African Energy Resources Limited

ARBN 123 316 781

Financial Report
30 June 2015
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Corporate Directory

Directors

Mr Alasdair Cooke  
Executive Chairman

Dr Charles (Frazer) Tabeart  
Managing Director

Mr Gregory (Bill) Fry  
Executive Director

Mr Valentine Chitalu  
Non-Executive Director

Mr Philip Clark  
Non-Executive Director

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

Mr Yan Zhao  
Alternate Director to Mr Hume

Mr Wayne Richard Trumble  
Non-Executive Director

Mr John Dean (appointed 22 December 2014)  
Non-Executive Director

Company Secretary

Mr Daniel Davis

Registered Office

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

Representative Office in Australia

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

Share Register

Link Market Services Limited  
Level 4 Central Park 152 St Georges Terrace  
Perth, Western Australia, 6000

Stock Exchange Listings

Australian Securities Exchange (ASX: AFR)  
Botswana Stock Exchange (BSE: 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

HSBC Bank Australia Limited  
190 St Georges Terrace  
Perth, Western Australia, 6000

Website

www.africanenergyresources.com
African Energy Resources Limited

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 2015.

1. Directors and Company Secretary

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

Mr Alasdair Cooke BSc (Hons), MAIG – Executive Chairman
Mr Cooke has served as Chairman of the Board of the Company since its incorporation. Mr Cooke is a geologist with over 25 years’ experience in the resource exploration industry throughout Australia and internationally. For the past 15 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 ten years has established a number of successful ASX listed resources companies, including Panoramic Resources Limited, operating the Savannah and Lanfranchi nickel projects in Australia; Albidon Limited, operating the Munali Nickel Mine in Zambia, Mirabela Nickel Limited, operating the Santa Rita nickel project in Brazil; Exco Resources Limited, developing copper and gold resources in Australia; and Energy Ventures Limited.

Mr Gregory (Bill) Fry – Executive Director
Mr Fry has more than 20 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has vast experience in project evaluation and development, project funding, management, finance and operations.

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

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

Dr Tabeart was appointed Managing Director of the Company in November 2007 after serving two years as General Manager. Under his stewardship the Company discovered and delineated the coal resource at the Sese Coal & Power Project and has since managed the strategic direction of company to focus upon the delivery of multiple coal-fired power stations, captive coal-mines and an export coal mine. He has overseen the acquisition of Mmamantswe and Mmamabula West Coal Projects that has grown the resource inventory of the Company to 8.76Bt of thermal coal.

Exco Resources Limited
50,003,683 shares
933,333 performance rights

Segue Resources Limited (appointed 1 September 2014)

Mr Gregory (Bill) Fry – Executive Director
Mr Fry has more than 20 years corporate experience in the mining and resources industry, specialising in accounting, management, business development and general corporate activities. He has vast experience in project evaluation and development, project funding, management, finance and operations.

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Segue Resources Limited (appointed 1 September 2014)
Directors Report (continued)

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

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

**Other current directorships**
- CDC Group

**Special responsibilities**
- nil

**Former directorships in the last three years**
- nil

**Interests in shares and options**
- 2,251,425 shares
- 400,000 performance rights

Mr Philip Clark – Non-Executive Director BE (Mining), MBA, MAUSIMM, GAICD
Mr Clark brings a broad range of business skills to African Energy, with a particular focus on developing coal resources. He previously spent over 30 years working for BHP Billiton, culminating in five years as Vice President of Resource Development for BHP Billiton Energy Coal globally. He also held previous roles in coal mine management. Mr Clark is also the Chairman of Engineers Without Borders Australia Limited, a not-for-profit organisation which partners with developing communities, assisting them to gain access to the knowledge, resources and appropriate technologies to improve their livelihoods. During the past three years he has held no other public Directorships. Mr Clark is Chairman of the Company’s Audit and Remuneration Committees.

**Other current directorships**
- Engineers Without Borders Australia
- Engineers Without Borders International
- City West Water

**Special responsibilities**
- Chairman of Audit & Risk Committee
- Chairman of Remuneration Committee

**Former directorships in the last three years**
- nil

**Interests in shares and options**
- 2,485,352 shares
- 200,000 performance rights

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

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

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

**Other current directorships**
- Silver City Mines Limited
- Golden Minerals Limited
- Iron Road Limited

**Special responsibilities**
- Member of Remuneration Committee

**Former directorships in the last three years**
- Antofagasta Australia Limited
- Marengo Mining Limited

**Interests in shares and options**
- 4,157,606 shares
- 100,000 performance rights

Mr Wayne Trumble – Non-Executive Director
Mr Trumble is a senior executive with 35 years of specific industry expertise in electricity, investment and construction. For the twelve years to 2014, Mr Trumble was the Executive General Manager of Griffin Power Pty Ltd, reporting to the Board of the Griffin Group, where he led Griffin’s move from fuel supplier to electricity generator. He was responsible for preparation of strategy and the development, execution and operation of Griffin’s $1.2 billion Bluewaters coal fired project, providing 436 MW of base load power in Western Australia. Mr Trumble led the team...
Directors Report (continued)

responsible for all aspects of the project development and construction including all required environmental approvals, negotiations of turn-key EPC contract, off take contracts, grid interconnection and approval of project financing to a level of $1.0 billion.

Prior to working at Griffin, Mr Trumble was the Managing Director of TransAlta Energy where he was responsible for the commissioning and operation of the 105MW Parkeston Power Station at Kalgoorlie.

<table>
<thead>
<tr>
<th>Other current directorships</th>
<th>Special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Made Clean</td>
<td>Member of Audit &amp; Risk Committee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Former directorships in the last three years</th>
<th>Interests in shares and options</th>
</tr>
</thead>
<tbody>
<tr>
<td>nil</td>
<td>327,273 shares</td>
</tr>
<tr>
<td></td>
<td>1,000,000 performance rights</td>
</tr>
</tbody>
</table>

Mr Yan Zhao - Alternate Director
Mr Zhao is an employee of Sentient Group where he has worked as part of the investment team since 2008. Prior to joining Sentient, Mr Zhao worked at Actis Capital in London, where he supported and worked on a wide range of investments with a special focus on natural resources. Prior to this, Yan was an Auditor in KPMG, involved in due diligence work on several Chinese companies listed in Hong Kong.

Yan holds a Master in Finance from London Business School and a BSc in Economics from University of International Business and Economics in China. Yan has the certificate of CGA-Canada, ACCA and CFA level III candidate.

<table>
<thead>
<tr>
<th>Current directorships</th>
<th>Special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Former directorships in the last three years</th>
<th>Interests in shares and options</th>
</tr>
</thead>
<tbody>
<tr>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

Mr John Dean - Non-Executive Director (appointed 22 December 2014)
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 leads the team responsible for the development of power generation projects at the Sese Coal & Power Project under the recently signed joint venture with FQM.

<table>
<thead>
<tr>
<th>Current directorships</th>
<th>Special responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Former directorships in the last three years</th>
<th>Interests in shares and options</th>
</tr>
</thead>
<tbody>
<tr>
<td>nil</td>
<td>nil</td>
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</tbody>
</table>

Mr Daniel Davis – Company Secretary
Mr Davis is a member of CPA Australia who graduated from the University of Western Australia in 2001 with a Bachelor of Commerce majoring in Accounting and Finance. Mr Davis has worked in the resources sector for the past ten years specialising in African based explorers and producers. Mr Davis was appointed to the role of Company Secretary in 2009.

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

<table>
<thead>
<tr>
<th>Director</th>
<th>Board of Directors</th>
<th>Remuneration Committee</th>
<th>Audit &amp; Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present</td>
<td>Held</td>
<td>Present</td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>5</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>John Dean</td>
<td>3</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>(appointed 22 December 2014)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Directors Report (continued)

2. Review of Operations

In October 2014, the Company completed a placement of 69,000,000 shares to First Quantum Minerals at AU$0.055 per share to raise approximately AU$3,800,000, with attaching options on a 1 for 5 basis exercisable at AU$0.10 within three years.

In October 2014, African Energy entered a joint venture agreement with First Quantum Minerals (FQM) whereby FQM acquired a majority interest in Sese Coal & Power Project (Sese JV Agreement). An initial AU$8,000,000 invested by FQM to acquire 51% of Sese JV, was paid to African Energy as repayment of parent company loans. FQM will invest a further AU$12,000,000 by July 2016 to earn an additional 24% stake in the Sese JV, taking their interest to 75%. On earning 75% interest in the Sese JV, FQM will loan carry African Energy’s 25% share of all development funding at Sese, with this loan to be repaid from AFR’s share of future project cashflow. All Conditions Precedent to conclude the Sese JV Agreement were met in early January.

In November 2014, the Company raised AU$3,757,870 by the issue of 68,324,910 shares at AU$0.055 per share in a 1 for 8 non-renounceable rights issue. The Company repaid a loan facility to Macquarie Bank Limited of US$5,000,000 in December 2014.

In February, Mmamabula West (PL56/2005) was granted a two-year extension to 31st March 2017, triggering a final payment of US$1,500,000 to Asenjo.

