



**AfricanEnergy**



**Annual Report** / 2019

## DIRECTORS

**Mr Alasdair Cooke**  
Executive Chairman

**Dr Charles (Frazer) Tabcart**  
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

## 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](http://www.africanenergyresources.com)

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Dear Shareholder,

Your Company, African Energy, remains focused on its Botswana coal portfolio and developing the Sese JV as a low-cost integrated coal mine and power station. First Quantum Minerals Ltd continued to invest in the Sese JV Project, increasing their stake to 66.7%. Key negotiations for grid connection, power sales and transmission agreements are being actively pursued. Interest in developing new sources of power generation in the region remains very high, with significant infrastructure investment planned through China's Belt and Road Initiative. The Sese JV has engaged with potential development partners to explore avenues for project funding and technical and construction expertise relevant to such major power investments.

Last year we reported that the supply and demand for power in southern Africa was moving towards a period of delicate balance after a period of market destabilization caused by low cost exports from South Africa. Since then the power supply situation in the region has rapidly deteriorated, particularly in the three largest markets, South Africa, Zambia and Zimbabwe. In South Africa the widely publicised fiscal and technical issues at Eskom have resulted in a major reduction in power generation with associated tariff increases to the point that Eskom is now unable to export large volumes of power over extended periods.

In Zambia and Zimbabwe, intense drought conditions and over extraction of shared water resources have led to dramatic falls in water levels in Kariba Dam and significant reductions in hydro-electric power generation. This has resulted in widespread load shedding in both countries, with most parts of Zimbabwe receiving power for only 6 hours during the night. Zambia, Zimbabwe and Botswana all relied heavily on imports of electricity during the year, and with the reduced supply available from South Africa there has been significant upward pressure on electricity tariffs.

The power utilities in most of these countries are under severe financial hardship and are unable to finance new power generation, so attention is turning to private sector funding. This provides an opportunity for new, low-cost power generators to replace older, less efficient and unreliable state-owned power stations. The model being pursued by African Energy, of an independent power producer with direct credit support from end users, is the most likely way new generation can be built and financed. And it may be a significant advantage to have that generation located in a country such as Botswana which is widely recognised as a favourable investment jurisdiction.

Power generation from coal remains a controversial issue in the developed economies around the world. However, the region we operate within remains heavily dependent on traditional fuels such as wood and charcoal. In Zambia for example, charcoal remains the primary cooking fuel for 90% of households. The issues arising from making and using charcoal, including widespread deforestation and deadly respiratory diseases, are well documented and rank among the major environmental and health problems in the region. Whilst renewable power sources are slowly being introduced throughout the region, the urgent demand for low cost, base load electricity can only be met using conventional coal-fired thermal generation. This will displace large amounts of temporary diesel generation and allow more widespread and affordable power to replace traditional sources of fuel that have far more significant and immediate negative impacts.

In addition to power generation projects, the Company continues to evaluate coal export opportunities into South Africa with positive implications for the Company's Mmamabula West project which could produce export quality coal at low prices. The Company is currently re-evaluating this project and is updating the mining feasibility study to reflect current capital and operating costs and a revised product specification suitable for Eskom power stations.

African Energy carries no debt and has very low corporate overheads. Coupled with a strong development partner at the Sese JV Project, a high-quality portfolio, and a robust power market in southern Africa the Company remains well placed to develop major power projects for the region.



**Frazer Tabcart,**  
*Executive Director and CEO*

# Sese *Joint Venture*

## INTRODUCTION

The Sese JV Project in Botswana is situated very close to the interconnected regional transmission grid (Figure 1), and can produce and export secure, low cost base-load power.

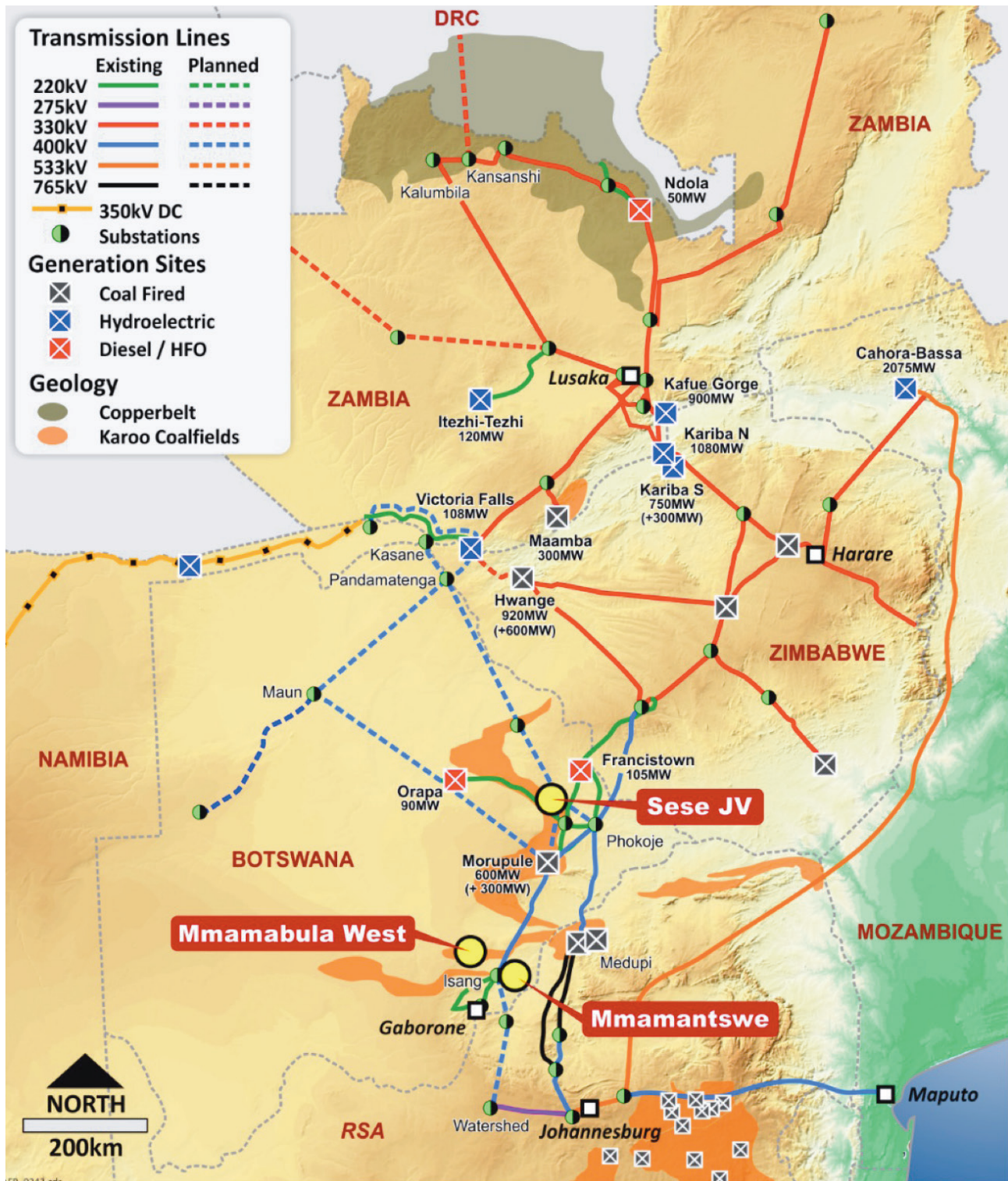


Figure 1. Location of African Energy's Botswana coal and power projects and the existing and planned regional transmission interconnectors

## REGIONAL POWER MARKETS

The key power markets of relevance to African Energy are Zambia, Botswana, Zimbabwe and South Africa. Currently all four countries are experiencing supply side issues for a variety of reasons:

1. In the case of Zambia and Zimbabwe, declining inflows and overallocation of water have resulted in a significant fall in electricity generation from Kariba Dam (see Figure 2) and other hydro-electric schemes.
2. In the case of Botswana, the fall in power generation has been due to continuing performance issues at the Morupule B power station, resulting in widespread reliance on expensive diesel generation and imported power.
3. In the case of South Africa, widely publicised problems with severe financial and technical issues at the huge Kusile and Medupi power stations, management of an ageing fleet, mounting debt, and numerous senior management changes have resulted in significant reductions in generation to the extent that exports have been severely restricted.

In the past few years, surplus supply from South Africa has been available as low-cost imports to shore-up deficits in neighbouring countries but given South Africa's current supply side concerns this is no longer the case except on an

emergency basis. The result is widespread load shedding throughout the region, with power cuts ranging from 4 to 18 hours per day in Zambia and Zimbabwe, along with relentless upward pressure on regional tariffs.

In most cases average industrial tariffs are now well in excess of USD 8.0c/kWh (Figure 3), with further tariff hikes almost inevitable. South Africa, for example has a clearly defined tariff increase over the next 3-5 years which will see tariffs rise to well in excess of USD 10.0c/kWh. Zambia has recently announced a six-month tariff hike of 200% to cover the high import cost of 300MW of emergency power – it remains to be seen whether the hike will be removed in six-months' time.

