AfricanEnergy

Annual Report | 2021

Corporate Directory

Directors	Alasdair Cooke	Executive Chairman
	Charles (Frazer) Tabeart	Executive Director and CEO
	Valentine Chitalu	Non-Executive Director
	Vincent Masterton-Hume	Non-Executive Director
	John Dean	Non-Executive Director
	Gregory Fry (Retired 15 July 2020)	Non-Executive Director
Company Secretary	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 4 Central Park 152 St Georges Terrace Perth, Western Australia, 6000	
Stock Exchange Listing	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 WA 6000	
Website	www.africanenergyresources.com	

Chief Executive's Letter

Dear Shareholder,

Over the last twelve months, your Company, African Energy Resources Limited, has accelerated its transition to become a mineral explorer with a primary interest in copper and copper-gold projects in Tier 1 fiscal jurisdictions such as Australia. After taking an initial investment in ASX-listed Caravel Minerals in 2017, African Energy has significantly expanded its own project portfolio of copper-gold projects through applications for multiple exploration licences in Western Australia, and by securing an exclusive option over a major porphyry copper project in SE Queensland.

Copper is a metal in high demand due to its increasingly important role in the global push for a decarbonised economy and sustainable renewable power development. It remains the most cost-effective, efficient conductor of electricity known, and is unlikely to be materially substituted by other materials in the foreseeable future.

Copper plays a vital role in renewable energy, electric vehicles, communication and consumer electronics. Furthermore, supply side constraints at several giant copper mines in developing economies, coupled with fiscal uncertainty over tax regimes and royalty rates suggest copper will remain in tight supply for several years to come, underpinning strong prices and stimulating investment in new exploration and development projects.

Key assets now held by the Company reflect a strong focus on copper, and include:

- An exclusive option over the Briggs and Mannersley copper project in SE Queensland (143Mt @ 0.29% Cu in inferred mineral resource) for a staged earn-in joint venture where African Energy can earn up to 70% of the project.

- Five exploration licences granted for Cu, Cu-Au, and Au in the SW Terrane of Western Australia.

- Nine exploration licence applications submitted for large-scale sediment-hosted copper projects in the East Kimberley district of Western Australia.

- Liquid investments worth ~ A$7.7M in ASX-listed copper resources companies Caravel Minerals (CVV) and Canterbury Resources (CBY).

As a result of these changes, our portfolio of African coal projects is no longer considered to be a core asset and, subject to shareholder approval, will be divested via a spin-out and in-specie distribution to existing African Energy shareholders.

African Energy carries no debt and has low corporate overheads. With our new focus on copper exploration in stable Tier 1 jurisdictions such as Australia, the Company has been repositioned to take advantage of the strong long-term market for copper underpinned by the push for global decarbonisation.

Your Company has multiple new opportunities in its portfolio and looks forward to a year of strong news flow as we explore on several fronts.

Frazer Tabeart
Executive Director and CEO

Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project

The Briggs and Mannersley Porphyry Copper Project comprises three exploration permits for minerals (EPM's) covering a total area of approximately 241 km2, and contains a JORC compliant Inferred Mineral Resource estimate of 143Mt @ 0.29% copper at a 0.2% copper cut-off grade in the Central Porphyry zone of the Briggs Copper Project.

The Project is located in a low risk, Tier 1 jurisdiction, close to key infrastructure, including sealed roads, rail, grid power, gas pipelines and a deep-water port at Gladstone which lies approximately 50km to the east (Figure 1).

African Energy has secured an exclusive option over the project until 31 July 2022 through an equity investment of $1M into ASX-listed Canterbury Resources Limited. African Energy has committed to fund a A$750k exploration programs during option phase, which will include:

- Detailed soil sampling over the Briggs Porphyry to refine future drilling targets.
- RC drilling program (~3,000m) to test immediate upside at the Briggs Porphyry.

These programs have commenced, and are scheduled for completion during the final quarter of 2021. After exercise of the option, African Energy can spend up to a further $15.25M via a three stage earn-in to reach 70%:

- Stage 1 (AFR 30%): $2.25M within 2 years of exercising option.
- Stage 2 (AFR 51%): further $3M within 4 years of exercising option.
- Stage 3 (AFR 70%): further $10M within 9 years of exercising option.

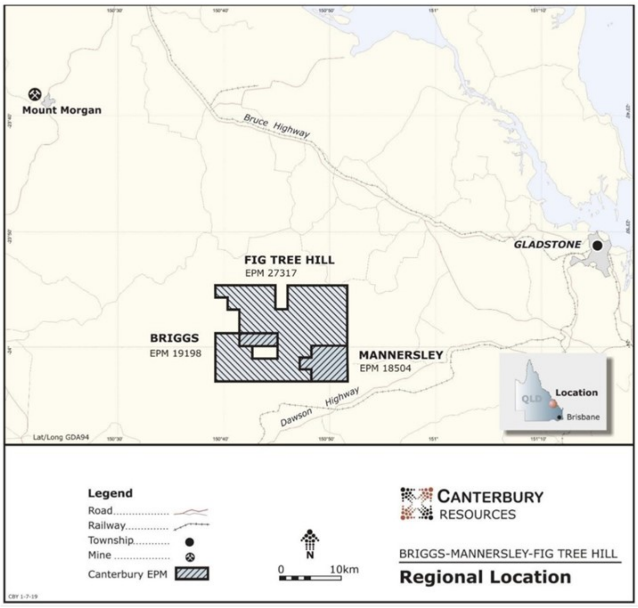

Figure 1. Location Map of the Briggs and Mannersley Copper Project, SE Queensland

Geology

Porphyry copper mineralisation at Briggs and at Mannersley is associated with multi-phase phyllic and potassic altered granodiorite to tonalitic stocks which form part of the Triassic Galloway Plains Intrusive Complex, intruded into Silurian to Devonian aged sediments and volcanic rocks within the Yarrol Province of the northern New England Orogen (Figure 2). The Project has been explored over a long period, but only 32 drill holes have been drilled at Briggs, of which only nine have been deeper than 150m, with only one hole drilled at Mannersley.

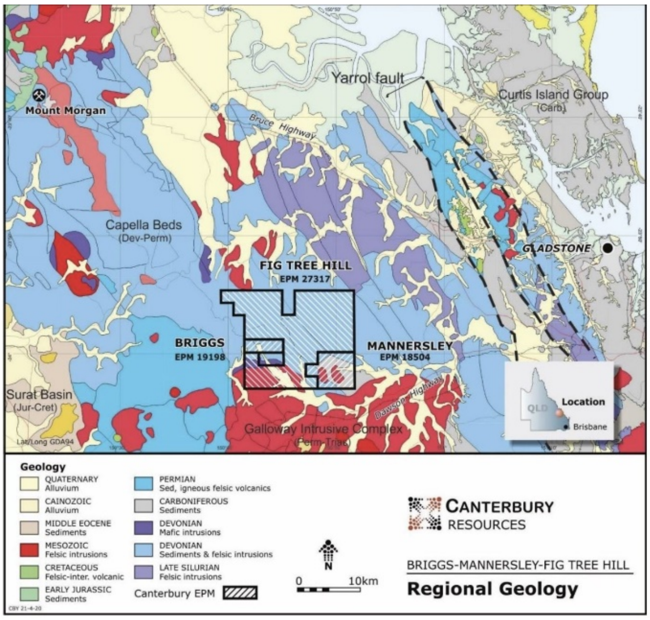

Figure 2 Regional geological setting of the Briggs and Mannersley Project in SE Queensland

Porphyry Copper Mineralisation at Briggs

The Inferred Mineral Resource of 143Mt @ 0.29% Cu occurs in the Central Porphyry at Briggs, a porphyritic granodiorite stock with dimensions in excess of 500m x 200m and which has been drilled to a depth of over 500m. It is one of at least three intrusive centres which make up the Briggs prospect. Mineralisation occurs in stockworks of quartz veins containing quartz, chalcopyrite, minor molybdenite, potassium feldspars and locally anhydrite (see Figures 3 and 4).

Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project

Figure 3. Outcropping stockwork of quartz-chalcopyrite veins in porphyritic granodiorite at the Central Porphyry of the Briggs copper deposit.

Limited drilling to date indicates that the highest copper grades are associated with sub-vertical banded silica bodies at the contacts between different intrusive phases, or in the volcanic sediments immediately adjacent to the granodiorite intrusions. Significant opportunity to increase average grades at the Central Porphyry is present once these positions are drilled to a higher density.

The Northern and Southern Porphyry's occur along strike from the Central Porphyry and show evidence of porphyry vein stockworks and banded silica bodies at surface similar to those seen at the Central Porphyry, along with copper anomalism in soil sampling (Figure 5). Limited drilling at both of these prospects has intersected similar mineralisation with similar grades to the Central Porphyry and represent immediate targets for further drilling for resource delineation.

The overall intrusive centre appears to be at least 2,000m long, is elongated along a prominent WNW to NW trending structural corridor and extends into untested ground held in the Fig Tree Hill EPM to the northwest, providing significant potential to increase the overall size of the resource. African Energy intends to undertake significant drilling programs during the earn-in phase of the joint venture to increase the grade and size of the resource and to underpin an initial scoping study.

Figure 4. Multi-phase porphyry veins with blebby chalcopyrite mineralisation and associated potassic alteration overprinting volcanoclastic sediments, drill hole BD019-003 Central Porphyry, Briggs.

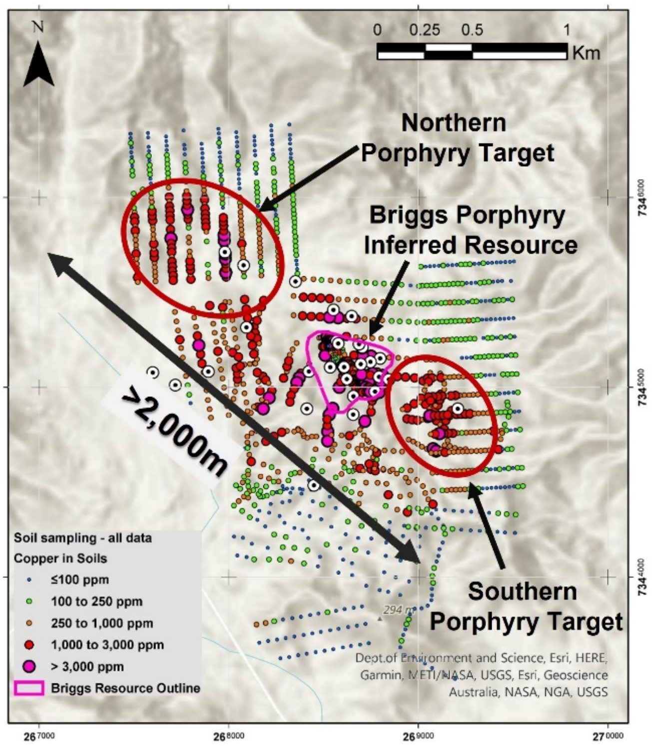

Figure 5. The Northern and Southern porphyry targets occur along strike from the outcrop of the Briggs central Inferred Mineral Resource along a >2km long trend

Western Australian Copper Projects

SW Terrane

African Energy applied for six exploration licences in the SW Terrane of Western Australia in 2020. Five of these tenements were granted in May 2021, with the sixth expected to be granted shortly. These applications cover three project areas which are considered prospective for large porphyry-style Cu-Au deposits or intrusion related orogenic Au deposits. Preliminary evaluation of open file data indicates very limited historical exploration has been undertaken in these areas.

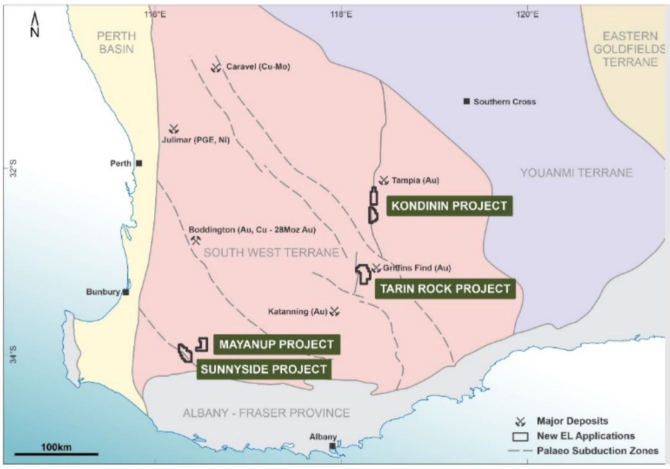

Figure 6. Location of the five new copper projects granted in the SW Terrane of Western Australia

Sunnyside-Mayanup Copper Project

These two exploration licences occur on flexures in regional structures which are interpreted to represent old subduction zones that may be prospective for porphyry Cu-Au mineralisation. The Sunnyside licence straddles a structure which represents a sub-terrane boundary. On the northern side of this structure, GSWA regional mapping indicates the presence of hornblende-bearing quartz monzonites which are locally porphyritic in nature. These types of rocks are considered prospective for porphyry Cu-Au mineralisation.

This is supported by strong geochemical anomalism for copper in the CSIRO-CRC-LEME Laterite Geochemical database in this area, with anomalous samples (>100ppm Cu) containing up to 409ppm Cu over an area of ~14km x 3.5km. The Mayanup application straddles two linear structures and contains copper anomalism up to 352ppm Cu over an area of ~12km x 5km.

A program of roadside soil and laterite sampling over these two licences is scheduled to commence in Q3 2021.

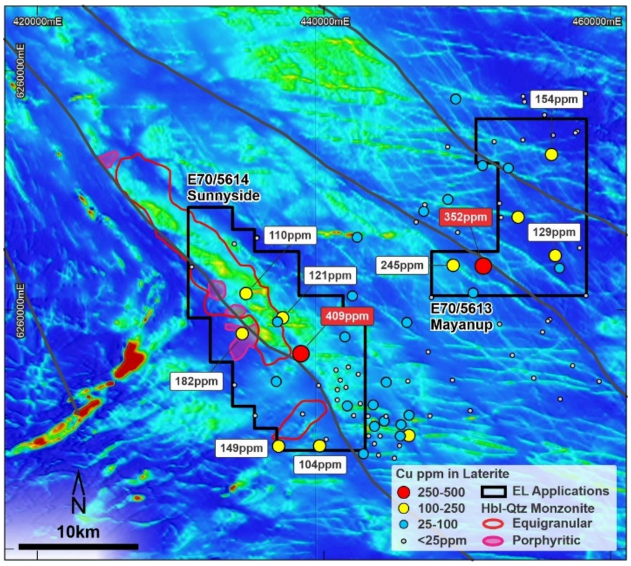

Figure 7. Sunnyside and Mayanup licences on an image of regional aeromagnetic data, also showing the location of CRC-LEME laterite samples and copper assays for these samples

Tarin Rock Gold Project

The Tarin Rock project comprises a single exploration licence (E70/5615), which occurs in an area of geological complexity where regional aeromagnetic data indicates the presence of a series of complex, nested felsic intrusive rocks to the immediate north-east of a jog in a major NNE trending structure. The Griffins Find intrusion related orogenic gold deposit occurs a further 5km to the NE of the tenement application. Tarin Rock is considered prospective for intrusion related orogenic gold deposits.

