sold to regional utilities including Zambia, Botswana and Namibia, but is coming under increasing pressure due to Eskom's financial position. This is likely to lead to significant short-term tariff increases and much lower availability of power for export, placing severe pressure on Zambia and Botswana to meet domestic demand, and providing an opportunity for new, low-cost generation to enter the market.

SESE JV PROJECT

First Quantum Minerals Ltd (FQML) became a majority equity partner at the Sese Joint Venture in 2014 and have since directly invested AUD $15m for a 65% project interest and committed to invest a further AUD $3m to increase its stake to 75%. Once this 75% interest has been earned, FQML is responsible for arranging the funds required to build the Sese integrated power project and will loan carry African Energy's residual 25% interest through to commercial production.

Over the last few years, AFR and FQML have completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design has determined that Sese coal is a suitable fuel for all common power station boiler technologies and can readily meet the required air quality and emissions standards set in the environmental approvals for the project.

These studies have also established the operating costs, capital costs and a robust financial model for a 450MW power project and the associated coal mine and coal processing facilities and have demonstrated that power from Sese could be delivered to the Zambian Copperbelt where FQML operates a large copper mining and smelting business.

The project has secured the majority of licences, permits and stakeholder approvals that are required for such an operation *(see Figure 4)*, including:

- A large-scale mining licence has been granted for an initial period of 25-years over an area of approximately 51 km2 which contains 650Mt of coal in Block-C.
- A Development Approval Order which sets the fiscal framework for the project, including a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate.
- Land Rights and an associated 50-year Land Lease Agreement.
- Water extraction rights from Shashe Dam.
- Environmental approval for the project, which was recently increased to 500MW of power generation and the associated coal mining and coal processing volumes.

- 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. Resettlement 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.

The Sese JV has now secured most of the licenses and permits required to develop an integrated coal and power project in Botswana, with the one major exception being a Generation and Export Licence, which is currently being negotiated with Botswana's energy regulator.

The current project development plan contemplates an initial 225MW Unit which will deliver 100MW of electricity into Zambia for use by FQML, with the balance sold to a credit worthy third party or parties. This will require at least two Power Purchase Agreements (PPA's), one with FQML for 100MW, and one for the balance.

A draft PPA between the Sese JV and FQML has been drawn up, and the project is in discussions with several parties for one or more PPA's to cover the residual balance. A second 225MW Unit can be considered if suitable demand and an associated PPA can be established.

In addition to securing the PPA's, the main remaining commercial documents required for the project include Grid Connection, Transmission, and Use of System agreements with the power utilities in Botswana, Zimbabwe and Zambia.

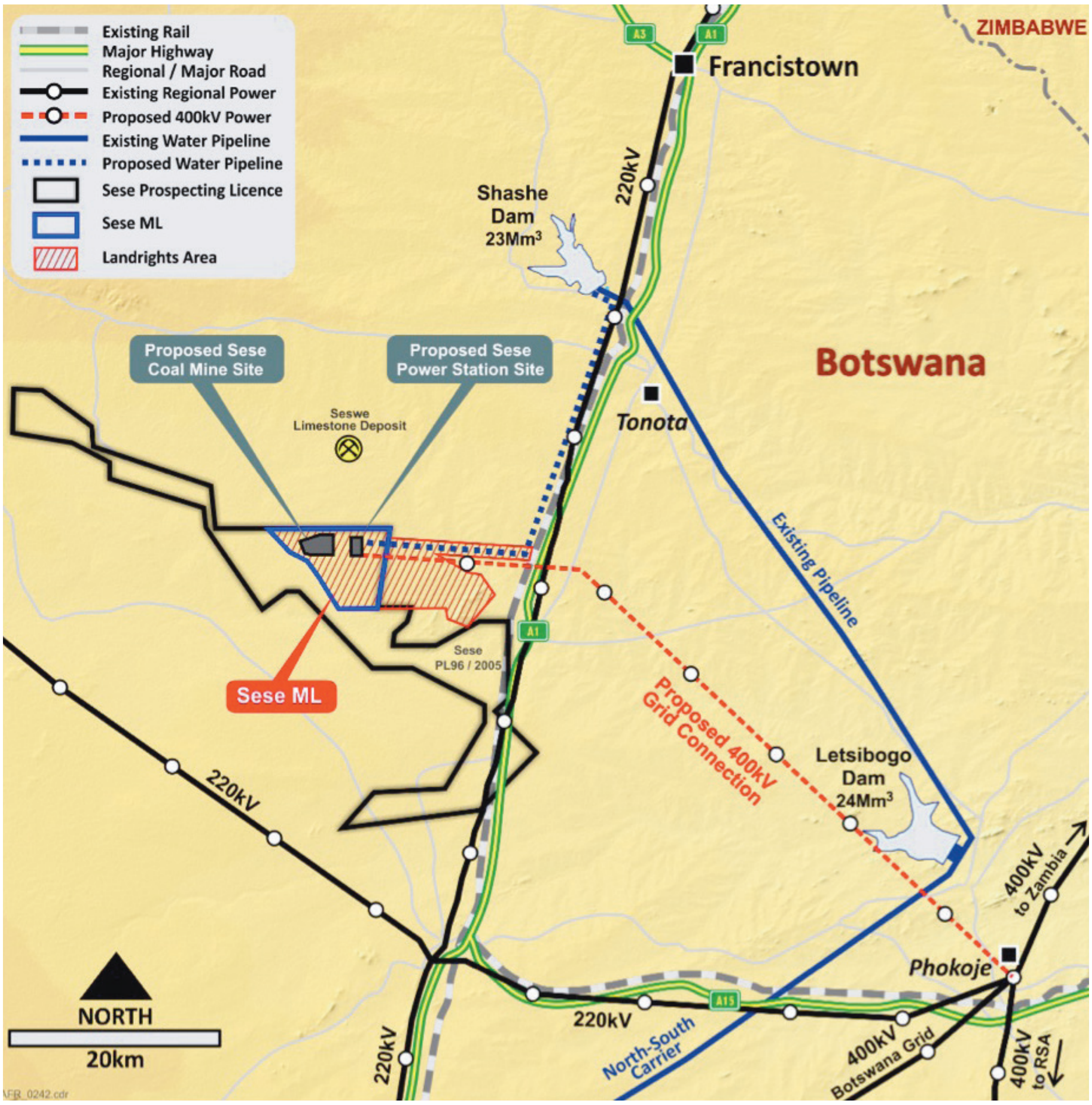


Figure 4.
Sese JV license areas and main project elements

The 2,443Mt Mmamabula West project contains some of the best quality coal in Botswana in two 4m to 6m thick seams (A-Seam and K-Seam) which lie 100m to 150m below the surface. The project is situated some 65km west of the main railway line in Botswana which provides access to local and regional coal markets *(Figure 5)*.

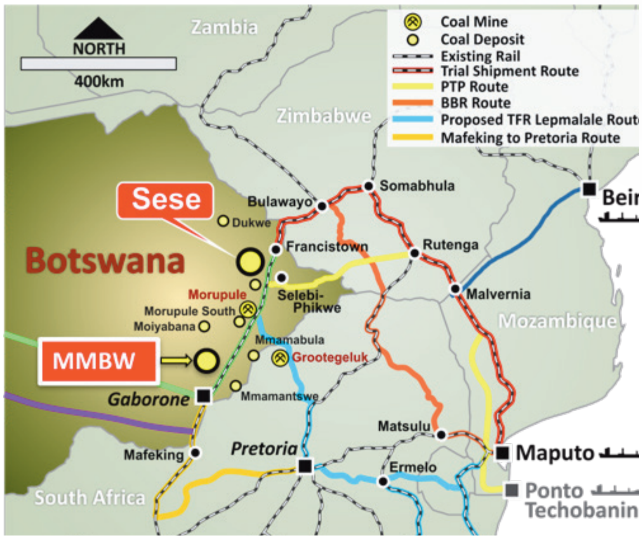


Figure 5. Location of the Mmamabula West project, some 65km west of the main railway line in Botswana. Existing and future rail routes to regional markets for coal are shown in this figure.

A prefeasibility study on the extraction of the high-quality lower A-Seam *(Figure 6)* was completed for the project in 2015 and determined that conventional underground mining could produce a variety of products for coal export or power generation at highly competitive prices, and that this coal could be readily trucked to a rail loading station on the main Botswana railway line. African Energy has developed coal specifications for several different coal products, including high quality export coals and coal suitable for use in South African power stations.

Figure 6. High quality thermal coal in large diameter core from the Mmamabula West A-Seam

During the last twelve months there has been an increase in the global price for thermal coal which has caused prices in southern Africa to rise significantly *(refer to Figure 7)*. With some of South Africa's coal mines having either exhausted their reserves of high quality coal or become increasingly inefficient due to the depth of mining or their small scale of operations, there is an opportunity for new, efficient and high-quality coal mines in Botswana to be developed as new supply.

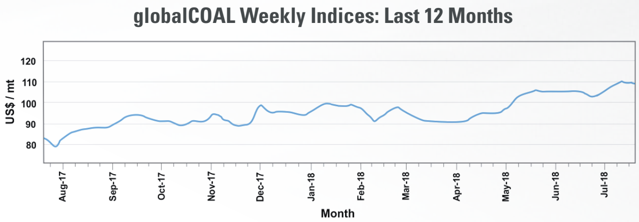


Figure 7. Global coal prices have steadily increased in the last year, providing a new opportunity for coal exports from Botswana.

African Energy is currently seeking a South African project partner for Mmamabula West to assist the Company find buyers for future coal products in the large South African market.

African Energy continues to develop this project with a renewed emphasis on the potential for an export coal mine:

- An updated mineral resource will be completed using information from infill drilling along the planned decline and initial years of the mine schedule *(Figure 8 and 9)*. This would place a portion of the resource in the Measured Resource category and would provide the basis for a detailed feasibility study for an export operation.
- An Environmental and Social Impact Assessment (ESIA) for the project has been submitted to the Department of Environmental Affairs in Botswana. Various consultative meetings were held with stakeholder groups during the year and an approval is expected by year end.
- An application for Land Rights over the area to be developed has been submitted. Follow-up meetings with the local Land Board will occur in the remainder of 2018, and once this and the ESIA have been approved, an application for a mining licence will be submitted.
- Monitoring of groundwater levels and groundwater chemistry continued. The Company now has three years of continuous baseline data.