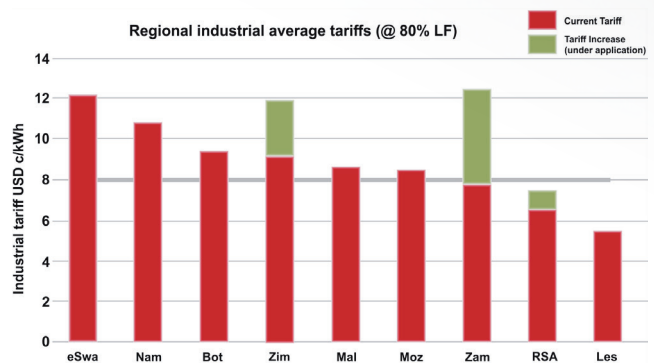


Figure 3. June 2019 industrial tariffs for power in southern Africa (green bars represent requested but not yet approved tariff increases).

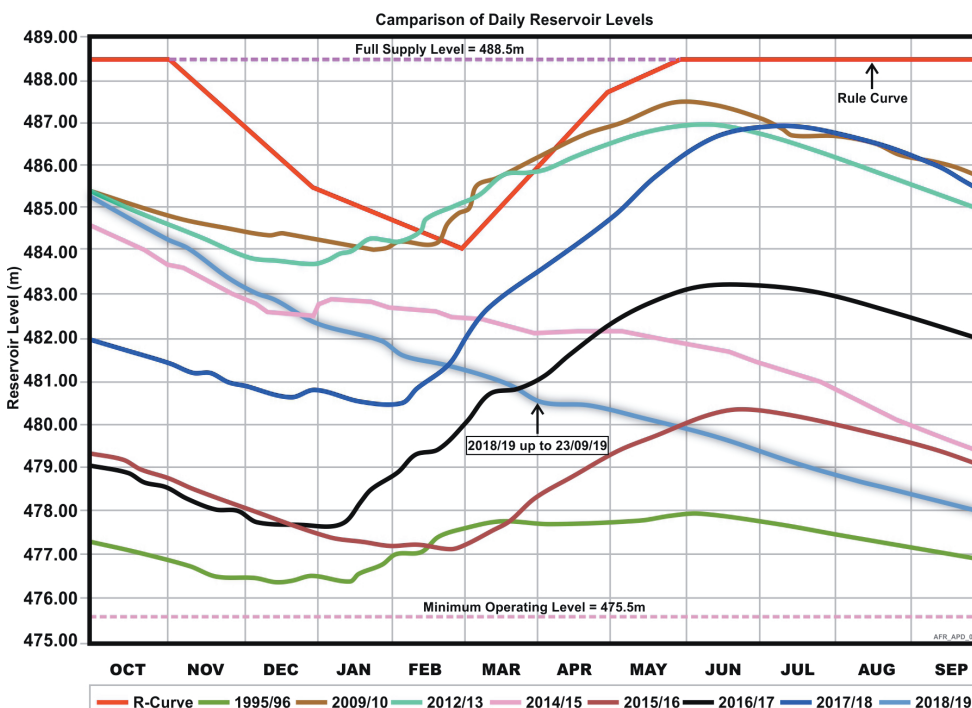


Figure 2. Lake Kariba reservoir level decline to near record lows in 2018/19, the lowest September level in almost 25 years

## Sese **Joint Venture** (continued)

First Quantum Minerals Ltd (FQML) became a majority equity partner at the Sese Joint Venture in 2014 and have since directly invested AUD \$17m for a 67% project interest. FQML is responsible for arranging the funds required to build the Sese integrated power project and will loan carry African Energy's residual interest through to commercial production.

The Sese JV partners have completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design along with power station fuel specification development and coal combustion tests have 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 the development of a power project in staged 225MW to 300MW increments. Assessment of the associated coal mine and coal processing facilities have demonstrated that power from Sese could be delivered to the Zambian Copperbelt where FQML operates a large copper mining and smelting business and to other large power consumers in the region.

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 km<sup>2</sup> which contains 650Mt of coal in Block-C.
- ⊗ Environmental approval for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- ⊗ Land Rights and an associated 50-year Land Lease Agreement.
- ⊗ Water extraction rights from Shashe Dam.
- ⊗ 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 on power generation.
- ⊗ A resettlement action plan (RAP), under which 31 households will have their grazing rights, water bores and access trails relocated to outside the Sese Land Rights Lease. This process is nearing completion under joint monitoring by Sese JV staff and the Tonota Land Board.

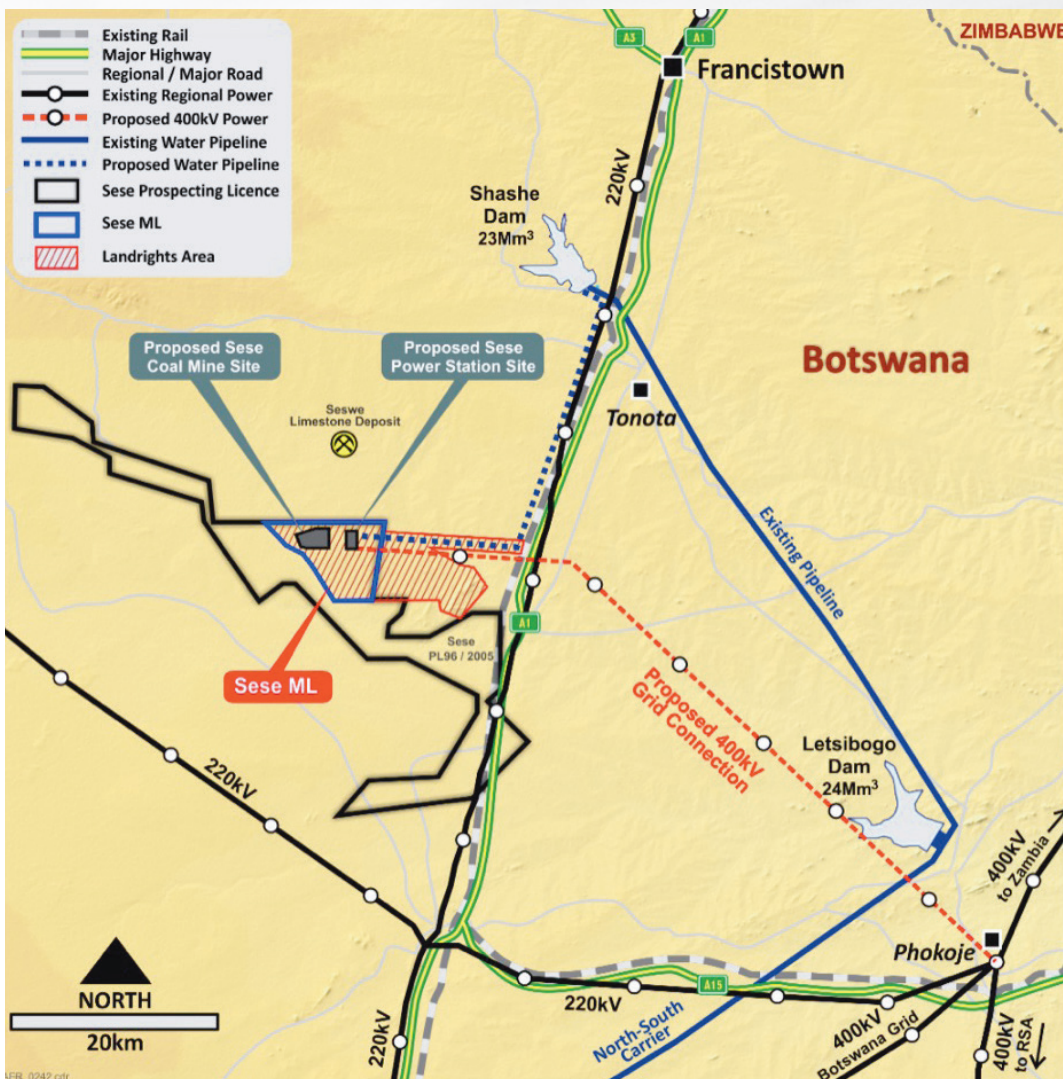


Figure 4. Sese JV license areas and main project elements

The Sese JV has now secured all licenses and permits required to build an integrated coal and power project in Botswana with only the Generation and Export Licences required to commence operation and these are currently being negotiated with Botswana’s energy regulator.

The advanced nature of the Sese JV and the robust market for power sales in the region has attracted interest from parties engaged in China’s Belt and Road Initiative, which plans to invest up to US \$30B in Africa and predominantly into large scale infrastructure projects. The Sese JV has commenced discussions with several parties who are considering providing financial, technical and construction assistance for the Project.

The current project development plan contemplates an initial 300MW stage which will deliver 100MW into Zambia

for use by FQML, with the balance sold to third parties. This will require at least two Power Purchase Agreements (PPA’s), one with FQML for 100MW, and one or more for the balance.

A draft PPA between the Sese JV and FQML has been drawn up and is undergoing final legal review. Commercial negotiations with several large power consumers in southern Africa are currently underway for the balance of the output of the first stage of the project. A second 200-300MW Stage is being considered should suitable demand be established from these negotiations.

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.

