5th February 2018

COMPANY UPDATE AND CORPORATE CHANGES

African Energy Resources Ltd ("African Energy" or the "Company") advises the following update on the Companies activities and corporate changes.

COMPANY UPDATE

Work is continuing on the development of Sese JV Coal to Power Project ("Sese") in Botswana, in which AFR currently owns a 39% interest. AFR continues to assist First Quantum Minerals Ltd (FQM), the majority owner of the Sese JV, with a number of commercial and permitting activities related to the development of Sese as an exporter of power to FQM’s Zambian copper operations.

The current activities at Sese are as follows:

- Negotiations with the Botswana Energy Regulatory Authority for a Generation and Export Licence.
- Negotiations with Botswana Power Corporation for a Grid Connection and Use of System agreement.
- Negotiations with Zambia’s electricity utility, ZESCO, for secure access to their transmission system to transmit power from Botswana (via Zimbabwe) to FQM’s Zambian operations in the Copperbelt.
- A maximum of 100MW delivered to FQM’s operations is the upper limit currently under negotiation.
- Negotiations with other credit-worthy offtakers for the balance of power available from Sese.
- Dialogue with the Southern African Power Pool regarding the transmission of power from Botswana through Zimbabwe ("wheeling") into Zambia.
- Amendments to the approved ESIA seeking to increase power output from 300MW to up to 500MW.
- Implementation of the resettlement action plan (RAP) around Sese, under which 26 households will have their grazing rights, water bores and access trails relocated to outside the Land Rights Lease.

The Company also continues to pursue development opportunities for its Mmamabula West coal project, and continues to support TM Consulting as the potential developer and buyer of the Mmamantswe coal to power project, both of which are suitable for supply into South Africa’s 3,750MW Coal-Fired Independent Power Project Procurement Program. Activity on these projects is currently low during the transition of ANC leadership in South Africa and ongoing restructuring of the Eskom board and management team.

In late 2017 the Company also commenced evaluation of a number of new opportunities for base and precious metals projects, and will continue to evaluate such opportunities if they are deemed to have the potential to add to shareholder value.
CORPORATE CHANGES

The Company has implemented a number of changes to reduce costs and reassign personnel commitments in line with current activities:

- Frazer Tabeart’s role will change to Executive Director responsible for investor relations and business development, with a reduced time allocation.
- Bill Fry will fulfil the role of Executive Director, commercial with a reduced time allocation.
- Total executive director’s fees will be reduced by 45%.
- Fees will be reduced by 22% for non-executive directors.
- Non-executive directors Wayne Trumple and Philip Clark have indicated their intention to retire from the board, effective 31st March. Both remain available to provide services to the Company as consultants.

The reduction in fees outlined above, along with associated reductions in office costs and lower compliance costs due to the recent de-listing from the Botswana Stock Exchange will result in annual savings to the Company of approximately $450,000.

For further information, please contact the Company directly on +61 8 6465 5500.

For and on behalf of the Board