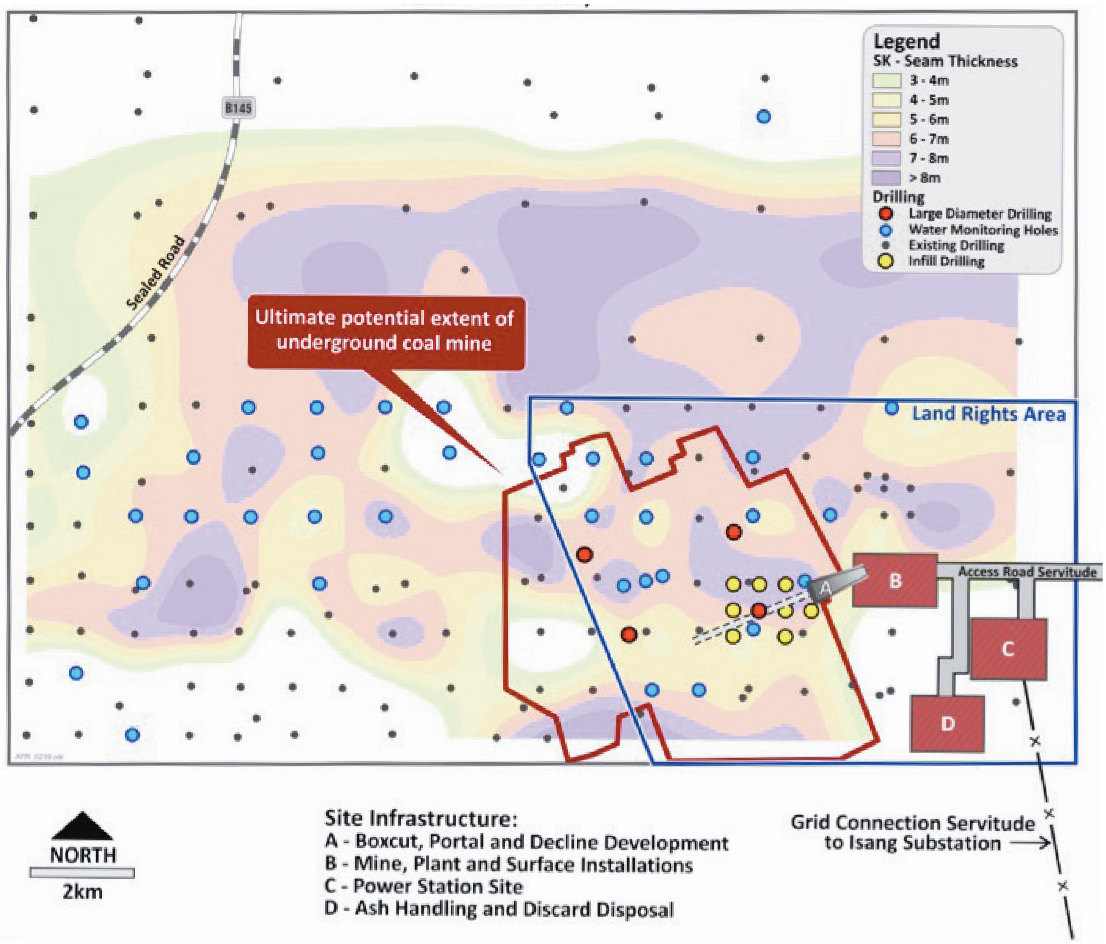


Figure 8. *Drill hole status map for Mmamabula West showing Land Rights application area, water monitoring stations and extent of potential underground coal mining.*

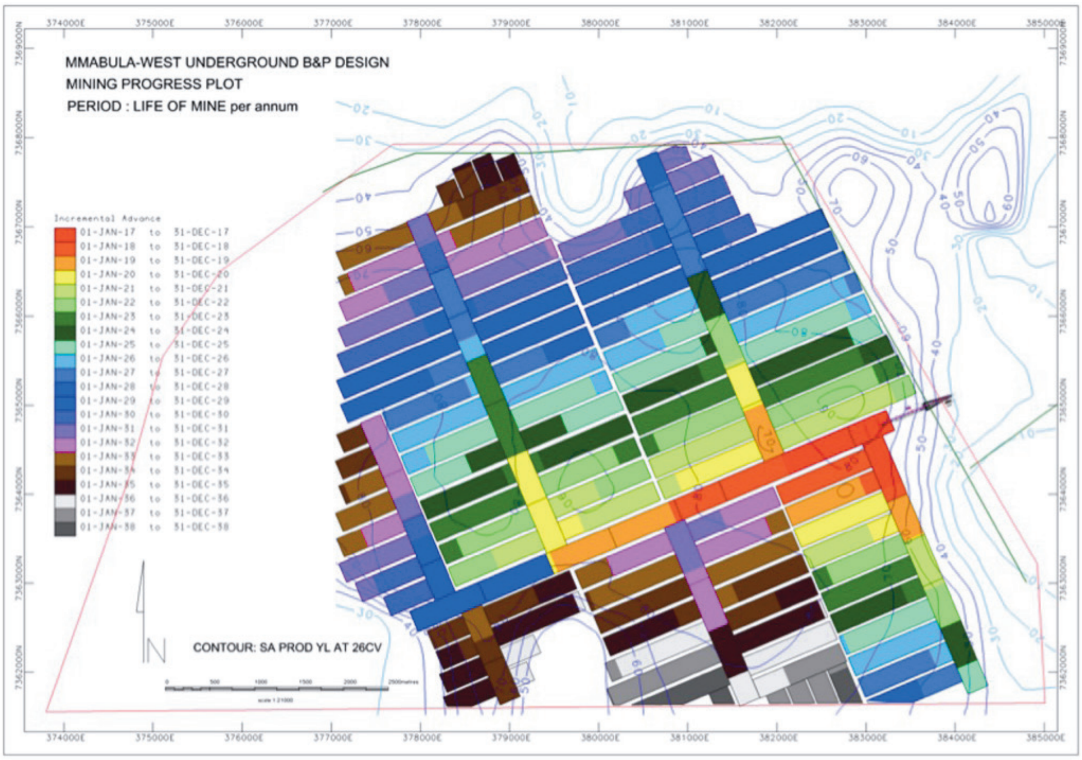


Figure 9. *Life of Mine plot for Mmamabula West showing mine scheduling for a 4.4Mtpa underground coal mine on the high-quality A-Seam.*

MMAMANTSWE COAL PROJECT

The Mmamantswe Project contains approximately 1,243Mt of thermal coal in Measured and Indicated Resources which is suitable for power generation in a captive power station. Several studies on coal preparation and power station design were completed by the previous project owner, including grid integration studies for power sales into the South African grid. The project is only 20km from the South African border and is close to the regional power transmission grid and planned grid expansions into South Africa *(refer to Figure 10)*. African Energy has applied for Land Rights over the project area, access corridor and grid connection corridor.

The Company notes that the recently released draft of South Africa's Integrated Resource Plan no longer explicitly lists the importation of coal-fired power and is seeking clarification of this position prior to determining the optimum project development plan.

ZAMBIAN PROJECTS

During the year the Company completed the sale of its Zambian Uranium projects to GoviEx Uranium Inc. for 3.0M GoviEx shares and 1.6M common share purchase warrants priced at US $0.23 per warrant, and which are valid for three years.

The Company has also allowed its remaining coal prospecting licenses in Zambia to lapse at the end of their exploration periods.

The company no longer has any exploration assets in Zambia and is solely focused on Botswana.

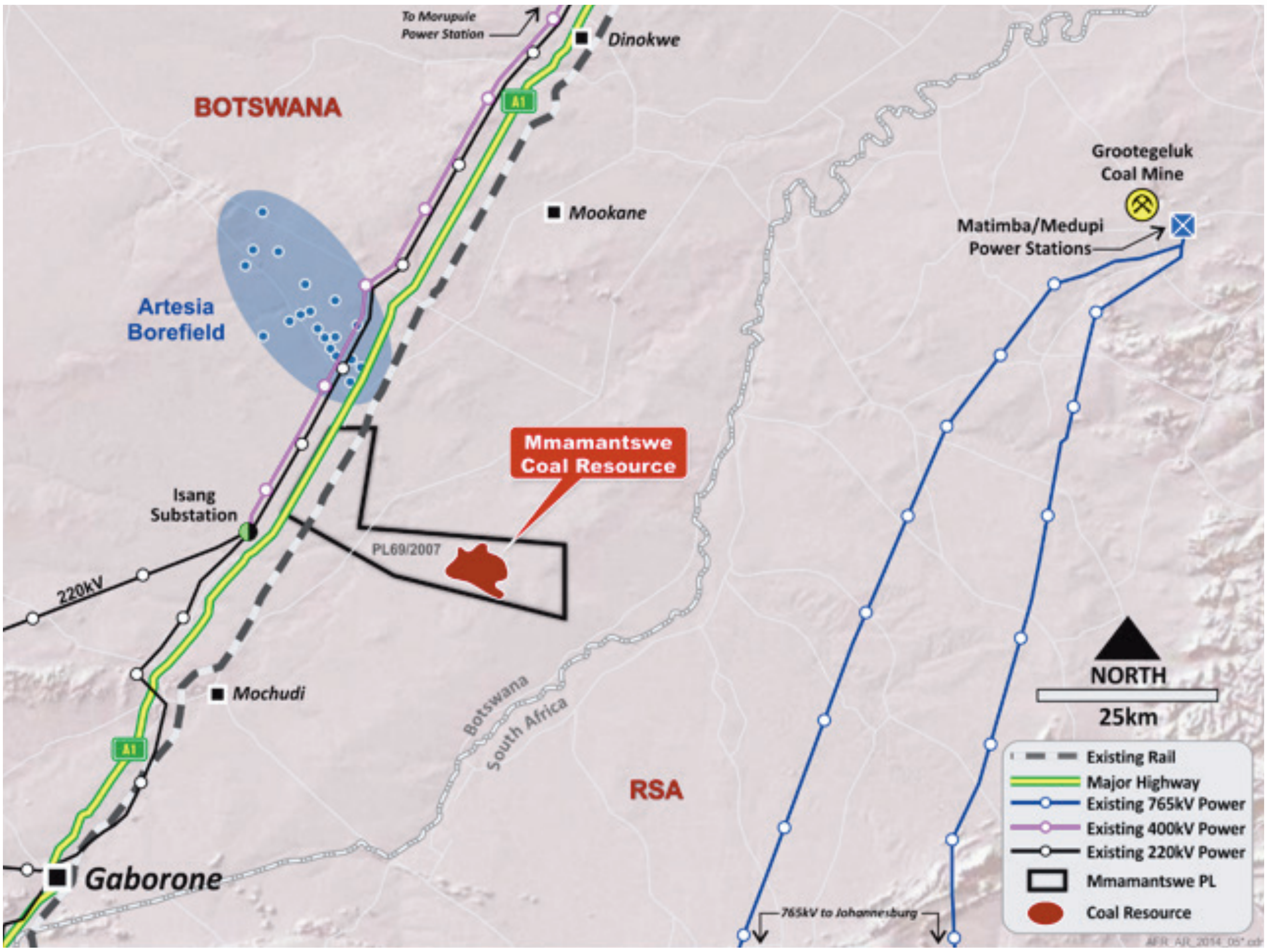


Figure 10. Location of the Mmamantswe coal project, close to infrastructure corridors in eastern Botswana