In June 2015, African Energy executed a binding term sheet with experienced South African project developer, TM Consulting, for the conditional sale of the Mmamantswe coal and power project. The Developer will form a bid consortium which will sole fund the preparation and submission of a bid into South Africa’s coal-fired base load IPP procurement programme using the Mmamantswe project. If the Mmamantswe bid is shortlisted, African Energy will transfer its interest in the Mmamantswe prospecting licence (PLO69/2007) to the Developer for US$10,000,000. AFR will receive an additional US$10,000,000 should the shortlisted project reach financial close.

3. Remuneration Report - Audited

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

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

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

3.1 Principles of Compensation

The objective of the Group’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 Group, 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / (loss) for the year attributable to owners</td>
<td>(5,105,959)</td>
<td>(6,779,734)</td>
<td>(12,547,719)</td>
<td>(9,576,739)</td>
<td>(4,927,071)</td>
</tr>
<tr>
<td>Basic earnings / (loss) per share (cents)</td>
<td>(0.90)</td>
<td>(1.55)</td>
<td>(3.58)</td>
<td>(2.95)</td>
<td>(1.70)</td>
</tr>
<tr>
<td>Dividend payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend payment ratio (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase / (decrease) in share price (%)</td>
<td>(4%)</td>
<td>3%</td>
<td>(61%)</td>
<td>(71%)</td>
<td>713%</td>
</tr>
<tr>
<td>Total KMP incentives as percentage of profit / (loss) for the year (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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.

Mr Clark is the chairman of the remuneration committee.

3.3 Non-Executive Directors

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

The current base remuneration was last reviewed with effect from 1 April 2015 and was set at AU$45,000 per annum.

3.4 Executive Directors

The executive pay and reward framework has two components:

- base pay; and
- long-term incentive through participation in the African Energy Resources Performance Rights Plan.

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.

Employee Performance Rights Plan

In August 2012 the Board adopted an employee performance right share plan (“Plan”) to enable the Company to issue Performance Rights to employees and Directors. The Plan was developed by the Board to provide an opportunity to employees to participate in the Company’s future growth and provide an incentive to contribute to that growth. The Plan is further designed to assist in retaining employees. Performance Rights were chosen as they allow the Company to incentivise employees and Directors. The Remuneration Committee has determined performance hurdles that will apply to each Performance Right issued.

Performance conditions are detailed in note 23.

Service Contracts

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

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

Mr Alasdair Campbell Cooke - Executive Chairman, the Company
- Commencement date: 1 April 2015
- Base salary is AU$85,000
- Termination payment is the equivalent of three months consulting fees
- Mr Cooke’s contract and remuneration is reviewed annually

Dr Charles Frazer Tabeart - Managing Director, the Company
- Commencement date: 1 April 2015
- Base salary is AU$320,000
- Termination payment is the equivalent of three months consulting fees
- Dr Tabeart’s contract and remuneration is reviewed annually

Mr Gregory William Fry - Executive Director, the Company
- Commencement date: 1 April 2015
- Base salary is AU$160,000
- Termination payment is the equivalent of three months consulting fees
- Mr Fry’s contract and remuneration is reviewed annually

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

3.5 Voting and comments made at the Company’s 2014 Annual General Meeting

The Company did not receive any specific feedback at the AGM 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)

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

<table>
<thead>
<tr>
<th>Key Management Personnel remuneration - 2015</th>
<th>Short term employee benefits</th>
<th>Post-employment benefits</th>
<th>Share based payments</th>
<th>Total</th>
<th>performance related</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash salary &amp; fees</td>
<td>Superannuation</td>
<td>Shares</td>
<td>Performance Rights</td>
<td>US$</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>9,290</td>
<td>-</td>
<td>25,012</td>
<td>2,218</td>
<td>36,520</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>9,290</td>
<td>-</td>
<td>25,012</td>
<td>4,654</td>
<td>38,956</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>9,290</td>
<td>-</td>
<td>25,012</td>
<td>-</td>
<td>34,302</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>29,934</td>
<td>-</td>
<td>10,620</td>
<td>-</td>
<td>40,556</td>
</tr>
<tr>
<td>John Dean</td>
<td>20,928</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,928</td>
</tr>
<tr>
<td>Total Non-Executive Directors</td>
<td>78,730</td>
<td>-</td>
<td>85,656</td>
<td>6,872</td>
<td>171,258</td>
</tr>
<tr>
<td>Key Management Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>125,927</td>
<td>-</td>
<td>44,063</td>
<td>22,183</td>
<td>169,990</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>258,047</td>
<td>-</td>
<td>45,021</td>
<td>22,183</td>
<td>303,069</td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>80,098</td>
<td>-</td>
<td>59,549</td>
<td>-</td>
<td>139,647</td>
</tr>
<tr>
<td>Total Key Management Personnel</td>
<td>464,073</td>
<td>-</td>
<td>148,632</td>
<td>44,366</td>
<td>612,705</td>
</tr>
<tr>
<td>Total</td>
<td>542,803</td>
<td>-</td>
<td>234,288</td>
<td>51,239</td>
<td>783,963</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Management Personnel remuneration - 2014</th>
<th>Short term employee benefits</th>
<th>Post-employment benefits</th>
<th>Share based payments</th>
<th>Total</th>
<th>performance related</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash salary &amp; fees</td>
<td>Superannuation</td>
<td>Shares</td>
<td>Performance Rights</td>
<td>US$</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>-</td>
<td>-</td>
<td>29,905</td>
<td>2,088</td>
<td>31,993</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>13,800</td>
<td>-</td>
<td>29,905</td>
<td>-</td>
<td>43,705</td>
</tr>
<tr>
<td>Michael Curnow</td>
<td>-</td>
<td>-</td>
<td>29,905</td>
<td>4,544</td>
<td>34,448</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>-</td>
<td>-</td>
<td>18,797</td>
<td>-</td>
<td>18,797</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>6,951</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,951</td>
</tr>
<tr>
<td>Total Non-Executive Directors</td>
<td>20,751</td>
<td>-</td>
<td>108,510</td>
<td>6,632</td>
<td>135,893</td>
</tr>
<tr>
<td>Key Management Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>138,000</td>
<td>-</td>
<td>29,905</td>
<td>52,826</td>
<td>220,731</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>285,200</td>
<td>-</td>
<td>53,828</td>
<td>84,750</td>
<td>423,779</td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>-</td>
<td>-</td>
<td>70,259</td>
<td>15,962</td>
<td>86,221</td>
</tr>
<tr>
<td>Total Key Management Personnel</td>
<td>423,200</td>
<td>-</td>
<td>153,992</td>
<td>153,539</td>
<td>730,731</td>
</tr>
<tr>
<td>Total</td>
<td>443,951</td>
<td>-</td>
<td>262,503</td>
<td>160,171</td>
<td>866,624</td>
</tr>
</tbody>
</table>

The Company and the Group currently have no performance based cash remuneration built into Director or executive packages. The total remuneration shown in the table above is fixed.

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

3.7 Share-based compensation
The establishment of the AFR Employee Performance Rights Plan was approved by shareholders at the 2012 Annual General Meeting. The Employee Performance Rights Plan is designed to provide long-term incentives for key staff and consultants to deliver long-term shareholder returns. Participation in the plan is at the Board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Rights are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share.

<table>
<thead>
<tr>
<th>KMP</th>
<th>Date Vested</th>
<th>Number of shares issued</th>
<th>Value of shares issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gregory Fry</td>
<td>1/07/14</td>
<td>333,334</td>
<td>23,667</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>1/07/14</td>
<td>333,334</td>
<td>23,667</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>1/10/14</td>
<td>100,000</td>
<td>4,654</td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>1/07/14</td>
<td>33,333</td>
<td>2,367</td>
</tr>
</tbody>
</table>
Directors Report (continued)

On 28 November 2014, The Company issued 3,766,667 new performance rights to Directors following approval by shareholders at the 2014 annual general meeting. During the year 800,002 shares were issued to Directors upon vesting of performance rights. The balance of 6,899,999 remained unvested at 30 June 2015.

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Expiry Date</th>
<th>Vesting hurdle</th>
<th>Issued in Year</th>
<th>Unvested at 30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-Nov-14</td>
<td>27-Nov-19</td>
<td>Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>28-Nov-14</td>
<td>27-Nov-19</td>
<td>Financial close of a 300MW power station whereby all conditions are satisfied by all parties and all agreements are executed, or when FQM have made a formal financial commitment to a 300MW power station at Sese</td>
<td>2,600,000</td>
<td>2,600,000</td>
</tr>
<tr>
<td>28-Nov-14</td>
<td>27-Nov-19</td>
<td>Formal execution of a PPA between the Sese JV company and ZESCO for the full output of a 300MW IPP at Sese</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>28-Nov-14</td>
<td>27-Nov-19</td>
<td>continued service until 1 July 2015</td>
<td>366,667</td>
<td>366,667</td>
</tr>
</tbody>
</table>

3,766,667 3,766,667

3.8 Additional Information

Details of vesting profile of the rights granted as remuneration to each Key Management Personnel is detailed below.