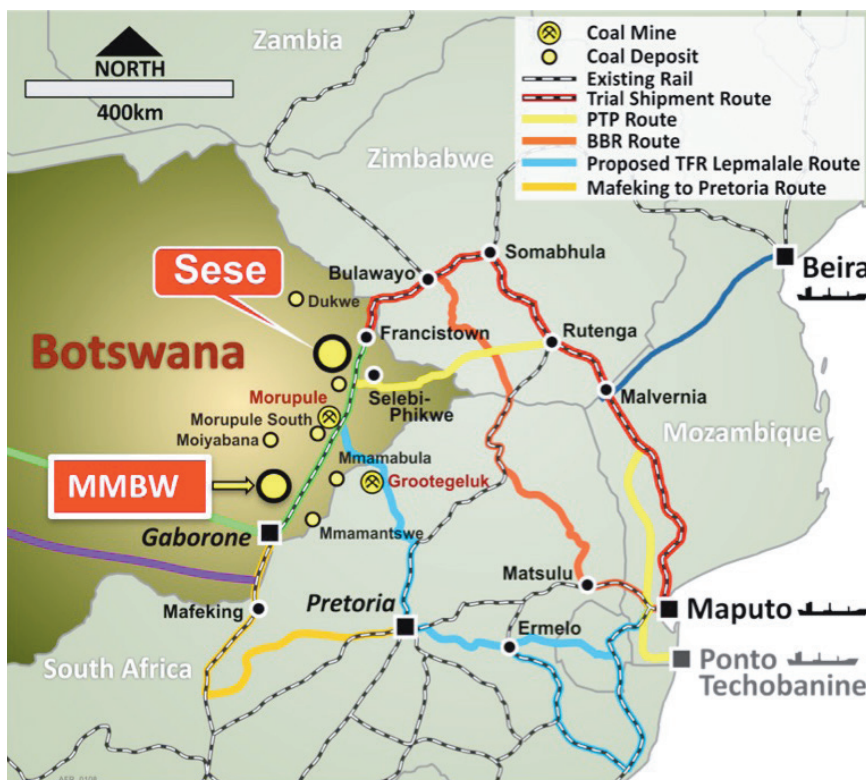
# Mmamabula West and Mmamantswe Coal Projects

The 2,935Mt Mmamabula West project contains high quality coal in two 4m to 6m thick seams (A-Seam and K-Seam) which are 100-150m below surface and are amenable to conventional underground mining. The project is situated 65km west of the main railway line in Botswana which provides access to local and regional coal markets (*Figure 5*).

A prefeasibility study on the extraction of the high-quality lower A-Seam was completed for the project in 2014 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.

African Energy continues to develop this project with an emphasis on the potential for an underground mine exporting coal for use in South African power stations:

- ⊗ An updated mineral resource has been completed using information from infill drilling along the planned decline covering the initial years of the mine schedule (*Figure 6 and 7*).
- ⊗ The portion of the resource in the Measured and Indicated Resource category for A-Seam provides the basis for an updated feasibility study for an export operation. This updated feasibility study will commence in late 2019. This study will review the proposed mining schedule and coal washing plant requirements to produce a South African power station product specification. Capital cost and operating cost estimates will be updated to reflect 2019 prices.
- ⊗ The Company continues to evaluate proposals from potential South African BEE partners who have expressed interest in participating in this project.
- ⊗ Monitoring of groundwater levels and groundwater chemistry continued. The Company now has four years of continuous baseline data.
- ⊗ An Environmental and Social Impact Assessment (ESIA) for the project has been submitted to the Department of Environmental Affairs in Botswana.
- ⊗ An application for Land Rights over the area to be developed has been submitted. Follow-up meetings with the local Land Board have occurred, and once this and the ESIA have been approved, an application for a mining licence will be submitted.



*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.*



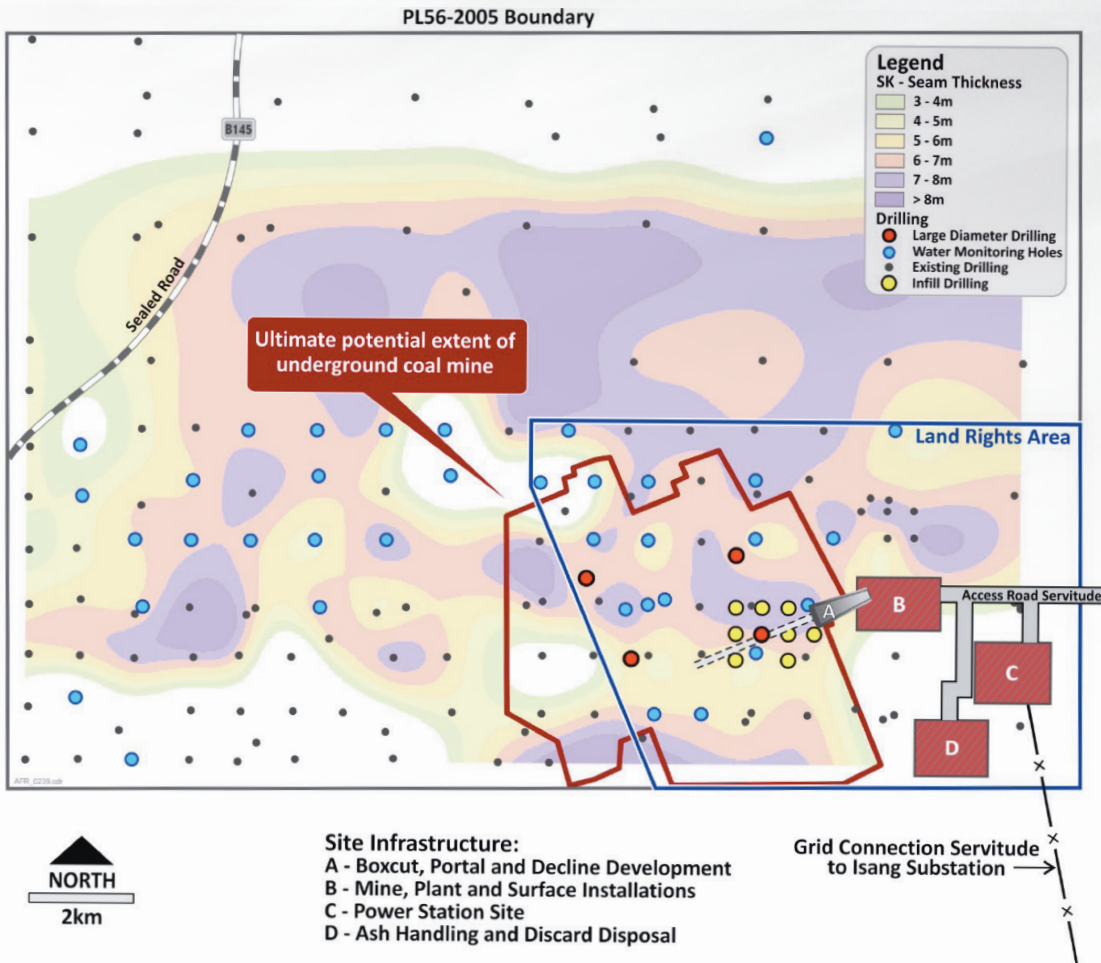


Figure 6. Drill hole status map for Mmamabula West showing Land Rights application area, water monitoring stations and extent of potential underground coal mining.

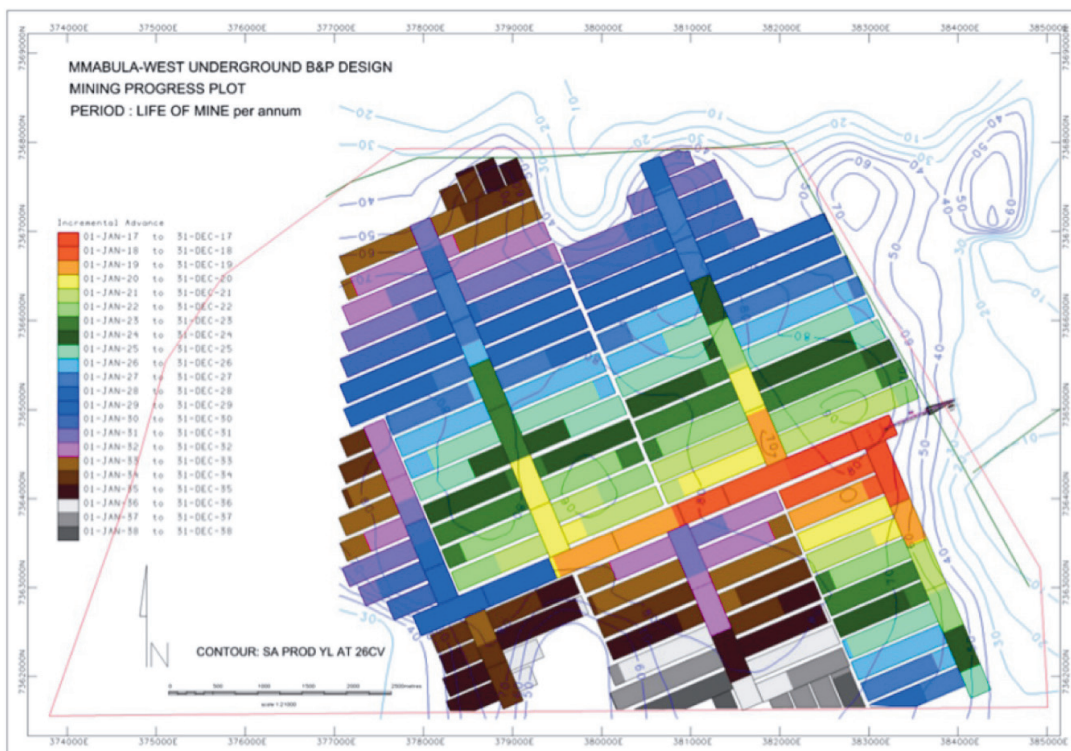


Figure 7. Life of Mine plot for Mmamabula West showing mine scheduling for a 4.4Mtpa underground coal mine on the high-quality A-Seam

# Mmamabula West and Mmamantswe Coal Projects (continued)

The nearby 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 8). African Energy has applied for Land Rights over the project area, access corridor and grid connection corridor. The Company continues to monitor developments in South Africa's Integrated Resource Plan under which Mmamantswe may be a viable source of power exports to South Africa.