Tenement **Schedule**

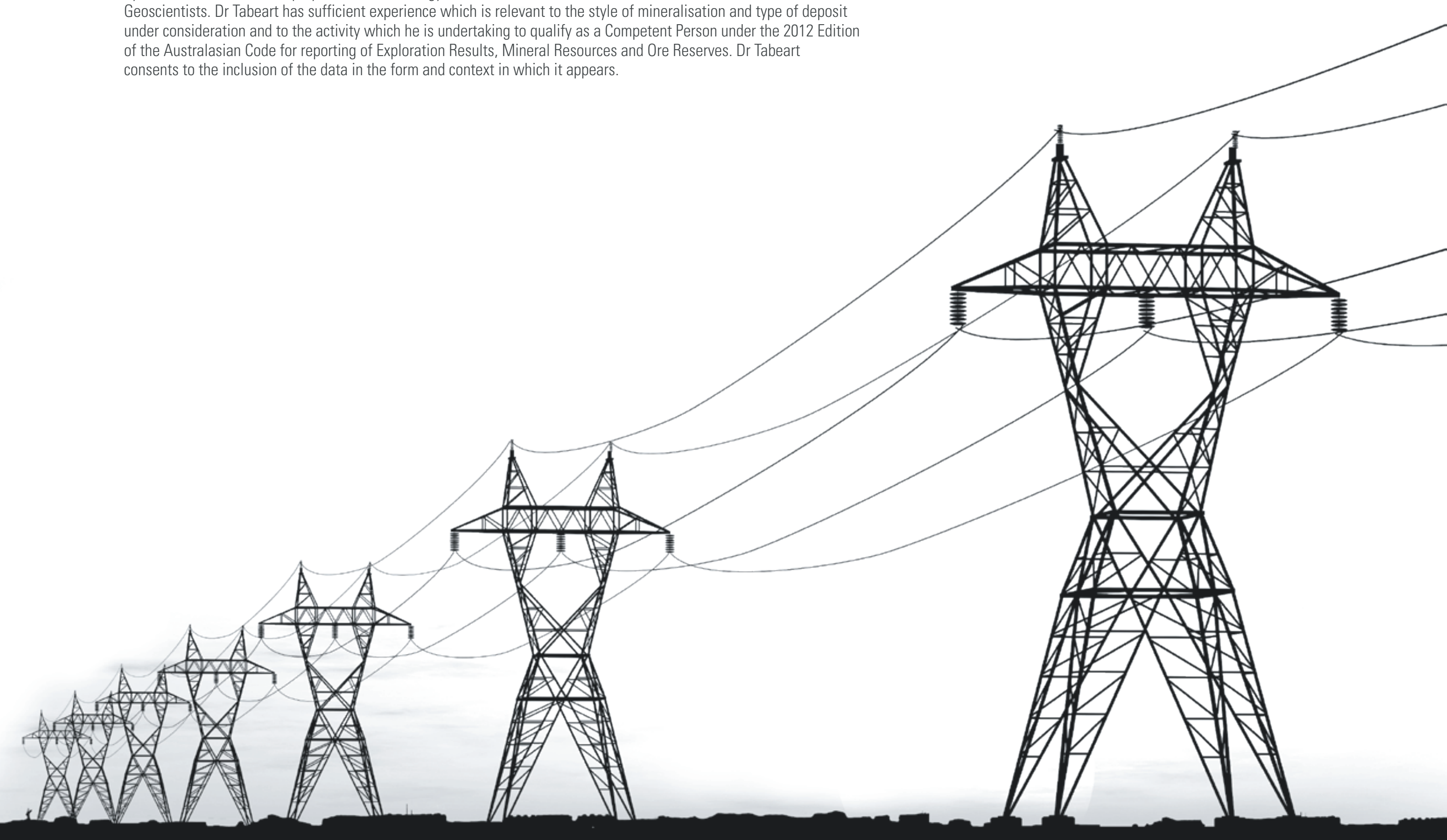
Project Name	Tenement Name	Tenement Holder	Licence Number	African Energy Equity	Area (sq km)	Date Granted	Current Expiry Date
BOTSWANA							
SESE	*Sese Mining Licence*	*Sese Power Subsidiary (Pty) Ltd*	*ML2016/42L*	*35%*	*51*	*22-Mar-17*	*31-Jan-42*
SESE	*Sese*	*African Energy Resources Botswana (Pty) Ltd*	*PL 96/2005*	*35%*	*287*	*26-Jul-05*	*31-Dec-18**
SESE	*Sese West*	*African Energy Resources Botswana (Pty) Ltd*	*PL197/2007*	*35%*	*229*	*01-Oct-07*	*31-Dec-18**
SESE	*Foley North*	*African Energy Resources Botswana (Pty) Ltd*	*PL004/2013*	*35%*	*774*	*01-Jan-13*	*30-Sep-20*
MMAMANTSWE	*Mmamantswe*	*Mmamantswe Coal (Pty) Ltd*	*PL069/2007*	*100%*	*453*	*01-Jul-12*	*31-Dec-18**
MMAMABULA WEST	*Mmamabula West*	*Phokoje Power (Pty) Ltd*	*PL56/2005*	*100%*	*293*	*01-July-05*	*30-Sep-19*

***Tenement renewal submitted in September 2018**

JORC Statement

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 (2012 edition) and 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 Tabeart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart 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 Tabeart consents to the inclusion of the data in the form and context in which it appears.



Sese Project (AFR 35%, FQM 65%): Raw coal on an air-dried basis

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 (AFR 35%, FQM 65%): Raw coal on an air-dried basis

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 (AFR 100%): Raw coal on an air-dried basis

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 (AFR 100%): Raw coal on an air-dried basis

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*							

Mineral Resources & Ore Reserve Governance A summary of the governance and internal controls applicable to African Energy's Mineral Resources and Ore Reserves processes are as follows:

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- Geological interpretation – review of known and interpreted structure, lithology and weathering controls;
- Estimation methodology – relevant to mineralisation style and proposed mining methodology;
- Comparison of estimation results with previous mineral resource models, and with results using alternate modelling methodologies;
- Statistical and visual validation of block model against raw composite data; and
- Use of external Competent Persons to assist in the preparation of JORC Mineral Resources updates.

**In-Situ Tonnes have been derived by removing volumes for modeled intrusions, burnt coal and weathered coal and then applying appropriate 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.

Financial Report

30 June 2018

African Energy Resources Limited

ARBN 123 316 781

Your Directors present their report on the Consolidated Entity consisting of African Energy Resources Limited (Company) and its controlled entities for the financial year ended 30 June 2018.

1. Directors and Company Secretary

The Directors and the Company Secretary of the Company at any time during or since the end of the financial year are as follows.

Mr Alasdair Cooke BSc (Hons), MAIG – Executive Chairman
Mr Cooke has served as Chairman of the Board since its incorporation. Mr Cooke is a geologist with over 25 years' experience in the resource exploration industry throughout Australia and internationally. For the past 20 years Mr Cooke has been involved in mine development through various private and public resource companies, prior to which he held senior positions in BHP Billiton plc's international new business and reconnaissance group.

Mr Cooke is a founding director of Mitchell River Group, which over the past seventeen years has established a number of successful ASX listed resources companies, including Panoramic Resources, operating the Savannah and Lanfranchi nickel projects in Australia; Albidon, operating the Munali Nickel Mine in Zambia, Mirabela Nickel, operating the Santa Rita nickel project in Brazil; Exco Resources, developing copper and gold resources in Australia; and EVE Investments.

Other current directorships	***Special responsibilities***
EVE Investments Limited	Executive Chairman
Anova Metals Limited	Member of the remuneration committee
Caravel Minerals Limited	
Former directorships in the last three years	***Interests in shares and options***
none	50,003,682 shares
	766,667 performance rights
	1,750,000 options

Dr Charles (Frazer) Tabeart PhD, BSc (Hons) ARSM, MAIG – Executive Director
Dr Tabeart is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 25 years' experience in international exploration and mining projects, including 16 years with WMC Resources. Whilst at WMC, Dr Tabeart managed exploration portfolios in the Philippines, Mongolia and Africa, gaining considerable experience in a wide variety of commodities and operating with staff from diverse cultural backgrounds.

Dr Tabeart was appointed Managing Director of the Company in November 2007 after serving two years as General Manager. Under his stewardship the Company discovered and delineated the coal resource at the Sese Coal & Power Project and has since managed the strategic direction of company to focus upon the delivery of multiple coal-fired power stations, captive coal-mines and an export coal mine. He has overseen the acquisition of Mmamantswe and Mmamabula West Coal Projects that has grown the resource inventory of the Company to 8.7Bt of thermal coal.

Other current directorships	***Special responsibilities***
PolarX Limited	Executive Director
Arrow Minerals Ltd (formerly Segue Resources)	Member of the audit and risk committee
Former directorships in the last three years	***Interests in shares and options***
none	4,774,100 shares
	1,266,667 performance rights
	2,500,000 options

Mr Gregory (Bill) Fry – Executive Director
Mr Fry has more than 25 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has vast experience in project evaluation and development, project funding, management, finance and operations.

Over the past 15 years, Mr Fry has been a Director of several private and public companies with activities ranging from funds management, minerals exploration, mining and quarrying. He has been an Executive Director of African Energy Resources since listing and is responsible for the Company's commercial and financial business programs.

Other current directorships	*Special responsibilities*
EVE Investments Ltd	Member of the audit and risk committee
Anova Metals Ltd	

Former directorships in the last three years	*Interests in shares and options*
nil	5,869,610 shares
	933,333 performance rights
	875,000 options

Mr Valentine Chitalu MPhil, BAcc, FCCA – Non-Executive Director
Mr Chitalu, a Zambian national and resident, is a Chartered Certified Accountant, Fellow of the Association of Chartered Certified Accountants (UK) and holds a practicing certificate from the Zambia Institute of Certified Accountants. He also holds a Masters Degree in Economics, Finance and Politics of Development and a Bachelor's Degree in Accounting and Finance.

Mr Chitalu has been a Non-Executive Director of African Energy Resources since listing and has assisted African Energy through his extensive business and Government contacts in the region.