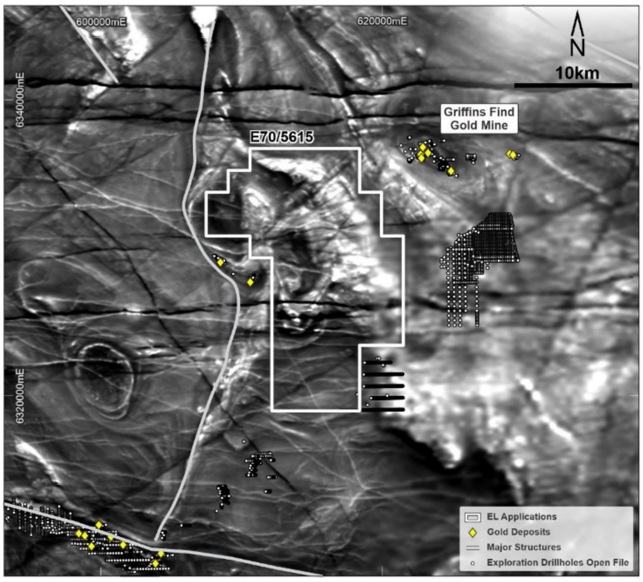

Figure 8. Tarin Rock licence outline on regional aeromagnetic data showing a complex series of nested felsic intrusions near a major jog in a NNE trending fault.

Western Australian Copper Projects

Kondinin Gold Project

The Kondinin Project comprises two licences, E70/5611 (Kondinin North) and E70/5612 (Kondinin South). The project covers deformed felsic gneisses to the east of a major N-S structure in which several elongate dome or "eye" structures are present. Kondinin North is approximately 10km to the SW of Ramelius Resources' Tampia gold project. Limited aircore drilling over Kondinin South is reported in open file data.

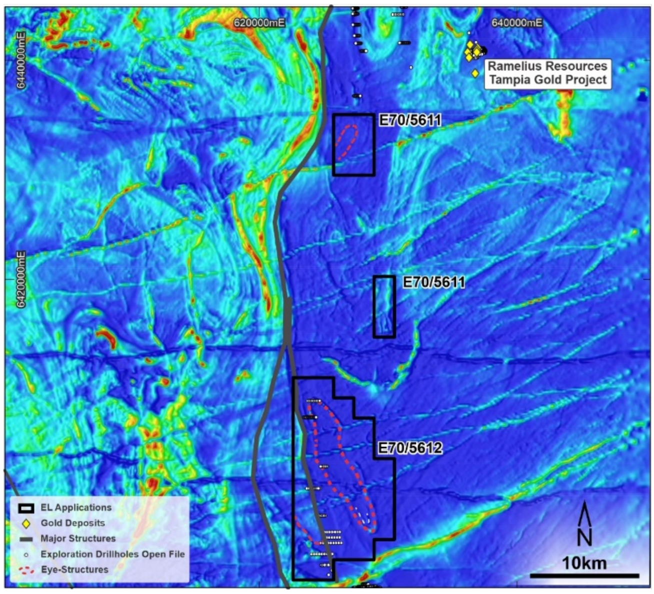

Figure 9. Kondinin EL application outlines on regional aeromagnetic data showing a series of domed ("eye") structures immediately east of a N trending major fault.

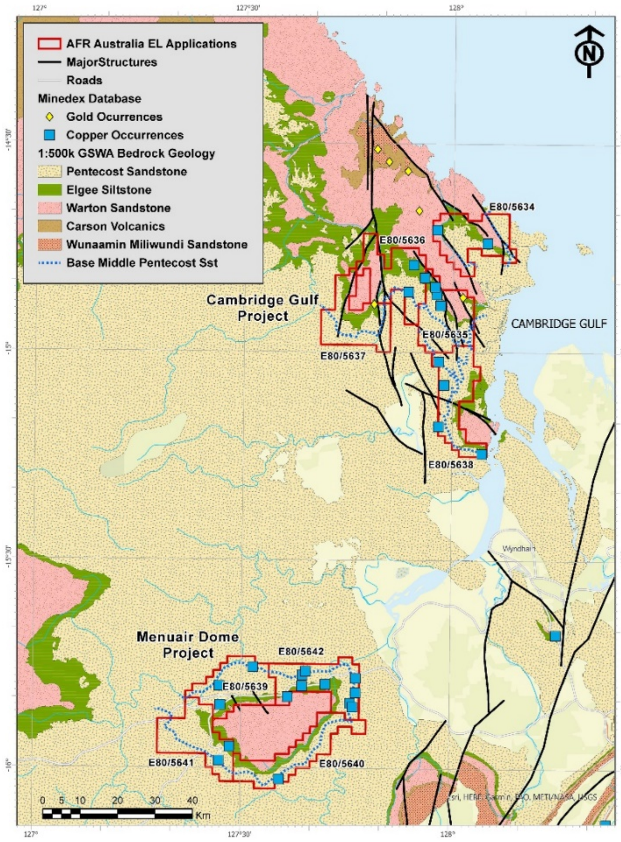

Figure 10. East Kimberley copper licence applications plotted over regional geology, showing copper occurrences in the Elgee Siltstone and at the base of the Middle Pentecost Sandstones

East Kimberley Copper Projects

African Energy has submitted applications for nine maximum size exploration licences in the East Kimberley District of Western Australia, covering two project areas considered highly prospective for stratiform copper mineralisation. The Cambridge Gulf Project consists of five exploration licence applications ranging from 50km to 100km to the north of Wyndham. The Menuair Dome Project consists of four exploration licence applications situated 80km to the south-west of Wyndham.

Both projects contain numerous copper occurrences hosted in the Elgee Siltstone or at the base of the Middle Pentecost Sandstone, both part of the Palaeo-Proterozoic Kimberley Group, and both considered prospective for sediment-hosted, stratiform copper mineralisation. No modern exploration for copper in these project areas is noted in any open file data held on record in Western Australia.

The Company has initiated a process to discuss land access and commercial agreements with the traditional owners of these lands. Upon successful completion of these discussions, and subsequent granting of the tenements, the Company will undertake a stream sediment sampling program to determine high-priority areas for follow-up.

African Coal Projects

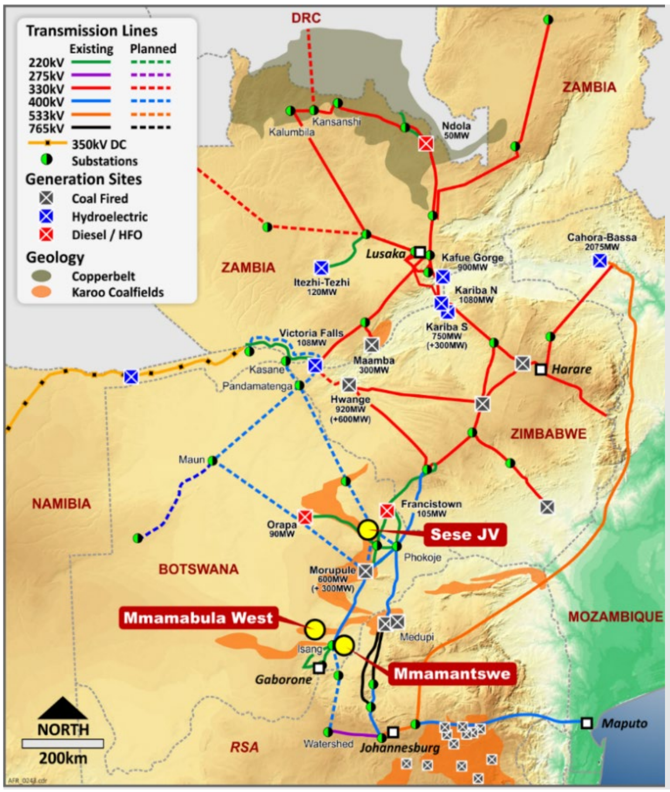

Figure 11. Location of African Energy's Botswana coal and power projects and the existing and planned regional transmission interconnectors

Sese Power Project

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. 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.