<table>
<thead>
<tr>
<th>Type</th>
<th>Year Granted</th>
<th>Granted</th>
<th>Value at Grant Date</th>
<th>Expiry Date</th>
<th>Vested in year</th>
<th>Forfeited in year</th>
<th>Max Value Yet to Vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alasdair Cooke</td>
<td>Rights</td>
<td>2013</td>
<td>500,000</td>
<td>87,500</td>
<td>30-Sep-17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>Rights</td>
<td>2013</td>
<td>3,000,000</td>
<td>525,000</td>
<td>30-Sep-17</td>
<td>333,334</td>
<td>-</td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>Rights</td>
<td>2013</td>
<td>2,000,000</td>
<td>350,000</td>
<td>30-Sep-17</td>
<td>333,334</td>
<td>-</td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>Rights</td>
<td>2013</td>
<td>100,000</td>
<td>17,500</td>
<td>30-Sep-17</td>
<td>33,333</td>
<td>-</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>Rights</td>
<td>2013</td>
<td>200,000</td>
<td>35,000</td>
<td>30-Sep-17</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>Rights</td>
<td>2014</td>
<td>200,000</td>
<td>11,000</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>Rights</td>
<td>2014</td>
<td>200,000</td>
<td>11,000</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>Rights</td>
<td>2014</td>
<td>1,100,000</td>
<td>60,500</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>Rights</td>
<td>2014</td>
<td>600,000</td>
<td>33,000</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>Rights</td>
<td>2014</td>
<td>600,000</td>
<td>33,000</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>Rights</td>
<td>2014</td>
<td>600,000</td>
<td>33,000</td>
<td>27-Nov-19</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

3.9 Directors’ and Executives Interests

A. Shares

<table>
<thead>
<tr>
<th>Non-executive Directors</th>
<th>Balance at 30/06/2013</th>
<th>Balance at 30/06/2014</th>
<th>Purchases (Sales)</th>
<th>Issued upon vesting of rights</th>
<th>Issued in lieu of cash fee</th>
<th>Balance at 30/06/2015</th>
<th>Balance at Reporting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Curnow</td>
<td>767,277</td>
<td>1,205,969</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>618,792</td>
<td>1,024,150</td>
<td>554,166</td>
<td>33,334</td>
<td>539,775</td>
<td>2,151,425</td>
<td>2,251,425</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>374,286</td>
<td>793,851</td>
<td>951,767</td>
<td>100,000</td>
<td>539,774</td>
<td>2,385,392</td>
<td>2,485,392</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>1,330,001</td>
<td>1,660,400</td>
<td>1,857,432</td>
<td>-</td>
<td>539,774</td>
<td>4,057,606</td>
<td>4,157,606</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>227,273</td>
<td>227,273</td>
<td>327,273</td>
</tr>
<tr>
<td>John Dean</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>34,002,925</td>
<td>37,433,245</td>
<td>11,157,560</td>
<td>-</td>
<td>1,246,211</td>
<td>49,837,016</td>
<td>50,003,682</td>
</tr>
<tr>
<td>Charles Tabeart</td>
<td>2,011,689</td>
<td>3,844,335</td>
<td>(708,492)</td>
<td>333,334</td>
<td>971,590</td>
<td>4,440,767</td>
<td>4,774,100</td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>4,389,478</td>
<td>5,338,166</td>
<td>(675,000)</td>
<td>333,334</td>
<td>539,774</td>
<td>5,536,277</td>
<td>5,869,610</td>
</tr>
</tbody>
</table>

43,494,448 51,309,985 13,127,566 800,002 4,604,171 68,635,756 69,869,088
Directors Report (continued)

B. Performance Rights

<table>
<thead>
<tr>
<th>Directors</th>
<th>Balance at 30/06/2013</th>
<th>Balance at 30/06/2014</th>
<th>Issued on 28 Nov 2014</th>
<th>Vested and converted to shares in 2015</th>
<th>Balance at 30/06/2015</th>
<th>Vested and exercisable</th>
<th>Unvested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Curnow</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valentine Chitalu</td>
<td>100,000</td>
<td>66,667</td>
<td>466,667</td>
<td>(33,334)</td>
<td>500,000</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Philip Clark</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>(100,000)</td>
<td>300,000</td>
<td>-</td>
<td>300,000</td>
</tr>
<tr>
<td>Vincent Masterton-Hume</td>
<td>-</td>
<td>-</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Wayne Trumble</td>
<td>-</td>
<td>-</td>
<td>1,100,000</td>
<td>-</td>
<td>1,100,000</td>
<td>-</td>
<td>1,100,000</td>
</tr>
<tr>
<td>John Dean</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alasdair Cooke</td>
<td>500,000</td>
<td>333,333</td>
<td>600,000</td>
<td>-</td>
<td>933,333</td>
<td>-</td>
<td>933,333</td>
</tr>
<tr>
<td>Charles Tabearth</td>
<td>3,000,000</td>
<td>2,000,000</td>
<td>600,000</td>
<td>(333,334)</td>
<td>2,266,666</td>
<td>-</td>
<td>2,266,666</td>
</tr>
<tr>
<td>Gregory Fry</td>
<td>2,000,000</td>
<td>1,333,334</td>
<td>600,000</td>
<td>(333,334)</td>
<td>1,600,000</td>
<td>-</td>
<td>1,600,000</td>
</tr>
<tr>
<td></td>
<td>5,900,000</td>
<td>3,933,334</td>
<td>3,766,667</td>
<td>(800,002)</td>
<td>6,899,999</td>
<td>-</td>
<td>6,899,999</td>
</tr>
</tbody>
</table>

C. 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.

<table>
<thead>
<tr>
<th>Charges from</th>
<th>Charges to</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Mitchell River Group Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Provision of a fully serviced office and admin staff</td>
<td>319,370</td>
</tr>
<tr>
<td>Alasdair Cooke, Frazer Tabearth, Gregory Fry</td>
<td></td>
</tr>
</tbody>
</table>

At 30 June 2015 the company had a payable outstanding to Mitchell River Group of US$7,863 (30 June 2014: US$46,834).

This is the end of the Audited remuneration report.

4. Principal Activities

The principal activity of the Consolidated Entity during the course of the financial year consisted of evaluation and exploration of coal and energy projects in southern Africa.

5. Results and Dividends

The Consolidated Entity’s loss after tax attributable to members of the Consolidated Entity for the financial year ended 30 June 2015 was US$5,105,959 (loss in 2014: US$6,779,734).

No dividends have been paid or declared by the Company during the year ended 30 June 2015.

6. Loss Per Share

The basic loss per share for the Consolidated Entity for the year was 0.90 cents per share (2014: 1.55 cents).

7. Events Subsequent to Reporting Date

On 2 September 2015 the Company announced an extension to 30 September 2015 of the time period to complete certain conditions precedent for the sale of Mnamantswe coal and power project.

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

8. 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.

9. 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 financial year end.
10. Environmental Regulations
The Consolidated Entity’s operations are not subject to any significant environmental regulations under either Commonwealth or State legislation or under the legislation of African 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 Group recognises its responsibility to rehabilitate areas affected by its exploration activities and made provision for rehabilitation in the Statement of Financial Position.

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.

11. Indemnification and Insurance of Officers and Auditors

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

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

12. 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.

13. Non-Audit Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO Audit (WA) Pty Ltd: Other assurance services</td>
<td>-</td>
<td>5,114</td>
</tr>
</tbody>
</table>

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the company and/or the group are important.

During the year, there were no non-Audit services provided by BDO Audit (WA) Pty Limited (2014: US$5,114).

14. Lead Auditor’s Independence Declaration
The lead Auditor’s Independence Declaration is set out on page 16 and forms part of the Directors’ report for the financial year ended 30 June 2015.

Charles Frazer Tabeart
Managing Director
Perth, 30 September 2015
Directors’ Declaration

African Energy Resources Limited and its Controlled Entities

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated Statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001; and
   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2015 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 2015
INDEPENDENT AUDITOR’S REPORT

To the members of African Energy Resources Limited


We have audited the accompanying financial report of African Energy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of African Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor’s report.

Opinion

In our opinion:

(a) the financial report of African Energy Resources Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2015. 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.

Opinion


BDO Audit (WA) Pty Ltd

Phillip Murdoch
Director

Perth, 30 September 2015
DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AFRICAN ENERGY RESOURCES LIMITED

As lead auditor of African Energy Resources Limited for the year ended 30 June 2015, 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.

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2015
## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from continuing operations</td>
<td>7</td>
<td>70,495</td>
</tr>
<tr>
<td>Loss on acquisition of Sese JV</td>
<td>17</td>
<td>(2,399,886)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>8</td>
<td>(894,454)</td>
</tr>
<tr>
<td>Employee share based payment expense</td>
<td>23</td>
<td>(436,593)</td>
</tr>
<tr>
<td>Professional &amp; administration expense</td>
<td>9</td>
<td>(773,510)</td>
</tr>
<tr>
<td>Exploration &amp; evaluation expense</td>
<td></td>
<td>(168,057)</td>
</tr>
<tr>
<td>Impairment of exploration &amp; evaluation</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Borrowing costs</td>
<td></td>
<td>(131,637)</td>
</tr>
<tr>
<td>Borrowing costs - equity settled</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency loss</td>
<td></td>
<td>(372,317)</td>
</tr>
<tr>
<td><strong>(Loss) before tax</strong></td>
<td></td>
<td>(5,105,959)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td><strong>(Loss) after income tax for the year</strong></td>
<td></td>
<td>(5,105,959)</td>
</tr>
</tbody>
</table>

**Attributable to:**

- **Equity holders of the Company**
  - **Loss for the year**
    - 2015 US$: (5,105,959)
    - 2014 US$: (6,779,734)

**Other comprehensive income**

Items that will not be reclassified subsequently to profit or loss

- **Foreign currency translation reserve**
  - 2015 US$: (1,023,649)
  - 2014 US$: 242,625