Other current directorships	*Special responsibilities*
CDC Group	Chairman of the audit and risk committee

Former directorships in the last three years	*Interests in shares and options*
nil	2,251,425 shares
	400,000 performance rights
	500,000 options

Mr Vincent Ian Masterton-Hume - Non-Executive Director
Mr Hume's career in the resources industry stretches back several decades, primarily in the fields of managed fund investments, capital raising and project development. He currently sits on the boards of Silver City Mines; TSX-listed Golden Minerals; and ASX-listed Iron Road. He is a former Director of ASX and TSX-listed Marengo Mining.

Mr Hume was a Founding Partner of The Sentient Group ("Sentient"), an independent private equity investment firm that specialises in the global resource industry. He remains an independent advisor to Sentient, following his retirement from the fund in 2008. Sentient manages in excess of US $2.3 billion in the development of metal, mineral and energy assets across the globe. Sentient's current investment portfolio includes projects in power generation, energy storage, potash, and base, precious and ferrous metals mining, covering countries as diverse as China, Brazil, Canada, Papua New Guinea, Finland, Australia, Kenya and Botswana.

Prior to the founding of Sentient, Mr Hume was a consultant to AMP's Private Capital Division, working on the development of a number of Chilean mining investment joint ventures, as well as advising on a number of specific investments across a range of commodities and locations.

Other current directorships	*Special responsibilities*
Golden Minerals Limited	Chairman of Remuneration Committee
Iron Road Limited	

Former directorships in the last three years	*Interests in shares and options*
Silver City Mines Limited	4,157,606 shares
	100,000 performance rights
	500,000 options

Mr John Dean - Non-Executive Director
Mr Dean is an employee of First Quantum Minerals (FQM). Since joining FQM in 2011 he has fulfilled various roles within their mining operations including at FQM's Sentinel Copper Mine, its new flagship mine in Zambia. Prior to joining FQM, Mr Dean worked as an analyst in the energy and natural resource industries, possessing expertise in the valuation and commercial analysis of upstream oil and gas projects, as well as experience in electricity, natural gas, and crude oil markets.

Mr Dean graduated with honours from the University of Louisville in the United States with a Bachelor of Science in Business Administration, and was later awarded a Masters of Business Administration with distinction from the University of Oxford.

In addition to the Directorship, Mr Dean is a part of the team responsible for the development of power generation projects at the Sese Coal & Power Project under the joint venture with FQM.

Current directorships
nil

Special responsibilities
Member of Remuneration Committee

Former directorships in the last three years
nil

Interests in shares and options
nil

Daniel Davis – Company Secretary
Mr Davis is a member of CPA Australia who has worked in the resources sector for the past twelve years specialising in African based explorers and producers. Mr Davis has been Company Secretary since 2009.

1.1 Directors' Meetings
The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board of Directors		Remuneration Committee		Audit & Risk Committee	
	Present	Held	Present	Held	Present	Held
Alasdair Cooke	4	4	1	1	-	-
Charles Tabeart	4	4	-	-	-	-
Gregory Fry	4	4	-	-	2	2
Valentine Chitalu	2	4	-	-	-	-
Philip Clark	2	4	1	1	2	2
Vincent Masterton-Hume	3	4	1	1	-	-
Wayne Trumble	4	4	-	-	2	2
John Dean	3	4	-	-	-	-

2. Review of Operations

African Energy streamlined its interests during the year through the sale of its Zambian uranium assets and expiry of its Zambian coal prospecting licenses.

The Company is now fully focused on its Botswana coal portfolio, with an emphasis on developing the Sese JV as an integrated coal mine and power station, and on progressing the Mmamabula West project as an export coal mine.

During the year ended June 2018, the Company:

- Extended the deadline for FQM to complete the JV earn-in to 12 July 2019. In connection with the extension of the Sese JV earn-in period FQM subscribed 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 and transferred 5,985,886 shares in ASX-listed Caravel Minerals to the Company ("Caravel Shares");
- Continued to assist FQM with a number of commercial and permitting activities related to the development of Sese as an exporter of power to FQM's Zambian copper operations;
- Environmental approval for the Sese JV was increased to 500MW of power generation (up from 300MW) plus associated increases in coal mining volumes and coal processing activities;
- Implemented a resettlement action plan at Sese, to re-settle the 25 households that had grazing rights and minor property within the Land Rights area leased by the project;
- Completed the sale of its Zambian uranium portfolio to TSX Venture Exchange listed GoviEx Uranium for scrip consideration of US$503,477; and
- The Group initiated a number of changes to board composition and roles that will result in annual savings of US$400,000.

The Company's focus is to:

- Secure access to transmission systems to transmit power from Sese to FQM's Zambian operations in the Copperbelt;
- Continue negotiations with other credit-worthy off-takers for the balance of power available from Sese;
- Complete amendments to the approved Sese ESIA seeking to increase power output from 300MW to up to 500MW;
- Implement a resettlement action plan around Sese, under which 25 households will have their grazing rights, water bores and access trails relocated to outside the Land Rights Lease;

- Pursue development opportunities for its Mmamabula West coal project and continues to support TM Consulting as the potential developer and buyer of the Mmamantswe coal to power project, both of which are suitable for supply into South Africa's 3,750MW Coal-Fired Independent Power Project Procurement Program; and
- Evaluate new project opportunities for base and precious metals projects that are deemed to have the potential to add to shareholder value.

3. Remuneration Report - Audited

This Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the Directors and key management personnel ("KMP") of African Energy Resources Limited.

The information provided in this remuneration report has been Audited as required by section 308(3c) of the Corporations Act 2001.

3.1 Principles of Compensation

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Company, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The following table shows key performance indicators for the group over the last five years:

	2018	Restated[1] 2017	Restated[1] 2016	Restated[1] 2015	Restated[1] 2014
Profit / (loss) for the year attributable to owners	(4,013,178)	(1,618,702)	(2,070,429)	(5,084,144)	(7,151,015)
Basic earnings / (loss) per share (cents)	(0.64)	(0.27)	(0.34)	(0.90)	(1.63)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase / (decrease) in share price (%)	(304%)	209%	(4%)	-4%	3%
Total KMP incentives as percentage of profit / (loss) for the year (%)	-	-	-	-	-

[1] *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

3.2 Remuneration governance

The Remuneration Committee provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors. The Corporate Governance Statement provides further information on the role of the Board.

3.3 Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

The current base remuneration was last reviewed with effect from 1 April 2018 and was set at US$26,819 (AU$35,000) per annum.

3.4 Executive Directors

The executive pay and reward framework has two components:

- base pay; and
- long-term incentive through issue of performance rights and options

Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the Remuneration Committee's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. There is no guaranteed base pay increases included in any executives' contract.

Long-term incentives

The award of performance rights and options to Directors, provides an opportunity for Directors to participate in the Company's growth and an incentive to contribute to that growth. The Remuneration Committee has determined performance hurdles that will apply to each performance right and option issued.

Performance conditions attached to performance rights and options are detailed in note 8.

Service Contracts

On appointment to the Board, Executive Directors enter into an executive service agreement with the Company. The agreement details the Board policies and terms, including compensation, relevant to the office of Director.

The Company currently has service contracts in place with the following three Board members. All contracts with Executive Directors are for a two year term but can be terminated by either party with three months' notice. Details of the service agreements are listed below.

Mr Alasdair Campbell Cooke - Executive Chairman, the Company

- Commencement date: 1 January 2017
- Base salary is US$62,774 (AU$85,000)
- Termination payment is the equivalent of three months consulting fees

Dr Charles Frazer Tabeart - Executive Director, the Company

- Commencement date: 1 February 2018
- Base salary is US$118,163 (AU$160,000)
- Termination payment is the equivalent of three months consulting fees

Mr Gregory William Fry - Executive Director, the Company

- Commencement date: 1 February 2018
- Base salary is US$48,004 (AU$65,000)
- Termination payment is the equivalent of three months consulting fees

No other key management personnel have service contracts in place with the Consolidated Entity.

3.5 Comments made at the Company's 2017 Annual General Meeting

The Company did not receive any specific feedback at the AGM held on 23 November 2017 or throughout the year on its remuneration practices.

3.6 Directors and Executive Officers' Remuneration (Consolidated Entity)

Details of the remuneration of the Directors of the Consolidated Entity (as defined in AASB 124 Related Party Disclosures) of the Consolidated Entity are set out in the following tables.

The key management personnel of the Consolidated Entity are the Directors of African Energy Resources Limited.

The following tables set out remuneration paid to key management personnel of the Consolidated Entity during the year.

Key Management Personnel remuneration - 2018	Short term employee benefits	Post-employment benefits	Share based payments	Total
	Cash salary & fees	Superannuation	Rights	
	US$	US$	US$	US$
Non-Executive Directors				
Valentine Chitalu	32,950	-	1,455	34,405
Philip Clark	23,896	2,270	364	26,530
Vincent Masterton-Hume	30,091	2,858	364	33,313
Wayne Trumble	6,784	19,382	3,637	29,803
John Dean	32,950	-	-	32,950
Total Non-Executive Directors	126,671	24,510	5,820	157,001
Executive Directors				
Gregory Fry	85,258	8,099	4,699	98,056
Charles Tabeart	196,407	-	7,215	203,622
Alasdair Cooke	101,563	-	3,441	105,004
Total Executive Directors	383,228	8,099	15,355	406,682
Total Key Management Personnel	509,899	32,609	21,175	563,683

Key Management Personnel remuneration - 2017				
Non-Executive Directors				
Valentine Chitalu	33,920	-	3,537	37,457
Philip Clark	33,920	-	(12,388)	21,532
Vincent Masterton-Hume	33,920	-	884	34,804
Wayne Trumble	33,920	-	6,629	40,549
John Dean	33,920	-	-	33,920
Total Non-Executive Directors	169,600	-	(1,338)	168,262
Executive Directors				
Gregory Fry	120,606	-	(31,095)	89,511
Charles Tabeart	241,211	-	(67,497)	173,714
Alasdair Cooke	82,163	-	(12,895)	69,268
Total Key Management Personnel	443,980	-	(111,487)	332,493
Total	613,580	-	(112,825)	500,755

Negative remuneration values in the prior period comparative was due to a reversal in share-based payment expense as a result of a change in management estimates for the achievement of performance rights.

The Group did not engage a remuneration consultant during the year.

3.7 Share-based compensation

The Company did not issue share-based compensation during the year.