A Power Sales Agreement to deliver 100MW of power to FQML's Zambian copper operations has been executed, along with a Term Sheet for a Power sales Agreement to deliver 150MW to Zimasco Ptv in Zimbabwe.

The Sese Joint Venture is engaged with prospective partners for financing and construction of the project and is progressing these negotiations. Negotiations to date have focussed on an initial installed capacity of 300MW gross (2 x 150MW units), which would produce approximately 260MW of net power available for sale. After allowing for transmission losses, the two power sales agreements noted above will consume the full output of the first 300MW stage. The Company also intends to submit a bid into a 300MW tender which has been flagged for release in 2021 by the Botswana Government.

Mmamabula West Project, Botswana (AFR 100%)

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.

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.

Mmamantswe Integrated Power Project, Botswana (AFR 100%)

Mmamantswe contains 1.24Bt of thermal coal close to the South African border. 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. These studies indicated that the coal quality and coal geometry is suitable for the development of a mine-mouth power station and integrated coal mine but requires a large off-taker for ~600MW to be viable. 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.

Tenement Schedule

Project Name	Tenement Name	Tenement Holder	Licence Number	Equity	Area (sq km)	Date Granted	Current Expiry Date
Briggs and Mannerly Porphyry Copper Project	Briggs	Canterbury Resources Limited	EPM19198	-% (70%)	9.4	16-Dec-11	15-Dec-21*
	Mannersley	Canterbury Resources Limited	EPM18504	-% (70%)	31.3	13-Oct-10	12-Oct-25
	Fig Tree Hill	Canterbury Resources Limited	EPM27317	-% (70%)	181.7	20-Aug-20	19-Aug-25
Kondinin	Kondinin North	AFR Australia Pty Ltd	E70/5611	100%	26.1	3-May-21	2-May-26
	Kondinin South	AFR Australia Pty Ltd	E70/5612	100%	112.9	3-May-21	2-May-26
Mayanup	Mayanup	AFR Australia Pty Ltd	E70/5613	100%	114.0	3-May-21	2-May-26
Sunnyside	Sunnyside	AFR Australia Pty Ltd	E70/5614	100%	162.3	3-May-21	2-May-26
Tarin Rock	Tarin Rock	AFR Australia Pty Ltd	E70/5615	100%	201.2	3-May-21	2-May-26
Tonebridge	Tonebridge	AFR Australia Pty Ltd	E70/5671	100%	150.4	TBA	
Cambridge Gulf	Helby River	AFR Australia Pty Ltd	E80/5634	100%	231.6	TBA	
	Lyne River	AFR Australia Pty Ltd	E80/5635	100%	231.4	TBA	
	Mt McMillan	AFR Australia Pty Ltd	E80/5636	100%	231.5	TBA	
	Mt Nicholls	AFR Australia Pty Ltd	E80/5637	100%	231.4	TBA	
	Thompson River	AFR Australia Pty Ltd	E80/5638	100%	231.2	TBA	
Menuair Dome	Durack River	AFR Australia Pty Ltd	E80/5639	100%	230.5	TBA	
	Palmer Creek	AFR Australia Pty Ltd	E80/5640	100%	230.3	TBA	
	West Menuair	AFR Australia Pty Ltd	E80/5641	100%	230.4	TBA	
	Mt Edith	AFR Australia Pty Ltd	E80/5642	100%	230.5	TBA	
Sese	Sese ML	Sese Power Subsidiary	ML2016/42L	33%	51	22-Mar-17	31-Jan-42
	Sese	African Energy Resources Botswana	PL 96/2005	33%	95	26-Jul-05	30-Sep-21*
	Sese West	African Energy Resources Botswana	PL197/2007	33%	131	01-Oct-07	30-Sep-21*
	Foley North	African Energy Resources Botswana	PL004/2013	33%	774	01-Jan-13	31-Dec-22
Mmamantswe	Mmamantswe	Mmamantswe Coal (Pty) Ltd	PL069/2007	100%	453	01-Jul-12	31-Dec 21*
Mmamabula West	Mmamabula West	Phokoje Power (Pty) Ltd	PL56/2005	100%	296	01-July-05	30-Sep-22

*Tenement renewal submitted to relevant authority.

Annual Statement of Mineral Resources

The Company completed an annual review of the reported Mineral Resources for the year ending 30 June 2021.

Sese JV Project (AFR 33.3%, FQML 66.7%): Resource Summary (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
TOTAL	**2,418 Mt**							

Sese West Project (AFR 33.3%, FQML 66.7%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
MEASURED	35 Mt	17.7	4,225	32.5	6.4	19.4	41.8	2.5
INDICATED	7 Mt	17.2	4,110	32.8	6.9	19.9	40.7	2.6
INFERRED	1,935 Mt	15.2	3,630	39.5	6.0	19.8	34.0	2.1
TOTAL	**1,977 Mt**							

Mmamabula West Project (AFR 100%): Resource Summary (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**	**19.6**	**7.3**	**24.8**	**48.2**	**1.6**
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**
TOTAL	**2,935 Mt**							

Mmamantswe Project (AFR 100%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	**In-Situ Tonnes***	**CV (MJ/kg)**	**CV (kcal/kg)**	**Ash %**	**IM%**	**VM%**	**FC%**	**S %**
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
TOTAL	**1,243 Mt**							

* In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes

ASX Listing Rule 5.21 disclosure

5.21.1 Results of the annual review of the reported Mineral Resources at 30 June 2021 are disclosed in the table above.

5.21.2 The Company's financial year end is 30 June 2021 and mineral resources held at year end are disclosed in in the table above.

5.21.3 The Company has no reported Ore Reserves

Annual Statement of Mineral Resources

5.21.4 There has been no material change to the Mineral Resources in the period from 30 June 2020 to 30 June 2021.

5.21.5 Resource governance arrangements are disclosed on page 11 of the Company's annual report that was released to ASX on 30 September 2021.

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).

Competent Persons Statements

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

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 Sese, Sese West and Mmamantswe resources since they were first announced. 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.*

Forward Looking Statements This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Caravel Minerals planned exploration programmes, studies and other statements that are not historic facts. When used in this document, the words such as "could", "indicates", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Such statements involve risks and uncertainties, and no assurances can be provided that actual results or work completed will be consistent with these forward looking statements.

African Energy Resources Limited

ARBN 123 316 781

Financial Report

30 June 2021

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 2021.

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	***Special responsibilities***
EVE Investments Limited	Executive Chairman
Caravel Minerals Limited	
Former directorships in the last three years	***Interests in shares and options***
Anova Metals Limited	50,003,682 shares

Charles (Frazer) Tabeart PhD, BSc (Hons) ARSM, MAIG – Executive Director and CEO

Dr Tabeart 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 Tabeart managed exploration portfolios in the Philippines, Mongolia and Africa, gaining considerable experience in a wide variety of commodities and operating with staff from diverse cultural backgrounds.

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

Other current directorships	***Special responsibilities***
PolarX Limited	Executive Director and CEO
Arrow Minerals Ltd	Non-executive Chairman
Former directorships in the last three years	***Interests in shares and options***
nil	4,744,100 shares

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.

Directors Report (continued)

Other current directorships	*Special responsibilities*
CDC Group	nil
Former directorships in the last three years	***Interests in shares and options***
nil	2,251,425 shares

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

Other current directorships	*Special responsibilities*
Golden Minerals Limited Iron Road Limited	nil
Former directorships in the last three years	***Interests in shares and options***
nil	4,157,606 shares

John Dean - Non-Executive Director

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

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

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

Current directorships	*Special responsibilities*
nil	nil
Former directorships in the last three years	***Interests in shares and options***
nil	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.

1.1 Directors' Meetings

There was one Director's meeting during the Year which was attended by all Directors.

2. 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.