**Total other comprehensive income / (loss) for the year**

- 2015 US$: (1,023,649)
- 2014 US$: 242,625

**Total comprehensive (loss) attributable to the ordinary equity holders of the Company:**

- 2015 US$: (6,129,608)
- 2014 US$: (6,537,109)

**(Loss) per share for Earnings/ (loss) attributable to the ordinary equity holders of the Company:**

- **Basic (loss) per share (cents per share)**
  - 2015 US$: (0.90)
  - 2014 US$: (1.55)
- **Diluted (loss) per share (cents per share)**
  - 2015 US$: (0.90)
  - 2014 US$: (1.55)

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 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>6,240,350</td>
<td>3,318,725</td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>271,203</td>
<td>89,123</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>6,511,553</td>
<td>3,407,848</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Sese Joint Venture</td>
<td>8,791,053</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>2,413</td>
<td>147,260</td>
</tr>
<tr>
<td>Exploration &amp; evaluation</td>
<td>6,179,689</td>
<td>22,780,733</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>14,973,155</td>
<td>22,927,993</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>21,484,708</td>
<td>26,335,841</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>179,417</td>
<td>497,813</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>179,417</td>
<td>5,497,813</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>-</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>179,417</td>
<td>5,747,813</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>21,305,291</td>
<td>20,588,028</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>63,545,081</td>
<td>57,089,973</td>
</tr>
<tr>
<td>Reserves</td>
<td>438,022</td>
<td>1,069,908</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(42,677,812)</td>
<td>(37,571,853)</td>
</tr>
<tr>
<td><strong>Total equity attributable to shareholders of the Company</strong></td>
<td>21,305,291</td>
<td>20,588,028</td>
</tr>
</tbody>
</table>

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 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>Contributed equity</th>
<th>Accumulated losses</th>
<th>Foreign Currency Translation Reserve</th>
<th>Share-Based Payments Reserve</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 June 2013</td>
<td>50,534,203</td>
<td>(31,334,606)</td>
<td>(4,105,710)</td>
<td>4,273,582</td>
<td>19,367,469</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td>-</td>
<td>(6,779,734)</td>
<td>-</td>
<td>-</td>
<td>(6,779,734)</td>
</tr>
<tr>
<td>Effect of translation of foreign operations to group presentation currency</td>
<td>-</td>
<td>-</td>
<td>242,625</td>
<td>-</td>
<td>242,625</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>(6,779,734)</td>
<td>242,625</td>
<td>-</td>
<td>(6,537,109)</td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share issue net of issue costs</td>
<td>19</td>
<td>6,059,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Options granted in settlement of financing costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>867,231</td>
<td>867,231</td>
</tr>
<tr>
<td>Equity settled share based payment transactions</td>
<td>19</td>
<td>495,984</td>
<td>-</td>
<td>-</td>
<td>334,667</td>
</tr>
<tr>
<td>Share based payments adjustment on expiry of options</td>
<td>-</td>
<td>542,487</td>
<td>-</td>
<td>(542,487)</td>
<td>-</td>
</tr>
<tr>
<td>6,555,770</td>
<td>542,487</td>
<td>-</td>
<td>659,411</td>
<td>7,757,668</td>
<td></td>
</tr>
<tr>
<td>At 30 June 2014</td>
<td>57,089,973</td>
<td>(37,571,853)</td>
<td>(3,863,085)</td>
<td>4,932,993</td>
<td>20,588,028</td>
</tr>
<tr>
<td>Net earnings for the year</td>
<td>-</td>
<td>(5,105,959)</td>
<td>-</td>
<td>-</td>
<td>(5,105,959)</td>
</tr>
<tr>
<td>Effect of translation of foreign operations to group presentation currency</td>
<td>-</td>
<td>-</td>
<td>(1,023,649)</td>
<td>-</td>
<td>(1,023,649)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>(5,105,959)</td>
<td>(1,023,649)</td>
<td>-</td>
<td>(6,129,608)</td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share issue net of issue costs</td>
<td>19</td>
<td>6,252,766</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Options granted in settlement of capital raising costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>189,459</td>
<td>189,459</td>
</tr>
<tr>
<td>Equity settled share based payment transactions</td>
<td>19</td>
<td>202,342</td>
<td>-</td>
<td>-</td>
<td>202,304</td>
</tr>
<tr>
<td>6,455,108</td>
<td>-</td>
<td>-</td>
<td>391,763</td>
<td>6,846,871</td>
<td></td>
</tr>
<tr>
<td>At 30 June 2015</td>
<td>63,545,081</td>
<td>(42,677,812)</td>
<td>(4,886,734)</td>
<td>5,324,756</td>
<td>21,305,291</td>
</tr>
</tbody>
</table>

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes.
Consolidated Statement of Cash Flows for the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>7,800</td>
<td>57,109</td>
</tr>
<tr>
<td>Payment to suppliers and employees</td>
<td>(2,274,573)</td>
<td>(1,851,835)</td>
</tr>
<tr>
<td><strong>Net cash (outflow) from operating activities</strong></td>
<td>20 (2,266,773)</td>
<td>(1,794,726)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from dilution of Sese JV</td>
<td>6,570,480</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of New Projects</td>
<td>(1,500,000)</td>
<td>(4,224,375)</td>
</tr>
<tr>
<td>Payment for exploration and evaluation</td>
<td>(500,276)</td>
<td>(2,097,956)</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow) from investing activities</strong></td>
<td>4,570,204</td>
<td>(6,322,331)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from the issue of share capital</td>
<td>6,638,672</td>
<td>6,211,795</td>
</tr>
<tr>
<td>Payments for share issuance costs</td>
<td>(228,392)</td>
<td>(152,009)</td>
</tr>
<tr>
<td>Repayment of Borrowings</td>
<td>(5,000,000)</td>
<td>-</td>
</tr>
<tr>
<td>Interest &amp; legal fees on loan facility</td>
<td>(131,637)</td>
<td>(343,714)</td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>1,278,643</td>
<td>5,716,072</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (decrease) / increase in cash and cash equivalents</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,582,074</td>
<td>(2,400,985)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>3,318,725</td>
<td>5,625,212</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>(660,449)</td>
<td>94,498</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>6,240,350</td>
<td>3,318,725</td>
</tr>
</tbody>
</table>

The consolidated statements of cash flows are to be read in conjunction with the accompanying notes.
Notes to the Consolidated Financial Statements

1. 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 2015 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.

2. Basis of preparation

(a) 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 2015.

(b) Basis of measurement

The financial report is prepared under the historical cost convention.

(c) 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 (‘AUS’) are translated at the closing rate on reporting date. Profit and loss items are translated on the prevailing rate on the date of transaction.

(d) Going concern

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


(e) 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 14 – Exploration & evaluation expenditure - The Group’s accounting policy for exploration and evaluation is set out in note 3(e). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.
- Note 16 – Investments in Associates – The fair value on initial recognition of the retained interest in the group’s investment in the Sese project is determined using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions on inputs that are based upon both observable and unobservable market inputs to determine an estimate on the fair value. Material changes in assumptions may give rise to material differences in the valuation of this retained interest.
- Note 23 – Share-based payments arrangements - The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes 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.

3. Significant accounting policies

(a) Basis of consolidation

(f) 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.
(ii) 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.

(iii) Comparatives
Prior period comparatives are for the year from 1 July 2013 to 30 June 2014.

(b) Foreign currency
(i) 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.

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

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

(iii) 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.

(c) Financial instruments
(i) Non-derivative financial instruments
Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 5.

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

(d) Property, plant and equipment
(i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy (j)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs
The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.
Notes to the Consolidated Financial Statements (continued)

(iii) Depreciation
With the exception of freehold land and mineral property and development assets, depreciation is charged to the profit or loss using a diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mineral property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:
- Plant and equipment: 2.5 to 10 years
- The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(e) Exploration and development expenditure
(i) Exploration and evaluation expenditure
Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the profit or loss.

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

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

(ii) Development expenditure
Development costs are accumulated in respect of each separate area of interest. Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed in note 3(j).

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy note 3(j)). For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(f) 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.

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

(h) Other financial assets
The Group classifies its investments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Investments in subsidiaries are carried at cost, net of any impairment losses (see note 3(c)(iii)).

(i) Recognised fair value measurements
The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(j) Impairment
The carrying amounts of the Consolidated Entity’s assets, other than exploration assets (see accounting policy (e)), and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount
The recoverable amount of the Consolidated Entity’s receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment
Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Contributed equity
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.

(l) Dividends
Dividends are recognised as a liability in the period in which they are declared.

(m) Employee Benefits

(i) Share-based payment transactions
The share option program allows the Consolidated Entity employees and consultants to acquire shares of the Company. (see note 20) The fair value of options granted is recognised as an employee or consultant expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.
Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(ii) Wages, salaries and annual leave
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.

(n) Provisions
A provision is recognised in the Statement of Financial Position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(o) Site restoration
In accordance with the Consolidated Entity’s environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the mineral reserve.

(p) Trade and other payables
Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

(q) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s outstanding borrowings during the year.

(s) Earnings per share

(i) Basic earnings per share
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.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) 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.

(u) 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.

(v) Income tax
Notes to the Consolidated Financial Statements (continued)

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.

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

(w) Segment reporting
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.