3.8 Directors' and Executives Interests

A. Shares

	Balance at 30/06/2017	Purchases (Sales)	Other Changes	Balance at 30/06/2018
Non-executive Directors				
Valentine Chitalu	2,251,425	-	-	2,251,425
Philip Clark*	2,495,470	-	(2,495,470)	-
Vincent Masterton-Hume	4,157,606	-	-	4,157,606
Wayne Trumble*	327,273	-	(327,273)	-
John Dean	-	-	-	-
Executive Directors				
Alasdair Cooke	50,003,682	-	-	50,003,682
Charles Tabeart	4,774,100	-	-	4,774,100
Gregory Fry	5,869,610	-	-	5,869,610
	69,869,088	-	2,822,743	67,056,423

B. Performance Rights

	Balance at 30/06/2017	Expired during the year	Other Changes	Balance at 30/06/2018	Vested and exercisable	Unvested
Non-executive Directors						
Valentine Chitalu	400,000	-	-	400,000	-	400,000
Philip Clark*	300,000	(100,000)	(200,000)	-	-	-
Vincent Masterton-Hume	100,000	-	-	100,000	-	100,000
Wayne Trumble*	1,000,000		(1,000,000)	-	-	-
John Dean	-	-	-	-	-	-
Executive Directors						-
Alasdair Cooke	1,100,000	(333,333)	-	766,667	-	766,667
Charles Tabeart	2,600,000	(1,333,333)	-	1,266,667	-	1,266,667
Gregory Fry	1,600,000	(666,667)	-	933,333	-	933,333
	7,100,000	(2,433,333)	(1,200,000)	3,466,667	-	3,466,667

C. Options

	Balance at 30/06/2017	Other Changes	Balance at 30/06/2018	Vested and exercisable	Unvested
Non-executive Directors					
Valentine Chitalu	500,000		500,000	-	500,000
Philip Clark*	500,000	(500,000)	-	-	-
Vincent Masterton-Hume	500,000		500,000	-	500,000
Wayne Trumble*	500,000	(500,000)	-	-	-
John Dean	-	-	-	-	-
Executive Directors					
Alasdair Cooke	1,750,000	-	1,750,000	-	1,750,000
Charles Tabeart	2,500,000	-	2,500,000	-	2,500,000
Gregory Fry	875,000	-	875,000	-	875,000
	7,125,000	(1,000,000)	6,125,000	-	6,125,000

*Mr Clark and Mr Trumble resigned on 31 March 2018, and "Other Changes" reflects balance held at date of resignation.

D. Other related party transactions

The terms and conditions of the transactions with Directors, key executives and associates and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

	Charges from		Charges to	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Mitchell River Group Pty Ltd	102,458	111,668	-	-
EVE Investments Limited	-	-	-	40,611

At 30 June 2018 the company had a payable outstanding to Mitchell River Group of US$1,499 (30 June 2017: US$2,962).

This is the end of the Audited remuneration report.

4. Principal Activities

The principal activity of the Consolidated Entity during the course of the financial year was the development of power projects in southern Africa.

5. Events Subsequent to Reporting Date

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Group in future financial years which have not been disclosed publicly at the date of this report.

6. Likely Developments and Expected Results

The Group will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Group and the expected results of those operations in the future financial years has not been included in this report because disclosure would likely result in unreasonable prejudice to the Group.

7. Significant Changes in the State of Affairs

In the opinion of the Directors, other than stated under Review of Operations, and Events Subsequent to Reporting Date, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review and subsequent to the year end.

8. Environmental Regulations

The Consolidated Entity's operations are not subject to any significant environmental regulations under the legislation of countries in which it operates. However, the Board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

The Company is not subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

9. Indemnification and Insurance of Officers and Auditors

11.1 Indemnification

An indemnity agreement has been entered into with each of the Directors and Company Secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

11.2 Insurance

During the financial year, the Company has taken out an insurance policy in respect of Directors' and officers' liability and legal expenses' for Directors and officers.

10. Corporate Structure

African Energy Resources Limited is a Company limited by shares that is incorporated and domiciled in Guernsey. The Company is listed on the Australian Securities Exchange and Botswana Stock Exchange under code AFR.

11. Non-Audit Services

During the year, there were no non-Audit services provided by BDO Audit (WA) Pty Limited (2017: nil).

12. Lead Auditor's Independence Declaration

The lead Auditor's Independence Declaration is set out on page 25 and forms part of the Directors' report for the financial year ended 30 June 2018.

Charles Frazer Tabeart
Executive Director
Perth, 27 September 2018

Directors' Declaration

African Energy Resources Limited and its Controlled Entities

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001; and

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Consolidated Entity.

2. In the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:

Charles Frazer Tabeart
Executive Director
Perth, 27 September 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of African Energy Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of African Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of investment in associate

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 2.2, the Group's investment in associate (Sese Power Project) has a significant carrying value as at 30 June 2018. The Company is required to assess whether any impairment indicators are present which may indicate the Group's investment in associate may be impaired. We have determined this is a key audit matter given is financial significance to the Group and the judgements and estimates required in assessing the carrying value of the investment.	Our procedures included, but were not limited to the following: • Considering the existence of any indicators of impairment of the investment; • Reviewing ASX announcements, Board of Directors meetings minutes, joint venture minutes and considering management's assessment of impairment indicators; and • Assessing the appropriateness of the Company's disclosures in respect of the investment in associate (refer to Note 2.2).

Accounting for exploration and evaluation assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 2.1, the capitalised exploration and evaluation asset has a significant carrying value as at 30 June 2018. As the carrying value of the exploration and evaluation asset represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6: Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining from management a schedule of areas of interest held by the Group and assessing whether rights to tenure of those areas of interest remained current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 2.1 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of African Energy Resources Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
JPrue

Jarrad Prue

Director

Perth, 27 September 2018

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor of African Energy Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of African Energy Resources Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 US$	Restated[1] 2017 US$
Gain on sale of Zambian Uranium Project	3.6	503,477	-
Gain on Derivative		181,987	-
(Loss) on Sale of Listed Investments		(1,537)	-
Reversal of share based payment expense	8.4	77,701	130,993
Interest received	3.2	60,130	73,773
Personnel expenses	3.3	(536,684)	(475,003)
Professional & administration expense	3.3	(343,040)	(432,895)
Exploration & evaluation expensed		(85,037)	(457,632)
Share of Loss in Sese JV		(471,527)	(458,346)
Impairment of Mmamantswe	2.1	(3,396,842)	-
Foreign currency loss		(1,806)	408
Loss before tax		(4,013,178)	(1,618,702)
Income tax expense	3.4	-	
Loss after income tax for the year		(4,013,178)	(1,618,702)
Attributable to:			
Equity holders of the Company		(4,013,178)	(1,618,702)
Loss for the year		(4,013,178)	(1,618,702)
Other comprehensive items that may be reclassified to profit or loss			
Movement in fair value of available for sale financial assets		(9,223)	-
Foreign currency translation reserve		(139,242)	61,673
Total other comprehensive income / (loss) for the year		(148,465)	61,673
Total comprehensive loss attributable to the ordinary equity holders of the Company:			
Total comprehensive loss for the year		(4,161,643)	(1,557,029)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	3.5	(0.64)	(0.27)

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 US$	Restated (1) 2017 US$	Restated (1) 2016 US$
Assets				
Current assets				
Cash & cash equivalents	*4.1*	2,300,244	2,621,783	3,942,840
Available for sale financial assets	4.6	1,147,930	-	-
Derivative Asset	4.7	181,987	-	-
Trade & other receivables	*4.3*	37,252	138,786	129,360
Total current assets		3,667,413	2,760,569	4,072,200
Non-current assets				
Investment in Sese Joint Venture	*2.2*	7,301,534	8,056,900	8,515,246
Property, plant & equipment		26	398	1,940
Exploration & evaluation	*2.1*	2,500,000	5,900,172	5,895,304
Total non-current assets		9,801,560	13,957,470	14,412,490
Total assets		13,468,973	16,718,039	18,484,690
Liabilities				
Current liabilities				
Trade & other payables	*4.4*	83,889	118,675	197,305
Total current liabilities		83,889	118,675	197,305
Total liabilities		83,889	118,675	197,305
Net assets		13,385,084	16,599,364	18,287,385
Equity				
Contributed equity	*5.1*	64,134,977	63,109,911	63,109,911
Reserves		25,852	252,019	321,339
Retained Earnings/(Accumulated losses)		(50,775,745)	(46,762,567)	(45,143,865)
Total equity attributable to shareholders of the Company		13,385,084	16,599,363	18,287,385

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

The consolidated statement of financial position is to be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

For the year ended 30 June 2018	Contributed equity	Accumulated losses	Foreign Currency Translation Reserve	Fair value of available for sale financial assets	Share-Based Payments Reserve	Total equity
	US$	US$	US$	US$	US$	US$
At 30 June 2017 - Restated[(1)]	63,109,911	(46,762,567)	(5,040,969)	-	5,292,988	16,599,363
Net earnings for the year	-	(4,013,178)	-	-	-	(4,013,178)
Effect of translation of foreign operations to group presentation currency	-	-	(139,242)	-	-	(139,242)
Movement in fair value of available for sale financial assets	-	-	-	(9,223)	-	(9,223)
Total comprehensive income for the year	-	(4,013,178)	(139,242)	(9,223)	-	(4,161,643)
Transactions with owners in their capacity as owners:						
Issue of new shares	1,089,179	-	-	-	-	1,089,179
Share buyback	(64,113)	-	-	-	-	(64,113)
Share based payments	-	-	-	-	(77,701)	(77,701)
	1,025,066	-	-	-	(77,701)	947,365
At 30 June 2018	64,134,977	(50,775,745)	(5,180,211)	(9,223)	5,215,287	13,385,085
For the year ended 30 June 2017 - Restated						
At 30 June 2016 - Restated[(1)]	63,109,911	(45,143,865)	(5,102,642)	-	5,423,981	18,287,385
Net earnings for the year	-	(1,241,774)	-	-	-	(1,241,774)
Effect of translation of foreign operations to group presentation currency	-	-	71,540	-	-	71,540
Change of accounting policy adjustment	-	(376,928)	(9,867)			(386,795)
Total comprehensive income for the year	-	(1,618,702)	61,673	-	-	(1,557,029)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	-	-	(130,993)	(130,993)
	-	-	-	-	(130,993)	(130,993)
At 30 June 2017 – Restated[(1)]	63,109,911	(46,762,567)	(5,040,969)	-	5,292,988	16,599,363

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 US$	Restated[1] 2017 US$
Cash flows from operating activities			
Interest received		87,222	76,351
Payment for exploration and evaluation		(97,022)	(461,333)
Payment to suppliers and employees		(824,709)	(997,191)
Net cash (outflow) from operating activities	*4.2*	(834,509)	(1,382,173)
Cash flows from investing activities			
Receipts from sale of listed investments		48,800	-
Acquisitions of Shares in Caravel Minerals		(420,174)	-
Net cash inflow/(outflow) from investing activities		(371,374)	-
Cash flows from financing activities			
Issue of Shares		1,089,179	-
Buyback of shares		(64,113)	-
Net cash inflow/(outflow) from financing activities		1,025,066	-
Cash and cash equivalents at the beginning of the year	*4.1*	2,621,783	3,942,840
Net (decrease) / increase in cash and cash equivalents		(180,817)	(1,382,173)
Effect of exchange rate fluctuations on cash held		(140,722)	61,116
Cash and cash equivalents at the end of the year	*4.1*	2,300,244	2,621,783

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

The consolidated statements of cash flows are to be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements

1. Basis of Preparation

1.1 Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001. The financial report of the Consolidated Entity also complies with IFRSs and interpretations as issued by the International Accounting Standards Board. African Energy Resources Limited is a for-profit entity for the purposes of preparing financial statements.