Directors Report (continued)

3.1 Principles of Compensation

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

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

	2021	2020	2019	2018	Restated [(1)] 2017
Profit / (loss) for the year attributable to owners	(4,053,299)	(3,372,977)	(927,792)	(4,013,178)	(1,618,702)
Basic earnings / (loss) per share (cents)	(0.65)	(0.54)	(0.15)	(0.64)	(0.27)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase / (decrease) in share price (%)	50%	(7%)	(187%)	(304%)	209%
Total KMP incentives as percentage of profit / (loss) for the year (%)	-	-	-	-	-

(1) 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 or 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 July 2020 and was set at US$18,826 (AU$25,000) per annum (2020: US$17,168).

Directors Report (continued)

3.4 Executive Directors

Base Pay

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

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

Long-term incentives

The award of 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 option issued. No new options were issued to Directors during the year ended 30 June 2021.

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 Alasdair Cooke and Charles Tabeart. 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 2021
- Term: 1 year
- Base annual salary is US$64,009 (AU$85,000)
- Consulting Fee of US$1,506 (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 Tabeart - Executive Director, the Company

- Commencement date: 1 January 2021
- Term: 1 year
- Base annual salary is US$120,488 (AU$160,000)
- Consulting Fee of US$1,506 (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

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

3.5 Comments made at the Company's 2020 Annual General Meeting

The Company did not receive any specific feedback at the AGM held on 19 November 2020 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.

Directors Report (continued)

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

Key Management Personnel remuneration - 2021	Short term employee benefits	Post-employment benefits	Share based payments	Performance based	Total
	Cash salary & fees	Superannuation			
	US$	US$	US$	%	US$
Non-Executive Directors					
Valentine Chitalu	18,734	-	-	-	18,734
Vincent Masterton-Hume	16,955	1,780	-	-	18,735
Gregory Fry	788	-	-	-	788
John Dean	18,734	-	-	-	18,734
Total Non-Executive Directors	55,211	1,780	-	-	56,991
Executive Directors				-	
Charles Tabeart	119,900	-	-	-	119,900
Alasdair Cooke	63,697	-	-	-	63,697
Total Executive Directors	183,597	-	-	-	183,597
Total Key Management Personnel	238,808	1,780	-	-	240,588
Key Management Personnel remuneration - 2020					
Non-Executive Directors					
Valentine Chitalu	23,505	-	-	-	23,505
Vincent Masterton-Hume	21,272	2,233	-	-	23,505
Gregory Fry	33,578	-	-	-	33,578
John Dean	23,505	-	-	-	23,505
Total Non-Executive Directors	101,860	2,233	-	-	104,093
Executive Directors				-	
Charles Tabeart	107,450	-	-	-	107,450
Alasdair Cooke	87,974	-	-	-	87,974
Total Executive Directors	195,424	-	-	-	195,424
Total Key Management Personnel	297,284	2,233	-	-	299,517

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 - Shares

	Balance at 30/06/2020	Purchases (Sales)	Balance at 30/06/2021
Non-executive Directors			
Valentine Chitalu	2,251,425	-	2,251,425
Vincent Masterton-Hume	4,157,606	-	4,157,606
John Dean	-	-	-
Executive Directors			
Alasdair Cooke	50,003,682	-	50,003,682
Charles Tabeart	4,774,100	-	4,774,100
Gregory Fry	5,869,610	-	5,869,610
	67,056,423	-	67,056,423

There are no other equity interests held by Directors

3.9 Directors' and Executives Interests - 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	
	2021 US$	2020 US$	2021 US$	2020 US$
Mitchell River Group Pty Ltd	36,668	70,475	-	-

At 30 June 2021 the company had a payable outstanding to Mitchell River Group of US$1,205 (30 June 2020: US$2,184).

This is the end of the Audited remuneration report.

3. 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.

4. Events Subsequent to Reporting Date

On 18 August 2021, African Energy announced that it had increased its focus on copper by signing a binding term sheet by which it is granted an exclusive option to commence an earn-in to obtain up to a 70% interest in the Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project in South East Queensland.

The Company subscribed for 8,333,333 Canterbury Shares at 12c each for a total investment of $1,000,000 to secure the option until 31 July 2022 before which it must have spent a minimum of $750,000 on RC drilling and soil sampling programme.

The Company has undertaken a placement of 70,000,000 new shares at 2 cents per share to raise A$1,400,000 to fund the option expenditure commitment. Directors, Frazer Tabeart (1,250,000 shares) and Alasdair Cooke (5,000,000 shares), are seeking to participate in the placement subject to shareholder approval at an upcoming shareholder meeting.

To facilitate the Company's increased focus on copper, the Company proposes to undertake a restructure so that its interest in Sese Coal Project, Mmamantswe Coal Project and Mmamabula West Coal Project will be spun-out of the Company by way of an in-specie distribution.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

5. 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.

Directors Report (continued)

6. 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.

7. 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.

8. Indemnification and Insurance of Officers and Auditors

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.

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.

9. 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.

10. Non-Audit Services

During the year, there were no non-Audit services provided by BDO Audit (WA) Pty Limited (2020: nil).

11. 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.

12. Lead Auditor's Independence Declaration

The lead Auditor's Independence Declaration is set out on page 24 and forms part of the Directors' report for the financial year ended 30 June 2021.

Charles Frazer Tabeart

Managing Director
Perth, 30 September 2021

Directors' Report

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 2021 and of the performance for the year ended on that date of the Consolidated Entity.

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

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

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

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

Charles Frazer Tabeart

Managing Director
Perth, 30 September 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of African Energy Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of African Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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 (including Independence Standards)* (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.

Material uncertainty related to going concern

We draw attention to Note 1.4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Investment in Associate

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 2.1, the Group's investment in associate (Sese Power Project) has a significant carrying value as at 30 June 2021. The company is required to assess whether any impairment indicators are present in accordance with ASAB 128 *Investments in Associates and Joint Ventures* (*"AASB 128"*) which may indicate the Group's investment in associate is impaired. 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.	Our procedures included, but were not limited to the following: • Considering the existence of any indicators of impairment in accordance with AASB 128; • Reviewing ASX Announcements, Board of Directors meetings minutes, joint venture minutes and considering management's assessment of impairment indicators; • Assessing impairment recognised by management and considering the appropriateness of management's valuation methodology applied; and • Assessing the adequacy of related disclosures in Note 2.1 and Note 1.6 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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 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, 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.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of African Energy Resources Limited, for the year ended 30 June 2021, 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

J Prue

Jarrad Prue

Director

Perth, 30 September 2021

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

As lead auditor of African Energy Resources Limited for the year ended 30 June 2021, 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, 30th September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	2021 US$	2020 US$
Government grants		16,102	24,783
Interest received	*3.2*	5,977	18,814
Personnel expenses	3.3	(198,632)	(150,552)
Professional & administration expense	3.3	(251,342)	(192,161)
Exploration & evaluation expensed		(186,116)	(91,372)
Share based payment reversal		-	9,699
Gain / (loss) on derivative		-	(53,120)
Share of Loss in Sese JV		(98,510)	(408,704)
Impairment	*2.1, 4.6*	(3,340,647)	(2,500,000)
Foreign currency gain / (loss)		(131)	(30,364)
Loss before tax		(4,053,299)	(3,372,977)
Income tax expense	*3.4*	-	-
Loss after income tax for the year		(4,053,299)	(3,372,977)
Attributable to:			
Equity holders of the Company		(4,053,299)	(3,372,977)
Loss for the year		(4,053,299)	(3,372,977)
Other comprehensive income will not be reclassified to profit or loss.			
Gain on financial assets		5,181,459	12,535
Other comprehensive items that may be reclassified to profit or loss			
Foreign currency translation reserve		140,917	(36,718)
Total other comprehensive income / (loss) for the year		5,322,376	(24,183)
Total comprehensive income (loss) attributable to the ordinary equity holders of the Company:			
Total comprehensive Income (loss) for the year		1,269,077	(3,397,160)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share (cents per share)	*3.5*	(0.65)	(0.54)