(x) Goods and Services Tax / Valued Added Tax
Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") or Value Added Tax ("VAT”), except where the amount of GST/VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST/VAT included. The net amount of GST/VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

(y) Investment 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 return 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.

(z) New standards and interpretations not yet adopted
Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2015.

AASB 9 Financial Instruments
AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. AASB 9 must be applied for financial years commencing on or after 1 January 2018. The standard is not expected to have a material impact on the group’s financial instruments.

AASB 15 Revenue from Contracts with Customers
AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard is not expected to have a material impact on the Group.

4. 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.
Notes to the Consolidated Financial Statements (continued)

(a) Market risk

i. Foreign currency risk

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

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

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash held in US Dollars</td>
<td>4,122</td>
<td>1,912,441</td>
</tr>
<tr>
<td>Cash held in ZAR</td>
<td>38,213</td>
<td>328,289</td>
</tr>
<tr>
<td>Cash held in BWP</td>
<td>5,144</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>187,020</td>
<td>17,612</td>
</tr>
<tr>
<td>Trade and other receivables (other foreign currencies)</td>
<td>-</td>
<td>71,511</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>179,412</td>
<td>(445,080)</td>
</tr>
</tbody>
</table>

ii. Price risk

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

iii. Interest rate risk

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

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Interest rate risk</th>
<th>Foreign exchange risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- 100 bps</td>
<td>+ 100 bps</td>
</tr>
<tr>
<td>30 June 2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,240,350</td>
<td>(62,404)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>271,203</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>179,412</td>
<td>-</td>
</tr>
</tbody>
</table>

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

iv. Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables (excluding prepayments), represent the Group’s maximum exposure to credit risk in relation to financial assets. Cash and short term liquid investment are placed with reputable banks, so no significant credit risk is expected.

The Group does not have any material exposure to any single debtor or group of debtors, so no significant credit risk is expected. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank &amp; short term bank deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-1+</td>
<td>6,213,491</td>
<td>3,022,909</td>
</tr>
<tr>
<td>FNB Botswana (not rated)</td>
<td>5,349</td>
<td>269,376</td>
</tr>
<tr>
<td>Standard Bank South Africa (not rated)</td>
<td>4,022</td>
<td>2,123</td>
</tr>
<tr>
<td>Stanbic Bank (Zambia) (not rated)</td>
<td>12,856</td>
<td>19,821</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>4,632</td>
<td>4,496</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,240,350</td>
<td>3,318,725</td>
</tr>
</tbody>
</table>

(b) Liquidity risk

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

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

<table>
<thead>
<tr>
<th>2015</th>
<th>Less than 6 months</th>
<th>6 - 12 months</th>
<th>Total contractual cash flows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Payables</td>
<td>179,412</td>
<td>-</td>
<td>179,412</td>
</tr>
<tr>
<td>2014</td>
<td>179,412</td>
<td>-</td>
<td>179,412</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>497,813</td>
<td>-</td>
<td>497,813</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td></td>
<td>497,813</td>
<td>5,000,000</td>
<td>5,497,813</td>
</tr>
</tbody>
</table>

(c) Fair value estimation

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

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

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

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

5. Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

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

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. Segment information

(a) Description of Segments

The Company’s Board receives financial information across two reportable segments. These are Botswana Exploration and Zambia Exploration.

(b) Segment Information

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th>Botswana Exploration</th>
<th>Zambia Exploration</th>
<th>Power Investments</th>
<th>All other segments</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,495</td>
<td>70,495</td>
</tr>
<tr>
<td>Profit (loss) before income tax</td>
<td>(9,579)</td>
<td>(200,987)</td>
<td>(8,947)</td>
<td>(4,886,446)</td>
<td>(5,105,959)</td>
</tr>
<tr>
<td>Segment Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Sese JV</td>
<td>-</td>
<td>-</td>
<td>8,791,053</td>
<td>-</td>
<td>8,791,053</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,413</td>
<td>2,413</td>
</tr>
<tr>
<td>Exploration and evaluation expenditure</td>
<td>6,179,689</td>
<td>-</td>
<td>-</td>
<td>6,179,689</td>
<td></td>
</tr>
<tr>
<td>Cash and short term receivable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,511,553</td>
<td>6,511,553</td>
</tr>
<tr>
<td>Total Segment Assets</td>
<td>6,179,689</td>
<td>-</td>
<td>8,791,053</td>
<td>6,513,966</td>
<td>21,484,708</td>
</tr>
<tr>
<td>Segment Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>179,412</td>
<td>179,412</td>
</tr>
<tr>
<td>Total Segment Liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>179,412</td>
<td>179,412</td>
</tr>
</tbody>
</table>
### Notes to the Consolidated Financial Statements (continued)

#### For the year ended 30 June 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57,109</td>
<td>57,109</td>
</tr>
<tr>
<td>Profit (loss) before income tax</td>
<td>(158,187)</td>
<td>(341,594)</td>
<td>-</td>
<td>(6,279,953)</td>
<td>(6,779,734)</td>
</tr>
<tr>
<td>Impairment of exploration expenditure</td>
<td>-</td>
<td>(2,730,996)</td>
<td>-</td>
<td>-</td>
<td>(2,730,996)</td>
</tr>
</tbody>
</table>

#### Segment Assets

| Property, plant and equipment | 138,770 | 3,430 | - | 5,060 | 147,260 |
| Exploration and evaluation expenditure | 22,780,733 | - | - | - | 22,780,733 |
| Other | 284,978 | 20,945 | - | 3,101,925 | 3,407,848 |

**Total Segment Assets**

23,204,481 24,375 - 3,106,985 26,335,841

#### Segment Liabilities

| Borrowings | - | - | - | 5,000,000 | 5,000,000 |
| Provision for Rehabilitation | 250,000 | - | - | - | 250,000 |
| Trade & other payables | 303,978 | 5,033 | - | 188,802 | 497,813 |

**Total Segment Liabilities**

553,978 5,033 - 5,188,802 5,747,813

#### 7. Revenue from continuing operations

<table>
<thead>
<tr>
<th></th>
<th><strong>2015</strong> US$</th>
<th><strong>2014</strong> US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>70,495</td>
<td>57,109</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70,495</strong></td>
<td><strong>57,109</strong></td>
</tr>
</tbody>
</table>

#### 8. Personnel expenses

<table>
<thead>
<tr>
<th><strong>2015</strong> US$</th>
<th><strong>2014</strong> US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>321,563</td>
</tr>
<tr>
<td>Superannuation</td>
<td>15,217</td>
</tr>
<tr>
<td>Directors fees</td>
<td>542,803</td>
</tr>
<tr>
<td>Recruitment</td>
<td>-</td>
</tr>
<tr>
<td>Payroll tax</td>
<td>14,871</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>894,454</strong></td>
</tr>
</tbody>
</table>

#### 9. Professional & Corporate Expenses

<table>
<thead>
<tr>
<th><strong>2015</strong> US$</th>
<th><strong>2014</strong> US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Tax and Accounting</td>
<td>118,113</td>
</tr>
<tr>
<td>Compliance &amp; Insurance</td>
<td>148,230</td>
</tr>
<tr>
<td>Occupancy</td>
<td>114,199</td>
</tr>
<tr>
<td>Travel</td>
<td>110,064</td>
</tr>
<tr>
<td>Marketing</td>
<td>84,580</td>
</tr>
<tr>
<td>Legal fees</td>
<td>93,432</td>
</tr>
<tr>
<td>Depreciation and Impairment of PP&amp;E</td>
<td>11,130</td>
</tr>
<tr>
<td>Other</td>
<td>93,762</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>773,510</strong></td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements (continued)

10. Income Taxes

(a) Income tax expense:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Current tax</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>-</td>
</tr>
<tr>
<td>Overprovision in respect to prior years</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>(5,105,959)</td>
</tr>
<tr>
<td>Prima facie income tax at 30%</td>
<td>(1,531,788)</td>
</tr>
<tr>
<td>Tax effect of amounts not deductible in calculating taxable income:</td>
<td></td>
</tr>
<tr>
<td>Sundry items</td>
<td>810</td>
</tr>
<tr>
<td>Other</td>
<td>162,441</td>
</tr>
<tr>
<td>Difference in overseas tax rates</td>
<td>125,864</td>
</tr>
<tr>
<td>Tax loss not recognised</td>
<td>1,242,673</td>
</tr>
<tr>
<td>Income tax expense/(benefit)</td>
<td>-</td>
</tr>
</tbody>
</table>

(c) Tax losses:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Unused tax losses for which no deferred tax asset has been recognised</td>
<td>(1,835,713)</td>
</tr>
<tr>
<td>Potential tax benefit @ 30%</td>
<td>(550,714)</td>
</tr>
<tr>
<td>Difference in overseas tax rates 10%</td>
<td>125,864</td>
</tr>
<tr>
<td>Potential tax benefit</td>
<td>(424,850)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing</td>
<td>16,443</td>
</tr>
<tr>
<td>Losses - Revenue</td>
<td>3,600,317</td>
</tr>
</tbody>
</table>

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.