The financial report was authorised for issue by the Directors on 27 September 2018.

1.2 Basis of measurement

The financial report is prepared under the historical cost convention.

1.3 Functional and presentation currency

These consolidated financial statements are presented in US dollars (‘US$’).

The functional currency of the Company and each of the operating subsidiaries is US$ which represents the currency of the primary economic environment in which the Company and each of the operating subsidiaries operates.

Subsidiaries denominated in Australian dollars (‘AU$’) are translated at the closing rate on reporting date. Profit and loss items are translated on the prevailing rate on the date of transaction.

1.4 Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

1.5 Reporting entity

African Energy Resources Limited (referred to as the ‘Parent Entity’ or the ‘Company’) is a company domiciled in Guernsey. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the ‘Consolidated Entity’ or the ‘Group’). The Group is primarily involved in power and coal development in southern Africa.

1.6 Use of estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2.1 – Exploration & evaluation expenditure - If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.
- Note 2.2 – Investments in Associates – The carrying amount of the investment is tested for impairment indicators at least annually in accordance with AASB 139 Financial Instruments: Recognition and Measurement. Where there are indicators present the group compares its recoverable amount (fair value less costs to sell) with its carrying amount.
- Note 8 – Share-based payments arrangements - The Group values options issued at fair value at the grant date using the binomial option pricing model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option. Performance rights are valued at face value of the share on the date of issue. At each reporting period management assess the probability of the vesting of options and performance rights where applicable

in accordance with AASB 2 – Share based payments (non-market conditions). The probability is assessed to either be less likely or more likely (0% or 100%) and a vesting expense is recorded accordingly.

2. Non-Current Assets

2.1 Exploration and evaluation expenditure

(a) Change of Accounting policy

The financial report has been prepared on the basis of retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure in accordance with standard AASB 6: Exploration for and Evaluation of Mineral Resources.

Previously, the Group capitalised, accumulated exploration and evaluation expenditure and carried forward to the extent that they were expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Going forward the Group will elect by Area of Interest to adopt one of the following policies:

(i) Exploration and evaluation expenditure is stated at cost and is accumulated and carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves; or

(ii) Exploration and evaluation costs are expenses as incurred as an operating cost of the Group. Costs related to the acquisition of properties that contain mining resources are capitalised and allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

The Board has determined to apply this policy to an area of interest on a case by case basis and has applied the policy change as follows:

Area of Interest	**Accounting Policy Election**
Mmamabula West project	2.1(a)(ii)
Mmamantswe Coal Project	2.1(a)(i)
African Energy Holdings SRL (Sese JV)	2.1(a)(ii)

The Board have determined that the change in accounting policy will result in more relevant and no less reliable information as the policy is more transparent and less subjective. Recognition criteria of exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income. Furthermore, the change in policy aids in accountability of line management's expenditures and the newly adopted policy is consistent with industry practice.

The effects on the Consolidated Statement of Profit or Loss and Other Comprehensive Income and to the Consolidated Statement of Financial Position on implementation of the new accounting policy, were as follows:

	Exploration expenditure US$	**Foreign exchange reserve US$**	**Retained earnings US$**
Balances at 1 July 2016, as previously reported	6,610,155	(5,148,800)	(44,382,856)
Impact of the change in accounting policy	(714,851)	46,158	(761,009)
Restated balances at 1 July 2016	5,895,304	(5,102,642)	(45,143,865)
Balances at 30 June 2017, as previously reported	7,001,817	(5,077,260)	(45,624,630)
Impact of the change in accounting policy at 1 July 2016	(714,851)	46,158	(761,009)
Impact of the change in accounting policy during 2017	(386,794)	(9,867)	(376,928)
Restated balance at 30 June 2017	5,900,172	(5,040,969)	(46,762,567)

The effects on the Consolidated Statement of Profit or Loss and Other Comprehensive Income were as follows:

	For the year ended 30 June 2017 US$
Increase in loss for the year	(376,928)

The table below summarises the impact on the loss per share for the comparative period:

Loss per share	2017 US$
Previously reported – basic and diluted loss per share	(0.20)
Restated – basic and diluted loss per share	(0.27)

Exploration and evaluation activity involves the search for energy resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:
a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
b) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

(b) Exploration and Evaluation Carrying Values

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mineral property and development assets within property, plant and equipment.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

	2018 US$	Restated[1] 2017 US$
Mmamabula West Coal Project	2,500,000	2,500,000
Mmamantswe Coal Project	-	3,400,172
Carrying amount of exploration and evaluation	2,500,000	5,900,172

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

(c) Exploration and Evaluation movement reconciliation

	2018 US$	Restated[1] 2017 US$
Balance at the beginning of the year	5,900,172	5,895,304
Additions	-	-
Impairments[2]	(3,396,842)	-
Effect of movements in foreign exchange	(3,330)	4,868
Carrying amount at 30 June	2,500,000	5,900,172

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*
(2) *The Directors determined that an impairment of Mmamantswe Coal Project was necessary due to uncertainty surrounding the recently released draft IRP in South Africa which no longer contemplates cross border imports of coal fired power.*

.2 Investments in Associates

Associates are entities over which the Group has significant influence but not control or joint control. Associates are accounted for in the parent entity financial statements at cost and the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the group's share of post-acquisition profits or losses of associates is recognised in consolidated profit or loss and the group's share of post-acquisition other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while they reduce the carrying amount of the investment in the consolidated financial statements.

Subsidiaries are all entities over which the group has control. Control is determined with reference to whether the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where the group loses control of a subsidiary but retains significant influence, the retained interest is re-measured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. There is judgement involved in determining whether control has been lost and determining the fair value of the investment held.

(a) Movements in carrying amounts

	2018 US$	2017 US$
Balance at the beginning of the year	8,056,900	8,515,246
Share of Losses after income tax	(471,527)	(458,346)
Movement on renegotiation of Sese JV terms	(283,839)	-
Carrying amount at 30 June	7,301,534	8,056,900

(b) Share of the results of its associates

The groups share of the results of its associates and its aggregated assets and liabilities are as follows.

	Ownership Interest %	Company's share of:			
		Assets US$	Liabilities US$	Revenues US$	(Loss) US$
African Energy Holdings SRL	35%	5,143,514	106,554	-	(471,526)

(c) Summarised financial information of associate - African Energy Holdings SRL

Summarised statement of financial position	2018 US$	2017 US$
Current Assets		
Cash and cash equivalents	159,648	79,649
Trade and other receivables	92,780	92,344
Total current assets	252,428	171,993
Non-current Assets		
Exploration & evaluation	14,378,556	14,112,860
Property, plant & equipment	64,770	125,085
Total non-current assets	14,443,326	14,237,945
Total assets	14,695,754	14,409,937
Current Liabilities		
Trade and other payables	54,439	38,476
Total current liabilities	54,439	38,476
Non-current Liabilities		
Rehabilitation Provision	250,000	-
Total non-current liabilities	250,000	-
Total liabilities	304,439	-
Net assets	14,391,315	14,371,462

Summarised statement of comprehensive income	2018 US$	2017 US$
Total Operating Expense	(1,245,307)	(1,098,124)
Loss from operating activities	(1,245,307)	(1,098,124)
Other comprehensive income	(13,493)	-
Total comprehensive income	(1,258,800)	(1,098,124)

3. Financial Performance

3.1 Segment information

AASB 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(a) Description of Segments

The Company's Board receives financial information across three reportable segments. These are Coal-fired Power Projects; Power Investments and Unallocated.

(b) Segment Information

For the year ended 30 June 2018	Coal-fired Power Development Projects	Power Investments	All other segments	Consolidated
	US$	US$	US$	US$
Total segment revenue	-	-	563,607	563,607
Profit (loss) before income tax	(3,481,879)	(471,527)	(59,772)	(4,013,178)
Segment Assets				
Investment in Sese JV	-	7,301,534	-	7,301,534
Exploration and evaluation expenditure	2,500,000	-	-	2,500,000
Property, plant and equipment	-	-	26	26
Cash and short term receivable	-	-	3,667,413	3,667,413
Total Segment Assets	**2,500,000**	**7,301,534**	**3,667,439**	**13,468,973**
Segment Liabilities				
Trade & other payables	-	-	83,889	83,889
Total Segment Liabilities	**-**	**-**	**83,889**	**83,889**
For the year ended 30 June 2017 – Restated[1]				
Total segment revenue	-	-	73,773	73,773
Profit (loss) before income tax	(376,928)	(539,050)	(702,724)	(1,618,702)
				-
Segment Assets				-
Investment in Sese JV	-	8,056,900	-	8,056,900
Exploration and evaluation expenditure	5,900,172	-	-	5,900,172
Property, plant and equipment	-	-	398	398
Cash and short term receivable	-	-	2,760,569	2,760,569
Total Segment Assets	**5,900,172**	**8,056,900**	**2,760,967**	**16,718,039**
Segment Liabilities				
Trade & other payables	-	-	118,675	118,675
Total Segment Liabilities	**-**	**-**	**118,675**	**118,675**

(2) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

3.2 Revenue

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

(b) Net financial income

Net financial income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income is recognised in the profit or loss as it accrues, using the effective interest method. Management fees are recognised in the profit or loss as the right to a fee accrues, in accordance with contractual rights.