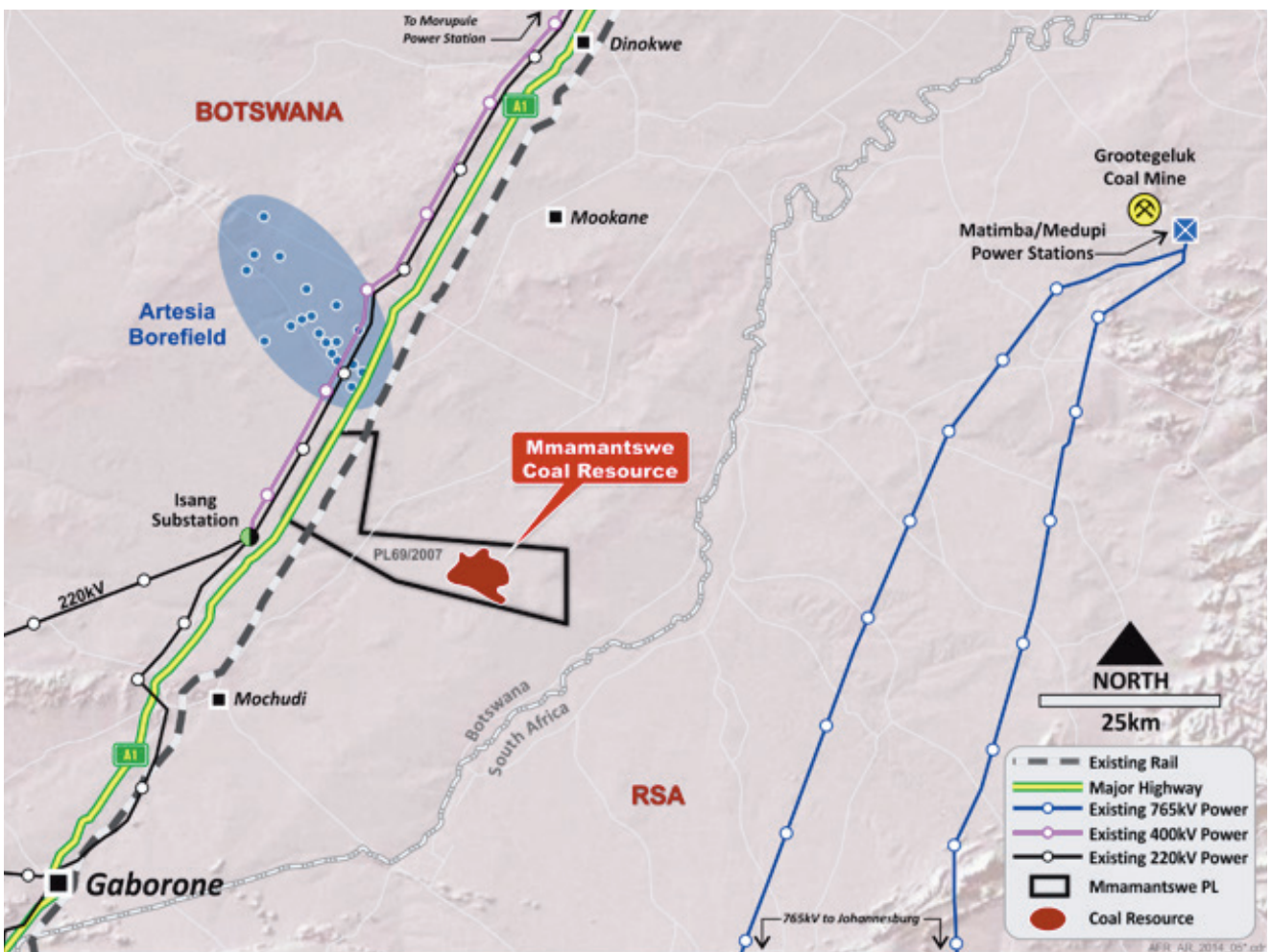


Figure 10. Location of the Mmamantswe coal project, close to infrastructure corridors in eastern Botswana

Project Name	Tenement Name	Tenement Holder	Licence Number	African Energy Equity	Area (sq km)	Date Granted	Current Expiry Date
<b>BOTSWANA</b>							
SESE	<i>Sese Mining Licence</i>	<i>Sese Power Subsidiary (Pty) Ltd</i>	<i>ML2016/42L</i>	33%	51	22-Mar-17	31-Jan-42
SESE	<i>Sese</i>	<i>African Energy Resources Botswana (Pty) Ltd</i>	<i>PL 96/2005</i>	33%	95	26-Jul-05	30-Sep-21
SESE	<i>Sese West</i>	<i>African Energy Resources Botswana (Pty) Ltd</i>	<i>PL197/2007</i>	33%	131	01-Oct-07	30-Sep-21
SESE	<i>Foley North</i>	<i>African Energy Resources Botswana (Pty) Ltd</i>	<i>PL004/2013</i>	33%	774	01-Jan-13	30-Sep-20
MMAMANTSWE	<i>Mmamantswe</i>	<i>Mmamantswe Coal (Pty) Ltd</i>	<i>PL069/2007</i>	100%	453	01-Jul-12	31-Dec-21
MMAMABULA WEST	<i>Mmamabula West</i>	<i>Phokoje Power (Pty) Ltd</i>	<i>PL56/2005</i>	100%	293	01-July-05	30-Sep-19*

\* Tenement renewal submitted to Botswana Department of Mines.

## 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 Tabearth (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabearth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabearth consents to the inclusion of the data in the form and context in which it appears.

# Annual Statement of Mineral Resources

## Sese Project (AFR 33.3%, FQM 66.7%): 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)	325 Mt	17.6	4,200	30.1	7.9	20.6	41.5	2.1
MEASURED (Bk-B)	304 Mt	16.0	3,820	34.8	7.4	20.3	37.6	1.6
INDICATED	1,663 Mt	15.4	3,700	38.4	6.8	18.7	34.1	2.0
INFERRED	126 Mt	14.2	3,400	41.4	6.4	18.8	31.2	2.2
<b>TOTAL</b>	<b>2,418 Mt</b>							

## Sese West Project (AFR 33.3%, FQM 66.7%): 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
<b>TOTAL</b>	<b>2,501 Mt</b>							

## 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%
MEASURED	17 Mt	22.2	5,300	19.7	7.3	24.8	48.2	1.7
INDICATED	1,061 Mt	20.4	4,875	24.4	6.1	26.5	43.1	1.5
INFERRED	1,858 Mt	20.3	4,850	24.7	5.8	26.2	43.4	1.6
<b>TOTAL</b>	<b>2,935 Mt</b>							

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

		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							
<b>TOTAL</b>	<b>1,243 Mt</b>							

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 Mmamantswe Project 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). The coal resources quoted for Sese, Sese West and Mmamabula West are reported as per the 2012 edition. There have been no material changes to any of the resources since they were announced.



# ***Financial Report***

## *30 June 2019*

***African Energy Resources Limited***

*ARBN 123 316 781*

# Directors' Report

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 2019.

## 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.

### **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 30 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**

EVE Investments Limited  
Anova Metals Limited  
Caravel Minerals Limited

#### **Special responsibilities**

Executive Chairman  
Member of the remuneration committee

#### **Former directorships in the last three years**

none

#### **Interests in shares and options**

50,003,682 shares  
766,667 performance rights  
1,750,000 options

### **Charles (Frazer) Tabearth PhD, BSc (Hons) ARSM, MAIG – Executive Director**

Dr Tabearth is a graduate of the Royal School of Mines with a PhD and Honours in Mining Geology. He has over 30 years' experience in international exploration and mining projects, including 16 years with WMC Resources. Whilst at WMC, Dr Tabearth 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 Tabearth 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**

PolarX Limited  
Arrow Minerals Ltd

#### **Special responsibilities**

Executive Director  
Member of the audit and risk committee

#### **Former directorships in the last three years**

none

#### **Interests in shares and options**

4,774,100 shares  
1,266,667 performance rights  
2,500,000 options

### **Gregory (Bill) Fry – Executive Director**

Mr Fry has more than 30 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**

EVE Investments Ltd  
Anova Metals Ltd

**Special responsibilities**

Member of the audit and risk committee

**Former directorships in the last three years**

nil

**Interests in shares and options**

5,869,610 shares  
933,333 performance rights  
875,000 options

**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**

CDC Group

**Special responsibilities**

Chairman of the audit and risk committee

**Former directorships in the last three years**

nil

**Interests in shares and options**

2,251,425 shares  
400,000 performance rights  
500,000 options

**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**

Golden Minerals Limited  
Iron Road Limited

**Special responsibilities**

Chairman of Remuneration Committee

**Former directorships in the last three years**

Silver City Mines Limited (retired 31 January 2017)

**Interests in shares and options**

4,157,606 shares  
100,000 performance rights  
500,000 options

**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.

## Directors' Report (continued)

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 qualified accountant who has fifteen years-experience in senior accounting and corporate roles for resources businesses in all stages from exploration to development, construction and mining.

### 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	1	1	-	-	-	-
Charles Tabcart	1	1	-	-	1	1
Gregory Fry	1	1	-	-	1	1
Valentine Chitalu	1	1	-	-	1	1
Vincent Masterton-Hume	1	1	-	-	-	-
John Dean	1	1	-	-	-	-

### Review of Operations

African Energy is 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.

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
- Evaluate new project opportunities for base and precious metals projects that are deemed to have the potential to add to shareholder value.