11. Earnings per share

(a) Basic loss per share

The calculation of basic loss per share at 30 June 2015 was based on the losses attributable to ordinary shareholders of US$5,105,959 (2014: US$6,779,734) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 564,547,964 (2014: 436,321,550) calculated as follows:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Loss attributable to ordinary shareholders</td>
<td>(5,105,959)</td>
</tr>
<tr>
<td>Issued number of ordinary shares at 1 July</td>
<td>474,235,222</td>
</tr>
<tr>
<td>Effect of shares issued during the period</td>
<td>90,312,742</td>
</tr>
<tr>
<td>Weighted average number of shares for year to 30 June</td>
<td>564,547,964</td>
</tr>
<tr>
<td>Basic (loss) per share (cents per share)</td>
<td>(0.90)</td>
</tr>
</tbody>
</table>

(b) Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.
Notes to the Consolidated Financial Statements (continued)

12. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>-</td>
<td>14,744</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>62,695</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,679</td>
<td>10,703</td>
</tr>
<tr>
<td>GST and VAT receivable</td>
<td>205,685</td>
<td>56,007</td>
</tr>
<tr>
<td>Staff advances</td>
<td>144</td>
<td>7,669</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>271,203</strong></td>
<td><strong>89,123</strong></td>
</tr>
</tbody>
</table>

None of the trade and other receivables are past due or impaired.

Risk exposure

Information about the Group’s exposure to credit risk, foreign exchange and interest rate risk is provided in note 4.

13. Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment</td>
<td>3,538</td>
<td>297,488</td>
</tr>
<tr>
<td>Less: Accumulated</td>
<td>(1,125)</td>
<td>(150,228)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>2,413</td>
<td>147,260</td>
</tr>
</tbody>
</table>

PP&E movement reconciliation

Plant and equipment at cost:

- Balance at the beginning of the year: 297,488
- Additions: 1,846
- Disposals due to deconsolidation of former subsidiary: (236,114)
- Disposals: (59,682)
- Carrying amount at 30 June: 2,413

Accumulated depreciation:

- Balance at the beginning of the year: (150,228)
- Depreciation charge for the year: (11,130)
- Disposals due to deconsolidation of former subsidiary: 125,219
- Disposals: 35,014
- Carrying amount at 30 June: (1,125)

14. Exploration and evaluation expenditure

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sese Coal &amp; Power</td>
<td>-</td>
<td>18,136,024</td>
</tr>
<tr>
<td>Mmamabula West Coal</td>
<td>2,849,466</td>
<td>1,371,281</td>
</tr>
<tr>
<td>Mmamantswe Coal</td>
<td>3,300,223</td>
<td>3,273,428</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td>6,179,689</td>
<td>22,780,733</td>
</tr>
</tbody>
</table>

EE&D movement reconciliation

- Balance at the beginning of the year: 22,780,733
- Additions: 278,141
- New Acquisitions: 1,500,000
- Disposals due to deconsolidation of former subsidiary: (17,989,120)
- Impairment of exploration & evaluation: (2,730,996)
- Carrying amount at 30 June: 6,179,689

Mmamabula West (PL56/2005) was granted a two-year extension to 31st March 2017, triggering a payment of US$1,500,000 to complete the acquisition from Asenjo.

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

On 17 October 2014, the Company signed an agreement with First Quantum Minerals, to develop power generation capacity at Sese (the “Project”). This agreement provided African Energy Resources with a partner with a strong track record in developing large-scale capital intense projects. It also provides a sound financial partner who is responsible for providing the necessary funding for the Project if a positive development decision is made.

First Quantum Minerals acquired an initial 51% interest in the Project for consideration of AU$8,000,000. First Quantum Minerals is required to invest a further AU$12,000,000 by 15 July 2016, which will see First Quantum Minerals increase its interest in the Project to 75%. This AU$12,000,000 investment will be used to fund the evaluation and development of the proposed Project.

Once First Quantum Minerals has attained a 75% Project interest, AFR’s ongoing 25% interest in the Project will be loan carried through to commercial operation. The loan to be priced on the same terms as First Quantum Minerals’ weighted average cost of long-term debt, and is to be repaid from the Company’s share of operating surplus cash flow.

The Project comprises five entities that control the Sese, Sese West and Foley North prospecting licenses. First Quantum Minerals acquired a controlling 51% interest in the Project on 23 January 2015.

The Company has elected to value its 25% interest in Project (the “Investment”) at fair value upon initial acquisition date of 23 January 2015.

(a) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair value of the Investment that is recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial assets and liabilities into the three levels prescribed under the accounting standards and outlined in note 3(i).

The Company has assessed that the Investment is Level 3 as the significant inputs are not based on observable market data.

<table>
<thead>
<tr>
<th>At 30 June 2015</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Sese Project</td>
<td>-</td>
<td>-</td>
<td>8,791,053</td>
<td>8,791,053</td>
</tr>
</tbody>
</table>

(b) Process to determine fair value of Investment

African Energy Resources is not required to invest further capital in the Project and its 25% contribution to develop the Project is funded by a loan from First Quantum Minerals and repayable only from Project earnings (“Loan Carry”). The directors are of the view that a significant component of value of the Investment is contained within the Loan Carry. However in the absence of a comparable market transaction, a reliable valuation of the Loan Carry component could not be considered.

A discounted net present value calculated by a project financial model was deemed by the board as the most reliable method of determining fair value of the Investment. An independent professional consultant was engaged to create a “fit-for-purpose” project valuation model to test significant unobservable inputs (“Assumptions”) outlined in note 15(c).

The directors identified the key assumptions affecting fair value and assessed the value of each assumption, within a range of reasonable estimates for input into the project valuation model. Using the assumptions detailed in note 15(c), including an appropriate discount rate of 10%, the project valuation model values the Company’s 25% interest in Sese JV at US$214M, assuming that the Project proceeds. The directors calculated the value of the Investment by applying a conservative project development risk factor to the project valuation model, reflecting a less than certain likelihood of the Project proceeding as at 23 January 2015, to arrive at a net fair value.

In accordance with accounting standards, the directors considered two other valuation techniques to assess the reasonableness of the project financial model valuation. The cost replacement approach realised an Investment valuation of US$8.8M whilst a market approach based on the reflective transaction price and ignoring the value of the Loan Carry, valued the Investment at US$5.3M.

Having returned relatively consistent valuations using three valuation techniques, the board elected to utilise the median of the three valuations due to subjective nature of the valuations at the date of fair value.

(c) Valuation inputs and outcomes and relationships to fair value

The Assumptions used in the project financial model are based on industry accepted benchmarks and current market based evidence for similar projects in Africa. The key sensitivities in the project financial model are capital cost of the Project, power tariff pricing and discount rate and for these Assumptions a conservative approach was adopted.

The following table summarises the quantitative information about the Assumptions used in recurring level 3 fair value measurements. See (b) above for the valuation technique adopted.
Recognised fair value measurements

<table>
<thead>
<tr>
<th>Unobservable inputs (Assumptions)</th>
<th>Range of Assumptions</th>
<th>Assumption adopted</th>
<th>Explanation</th>
<th>Relationship of Assumption to fair value</th>
<th>Sensitivity analysis</th>
<th>AFR Share of Project NPV (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project size</td>
<td>450MW</td>
<td>450MW power plant for annual net output of 3TWh</td>
<td>The larger the plant size the higher the fair value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>8%-12%</td>
<td>10%</td>
<td>The higher the discount rate the lower the fair value</td>
<td>8%</td>
<td>12%</td>
<td>298</td>
</tr>
<tr>
<td>Electricity tariff</td>
<td>US$0.08kWh - US$0.10kWh</td>
<td>The higher the electricity tariff the higher the fair value</td>
<td>US$0.12kWh</td>
<td>95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital cost of the construction of the Project</td>
<td>US$1,125M - US$1,350M</td>
<td>The higher the capital cost the lower the fair value</td>
<td>US$1,125M</td>
<td>230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Debt</td>
<td>5.0%</td>
<td>Sese JV agreement requires First Quantum Minerals to secure finance for Sese JV projects.</td>
<td>The higher the cost of debt the lower the fair value</td>
<td>4.0%</td>
<td>6.0%</td>
<td>215</td>
</tr>
<tr>
<td>Cost of Equity</td>
<td>5.50%</td>
<td>Sese JV agreement provides for First Quantum Minerals to fund African Energy Resources' share of equity in the Project at their weighted average cost of capital</td>
<td>The higher the interest rate on equity contribution the lower the fair value</td>
<td></td>
<td></td>
<td>193</td>
</tr>
</tbody>
</table>

Project valuation model outputs assuming inputs adopted in above table

<table>
<thead>
<tr>
<th>Project valuation model outputs assuming inputs adopted in above table</th>
<th>Project (US$M)</th>
<th>AFR 25% share (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total after tax cashflow generated over life of project (in real terms)</td>
<td>3,900</td>
<td>975</td>
</tr>
<tr>
<td>Average annual cash-flow (in real terms)</td>
<td>156</td>
<td>39</td>
</tr>
<tr>
<td>Net present value of nominal cashflows at a discount rate of 10%</td>
<td>856</td>
<td>214</td>
</tr>
</tbody>
</table>

16. Investments in Associates

(a) Movements in carrying amounts

<table>
<thead>
<tr>
<th>Balance at the beginning of the year</th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition of Investment in Sese joint venture</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share of Losses after income tax</td>
<td>8,800,000</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>8,791,053</td>
<td>-</td>
</tr>
</tbody>
</table>