	2018 US$	2017 US$
Interest received	60,130	73,773
	60,130	73,773

3.3 Expenses

Personnel expenses	2018 US$	2017 US$
Employee salaries	147,596	177,290
Superannuation	15,008	16,120
Directors fees	544,463	614,229
Recharge of director fees and employee salaries to JV partner	(170,898)	(342,137)
Payroll tax	515	9,501
	536,684	475,003
Professional & administration expense		
Audit Tax and Accounting	53,634	60,921
Compliance & Insurance	91,347	96,496
Occupancy	70,344	103,147
Travel	29,925	73,604
Marketing	15,740	38,857
Legal fees	53,789	24,594
Depreciation and Impairment of PP&E	395	917
Other	27,866	34,359
	343,040	432,895

3.4 Income Taxes

(a) Income tax expense:

	2018 US$	2017 US$
Current tax	-	-
Deferred tax	-	-
Overprovision in respect to prior years	-	-
	-	-

(b) Reconciliation of income tax expense to prima facie tax payable:

	2018 US$	Restated(1) 2017 US$
Loss before income tax	(4,013,178)	(1,618,702)
Prima facie income tax at 30%	(1,203,953)	(485,611)
Tax effect of amounts not deductible in calculating taxable income:		
Sundry items	262	283
Other	137,011	(29,245)
	(1,066,680)	(514,573)
Difference in overseas tax rates	4,654	6,284
Tax loss not recognised	1,062,026	508,289
Income tax expense/(benefit)	-	-

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

Tax losses:

	2018 US$	2017 US$
Unused tax losses for which no deferred tax asset has been recognised	(739,055)	(752,507)
Potential tax benefit @ 30%	(221,717)	(225,752)
Difference in overseas tax rates 10%	4,654	6,284
Potential tax benefit	(217,063)	(219,468)

(c) Unrecognised deferred tax assets arising on timing differences and losses

	2018 US$	2017 US$
Timing	12,753	152,805
Losses - Revenue	4,390,135	4,173,072
	4,402,888	4,325,877

The tax benefits of the above deferred tax assets will only be obtained if:

i. The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
ii. The Consolidated Entity continues to comply with the conditions for deductibility imposed by law;
iii. No changes in income tax legislation adversely affect the Consolidated Entity from utilising the benefits.

Income tax on the Statement of Profit or Loss and other Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5 Earnings per share

(d) Basic loss per share

The calculation of basic loss per share at 30 June 2018 was based on the losses attributable to ordinary shareholders of US$4,013,178 (2017 Restated: US$1,618,702) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2018 of 624,007,780 (2017: 606,946,983) calculated as follows:

	2018 US$	Restated[1] 2017 US$
Gain (Loss) attributable to ordinary shareholders	(4,013,178)	(1,618,702)
Issued number of ordinary shares at 1 July	608,496,715	606,646,983
Effect of shares issued during the period	15,511,065	300,000
Weighted average number of shares for year to 30 June	624,007,780	606,946,983
Basic loss per share (cents per share)	(0.64)	(0.27)

(1) *Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.

(e) Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

3.6 Sale of Chirundu Uranium Project

On 30 October 2017, The Company completed the sale of its Zambian uranium portfolio to TSX Venture Exchange listed GoviEx Uranium for consideration of 3.0M GoviEx shares and 1.6M warrants exercisable at US$0.23 per share.

The value of the consideration less transaction costs was valued at US$503,477 based upon the Goviex share price on 30 October 2017 and with the Zambian uranium portfolio having previously been impaired to nil the total consideration was recorded as revenue.

4. Working Capital Management

4.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	2018 US$	2017 US$
Cash at bank and in hand	2,070,606	604,282
Short-term deposits	229,638	2,017,501
	2,300,244	2,621,783

Refer to note 5.2 for risk exposure analysis.

4.2 Reconciliation of loss after income tax to net cash flows from operating activities

Cash flows from operating activities	**2018 US$**	**Restated(1) 2017 US$**
(Loss) for the year	(4,013,178)	(1,618,702)
Adjustments for:		
Gain on sale of Zambian Uranium Project	(503,477)	-
Gain on Derivative	(181,987)	-
Cost base of Goviex shares sold	(1,537)	-
Equity-settled share-based payment expenses	(77,701)	(130,993)
Share of Loss in Sese JV	471,527	458,346
Depreciation and amortisation expense	395	917
Impairment of Mmamantswe	3,396,842	-
Foreign exchange losses	603	(3,483)
Change in operating assets & liabilities		
(Increase)/decrease in trade and other receivables	101,534	(33,593)
(Decrease)/increase in trade and other payables	(27,530)	(54,665)
Net cash used in operating activities	(834,509)	(1,382,173)

(1) **Refer Note 2.1 for details regarding the restatement as a result of a change in accounting policy.**

4.3 Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

	2018 US$	2017 US$
Trade debtors	14,770	75,747
Interest receivable	4,759	31,851
GST and VAT receivable	17,723	31,188
	37,252	138,786

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

4.4 Trade and other payables

Trade and other payables are recognised when the related goods or services are received, at the amount of cash or cash equivalent that will be required to discharge the obligation, gross of any settlement discount offered. Trade payables are non-interest bearing and are settled on normal terms and conditions.

	2018 US$	2017 US$
Trade creditors	26,393	49,939
Accrued expenses	23,079	15,325
Payroll liabilities	34,417	53,411
	83,889	118,675

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

4.5 Impairment

The Group assesses at each reporting date whether there is objective evidence financial asset or group of financial assets is impaired.

The Directors determined that an impairment of Mmamantswe Coal Project was necessary due to uncertainty surrounding the recently released draft IRP in South Africa which no longer contemplates cross border imports of coal fired power.

4.6 Available for sale financial assets

The Company values available for sale assets at the closing share price on the balance date.

	2018 US$	2017 US$
15.3M Shares held in Caravel Minerals	677,336	-
2.7M Shares held in Goviex Uranium	470,594	-
	1,147,930	-

4.7 Derivatives

2.75M Caravel options exercisable and 1.6M Goviex options were acquired during the period and at 30 June 2018 were valued at $181,987 using a Black -Scholes option valuation model with the following inputs.

Black-Scholes Inputs	**Goviex**	**Caravel**
Strike price	23c (USD)	7c (AUD)
share price	17.5c (USD)	6c (AUD)
Term	2.25 years	2 years
volatility of 100%	100%	100%
risk free rate 1.5%	1.5%	1.5%
Price per option	8.78c (USD)	2.04c (AUD)
Number of Options	1,600,000	2,750,000
Total Value	$140,494	$41,493

5. **Funding and Risk Management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in the proportion to the number and amount paid on the shares held. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

5.1 **Contributed equity**

Movement in share capital	Date	Number of shares	Issue price US$ cents	US$
Balance 30 June 2016		608,196,715		63,109,911
Conversion of performance rights	01 Jul 2016	300,000		-
Balance 30 June 2017		608,496,715		63,109,911
Share Placement to First Quantum Minerals	14 Aug 2017	17,692,308	6.2	1,089,179
Share Buyback	30 Jun 2018	(3,698,394)	1.7	(64,113)
Balance 30 June 2018		622,490,629		64,134,977

5.2 **Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Audit & Risk Committee under a charter approved by the Board of Directors. The Audit & Risk Committee identifies, evaluates and hedges foreign currency risks by holding cash in the currency that it is budgeted to be spent in.

(a) **Market risk**

i. **Foreign currency risk**
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. Some exposure to foreign exchange risk exists in respect to the Australian subsidiaries which provides administrative and technical support to the Group and have transactions denominated in Australian Dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in US$, was:

	2018 US$	2017 US$
Cash held in US Dollars (US$)	168,710	250,976
Cash held in South African Rand (ZAR)	6,891	12,268
Cash held in Botswana Pula (BWP)	6,308	46,596
Trade and other receivables (BWP)	5,669	17,787
Trade and other payables (BWP)	(2,634)	(29,138)

ii. **Price risk**
The Group does not hold investments and therefore is not exposed to equity securities price risk.

iii. **Interest rate risk**
The Group has significant interest-bearing assets; however a change in interest rates would not have a material impact on the results.

		Interest rate risk				Foreign exchange risk			
		- 100 bps		+ 100 bps		-10%		+10%	
	Carrying amount	Profit US$	Equity US$	Profit US$	Equity US$	Profit US$	Equity US$	Profit US$	Equity US$
30 June 2018									
Financial assets									
Cash & cash equivalents	2,300,244	23,002	(23,002)	(23,002)	23,002	(16,871)	16,871	16,871	(16,871)
Available for sale financial assets	1,147,930	-	-	-	-	(114,793)	114,793	114,793	(114,793)
Trade & other receivables	37,252	-	-	-	-	(3,725)	3,725	3,725	(3,725)
Financial liabilities									
Trade and other payables	83,889	-	-	-	-	(8,389)	8,389	8,389	(8,389)

- Interest rate volatility was chosen to reflect expected short term fluctuations in market interest rates.
- Foreign exchange volatility was chosen to reflect expected short term fluctuations in the Australian Dollar.

iv. Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected. The Group does not have any material exposure to any single debtor or group of debtors, so no significant credit risk is expected. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rates:

	2018 US$	2017 US$
Cash at bank & short term bank deposits		
A-1+	2,287,045	2,560,821
FNB Botswana (not rated)	6,308	46,596
Standard Bank South Africa (not rated)	6,891	12,268
Cash on hand	-	2,098
	2,300,244	2,621,783

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are only invested in instruments that are tradeable in highly liquid markets.

The tables below analyse the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 6 months	6 - 12 months	Total contractual cash flows
2018			
Trade Payables	83,889	-	83,889
	83,889	-	83,889
2017			
Trade Payables	118,675	-	118,675
	118,675	-	118,675

(c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5.3 Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

30 June 2018	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total US$**
Available for sale financial assets	1,147,930	-	-	1,147,930
Financial derivative	-	-	181,987	181,987
Total assets	1,147,930	-	181,987	1,329,917

There were no transfers between levels during the financial year.

Level 3 financial derivative unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Sensitivity
Financial derivative	Share price Volatility	Decease share price decrease fair value Increase volatility significantly increase or decrease fair value

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

6. Group Structure

6.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(b) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(c) Comparatives

Prior period comparatives are for the year from 1 July 2016 to 30 June 2017.

6.2 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to US$ at foreign exchange rates ruling at the dates the fair value was determined.

(b) Financial statements of foreign operations

The assets and liabilities of Australian subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to US dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve ("FCTR"), as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss, as part of the gain or loss on sale where applicable.

(c) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related effective hedges are taken to translation reserve and released into profit or loss upon disposal.

6.3 Parent Entity Disclosures

The parent entity within the Group is African Energy Resources Limited.

	2018 US$	2017 US$
Current Assets	2,859,054	6,296,418
Non-Current Assets	10,526,030	11,404,591
Total Assets	13,385,084	17,701,009
Current Liabilities	-	-
Total Liabilities	-	-
Contributed equity	64,134,977	63,109,911
Reserves	5,168,779	5,292,988
Accumulated losses	(55,918,672)	(50,701,890)
Total Equity	13,385,084	17,701,009
Gain (loss) for the year	(5,216,782)	(1,170,238)
Other comprehensive income / (loss) for the year	-	-
Total comprehensive income / (loss) for the year	(5,216,782)	(1,170,238)

There were no commitments, contingent liabilities or contingent assets at the parent level at 30 June 2018.