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 2021

	Note	2021 US$	2020 US$
Assets			
Current assets			
Cash & cash equivalents	*4.1*	1,109,154	1,013,017
Financial assets at FVOCI	*4.3*	5,294,379	631,257
Trade & other receivables	*4.4*	61,832	19,229
Total current assets		6,465,365	1,663,503
Non-current assets			
Investment in Sese Joint Venture	*2.1*	3,478,882	7,077,471
Total non-current assets		3,478,882	7,077,471
Total assets		9,944,247	8,740,974
Liabilities			
Current liabilities			
Trade & other payables	*4.5*	81,004	146,808
Total current liabilities		81,004	146,808
Total liabilities		81,004	146,808
Net assets		9,863,243	8,594,166
Equity			
Contributed equity	*5.1*	64,134,977	64,134,977
Reserves	X4.7	(103,438)	(5,425,814)
Retained earnings (Accumulated losses)		(54,168,296)	(50,114,997)
Total equity attributable to shareholders of the Company		9,863,243	8,594,166

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 2021

For the twelve months ended 30 June 2021	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$
At 30 June 2020	64,134,977	(50,114,997)	(5,255,307)	(170,507)	-	8,594,166
Net earnings for the year	-	(4,053,299)	-	-	-	(4,053,299)
Effect of translation of foreign operations to group presentation currency	-	-	140,917	-	-	140,917
Movement in fair value of financial assets at FVOCI	-	-	-	5,181,459	-	5,181,459
Total comprehensive income for the year	-	(4,053,299)	140,917	5,181,459	-	1,269,077
At 30 June 2021	64,134,977	(54,168,296)	(5,114,390)	5,010,952	-	9,863,243
For the twelve months ended 30 June 2020						
At 30 June 2019	64,134,977	(51,721,316)	(5,218,589)	(183,042)	4,988,996	12,001,026
Net earnings for the year	-	(3,372,977)	-	-	-	(3,372,977)
Effect of translation of foreign operations to group presentation currency	-	-	(36,718)	-	-	(36,718)
Movement in fair value of financial assets at FVOCI	-	-	-	12,535	-	12,535
Total comprehensive income for the year	-	(3,372,977)	(36,718)	12,535	-	(3,397,161)
Transactions with owners in their capacity as owners:						
	-	4,979,297	-	-	(4,979,297)	-
Share based payments	-	-	-	-	(9,699)	(9,699)
At 30 June 2020	64,134,977	(50,114,997)	(5,255,307)	(170,507)	-	8,594,166

The Consolidated Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	2021 US$	2020 US$
Cash flows from operating activities			
Interest received		6,128	20,302
Payment for exploration and evaluation		(132,411)	(86,058)
Payment to suppliers and employees		(471,235)	(364,893)
Net cash (outflow) from operating activities	*4.2*	(597,518)	(430,649)
Cash flows from investing activities			
Investment in Sese JV		34,401	(447,286)
Receipts from sale of listed investments		569,334	-
Net cash inflow/(outflow) from investing activities		603,735	(447,286)
Cash flows from financing activities			
Issue of Shares		-	-
Net cash inflow/(outflow) from financing activities		-	-
Cash and cash equivalents at the beginning of the year	*4.1*	1,013,017	1,941,739
Net (decrease) / increase in cash and cash equivalents		6,217	(877,935)
Effect of exchange rate fluctuations on cash held		89,920	(50,787)
Cash and cash equivalents at the end of the year	*4.1*	1,109,154	1,013,017

The Consolidated Statements of Cash Flows are to be read in conjunction with the accompanying notes

Notes to the 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 30 September 2021.

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

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss of $4,053,299 during the year ended 30 June 2021 (2020: $3,372,977) and as of that date the Group had net current assets of $9,863,243 (30 June 2020: $1,516,695) including cash and cash equivalents of $1,109,154 (30 June 2020: $1,013,057). Additionally, the Group held an investment in Caravel Minerals shares worth $5,294,379 (30 June 2020: $631,257) which it may sell to replenish cash reserves. Net cash used in operating activities for the period was $597,518 (2020: $430,649).

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. The ability of the Group to continue as a going concern is principally dependent upon its ability to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and/or the successful development of its exploration assets.

The Directors are confident of the ability of the Company to potentially raise capital as and when required. The Directors are satisfied there are sufficient funds to meet the Group's working capital requirements as at the date of this report.

The directors are uncertain of the duration of the COVID-19 pandemic and of the potential consequential impact that may flow through to the Group's future operating costs and exploration activities. The directors believe there are reasonable prospects the Group can continue operations through the COVID-19 pandemic and are committed to the long term development and growth of the Company on behalf of its shareholders, employees and the communities in which it operates.

The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing additional funds as and when the need to raise funds arises. Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Notes to the Financial Statements (continued)

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 2021 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 – 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 7 – 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.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

2. Non-Current Assets

2.1 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.

Notes to the Financial Statements (continued)

(a) Movements in carrying amounts

	2021 US$	2020 US$
Balance at the beginning of the year	7,077,471	6,924,616
Investments in Sese JV	-	561,559
Refund of Prior Year contributions to Sese	(159,432)	-
Impairment	(3,340,647)	
Share of Losses after income tax	(98,510)	(408,704)
Carrying amount at 30 June	3,478,882	7,077,471

Due to change in focus, directors of the Group impaired the value of its investment in Sese JV down to its recoverable amount.

(b) Share of the results of its associates

(c) 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	30.3	4,661,379	95,747	-	(98,510)

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

Summarised statement of financial position	2021 US$	2020 US$
Current Assets		
Cash and cash equivalents	163,165	119,720
Trade and other receivables	29,712	32,152
Total current assets	192,877	151,872
Non-current Assets		
Exploration & evaluation	15,190,400	14,972,208
Property, plant & equipment	813	-
Total non-current assets	15,191,212	14,972,208
Total assets	15,384,089	15,124,080
Current Liabilities		
Trade and other payables	65,996	76,607
Total current liabilities	65,996	76,607
Non-current Liabilities		
Rehabilitation Provision	250,000	250,000
Total non-current liabilities	250,000	250,000
Total liabilities	315,996	326,607
Net assets	15,068,093	14,797,473

Summarised statement of comprehensive income	2021 US$	2020 US$
Total Operating Expense	285,753	1,216,335
Loss from operating activities	285,753	1,216,335
Other comprehensive income	9,777	9,777
Total comprehensive income	295,530	1,226,112

There were no contingent assets or liabilities in African Energy Holdings SRL at 30 June 2021. There were no commitments at 30 June 2021.

Notes to the Financial Statements (continued)

3. Financial Performance

3.1 Segment information

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

(a) Description of Segments

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

(b) Segment Information

For the year ended 30 June 2021	Coal-fired Power Development Projects	Power Investments	All other segments	Consolidated
	US$	US$	US$	US$
Total segment revenue	-	-	22,079	22,079
Impairment		(3,340,647)	-	(3,340,647)
Profit (loss) before income tax	(186,116)	(3,439,157)	(428,026)	(4,053,299)
Segment Assets				
Investment in Sese JV	-	3,478,882	-	3,478,882
Financial assets at FVOCI	-	-	5,294,379	5,294,379
Cash and short term receivable	-	-	1,170,986	1,170,986
Total Segment Assets	**-**	**3,478,882**	**6,465,365**	**9,944,247**
Segment Liabilities				
Trade & other payables	-	-	81,004	81,004
Total Segment Liabilities	**-**	**-**	**81,004**	**81,004**
For the year ended 30 June 2020				
Total segment revenue	-	-	43,597	43,597
Impairment		(2,500,000)	-	(2,500,000)
Profit (loss) before income tax	(2,591,372)	(408,704)	(372,901)	(3,372,977)
Segment Assets				
Investment in Sese JV	-	7,077,471	-	7,077,471
Financial assets at FVOCI			631,257	631,257
Cash and short term receivable	-	-	1,032,246	1,032,246
Total Segment Assets	**-**	**7,077,471**	**1,663,503**	**8,740,974**
Segment Liabilities				
Trade & other payables	-	114,273	32,535	146,808
Total Segment Liabilities	**-**	**-**	**32,535**	**146,808**

3.2 Revenue

(a) Revenue recognition

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

Notes to the Financial Statements (continued)

(a) Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. This includes Job Keeper income received due to COVID-19 during the year which has been net off with the associated salaries this year.