(b) Summarised financial information of associates

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

<table>
<thead>
<tr>
<th>Ownership Interest %</th>
<th>Company's share of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Energy Holdings SRL (incorporated in Barbados)</td>
<td>49%</td>
</tr>
</tbody>
</table>
17. Deconsolidation of Subsidiaries

### Consideration

<table>
<thead>
<tr>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Received</td>
<td>6,570,480</td>
</tr>
</tbody>
</table>

### Fair value of investment in Sese JV on recognition

<table>
<thead>
<tr>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value of Assets</td>
<td>8,800,000</td>
</tr>
</tbody>
</table>

### Less carrying value at date of deconsolidation

<table>
<thead>
<tr>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and receivables</td>
<td>50,270</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>110,895</td>
</tr>
<tr>
<td>Trade &amp; other payables</td>
<td>(22,762)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(250,000)</td>
</tr>
<tr>
<td>Exploration &amp; evaluation</td>
<td>17,989,120</td>
</tr>
<tr>
<td>Other</td>
<td>(107,157)</td>
</tr>
</tbody>
</table>

### Carrying Value

<table>
<thead>
<tr>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(17,770,366)</td>
<td></td>
</tr>
</tbody>
</table>

### Loss on disposal of Sese JV

<table>
<thead>
<tr>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,399,886)</td>
<td></td>
</tr>
</tbody>
</table>

18. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>59,408</td>
<td>243,493</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>48,867</td>
<td>196,346</td>
</tr>
<tr>
<td>Payroll liabilities</td>
<td>21,329</td>
<td>9,140</td>
</tr>
<tr>
<td>Annual leave provisions</td>
<td>20,088</td>
<td>28,913</td>
</tr>
<tr>
<td>Other payables</td>
<td>29,725</td>
<td>19,921</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>179,417</td>
<td>497,813</td>
</tr>
</tbody>
</table>

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Information about the Group’s exposure to foreign exchange risk is provided in note 4.

19. Contributed equity

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed equity</td>
<td>66,989,477</td>
<td>60,197,955</td>
</tr>
<tr>
<td>Cost of share issue</td>
<td>(3,629,475)</td>
<td>(3,107,982)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>63,350,012</td>
<td>57,089,973</td>
</tr>
</tbody>
</table>

### Movement in share capital

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of shares</th>
<th>Issue price US$ cents</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 30 June 2013</td>
<td>394,832,546</td>
<td></td>
<td>50,534,203</td>
</tr>
<tr>
<td>Conversion of performance rights</td>
<td>01 Jul 2013</td>
<td>863,095</td>
<td>-</td>
</tr>
<tr>
<td>Shares in lieu of salary</td>
<td>01 Jul 2013</td>
<td>2,203,262</td>
<td>6.2</td>
</tr>
<tr>
<td>Sentient Placement T2</td>
<td>12 Jul 2013</td>
<td>29,166,667</td>
<td>11.1</td>
</tr>
<tr>
<td>Sentient Placement Fee</td>
<td>12 Jul 2013</td>
<td>3,541,667</td>
<td>11.1</td>
</tr>
<tr>
<td>Shares in lieu of salary</td>
<td>24 Oct 2013</td>
<td>1,862,679</td>
<td>8.7</td>
</tr>
<tr>
<td>Shares in lieu of salary</td>
<td>19 Dec 2013</td>
<td>1,533,636</td>
<td>10.6</td>
</tr>
<tr>
<td>Conversion of performance rights</td>
<td>19 Dec 2013</td>
<td>300,000</td>
<td>-</td>
</tr>
<tr>
<td>Conversion of performance rights</td>
<td>24 Jan 2014</td>
<td>1,166,667</td>
<td>-</td>
</tr>
<tr>
<td>Placement</td>
<td>15 Apr 2014</td>
<td>14,896,535</td>
<td>8.0</td>
</tr>
<tr>
<td>Placement fee issue</td>
<td>15 Apr 2014</td>
<td>744,827</td>
<td>8.0</td>
</tr>
<tr>
<td>Directors shares</td>
<td>15 Apr 2014</td>
<td>1,195,686</td>
<td>7.5</td>
</tr>
<tr>
<td>Conversion of rights</td>
<td>15 Apr 2014</td>
<td>33,334</td>
<td>-</td>
</tr>
<tr>
<td>Placement to Director</td>
<td>05 Jun 2014</td>
<td>20,571,443</td>
<td>7.9</td>
</tr>
<tr>
<td>Rights Issue Allotment</td>
<td>05 Jun 2014</td>
<td>2,252,941</td>
<td>7.9</td>
</tr>
<tr>
<td>Capital raising costs</td>
<td>(602,931)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance 30 June 2014</strong></td>
<td>474,235,222</td>
<td></td>
<td>57,089,973</td>
</tr>
</tbody>
</table>
African Energy Resources Limited


Notes to the Consolidated Financial Statements (continued)

| Shares in lieu of salary | 01 Oct 2014 | 1,208,064 | 4.9 | 58,667 |
| Conversion of performance rights | 01 Oct 2014 | 100,000 | - | - |
| QFM Placement | 22 Oct 2014 | 69,000,000 | 4.8 | 3,339,031 |
| Rights issue / Shortfall | 26 Nov 2014 | 68,324,910 | 4.7 | 3,218,203 |
| Shares in lieu of salary | 27 Nov 2014 | 1,277,779 | 4.9 | 62,238 |
| Conversion of performance rights | 27 Nov 2014 | - | - | - |
| Shares in lieu of salary | 20 Feb 2015 | 200,000 | - | - |
| Shares in lieu of salary | 02 Apr 2015 | 2,000,000 | 5.0 | 99,033 |
| Capital raising costs | (521,493) | - | - | - |

**Balance 30 June 2015**

US$ 616,618,702 63,545,081

Ordinary shares
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.

Capital 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.

20. Reconciliation of loss after income tax to net cash inflow from operating activities

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) for the year</td>
<td>(5,105,959)</td>
<td>(6,779,734)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair valuation of Sese</td>
<td>2,399,886</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest received</td>
<td>(62,695)</td>
<td>-</td>
</tr>
<tr>
<td>Equity-settled share-based payment expenses</td>
<td>436,593</td>
<td>830,585</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>11,130</td>
<td>192,387</td>
</tr>
<tr>
<td>Borrowing costs classified as financing</td>
<td>131,637</td>
<td>1,210,945</td>
</tr>
<tr>
<td>Exploration &amp; evaluation expenses</td>
<td>168,057</td>
<td>47,405</td>
</tr>
<tr>
<td>Impairment charge</td>
<td>-</td>
<td>2,730,996</td>
</tr>
<tr>
<td>Sale of vehicles</td>
<td>15,153</td>
<td>51,189</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in operating assets &amp; liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(26,881)</td>
<td>2,864</td>
</tr>
<tr>
<td>(Decrease)/increase in trade and other payables</td>
<td>(233,694)</td>
<td>(81,363)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(2,266,773)</td>
<td>(1,794,726)</td>
</tr>
</tbody>
</table>

21. Parent Entity Note

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>9,254,578</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>12,059,647</td>
</tr>
<tr>
<td>Total Assets</td>
<td>21,314,225</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>8,929</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>8,929</td>
</tr>
<tr>
<td>Contributed equity</td>
<td>63,545,081</td>
</tr>
<tr>
<td>Reserves</td>
<td>5,324,756</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(47,564,544)</td>
</tr>
<tr>
<td>Total Equity</td>
<td>21,305,296</td>
</tr>
<tr>
<td>Gain (loss) for the year</td>
<td>(6,129,606)</td>
</tr>
<tr>
<td>Other comprehensive income / (loss) for the year</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income / (loss) for the year</td>
<td>(6,129,606)</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements (continued)

There were no commitments, contingent liabilities or contingent assets at the parent level at 30 June 2015.

22. Related parties

(a) Parent entities

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

(b) 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 3(a)(i).

<table>
<thead>
<tr>
<th>Country of incorporation</th>
<th>Ownership interest 2015</th>
<th>Ownership interest 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana Energy Solutions Limited</td>
<td>British Virgin Is.</td>
<td>100%</td>
</tr>
<tr>
<td>Mmamantswe Coal (Pty) Ltd</td>
<td>Botswana</td>
<td>100%</td>
</tr>
<tr>
<td>African Energy Holdings SRL 2</td>
<td>Barbados</td>
<td>100%</td>
</tr>
<tr>
<td>Phokoje Power (Pty) Ltd (formerly Sese Power 2 (Pty) Ltd)</td>
<td>Botswana</td>
<td>100%</td>
</tr>
<tr>
<td>AFR Australia Pty Ltd</td>
<td>Australia</td>
<td>100%</td>
</tr>
<tr>
<td>A E Resources Pty Ltd</td>
<td>Australia</td>
<td>100%</td>
</tr>
<tr>
<td>African Energy Resources Ltd</td>
<td>Zambia</td>
<td>100%</td>
</tr>
<tr>
<td>Chirundu Joint Ventures Zambia Ltd</td>
<td>Zambia</td>
<td>100%</td>
</tr>
<tr>
<td>Muchinga Energy Resources Ltd</td>
<td>Zambia</td>
<td>100%</td>
</tr>
</tbody>
</table>

(c) Key Management Personnel

US$783,963 (2014: US$866,624) was paid to Directors of the Company during the year. Of this amount US$42,803 (2014: US$443,951) was paid in cash with the balance paid in equity instruments. Disclosures relating to key management personnel are set out in the Remuneration Report.