### 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.

### 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:

	2019	2018	Restated <sup>(1)</sup> 2017	Restated <sup>(1)</sup> 2016	Restated <sup>(1)</sup> 2015
Profit / (loss) for the year attributable to owners	(927,792)	(4,013,178)	(1,618,702)	(2,070,429)	(5,084,144)
Basic earnings / (loss) per share (cents)	(0.15)	(0.64)	(0.27)	(0.34)	(0.90)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase / (decrease) in share price (%)	(187%)	(304%)	209%	(4%)	(4%)
Total KMP incentives as percentage of profit / (loss) for the year (%)	-	-	-	-	-

<sup>(1)</sup> Prior to 30 June 2017, 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 or the existence of economically recoverable reserves. From 1 July 2017, 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. The result of this accounting change meant that the Group expensed exploration and evaluation expenditure as incurred in respect of each Identifiable area of interest until a time where an asset is in development.

### 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\$24,545 (AU\$35,000) per annum (2018: US\$26,819).

### 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.

## Directors' Report (continued)

### 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 determines performance hurdles that will apply to each performance right and option issued. No new performance rights were issued during the year ended 30 June 2019.

Performance conditions attached to performance rights and options issued in the prior year are detailed in note 8.1.

### 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.

Alasdair Campbell Cooke - Executive Chairman, the Company

- Commencement date: 1 January 2019
- Base annual salary is US\$59,610 (AU\$85,000)
- Consulting Fee of US\$1,402 (AU\$2,000) per day when the executive works more than one day per week
- Termination payment is the equivalent of three months consulting fees

Charles Frazer Tabart - Executive Director, the Company

- Commencement date: 1 January 2019
- Base annual salary is US\$112,208 (AU\$160,000)
- Consulting Fee of US\$1,402 (AU\$2,000) per day when the executive works more than two and a half days per week
- Termination payment is the equivalent of three months consulting fees

Gregory William Fry - Executive Director, the Company

- Commencement date: 1 January 2019
- Base annual salary is US\$45,584 (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 2018 Annual General Meeting

The Company did not receive any specific feedback at the AGM held on 16 November 2018 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 - 2019	Short term employee benefits	Post-employment benefits	Share based payments <sup>(1)</sup>	Performance based <sup>(2)</sup>	Total
	Cash salary & fees	Superannuation	Rights		
	US\$	US\$	US\$	%	US\$
<b>Non-Executive Directors</b>					
Valentine Chitalu	25,044	-	(15,262)	-	9,782
Vincent Masterton-Hume	22,872	2,173	(3,815)	-	21,230
John Dean	23,256	-	-	-	23,256
<b>Total Non-Executive Directors</b>	<b>71,172</b>	<b>2,173</b>	<b>(19,077)</b>	<b>-</b>	<b>54,268</b>
<b>Executive Directors</b>					
Gregory Fry	42,093	4,419	(29,879)	-	16,633
Charles Tabcart	114,489	-	(36,864)	-	77,625
Alasdair Cooke	103,755	-	(26,386)	-	77,369
<b>Total Executive Directors</b>	<b>260,337</b>	<b>4,419</b>	<b>(93,129)</b>	<b>-</b>	<b>171,627</b>
<b>Total Key Management Personnel</b>	<b>331,509</b>	<b>6,592</b>	<b>(112,206)</b>	<b>-</b>	<b>225,895</b>

**Key Management Personnel remuneration - 2018**

<b>Non-Executive Directors</b>					
Valentine Chitalu	32,950	-	1,455	4.2%	34,405
Philip Clark	23,896	2,270	364	1.4%	26,530
Vincent Masterton-Hume	30,091	2,858	364	1.1%	33,313
Wayne Trumble	6,784	19,382	3,637	12.2%	29,803
John Dean	32,950	-	-	0.0%	32,950
<b>Total Non-Executive Directors</b>	<b>126,671</b>	<b>24,510</b>	<b>5,820</b>	<b>3.7%</b>	<b>157,001</b>
<b>Executive Directors</b>					
Gregory Fry	85,258	8,099	4,699	4.8%	98,056
Charles Tabcart	196,407	-	7,215	3.5%	203,622
Alasdair Cooke	101,563	-	3,441	3.3%	105,004
<b>Total Key Management Personnel</b>	<b>383,228</b>	<b>8,099</b>	<b>15,355</b>	<b>3.8%</b>	<b>406,682</b>
<b>Total</b>	<b>509,899</b>	<b>32,609</b>	<b>21,175</b>	<b>3.8%</b>	<b>563,683</b>

<sup>(1)</sup> Negative remuneration values are due to a reversal in share-based payment expense as a result of a change in management estimates for the achievement of performance rights. Refer Note 8.1 for further details.

<sup>(2)</sup> Where performance based remuneration is negative for the period, the percentage of performance based salary is noted as nil for the period.

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.

# Directors' Report (continued)

## 3.8 Directors' and Executives Interests

### A. Shares

	Balance at 30/06/2018	Purchases (Sales)	Balance at 30/06/2019	Balance at Reporting Date
<b>Non-executive Directors</b>				
Valentine Chitalu	2,251,425	-	2,251,425	2,251,425
Vincent Masterton-Hume	4,157,606	-	4,157,606	4,157,606
John Dean	-	-	-	-
<b>Executive Directors</b>				
Alasdair Cooke	50,003,682	-	50,003,682	50,003,682
Charles Tabear	4,774,100	-	4,774,100	4,774,100
Gregory Fry	5,869,610	-	5,869,610	5,869,610
	<b>67,056,423</b>	<b>-</b>	<b>67,056,423</b>	<b>67,056,423</b>

### B. Performance Rights

	Balance at 30/06/2018	Balance at 30/06/2019	Vested and exercisable	Unvested
<b>Non-executive Directors</b>				
Valentine Chitalu	400,000	400,000	-	400,000
Vincent Masterton-Hume	100,000	100,000	-	100,000
John Dean	-	-	-	-
<b>Executive Directors</b>				
Alasdair Cooke	766,667	766,667	-	766,667
Charles Tabear	1,266,667	1,266,667	-	1,266,667
Gregory Fry	933,333	933,333	-	933,333
	<b>3,466,667</b>	<b>3,466,667</b>	<b>-</b>	<b>3,466,667</b>

### C. Options

	Balance at 30/06/2018	Balance at 30/06/2019	Vested and exercisable	Unvested
<b>Non-executive Directors</b>				
Valentine Chitalu	500,000	500,000	-	500,000
Vincent Masterton-Hume	500,000	500,000	-	500,000
John Dean	-	-	-	-
<b>Executive Directors</b>				
Alasdair Cooke	1,750,000	1,750,000	-	1,750,000
Charles Tabear	2,500,000	2,500,000	-	2,500,000
Gregory Fry	875,000	875,000	-	875,000
	<b>6,125,000</b>	<b>6,125,000</b>	<b>-</b>	<b>6,125,000</b>

### 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	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Mitchell River Group Pty Ltd	52,851	102,458	-	-

At 30 June 2019 the company had a payable outstanding to Mitchell River Group of US\$6,105 (30 June 2018: US\$1,499).

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 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****9.1 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.

**9.2 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 (2018: nil).

**12. Loans to key management personnel**

No loans to key management personnel were provided during the period or up to the date of signing this report.

**13. Lead Auditor's Independence Declaration**

The lead Auditor's Independence Declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2019.



Charles Frazer Tabcart  
Executive Director  
Perth, 27 September 2019

# 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 2019 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 Tabearth  
Executive Director  
Perth, 27 September 2019



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

## 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 2019, 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 2019 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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

## Independent Audit Report (continued)



### Recoverability of investment in associate

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 2.2, the Group's investment in associate (Sese Power Project) has a significant carrying value as at 30 June 2019.</p> <p>The Company is required to assess whether any impairment indicators are present in accordance with AASB 128 <i>Investments in Associates and Joint Ventures</i> ("AASB 128") which may indicate the Group's investment in associate is impaired.</p> <p>We have determined this is a key audit matter given its financial significance to the Group and the judgements and estimates required in assessing the carrying value of the investment.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Considering the existence of any indicators of impairment of the investment in accordance with AASB 128;</li> <li>• Reviewing ASX announcements, Board of Directors meetings minutes, joint venture minutes and considering management's assessment of impairment indicators; and</li> <li>• Assessing the adequacy of related disclosures in Note 2.2 and Note 1.6 to the Financial Statements.</li> </ul>

### Recoverability of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 2.1, the capitalised exploration and evaluation asset has a significant carrying value as at 30 June 2019.</p> <p>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.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ("AASB 6"), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing whether rights to tenure of the identified area of interest remained current at balance date;</li> <li>• Holding discussions with management as to the status of ongoing exploration programmes in the respective area of interest;</li> <li>• Considering whether any such area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 2.1 and Note 1.6 to the Financial Statements.</li> </ul>





#### **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 2019, 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.

## Independent Audit Report (continued)



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](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 6 to 10 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of African Energy Resources Limited, for the year ended 30 June 2019, 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

A handwritten signature in black ink, appearing to read 'J Prue'.