(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.

	2021 US$	2020 US$
Interest received	5,977	18,814
	5,977	18,814

3.3 Expenses

	2021 US$	2020 US$
Personnel expenses		
Employee salaries	62,130	89,191
Superannuation	5,729	7,710
Directors fees	240,589	297,232
Recharge of director fees and employee salaries	(109,816)	(243,581)
	198,632	150,552
Professional & administration expense		
Audit Tax and Accounting	98,453	63,387
Compliance & Insurance	113,189	61,283
Occupancy	21,738	23,533
Travel	2,825	7,551
Marketing	1,093	8,352
Depreciation and Impairment of PP&E	-	7,628
Other	14,044	20,427
	251,342	192,161

3.4 Income Taxes

(a) Income tax expense:

	2021 US$	2020 US$
Current tax	-	-
Deferred tax	-	-
Overprovision in respect to prior years	-	-
	-	-

Notes to the Financial Statements (continued)

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

	2021 US$	2020 US$
Loss before income tax	(4,053,299)	(3,372,977)
Prima facie income tax at 30% (2019: 27.5%)	(1,053,858)	(1,011,893)
Tax effect of amounts not deductible in calculating taxable income:		
Sundry items	(4,114)	(7,387)
Other	33,199	91,248
	(1,024,772)	(928,032)
	(2,674)	(4,321)
Difference in overseas tax rates	905,868	-
Tax loss not recognised	121,577	932,353
Income tax expense/(benefit)	-	-

(c) Tax losses:

	2021 US$	2020 US$
Unused tax losses for which no deferred tax asset has been recognised	(598,527)	(511,187)
Potential tax benefit @ 30% (2019: 27.5%)	(155,617)	(153,356)
Difference in overseas tax rates 10%	(2,674)	(4,321)
Potential tax benefit	(152,306)	(157,677)

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

	2021 US$	2020 US$
Timing	839,861	778,730
Losses - Revenue	4,032,706	4,656,480
	4,872,566	5,435,211

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

i. The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

ii. The Consolidated Entity continues to comply with the conditions for deductibility imposed by law;

iii. No changes in income tax legislation adversely affect the Consolidated Entity from utilising the benefits.

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit

Notes to the Financial Statements (continued)

will be realised, or to the extent that the Group has deferred tax liabilities with the same taxation authority. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5 Earnings per share

3.6 Basic loss per share

The calculation of basic loss per share at 30 June 2021 was based on the losses attributable to ordinary shareholders of US$4,053,299 (2020: US$3,372,977) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2021 of 622,960,630 (2020: 622,960,630) calculated as follows:

	2021 US$	2020 US$
Gain (Loss) attributable to ordinary shareholders	(4,053,299)	(3,372,977)
Issued number of ordinary shares at 1 July	622,960,630	622,960,630
Effect of shares issued during the period	-	-
Weighted average number of shares for year to 30 June	622,960,630	622,960,630
Basic loss per share (cents per share)	(0.65)	(0.54)

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.

(a) Diluted loss per share

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

4. Working Capital Management

4.1 Cash and Cash Equivalents

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

	2021 US$	2020 US$
Cash at bank and in hand	1,043,709	610,665
Short-term deposits	65,445	402,352
	1,109,154	1,013,017

Refer to Note 5.2 for risk exposure analysis.

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

	2021	2020
Cash flows from operating activities	**US$**	**US$**
(Loss) for the year	(4,053,299)	(3,372,977)
Adjustments for:		
Gain/(Loss) on Derivative	-	53,120
Equity-settled share-based payment expenses	-	(9,699)
Share of Loss in Sese JV	98,510	408,704
Impairment	3,340,647	2,500,000
Foreign exchange losses	336	28,774
Change in operating assets & liabilities		
(Increase)/decrease in trade and other receivables	19,272	29,222
(Decrease)/increase in trade and other payables	(2,984)	(67,793)

Notes to the Financial Statements (continued)

Net cash used in operating activities	(597,518)	(430,649)

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

4.3 Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

	2021 US$	2020 US$
Balance at the beginning of year	**631,257**	**630,610**
Additions	-	-
Movement in Fair Value of Financial assets at FVOCI	5,181,459	12,535
Effect of movements in foreign exchange	(98,170)	(11,888)
Disposals	(420,167)	-
Carrying amount at 30 June 2021	5,294,379	631,257

On 10 March 2021 the Company lodged a form notifying Caravel Minerals that it ceased to be a substantial shareholder. At the balance date the Consolidated Entity held 15,283,872 Caravel Minerals shares.

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 the FVOCI reserve, 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.

4.4 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.

	2021 US$	2020 US$
Trade debtors	48,823	-
Interest receivable	104	255
GST and VAT receivable	12,905	18,974
	61,832	19,229

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

4.5 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.

	2021 US$	2020 US$
Trade creditors	59,676	11,018
Accrued expenses	20,031	132,623
Payroll liabilities	1,297	3,167
	81,004	146,808

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

4.6 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.

Notes to the Financial Statements (continued)

During the year the Group recorded an impairment of $3,340,647 on it's investment in the Sese JV. Refer to note 2.1.

In the prior year, the Group recorded an impairment of $2,500,000 on the carrying value of Mmamabula West due to delays in the renewal of tenure.

4.7 Reserves

	2021 US$	2020 US$
Foreign Currency Translation Reserve	(5,114,390)	(5,255,307)
Other Comprehensive Income Reserve	5,010,952	(170,507)
	(103,438)	(5,425,814)

The foreign currency translation reserve is used to record currency differences arising from the translation of the financial statements of foreign operations.

Other Comprehensive Income Reserve is used to record gains or losses on a financial asset measured at fair value through other comprehensive income.

5. Funding and Risk Management

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

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

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

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

5.1 Contributed equity

Movement in share capital	Number of shares	US$
Balance 30 June 2019	622,960,630	64,134,977
Balance 30 June 2020	622,960,630	64,134,977
Balance 30 June 2021	622,960,630	64,134,977

5.2 Financial risk management

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

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

(a) Market risk

i. Foreign currency risk

Notes to the Financial Statements (continued)

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.

ii. Price risk

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

		Price Risk	
	Carrying Amount US$	+10% Equity US$	-10% Equity US$
30 June 2021			
Financial assets at FVOCI	5,294,379	529,438	(529,438)
30 June 2020			
Financial assets at FVOCI	631,257	63,126	(63,126)

iii. Interest rate risk

The Group has significant interest-bearing assets; however, a change in interest rates would not have a material impact on the results.

		Interest Rate Risk				Foreign Exchange Risk			
	Carrying Amount $	- 1% Profit $	- 1% Equity $	+ 1% Profit $	+ 1% Equity $	-10% Profit $	-10% Equity $	+10% Profit $	+10% Equity $
30 June 2021									
Cash and cash equivalents	1,109,154	(11,092)	(11,092)	11,092	11,092	(110,915)	(110,915)	110,915	110,915
Other current assets	61,832	(618)	(618)	618	618	(6,183)	(6,183)	6,183	6,183
30 June 2020									
Cash and cash equivalents	1,013,017	(10,130)	(10,130)	10,130	10,130	(101,302)	(101,302)	101,302	101,302
Other current assets	19,229	(192)	(192)	192	192	(1,923)	(1,923)	1,923	1,923

- Interest rate volatility was chosen to reflect expected short term fluctuations in market interest rates.