(d) Other related party transactions

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

<table>
<thead>
<tr>
<th>Charges from</th>
<th>Charges to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitchell River Group Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Provision of a fully serviced office and admin staff</td>
<td></td>
</tr>
<tr>
<td>Alasdair Cooke, Frazer Tabeart, Gregory Fry</td>
<td></td>
</tr>
<tr>
<td>319,370</td>
<td>578,417</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>7,863</td>
<td>46,834</td>
</tr>
</tbody>
</table>

23. Share based payments

(a) Performance Rights

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

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Expiry Date</th>
<th>Vesting hurdle*</th>
<th>Unvested at 30 June 2014</th>
<th>Vested in Year</th>
<th>Issued in Year</th>
<th>Unvested at 30 June 2015</th>
<th>Fair value at balance date (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>BFS</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>13,400</td>
</tr>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>CDAL</td>
<td>1,166,666</td>
<td>-</td>
<td>-</td>
<td>1,166,666</td>
<td>-</td>
</tr>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>EIS</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>GEO</td>
<td>300,000</td>
<td>-</td>
<td>-</td>
<td>300,000</td>
<td>40,199</td>
</tr>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>PPA</td>
<td>1,166,667</td>
<td>-</td>
<td>-</td>
<td>1,166,667</td>
<td>156,330</td>
</tr>
<tr>
<td>01-Oct-12</td>
<td>30-Sep-17</td>
<td>T3</td>
<td>799,999</td>
<td>-</td>
<td>-</td>
<td>799,999</td>
<td>107,198</td>
</tr>
</tbody>
</table>

36 | Page
Notes to the Consolidated Financial Statements (continued)

28-Nov-14 (i) 27-Nov-19 FC - - 4,500,000 4,500,000 199,848
28-Nov-14 (i) 27-Nov-19 PPA - - 666,667 666,667 29,607
28-Nov-14 (i) 27-Nov-19 PPAZ - - 300,000 300,000 13,323
28-Nov-14 (i) 27-Nov-19 T3 - - 366,667 366,667 16,284
31-Mar-15 (ii) 30-Mar-20 MMA - - 500,000 500,000 24,885
31-Mar-15 (iii) 30-Mar-20 MMA2 - - 500,000 500,000 24,885
04-May-15 (iii) 03-May-20 T4 - - 400,000 400,000 22,358

4,299,998 100,000 7,233,334 12,433,332 775,935

(i) The share price at 28-Nov-2014 was AU$0.055
(ii) The share price at 31-Mar-2015 was AU$0.065
(iii) The share price at 4-May-2015 was AU$0.073

*Vesting hurdles*

| T3 | continued service until 1 July 2015 |
| T4 | continued service until 1 July 2016 |
| PPA | Formal execution of a 300MW Sese PPA or when FQM have made a formal financial commitment to a 300MW power station at Sese |
| PPAZ | Formal execution of a PPA between the Sese JV company and ZESCO for the full output of a 300MW IPP at Sese |
| COAL | Cumulative export coal sales from any AFR coal project exceeding 100,000t |
| PQ | Formal pre-qualification of the joint bid for the 300MW tender, or the commencement of direct negotiations with the Government of Botswana for a 300MW project, or when FQM have made a formal financial commitment to a 300MW power station at Sese |
| BFS | successful completion of a bankable feasibility study on Sese Coal Project or when FQM have made a formal financial commitment to a 300MW power station at Sese |
| GEO | 100% upon sign off of Mining Reserve or when FQM have made a formal financial commitment to a 300MW power station at Sese |
| FC | Financial close of a 300MW power station whereby all conditions are satisfied by all parties and all agreements are executed, or when FQM have made a formal financial commitment to a 300MW power station at Sese |
| MMA | signing of a binding share sale agreement (SSA) or a binding joint development agreement (JDA) |
| MMA2 | unconditional completion of binding SSA or successful award of SA IPP tender to Mmamantswe |

(b) Options

First Quantum Minerals were granted 13,800,000 options on 28 November 2017 in connection with a share placement raising AU$3.8M. These options were granted for nil consideration and vested immediately. The fair value of options granted was estimated at the date of grant using a Black & Scholes model using the following assumptions: risk-free interest rate of 2.5%; no dividend yield; volatility factor of the expected market price of the Company’s shares of 90%; and a contractual life of options of three years.

Macquarie Bank were granted 36,605,900 options on 19 December 2013 in connection with a US$5M convertible loan facility. These options were granted for nil consideration and vested immediately. The fair value of options granted was estimated at the date of grant using a Black & Scholes model using the following assumptions: risk-free interest rate of 2.5%; no dividend yield; volatility factor of the expected market price of the Company’s shares of 80%; and a contractual life of options of two years.

<table>
<thead>
<tr>
<th>Macquarie Bank Limited</th>
<th>First Quantum Minerals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of options issued</td>
<td>36,605,900</td>
</tr>
<tr>
<td>Fair Value of Security at measurement date (US$)</td>
<td>867,231</td>
</tr>
<tr>
<td>Share Price at Grant Date</td>
<td>AU$0.10</td>
</tr>
<tr>
<td>Exercise Price</td>
<td>AU$0.15</td>
</tr>
<tr>
<td>Expected Volatility</td>
<td>80%</td>
</tr>
<tr>
<td>Option Life</td>
<td>1.5 years</td>
</tr>
<tr>
<td>Expected Dividends</td>
<td>Nil</td>
</tr>
<tr>
<td>Risk Free interest rate</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Granted to</th>
<th>Grant Date</th>
<th>Options Granted</th>
<th>Options Vested</th>
<th>Consideration</th>
<th>Exercise Price (AUD cents)</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macquarie Bank Limited</td>
<td>19/12/13</td>
<td>36,605,900</td>
<td>36,605,900</td>
<td>-</td>
<td>15</td>
<td>31/12/15</td>
</tr>
<tr>
<td>First Quantum Minerals</td>
<td>27/11/14</td>
<td>13,800,000</td>
<td>13,800,000</td>
<td>-</td>
<td>10</td>
<td>27/11/17</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements (continued)

(c) Shares

The Company issued 5,058,570 shares (2014: 8,128,596) to Directors and employees during the year as follows.

<table>
<thead>
<tr>
<th>Shares issued to Directors and Staff</th>
<th>Date</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>In lieu of cash salary</td>
<td>01 Oct 2014</td>
<td>1,208,064</td>
</tr>
<tr>
<td>Conversion of performance rights</td>
<td>01 Oct 2014</td>
<td>100,000</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>27 Nov 2014</td>
<td>1,277,779</td>
</tr>
<tr>
<td>Issued upon vesting of performance rights</td>
<td>27 Nov 2014</td>
<td>200,000</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>20 Feb 2015</td>
<td>272,727</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>02 Apr 2015</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Issued in year ended 30 June 2015</strong></td>
<td></td>
<td>5,058,570</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares issued to Directors and Staff</th>
<th>Date</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued upon vesting of performance rights</td>
<td>01 Jul 2013</td>
<td>833,332</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>01 Jul 2013</td>
<td>1,203,262</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>24 Oct 2013</td>
<td>1,862,679</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>19 Dec 2013</td>
<td>1,533,636</td>
</tr>
<tr>
<td>Issued upon vesting of performance rights</td>
<td>19 Dec 2013</td>
<td>300,000</td>
</tr>
<tr>
<td>Issued upon vesting of performance rights</td>
<td>24 Jan 2014</td>
<td>1,166,667</td>
</tr>
<tr>
<td>In lieu of cash salary</td>
<td>15 Apr 2014</td>
<td>1,195,686</td>
</tr>
<tr>
<td>Issued upon vesting of performance rights</td>
<td>15 Apr 2014</td>
<td>33,334</td>
</tr>
<tr>
<td><strong>Issued in year ended 30 June 2014</strong></td>
<td></td>
<td>8,128,596</td>
</tr>
</tbody>
</table>

Performance rights are valued at face value of the share on the date of issue and expensed of the expected life of the right.

(d) Expenses arising from share-based payment transactions

<table>
<thead>
<tr>
<th></th>
<th>2015 US$</th>
<th>2014 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance rights issued under AFR Performance Rights Plan</td>
<td>202,305</td>
<td>334,601</td>
</tr>
<tr>
<td>Shares issued under AFR Employee Share Plan</td>
<td>234,288</td>
<td>495,984</td>
</tr>
<tr>
<td><strong>Total to directors and staff</strong></td>
<td>436,593</td>
<td>830,585</td>
</tr>
<tr>
<td>Options granted in settlement of capital raising costs</td>
<td>189,459</td>
<td>450,987</td>
</tr>
<tr>
<td>Options granted in settlement of financing costs</td>
<td>-</td>
<td>867,231</td>
</tr>
<tr>
<td><strong>Total to financiers and investors</strong></td>
<td>189,459</td>
<td>1,318,218</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>626,052</td>
<td>2,148,803</td>
</tr>
</tbody>
</table>

24. Events occurring after the reporting period

On 2 September 2015 the Company announced an extension to 30 September 2015 of the time period to complete certain conditions precedent for the sale of Mmamantswe coal and power project.

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

25. Contingencies and Commitments

There were no contingent assets or liabilities in the Group at 30 June 2015. There were no commitments at 30 June 2015.