6.4 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 6.1(a).

	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Botswana Energy Solutions Limited	British Virgin Is.	100%	100%
Mmamantswe Coal (Pty) Ltd*	Botswana	100%	100%
African Energy Holdings SRL 2	Barbados	100%	100%
Phokoje Power (Pty) Ltd	Botswana	100%	100%
AFR Australia Pty Ltd	Australia	100%	100%

*Mmamantswe Coal (Pty) Ltd subject to conditional sale agreement to TM Consulting.

7. Related parties

7.1 Key Management Personnel

US$563,683 (2017: US$500,755) was paid to Directors of the Company during the year. Of this amount US$542,508 (2017: US$613,580) was paid in cash with the balance paid in equity instruments. Disclosures relating to key management personnel are set out in the Remuneration Report. During the prior year, there was a negative balance for equity compensation benefits due to the reversal of share based payment expenses.

	2018 US$	2017 US$
Short-term employee benefits	509,899	613,580
Post-employment benefits	32,609	-
Equity compensation benefits	21,175	(112,825)
	563,683	500,755

7.2 Cash Bonus

The board have resolved to set a bonus pool for Key Management Personnel and Employees of 5% of the total cash proceeds realised from the sale of the Mmamantswe Project, capped at AU$1,000,000. The bonus is payable when the Consolidated Entity receives the cash consideration from the sale of the Mmamantswe Project.

The following Key Management Personnel are entitled to a percentage of the total bonus pool as follows:

Frazer Tabeart	25%
Alasdair Cooke	10%
Gregory Fry	10%

7.3 Other related party transactions

The terms and conditions of the transactions with Directors, key executives and associates and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

	Charges from		Charges to	
	2018 US$	2017 US$	2018 US$	2017 US$
Mitchell River Group Pty Ltd	102,458	111,668	-	-
EVE Investments Limited	-	-	-	40,611

7.4 Assets and liabilities at 30 June arising from transactions with related parties

	2018 US$	2017 US$
Trade and other receivables	6,962	16,571
Trade and other payables	-	2,962

8. Share based payments

8.1 Performance Rights

The Company has granted performance rights to Directors and employees are as follows: Fair Value of performance rights is equal to the market price on the date of issue

Issue Date	Expiry Date	Vesting hurdle**	Unvested at 30 June 2017	Issued in Year	Vested in Year	Forfeited in Year	Unvested at 30 June 2018	Fair Value (AUD)
01-Oct-12	30-Sep-17	BFS	100,000	-	-	100,000	-	-
01-Oct-12	30-Sep-17	COAL	1,166,666	-	-	1,166,666	-	-
01-Oct-12	30-Sep-17	GEO	300,000	-	-	300,000	-	-
01-Oct-12	30-Sep-17	PPA	1,166,667	-	-	1,166,667	-	-
24-Oct-13	23-Oct-18	PPA1	833,333	-	-	-	833,333	-
24-Oct-13	23-Oct-18	PQ	833,333	-	-	-	833,333	-
28-Nov-14	27-Nov-19	FC	4,500,000	-	-	-	4,500,000	261,000
28-Nov-14	27-Nov-19	PPA2	666,667	-	-	-	666,667	38,667
28-Nov-14	27-Nov-19	PPAZ	300,000	-	-	-	300,000	17,400
31-Mar-15	30-Mar-20	MMA	500,000	-	-	-	500,000	-
22-Nov-16	31-Dec-19	PPA3	1,166,667	-	-	-	1,166,667	45,500
22-Nov-16	31-Dec-19	BFS2	100,000	-	-	-	100,000	3,900
15-Aug-17	31-Dec-19	GEO2	-	300,000*	-	-	300,000	16,200
			11,633,333	300,000	-	2,733,333	9,200,000	382,667

* 300,000 performance rights have been issued to consultants during the period with non-market vesting conditions (refer table below). The value of services received from the consultants could not be reliably measured and as such the fair value of the rights was determined using the share price at grant date and managements probability of vesting.

	* *Vesting hurdle	Likelihood of hurdle being met (See note 1.6)
PPAZ	Formal execution of a PPA between the Sese JV company and ZESCO for the full output of a 300MW IPP at Sese	more likely than less likely
PQ	Formal pre-qualification of the joint bid for the 300MW tender, or the commencement of direct negotiations with the Government of Botswana for a 300MW project, or when FQM have made a formal financial commitment to a 300MW power station at Sese	more likely than less likely
FC	Financial close of a 300MW power station whereby all conditions are satisfied by all parties and all agreements are executed, or when FQM have made a formal financial commitment to a 300MW power station at Sese	more likely than less likely
MMA	unconditional completion of binding SSA or successful award of SA IPP tender to Mmamantswe	less likely than more likely
PPA	Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese by 30/09/2017	expired
PPA1	Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese by 23/10/2018	less likely than more likely
PPA2	Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese by 27/11/2019	more likely than less likely
PPA3	Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese by 31/12/2019	more likely than less likely
BFS	successful completion of a bankable feasibility study on Sese Coal Project or when FQM have made a formal financial commitment to a 300MW power station at Sese by 30/09/2017	expired
BFS2	successful completion of a bankable feasibility study on Sese Coal Project or when FQM have made a formal financial commitment to a 300MW power station at Sese from by 31/12/2019	more likely than less likely
COAL	Cumulative export coal sales from any AFR coal project exceeding 100,000t	expired
GEO	100% upon sign off of Mining Reserve or when FQM have made a formal financial commitment to a 300MW power station at Sese	expired
GEO2	100% upon sign off of Mining Reserve or when FQM have made a formal financial commitment to a 300MW power station at Sese	more likely than less likely

8.2 Options

As at 30 June 2018 the group had the following options on issue.

	Number of Options
Directors and Staff Options (6c strike expiring Sep 2019)	10,875,000
	10,875,000

8.3 Shares

The Company issued nil shares (2017: 300,000) to Directors and employees during the year as follows.

8.4 Expenses arising from share-based payment transactions

	2018 US$	2017 US$
Performance rights issued under AFR Performance Rights Plan	(77,701)	(130,993)
Total reversal of share based payment expense	(77,701)	(130,993)

The likelihood of various tranches of performance rights vesting changed from more than likely to less than likely during the year resulting in a reversal of prior year expenses.

9. Other

9.1 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Group in future financial years which have not been disclosed publicly at the date of this report.

9.2 Contingencies and Commitments

Directors and staff are entitled to a cash bonus 5% of the total cash proceeds realised from the sale of the Mmamantswe Project, capped at AU$1,000,000. The bonus is payable when the Consolidated Entity receives the cash consideration from the sale of the Mmamantswe Project.

There were no contingent assets or liabilities in the Group at 30 June 2018. There were no commitments at 30 June 2018.

9.3 Remuneration of Auditors

	2018 US$	2017 US$
BDO Audit (WA) Pty Ltd: Audit and review of financial reports	30,624	29,315
	30,624	29,315

9.4 New standards and interpretations not yet adopted

Early adoption of accounting standards
The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 July 2017.

New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current year or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting year. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

AASB 9 Financial Instruments
AASB 9 includes requirements for the classification and measurement of financial assets. There is no material impact for African Energy. This standard is not applicable until the financial year commencing 1 July 2018 and management are still assessing the impact of this standard.

AASB 15 Revenue from Contracts with Customers
AASB 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. This standard is not applicable until the financial year commencing 1 July 2018, and there will be no material impact on the Group's financial statements.

AASB 16 Leases
AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. There is no material impact for African Energy. This standard is not applicable until the financial year commencing 1 July 2019.

The following additional information required by the ASX Listing Rules is current as at 19 September 2018.

African Energy Resources Limited shares are listed on the Australian Securities Exchange (ASX:AFR).

Distribution of Shareholders

Range	Securities	%	No. of holders	%
100,001 and Over	591,967,147	94.46	400	15.17
10,001 to 100,000	29,964,304	4.78	836	31.70
5,001 to 10,000	2,863,792	0.46	368	13.96
1,001 to 5,000	1,777,118	0.28	581	22.03
1 to 1,000	116,663	0.02	452	17.14
Total	**626,689,024**	**100.00**	**2,637**	**100.00**
Unmarketable Parcels	10,611,551	1.69	1,774	67.27

Largest 20 shareholders

Rank	Name	Number Of Shares Held	%IC
1	Sentient Group	141,404,786	22.56%
2	First Quantum Minerals	86,692,308	13.83%
3	Alasdair Cooke (and associated entities)	50,003,683	7.98%
4	PS Consulting Pty Ltd	22,000,000	3.51%
5	Stacey Radford	19,237,334	3.07%
6	Henry Deburgh (and associated entities)	16,325,186	2.60%
7	David Metford	12,338,585	1.97%
8	CS Third Nominees Pty Ltd	7,502,500	1.20%
9	Donal Windrim	6,871,914	1.10%
10	Bill Fry (and associated entities)	5,869,610	0.94%
11	General Advisory Pty Ltd	5,645,926	0.90%
12	Helmet Nominees Pty Ltd	5,000,000	0.80%
13	Marzec Family	4,900,000	0.78%
14	Frazer Tabeart (and associated entities)	4,774,100	0.76%
15	Raejan Pty Ltd	4,700,000	0.75%
16	Brian McCubbing	4,563,000	0.73%
17	Aurora Uranium Limited	4,551,797	0.73%
18	Robert Cooke & Mrs Elizabeth Cooke	4,500,000	0.72%
19	ZW 2 Pty Ltd	4,500,000	0.72%
20	Ian Hume (and associated entities)	4,157,606	0.66%
	Total Top 20	415,538,335	65.56%

There were 2,637 holders of 626,689,024 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Memorandum & Articles of Association.

Additional Shareholder Information

Class of shares and voting rights

There were 2,637 holders of 626,689,024 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Memorandum & Articles of Association being that:

a. each shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

Substantial Holders

As notified to the Company

Name	Number Of Shares Held	%IC
Sentient Executive GP IV Limited	141,404,786	22.56%
First Quantum Minerals (Australia) Pty Limited	86,692,308	13.83%
Mr Alasdair Campbell Cooke (and associated entities)	50,003,683	7.98%

Unquoted Equity Securities

Number of securities on issue	Exercise Price	Expiry Date	Number of Holders	Names of Holders Holding More Than 20%	Number Held
Unlisted Options					
10,875,000	AU$0.06	30-Sep-2019	13	Frazer Tabeart	23%
Performance Rights					
9,200,000	nil	various	12	nil	

Other information

The Company commenced acquisitions under the shareholder approved on market share buyback plan on 12 June 2018. Between 12 June 2018 and 5 July 2018, 3,698,394 shares were acquired at an average price of 2.3 cents per share

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