**Jarrad Prue**

**Director**

Perth, 27 September 2019



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

**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 2019, 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 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	2019 US\$	2018 US\$
	<b>Note</b>	
Gain on sale of Zambian Uranium Project	-	503,477
Gain / (loss) on derivative	(128,867)	181,987
(Loss) on Sale of Listed Investments	-	(1,537)
Share based payment (expense) / reversal	8.3 226,291	77,701
Interest received	3.2 46,161	60,130
Personnel expenses	3.3 (276,270)	(536,684)
Professional & administration expense	3.3 (187,423)	(343,040)
Exploration & evaluation expensed	(116,038)	(85,037)
Share of Loss in Sese JV	2.2 (376,918)	(471,527)
Impairment of Mmamantswe	-	(3,396,842)
Foreign currency gain / (loss)	(114,728)	(1,806)
<b>Loss before tax</b>	<u>(927,792)</u>	<u>(4,013,178)</u>
Income tax expense	3.4 -	-
<b>Loss after income tax for the year</b>	<u>(927,792)</u>	<u>(4,013,178)</u>
<b>Attributable to:</b>		
Equity holders of the Company	(927,792)	(4,013,178)
<b>Loss for the year</b>	<u>(927,792)</u>	<u>(4,013,178)</u>
<b>Other comprehensive items that may be reclassified to profit or loss</b>		
Changes in the fair value of financial assets at fair value through other comprehensive income (FVOCI)	(191,598)	(9,223)
Foreign currency translation reserve	(38,378)	(139,242)
<b>Total other comprehensive income / (loss) for the year</b>	<u>(229,976)</u>	<u>(148,465)</u>
<b>Total comprehensive loss attributable to the ordinary equity holders of the Company:</b>		
<b>Total comprehensive loss for the year</b>	<u>(1,157,768)</u>	<u>(4,161,643)</u>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>		
Basic and diluted loss per share (cents per share)	3.5 (0.15)	(0.64)

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 2019

	2019	2018
Note	US\$	US\$
<b>Assets</b>		
<b>Current assets</b>		
Cash & cash equivalents	4.1 1,941,739	2,300,244
Financial assets at FVOCI	4.6 630,610	1,147,930
Derivative asset	4.7 53,120	181,987
Trade & other receivables	4.3 51,482	37,252
<b>Total current assets</b>	<b>2,676,951</b>	<b>3,667,413</b>
<b>Non-current assets</b>		
Investment in Sese Joint Venture	2.2 6,924,616	7,301,534
Property, plant & equipment	-	26
Exploration & evaluation	2.1 2,500,000	2,500,000
<b>Total non-current assets</b>	<b>9,424,616</b>	<b>9,801,560</b>
<b>Total assets</b>	<b>12,101,567</b>	<b>13,468,973</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade & other payables	4.4 100,541	83,889
<b>Total current liabilities</b>	<b>100,541</b>	<b>83,889</b>
<b>Total liabilities</b>	<b>100,541</b>	<b>83,889</b>
<b>Net assets</b>	<b>12,001,026</b>	<b>13,385,084</b>
<b>Equity</b>		
Contributed equity	5.1 64,134,977	64,134,977
Reserves	(412,635)	25,852
Retained earnings (Accumulated losses)	(51,721,316)	(50,775,745)
<b>Total equity attributable to shareholders of the Company</b>	<b>12,001,026</b>	<b>13,385,084</b>

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 2019

For the twelve months ended 30 June 2019	Contributed equity	Accumulated losses	Foreign Currency Translation Reserve	Other Comprehensive Income Reserve (FVOCI)	Share- Based Payments Reserve	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$
<b>At 30 June 2018</b>	64,134,977	(50,775,745)	(5,180,211)	(9,223)	5,215,287	13,385,085
Net earnings for the year	-	(927,792)	-	-	-	(927,792)
Effect of translation of foreign operations to group presentation currency	-	-	(38,378)	-	-	(38,378)
Movement in fair value of financial assets at FVOCI	-	(17,779)	-	(173,819)	-	(191,598)
<b>Total comprehensive income for the year</b>	-	(945,571)	(38,378)	(173,819)	-	(1,157,768)
<b>Transactions with owners in their capacity as owners:</b>						
Share based payments	-	-	-	-	(226,291)	(226,291)
<b>At 30 June 2019</b>	64,134,977	(51,721,316)	(5,218,589)	(183,042)	4,988,996	12,001,026
<b>For the twelve months ended 30 June 2018</b>						
<b>At 30 June 2017</b>	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 financial assets at FVOCI	-	-	-	(9,223)	-	(9,223)
<b>Total comprehensive income for the year</b>	-	(4,013,178)	(139,242)	(9,223)	-	(4,161,643)
<b>Transactions with owners in their capacity as owners:</b>						
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
<b>At 30 June 2018</b>	64,134,977	(50,775,745)	(5,180,211)	(9,223)	5,215,287	13,385,085

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

# Consolidated Statement of Cash Flows



As at 30 June 2019

	2019 US\$	2018 US\$
<b>Cash flows from operating activities</b>		
Interest received	49,177	87,222
Payment for exploration and evaluation	(121,414)	(97,022)
Payment to suppliers and employees	(460,510)	(824,709)
<b>Net cash (outflow) from operating activities</b>	4.2 (532,747)	(834,509)
<b>Cash flows from investing activities</b>		
Receipts from sale of listed investments	459,086	48,800
Acquisitions of Shares in Caravel Minerals	(111,135)	(420,174)
<b>Net cash inflow/(outflow) from investing activities</b>	347,951	(371,374)
<b>Cash flows from financing activities</b>		
Issue of Shares	-	1,089,179
Buyback of shares	-	(64,113)
<b>Net cash inflow/(outflow) from financing activities</b>	-	1,025,066
<b>Cash and cash equivalents at the beginning of the year</b>	4.1 2,300,244	2,621,783
Net (decrease) / increase in cash and cash equivalents	(184,796)	(180,817)
Effect of exchange rate fluctuations on cash held	(173,709)	(140,721)
<b>Cash and cash equivalents at the end of the year</b>	4.1 1,941,739	2,300,244

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 2019.

### 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 or 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 2019 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 Group assesses the carrying amount of investment in associates at each reporting period in accordance with AASB 128. If impairment indicators are identified, the Group tests the investments for impairment in accordance with AASB 136. In assessing the recoverability of investments in associates, management applies their estimates and judgements as to the recoverability.
- Note 8 – Share-based payments arrangements - The Group values options issued at fair value at the grant date using the black scholes 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) Exploration and Evaluation Carrying Values

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.

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)(i)

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 otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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.

	2019 US\$	2018 US\$
Mmamabula West Coal Project	2,500,000	2,500,000
<b>Carrying amount of exploration and evaluation</b>	<b>2,500,000</b>	<b>2,500,000</b>

#### (b) Exploration and Evaluation movement reconciliation

	2019 US\$	2018 US\$
<b>Balance at the beginning of the year</b>	2,500,000	5,900,172
Impairments	-	(3,396,842)
Effect of movements in foreign exchange	-	(3,330)
<b>Carrying amount at 30 June</b>	<b>2,500,000</b>	<b>2,500,000</b>

# Notes to the Consolidated Financial Statements (continued)

## 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

	2019 US\$	2018 US\$
<b>Balance at the beginning of the year</b>	7,301,534	8,056,900
Share of Losses after income tax	(376,918)	(471,527)
Movement on renegotiation of Sese JV terms	-	(283,839)
<b>Carrying amount at 30 June</b>	<b>6,924,616</b>	<b>7,301,534</b>

### (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	33	4,877,096	105,865	-	(376,918)

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

	2019 US\$	2018 US\$
<b>Summarised statement of financial position</b>		
Current Assets		
Cash and cash equivalents	59,922	159,648
Trade and other receivables	119,105	92,780
<b>Total current assets</b>	<b>179,027</b>	<b>252,428</b>
Non-current Assets		
Exploration & evaluation	14,574,666	14,378,556
Property, plant & equipment	25,386	64,770
<b>Total non-current assets</b>	<b>14,600,052</b>	<b>14,443,326</b>
<b>Total assets</b>	<b>14,779,079</b>	<b>14,695,754</b>
Current Liabilities		
Trade and other payables	70,803	54,439
<b>Total current liabilities</b>	<b>70,803</b>	<b>54,439</b>
Non-current Liabilities		
Rehabilitation Provision	250,000	250,000
<b>Total non-current liabilities</b>	<b>250,000</b>	<b>250,000</b>
<b>Total liabilities</b>	<b>320,803</b>	<b>304,439</b>
<b>Net assets</b>	<b>14,458,276</b>	<b>14,391,315</b>

	2019 US\$	2018 US\$
<b>Summarised statement of comprehensive income</b>		
Total Operating Expense	1,090,614	1,245,307
<b>Loss from operating activities</b>	1,090,614	1,245,307
Other comprehensive income	5,140	13,493
<b>Total comprehensive income</b>	1,095,754	1,258,800

There were no contingent assets or liabilities in African Energy Holdings SRL at 30 June 2019. There were no commitments at 30 June 2019.