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:

v. Liquidity risk

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

The Company's trade payables are due within the next six months

(b) Fair value estimation

Notes to the Financial Statements (continued)

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

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

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

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

5.3 Fair value measurement

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

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

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

	Level 1	Level 2	Level 3	Total
30 June 2021	**US$**	**US$**	**US$**	**US$**
Financial assets at FVOCI	5,294,379	-	-	5,294,379
Total assets	5,294,379	-	-	5,294,379
30 June 2020				
Financial assets at FVOCI	631,257	-	-	631,257
Total assets	631,257	-	-	631,257

There were no transfers between levels during the financial year.

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)

Notes to the Financial Statements (continued)

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.

Group Structure

5.4 Basis of consolidation

(a) Subsidiaries

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

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

(b) Transactions eliminated on consolidation

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

(c) Comparatives

Prior period comparative are for the year from 1 July 2019 to 30 June 2020.

5.5 Foreign currency

(a) Foreign currency transactions

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

(b) Financial statements of foreign operations

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

Notes to the Financial Statements (continued)

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.

5.6 Parent Entity Disclosures

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

	2021 US$	2020 US$
Current Assets	5,712,602	1,406,373
Non-Current Assets	4,150,641	7,187,793
Total Assets	9,863,243	8,594,166
Current Liabilities	-	-
Total Liabilities	-	-
Contributed equity	64,134,977	64,134,977
Reserves	745,822	(126,300)
Accumulated losses	(55,017,556)	(55,414,511)
Total Equity	9,863,243	8,594,166
Gain (loss) for the year	(3,439,157)	(2,951,523)
Other comprehensive income / (loss) for the year	-	-
Total comprehensive income / (loss) for the year	(3,439,157)	(2,951,523)

There were no commitments, contingent liabilities or contingent assets at the parent level at 30 June 2021.

5.7 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 2021	Ownership interest 2020
Botswana Energy Solutions Limited	British Virgin Is.	100%	100%
Mmamantswe Coal (Pty) Ltd	Botswana	100%	100%
African Energy Holdings SRL 2	Barbados	100%	100%
Phokoje Power (Pty) Ltd	Botswana	100%	100%
AFR Australia Pty Ltd	Australia	100%	100%

6. Related parties

6.1 Key Management Personnel

US$240,588 (2020: US$299,517) was paid to Directors of the Company during the year. 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.

	2021 US$	2020 US$
Short-term employee benefits	238,808	297,284

Notes to the Financial Statements (continued)

Post-employment benefits	1,780	2,233
Equity compensation benefits	-	-
	240,588	299,517

6.2 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	
	2021 US$	2020 US$	2021 US$	2020 US$
Mitchell River Group Pty Ltd	36,668	52,851	-	-

Directors Mr Cooke, Mr Fry and Dr Tabeart are Directors and 25% shareholders of Mitchell River Group Pty Ltd which charges the Group for provision of a serviced office and administration staff.

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

	2021 US$	2020 US$
Trade and other receivables	-	-
Trade and other payables	1,205	2,184

7. Share based payments

7.1 Options

Options granted during the year have been valued using the Black-Scholes Option Valuation model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for the assumptions used for grants made during the year.

On 20 July 2020, the Company issued 31,124,532 options exercisable at AUD$0.02 ("Options") to ALS (Hong Kong) Limited, a consultant appointed by the Sese Joint Venture to provide advice and assistance in securing a project partner for the Sese Power Project. Options will vest upon the successful completion of an agreement that results in a new party becoming a majority shareholder in the Sese Joint Venture and expire on 20 July 2022.

African Energy has valued the Options at AUD$404,619 based on the following inputs, however has determined that the Options are less likely than more likely to vest and has not expensed the Options during the year.

Number:	31,124,532
Date of Issue	22/07/2020
Spot price on Date of Issue	AUD$0.02
Exercise price:	AUD$0.02
Expiry:	Two years from date of issue
Volatility	132%
Risk free rate	0.145%
Value per Option on date of issue	$0.013
Total value of options	A$404,619

8. Other

8.1 Events occurring after the reporting period

On 18 August 2021, African Energy announced that it had increased its focus on copper by signing a binding term sheet by which it is granted an exclusive option to commence an earn-in to obtain up to a 70% interest in the Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project in South East Queensland.

Notes to the Financial Statements (continued)

The Company subscribed for 8,333,333 Canterbury Shares at 12c each for a total investment of $1,000,000 to secure the option until 31 July 2022 before which it must have spent a minimum of $750,000 on RC drilling and soil sampling programme.

The Company has undertaken a placement of 70,000,000 new shares at 2 cents per share to raise A$1,400,000 to fund the option expenditure commitment. Directors, Frazer Tabeart (1,250,000 shares) and Alasdair Cooke (5,000,000 shares), are seeking to participate in the placement subject to shareholder approval at an upcoming shareholder meeting.

To facilitate the Company's increased focus on copper, the Company proposes to undertake a restructure so that its interest in Sese Coal Project, Mmamantswe Coal Project and Mmamabula West Coal Project will be spun-out of the Company by way of an in-specie distribution.

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

8.2 Contingencies and Commitments

There were no contingent assets or liabilities in the Group at 30 June 2021. There were no commitments at 30 June 2021.

8.3 Remuneration of Auditors

	2021 US$	2020 US$
BDO Audit (WA) Pty Ltd: Audit and review of financial reports	31,071	30,848
	31,071	30,848

8.4 New standards and interpretations not yet adopted

Early adoption of accounting standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 July 2020.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Standards and Interpretations in use 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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Additional Shareholder Information

The following additional information required by the ASX Listing Rules is current as at 16 September 2021.

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	656,847,759	95.65	421	18.04
10,001 to 100,000	26,132,917	3.81	695	29.78
5,001 to 10,000	2,153,380	0.31	279	11.95
1,001 to 5,000	1,470,147	0.21	495	21.21
1 to 1,000	106,423	0.02	444	19.02
Total	**686,710,626**	**100.00**	**2,334**	**100.00**
Unmarketable Parcels	4,380,991	0.64	1,276	54.67

Largest 20 shareholders

Rank	Name	Number of Shares Held	%IC
1	First Quantum Minerals (Australia) Pty Limited	86,692,308	12.62
2	Alasdair Cooke	50,003,683	7.28
3	PS Consulting Pty Ltd	50,000,000	7.28
4	Clear Elm Pty Ltd	18,000,000	2.62
5	SAF Management Pty Ltd	12,000,000	1.75
6	JBBM Pty Ltd	10,000,000	1.46
7	Wimalex Pty Ltd	10,000,000	1.46
8	Omondali Pty Ltd	10,000,000	1.46
9	Stl Super Pty Ltd	9,693,148	1.41
10	Helmet Nominees Pty Ltd	7,775,095	1.13
11	CS Third Nominees Pty Limited	7,312,500	1.06
12	Raejan Pty Ltd	7,200,000	1.05
13	ACN 161 604 315 Pty Ltd	7,000,055	1.02
14	ACN 161 604 315 Pty Ltd	6,850,000	1.00
15	Mr Miroslaw Jan Marzec & Mrs Barbara Anne Wiszniewski	6,300,000	0.92
16	General Advisory Pty Ltd	6,000,926	0.87
17	924 Pty Ltd	6,000,000	0.87
18	Miss Belinda Lees	6,000,000	0.87
19	Mr Donal Paul Windrim	5,904,337	0.86
20	Citicorp Nominees Pty Limited	5,318,903	0.77
		328,050,955	47.77

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

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

Additional Shareholder Information (continued)

Substantial Holders

As notified to the Company

Name	Number Of Shares Held	%IC
First Quantum Minerals (Australia) Pty Limited	86,692,308	12.62
Alasdair Cooke	50,003,683	7.28
PS Consulting Pty Ltd	50,000,000	7.28

Other information

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

AfricanEnergy

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