## Financial Performance

### 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 2019	Coal-fired Power Development Projects	Power Investments	All other segments	Consolidated
	US\$	US\$	US\$	US\$
Total segment revenue	-	-	46,161	46,161
Profit (loss) before income tax	(116,038)	(376,918)	(434,836)	(927,792)
<b>Segment Assets</b>				
Investment in Sese JV	-	6,924,616	-	6,924,616
Exploration and evaluation expenditure	2,500,000	-	-	2,500,000
Cash and short term receivable	-	-	2,676,951	2,676,951
<b>Total Segment Assets</b>	<b>2,500,000</b>	<b>6,924,616</b>	<b>2,676,951</b>	<b>12,101,567</b>
<b>Segment Liabilities</b>				
Trade & other payables	-	-	100,541	100,541
<b>Total Segment Liabilities</b>	<b>-</b>	<b>-</b>	<b>100,541</b>	<b>100,541</b>
<b>For the year ended 30 June 2018</b>				
Total segment revenue	-	-	563,607	563,607
Profit (loss) before income tax	(3,481,879)	(471,527)	(59,772)	(4,013,178)
<b>Segment Assets</b>				
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
<b>Total Segment Assets</b>	<b>2,500,000</b>	<b>7,301,534</b>	<b>3,667,439</b>	<b>13,468,973</b>
<b>Segment Liabilities</b>				
Trade & other payables	-	-	83,889	83,889
<b>Total Segment Liabilities</b>	<b>-</b>	<b>-</b>	<b>83,889</b>	<b>83,889</b>

# Notes to the Consolidated Financial Statements (continued)

## 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.

	2019 US\$	2018 US\$
Interest received	46,161	60,130
	<u>46,161</u>	<u>60,130</u>

## Expenses

	2019 US\$	2018 US\$
<b>Personnel expenses</b>		
Employee salaries	89,097	147,596
Superannuation	10,224	15,008
Directors fees	338,177	544,463
Recharge of director fees and employee salaries	(161,228)	(170,898)
Payroll tax	-	515
	<u>276,270</u>	<u>536,684</u>
<b>Professional &amp; administration expense</b>		
Audit Tax and Accounting	71,932	53,634
Compliance & Insurance	68,554	91,347
Occupancy	(17,808)	70,344
Travel	37,529	29,925
Marketing	14,028	15,740
Legal fees	1,402	53,789
Depreciation and Impairment of PP&E	29	395
Other	11,757	27,866
	<u>187,423</u>	<u>343,040</u>

## Income Taxes

### (a) Income tax expense:

	2019 US\$	2018 US\$
Current tax	-	-
Deferred tax	-	-
Overprovision in respect to prior years	-	-
	<u>-</u>	<u>-</u>

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

	2019 US\$	2018 US\$
Loss before income tax	(927,792)	(4,013,178)
Prima facie income tax at 27.5% (2018: 30%)	(255,143)	(1,203,953)
Tax effect of amounts not deductible in calculating taxable income:		
Sundry items	67	262
Other	82,091	137,011
	(172,985)	(1,066,680)
Difference in overseas tax rates	3,552	4,654
Tax loss not recognised	169,433	1,062,026
Income tax expense/(benefit)	-	-

**(c) Tax losses:**

	2019 US\$	2018 US\$
Unused tax losses for which no deferred tax asset has been recognised	(408,073)	(739,055)
Potential tax benefit @ 27.5% (2018: 30%)	(112,220)	(221,717)
Difference in overseas tax rates 10%	3,552	4,654
Potential tax benefit	(108,668)	(217,063)

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

	2019 US\$	2018 US\$
Timing	70,666	12,753
Losses - Revenue	4,498,803	4,390,135
	4,569,469	4,402,888

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.

**Summarised statement of comprehensive income**

	2018 US\$	2017 US\$
Total Operating Expense	(1,245,307)	(1,098,124)
<b>Loss from operating activities</b>	<b>(1,245,307)</b>	<b>(1,098,124)</b>
Other comprehensive income	(13,493)	-
<b>Total comprehensive income</b>	<b>(1,258,800)</b>	<b>(1,098,124)</b>

# Notes to the Consolidated Financial Statements (continued)

## Earnings per share

### (a) Basic loss per share

The calculation of basic loss per share at 30 June 2019 was based on the losses attributable to ordinary shareholders of US\$927,792 (2018: US\$4,013,178) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2019 of 622,960,630 (2018: 624,507,780) calculated as follows:

	2019 US\$	2018 US\$
Gain (Loss) attributable to ordinary shareholders	(927,792)	(4,013,178)
Issued number of ordinary shares at 1 July	622,960,630	608,996,715
Effect of shares issued during the period	-	15,511,065
Weighted average number of shares for year to 30 June	622,960,630	624,507,780
Basic loss per share (cents per share)	(0.15)	(0.64)

A share buyback during June 2018 is the reason the prior year weighted average number of shares exceeds the current year opening balance.

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.

### (b) Diluted loss per share

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

## Working Capital Management

### 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.

	2019 US\$	2018 US\$
Cash at bank and in hand	479,609	2,070,606
Short-term deposits	1,462,130	229,638
	1,941,739	2,300,244

Refer to note 5.2 for risk exposure analysis.

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

	2019 US\$	2018 US\$
<b>Cash flows from operating activities</b>		
<b>(Loss) for the year</b>	(927,792)	(4,013,178)
Adjustments for:		
Gain on sale of Zambian Uranium Project	-	(503,477)
Gain/(Loss) on Derivative	128,867	(181,987)
Cost base of Goviex shares sold	-	(1,537)
Equity-settled share-based payment expenses	(226,291)	(77,701)
Share of Loss in Sese JV	376,918	471,527
Depreciation and amortisation expense	29	395
Impairment of Mmamantswe	-	3,396,842
Foreign exchange losses	113,099	603
<b>Change in operating assets &amp; liabilities</b>		
(Increase)/decrease in trade and other receivables	(14,230)	101,534
(Decrease)/increase in trade and other payables	16,653	(27,530)
<b>Net cash used in operating activities</b>	(532,747)	(834,509)

There was no non-cash investing and financing activities during the year.

#### Trade and other receivables

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

	2019 US\$	2018 US\$
Trade debtors	31,546	14,770
Interest receivable	1,743	4,759
GST and VAT receivable	18,193	17,723
	<u>51,482</u>	<u>37,252</u>

Trade and other receivables are recorded at amounts due less any allowance for any expected credit losses.

#### 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.

	2019 US\$	2018 US\$
Trade creditors	63,711	26,393
Accrued expenses	32,403	23,079
Payroll liabilities	4,427	34,417
	<u>100,541</u>	<u>83,889</u>

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.

#### Impairment

The Group assesses at each reporting date whether there is objective evidence financial asset or group of financial assets is impaired in accordance with AASB 9. Refer to note 9.4(b)(i).

#### Financial Assets at FVOCI

	Caravel Shares	Goviex Shares	Total
<b>Balance at 1 July 2017</b>	-	-	-
Additions	704,013	461,498	1,165,511
Movement in Fair Value of Financial assets at FVOCI	(26,667)	17,444	(9,223)
Disposals	-	(8,358)	(8,358)
<b>Carrying amount at 30 June 2018</b>	<u>677,346</u>	<u>470,584</u>	<u>1,147,930</u>
Additions	111,135	-	111,135
Movement in Fair Value of Financial assets at FVOCI	(156,278)	(35,310)	(191,598)
Effect of movements in foreign exchange	(1,593)	-	(1,583)
Disposals	-	(435,274)	(435,274)
<b>Carrying amount at 30 June 2019</b>	<u>630,610</u>	<u>-</u>	<u>630,610</u>

#### Derivatives

1.6M Goviex options were held at 30 June 2019 were valued at US\$53,120 (2018: US\$140,494) using a Black-Scholes option valuation model with the following inputs.

#### Black-Scholes Inputs

Strike price	US\$0.23
Share price	US\$0.95
Term	2 years
Volatility of 100%	100%
Risk free rate	1.5%

# Notes to the Consolidated Financial Statements (continued)

Price per option	US\$0.033
Number of Options	1,600,000
Total Value	US\$53,120

## 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.

## Contributed equity

Movement in share capital	Date	Number of shares	Issue price US\$ cents	US\$
<b>Balance 30 June 2017</b>		608,996,716		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	(3,728,394)	1.7	(64,113)
<b>Balance 30 June 2018</b>		622,960,630		64,134,977
<b>Balance 30 June 2019</b>		622,960,630		64,134,977

## 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.

## 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:

	2019 US\$	2018 US\$
Cash held in US Dollars (US\$)	92,060	168,710
Cash held in South African Rand (ZAR)	2,643	6,891
Cash held in Botswana Pula (BWP)	8,421	6,308
Trade and other receivables (BWP)	8,963	5,669
Trade and other payables (BWP)	(840)	(2,634)



**ii. Price risk**

The Group does holds shares in Caravel Minerals and is exposed to equity securities price risk.

	Carrying amount	Price risk			
		+10%		-10%	
		Profit US\$	Equity US\$	Profit US\$	Equity US\$
<b>30 June 2019</b>					
Financial assets at FVOCI	630,610	63,061	63,061	(63,061)	(63,061)

**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.

	Carrying amount	Interest rate risk				Foreign exchange risk			
		- 100 bps		+ 100 bps		-10%		+10%	
		Profit US\$	Equity US\$	Profit US\$	Equity US\$	Profit US\$	Equity US\$	Profit US\$	Equity US\$
<b>30 June 2019</b>									
<b>Financial assets</b>									
Cash & cash equivalents	1,941,739	19,417	(19,417)	(19,417)	19,417	(194,174)	194,174	194,174	(194,174)
Financial assets at FVOCI	630,610	-	-	-	-	(63,061)	63,061	63,061	(63,061)
Trade & other receivables	51,482	-	-	-	-	(5,148)	5,148	5,148	(5,148)
<b>Financial liabilities</b>									
Trade and other payables	100,541	-	-	-	-	(10,054)	10,054	10,054	(10,054)

- 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:

	2019 US\$	2018 US\$
<b>Cash at bank &amp; short term bank deposits</b>		
A-1+	1,930,675	2,287,045
FNB Botswana (not rated)	8,421	6,308
Standard Bank South Africa (not rated)	2,643	6,891
	<u>1,941,739</u>	<u>2,300,244</u>

**(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.

# Notes to the Consolidated Financial Statements (continued)

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
<b>2019</b>			
Trade Payables	100,541	-	100,541
	100,541	-	100,541
<b>2018</b>			
Trade Payables	83,889	-	83,889
	83,889	-	83,889

## (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.

## 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

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>30 June 2019</b>				
Financial assets at FVOCI	630,610	-	-	630,610
Derivative asset	-	-	53,120	53,120
Total assets	630,610	-	53,120	683,730
<b>30 June 2018</b>				
Financial assets at FVOCI	1,147,930	-	-	1,147,930
Derivative asset	-	-	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	Decrease share price decrease fair value Increase volatility significantly increase or decrease fair value
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#### 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

#### (d) 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.

#### (e) 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.

#### (f) Comparatives

Prior period comparative are for the year from 1 July 2017 to 30 June 2018.

### 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

# Notes to the Consolidated Financial Statements (continued)

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.

### Parent Entity Disclosures

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

	2019 US\$	2018 US\$
Current Assets	1,851,913	2,859,054
Non-Current Assets	10,149,113	10,526,030
<b>Total Assets</b>	<b>12,001,026</b>	<b>13,385,084</b>
Current Liabilities	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
Contributed equity	64,134,977	64,134,977
Reserves	4,860,950	5,168,779
Accumulated losses	(56,994,901)	(55,918,672)
<b>Total Equity</b>	<b>12,001,026</b>	<b>13,385,084</b>
Gain (loss) for the year	(1,076,229)	(5,216,782)
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>(1,076,229)</b>	<b>(5,216,782)</b>

There were no commitments, contingent liabilities or contingent assets at the parent level at 30 June 2019.

### 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 2019	Ownership interest 2018
<b>Botswana Energy Solutions Limited</b>	British Virgin Is.	100%	100%
Mmamantswe Coal (Pty) Ltd	Botswana	100%	100%
<b>African Energy Holdings SRL 2</b>	Barbados	100%	100%
Phokoje Power (Pty) Ltd	Botswana	100%	100%
<b>AFR Australia Pty Ltd</b>	Australia	100%	100%

## 7. Related parties

### 7.1 Key Management Personnel

US\$225,895 (2018: US\$563,683) was paid to Directors of the Company during the year. Of this amount US\$338,101 (2018: US\$542,508) 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.

	2019 US\$	2018 US\$
Short-term employee benefits	331,509	509,899
Post-employment benefits	6,592	32,609
Equity compensation benefits	(112,206)	21,175
	225,895	563,683

### 7.2 Cash Bonus

The board 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 Tabearnt	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	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Mitchell River Group Pty Ltd	52,851	102,458	-	-

Directors Mr Cooke, Mr Fry and Dr Tabearnt are Directors and 20% shareholders of Mitchell River Group Pty Ltd which charges the Group for provision of a serviced office and administration staff.

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

	2019 US\$	2018 US\$
Trade and other receivables	-	-
Trade and other payables	6,205	6,962

## 8. Share based payments

### 8.1 Performance Rights

The Company has granted performance rights to Directors and employees 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 2018	Issued in Year	Vested in Year	Forfeited in Year	Unvested at 30 June 2019	Fair Value (AUD)
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	-
28-Nov-14	27-Nov-19	PPA2	666,667	-	-	-	666,667	-

# Notes to the Consolidated Financial Statements (continued)

28-Nov-14	27-Nov-19	PPAZ	300,000	-	-	-	300,000	
31-Mar-15	30-Mar-20	MMA2	500,000	-	-	-	500,000	
22-Nov-16	31-Dec-19	PPA3	1,166,667	-	-	-	1,166,667	
22-Nov-16	31-Dec-19	BFS2	100,000	-	-	-	100,000	
15-Aug-17	31-Dec-19	GEO2	300,000	-	-	-	300,000	4,500
			9,200,000	-	-	1,666,666	7,533,334	4,500

\* \*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	less likely than more 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	less likely than more likely
MMA2	unconditional completion of binding SSA or successful award of SA IPP tender to Mmamantswe	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	less likely than more 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	less likely than more likely
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 1 October 2018 to 31 December 2019	less likely than more likely
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 2019 the group had the following options on issue.

	Number of Options
Directors and Staff Options (6c strike expiring 30 Sep 2019)	10,875,000
	<u>10,875,000</u>

## 8.3 Expenses arising from share-based payment transactions

	2019 US\$	2018 US\$
Performance rights issued under AFR Performance Rights Plan	(226,291)	(77,701)
<b>Total reversal of share-based payment expense</b>	<u>(226,291)</u>	<u>(77,701)</u>

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

There were no contingent assets or liabilities in the Group at 30 June 2019. There were no commitments at 30 June 2019.

### 9.3 Remuneration of Auditors

	2019 US\$	2018 US\$
BDO Audit (WA) Pty Ltd: Audit and review of financial reports	25,800	30,624
	25,800	30,624

### 9.4 New standards and interpretations not yet adopted

#### (a) 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 2018.

#### (b) New and amended standards adopted by the Group

##### (i) AASB 9 Financial Instruments

AASB 9 Financial Instruments ("AASB 9") replaces the provisions of AASB 139 Financial Instruments: Measurement and Recognition ("AASB 139") that relate to the recognition, classification and measurement of financial assets and liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out below. Transitional adjustments were however required, as set out below, which were recognised on 1 July 2018, in accordance with the transitional provisions of AASB 9.

##### Impact of adoption

##### Classification and measurement of financial assets

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassifications noted.

Financial Assets	Measurement Category		Carrying Value		
	Original (AASB 139)	New (AASB 9)	Original \$	New \$	Difference \$
Financial Assets at FVOCI	Available-for-sale	FVOCI	603,943	603,943	-
Derivative Asset	FVPL	FVPL	89,493	89,493	-
Trade & other receivables	Amortised cost	Amortised cost	40,012	40,012	-

##### Impact on statement of financial position (Financial Assets)

As a result of the adoption of AASB 9, assets with a fair value of \$603,943 were reclassified from available-for-sale financial assets, to financial assets at FVOCI in the statement of financial position.

The adoption of AASB 9 on the Group's trade and other receivables did not have a material impact.

The following tables show the above noted adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	30-Jun-18 \$	AASB 9 \$	01-Jul-18 \$
<b>Consolidated statement of financial position (condensed extract)</b>			
<b>Financial Assets</b>			
Financial assets at fair value through other comprehensive income	-	1,147,930	1,147,930
Available-for-sale financial assets	1,147,930	(1,147,930)	-

##### Impact on statement of financial position (Equity)

There was no impact on the Group's Accumulated Losses and Reserves as at 1 July 2018.

# Notes to the Consolidated Financial Statements (continued)

## Investments and other financial assets

### Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

### Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### (ii) AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between



the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group has adopted this standard from 1 July 2018 and the impact is not material to the group.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

**(c) New accounting standards and interpretations not yet adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

**AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and

**(d) Additional disclosure requirements.**

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 is expected to be immaterial to the Group.

## Additional Shareholder Information

The following additional information required by the ASX Listing Rules is current as at 7 October 2019.

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	593,892,130	94.46	392	15.61
10,001 to 100,000	28,373,742	4.78	782	31.14
5,001 to 10,000	2,638,261	0.46	338	13.46
1,001 to 5,000	1,672,470	0.28	552	21.98
1 to 1,000	112,421	0.02	447	17.80
<b>Total</b>	<b>626,689,024</b>	<b>100.00</b>	<b>2,511</b>	<b>100.00</b>
Unmarketable Parcels	13,761,938	1.69	1,815	72.28

### 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	Stacey Radford	19,237,334	3.07%
5	PS Consulting Pty Ltd	17,000,000	2.71%
6	STL Super Pty Ltd	10,338,585	1.65%
7	CS Third Nominees Pty Ltd	7,502,500	1.20%
8	J A Advisory Services Pty Ltd	7,000,000	1.12%
9	Mr Mirosław Jan Marzec & Mrs Barbara Anne Wiszniewski	6,300,000	1.01%
10	Donal Windrim	6,871,914	1.10%
11	Bill Fry (and associated entities)	5,869,610	0.94%
12	General Advisory Pty Ltd	5,645,926	0.90%
13	Helmet Nominees Pty Ltd	5,000,000	0.80%
14	Frazer Tabear (and associated entities)	4,774,100	0.76%
15	Raejan Pty Ltd	4,700,000	0.75%
16	Mr Brian Henry Mccubbing & Mrs Adriana Maria Mccubbing	4,563,000	0.73%
17	Mr Robert Cooke & Mrs Elizabeth Cooke	4,500,000	0.72%
18	ZW 2 Pty Ltd	4,500,000	0.72%
19	Jolib Pty Ltd	4,435,625	0.71%
20	Ian Hume (and associated entities)	4,157,606	0.66%
	Total Top 20	400,496,977	63.91%

There were 2,511 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:

### Class of shares and voting rights

- each shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- 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
- 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
<b>Performance Rights</b>					
7,533,334	nil	various	12	nil	

### Other information

The company has not utilised a share buyback in the past 12 months



**PERTH OFFICE** Suite 1, 245 Churchill Avenue, Subiaco WA 6008 | PO Box 162, Subiaco WA 6904  
**Tel:** +61 8 6465 5500 | **Fax:** +61 8 6465 5599 | **Email:** [info@africanenergyresources.com](mailto:info@africanenergyresources.com)

***africanenergyresources.com***

African Energy Resources Limited ARBN 123 316 781