

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the General Meeting to be held on Thursday, 21 October 2021
at 9.30am (Western Standard Time)
at Suite 1, 245 Churchill Avenue, Subiaco, 6008, Western Australia**

Due to the ongoing COVID-19 pandemic and strict limitation on physical attendance, the Company has taken steps to ensure attendance in person is in adherence to COVID-19 protocols. If the situation in relation to COVID-19 changes in a way that affects the Company's ability to facilitate an in-person Meeting as currently proposed, the Company will provide a further update ahead of the Meeting by releasing an announcement on the ASX market announcements platform.

The Explanatory Statement contains information about the Resolutions to be considered at the Meeting. Shareholders should read the Explanatory Statement and the Prospectus, which accompanies this Notice. The Prospectus contains information in relation to Resolution 7 (proposed in specie distribution of fully paid ordinary shares in African Energy Limited).

Please complete the Proxy Form or Voting Instruction Form enclosed and return it in accordance with the instructions set out on that form.

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

This General Meeting of the Shareholders of African Energy Resources Limited will commence at **9.30am** (Western Standard Time) on **Thursday, 21 October 2021** at **Suite 1, 245 Churchill Avenue, Subiaco, Western Australia**

The Directors have set a date to determine the identity of those entitled to attend, speak and vote at the Meeting. The date is 19 October 2021 at 4.00pm (Western Standard Time).

How you will be able to vote depends on if you are a Shareholder or a Chess Depositary Interest (CDI) holder. The majority of voters will be CDI holders. Both methods are listed below:

CHESS Depositary Interests

CDI Holders are invited to attend and speak at the Meeting but are not entitled to vote at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the Voting Instruction Form (as attached to this Notice of General Meeting) as per the information below so that CHESS Depositary Nominees Pty Ltd (CDN) can vote the underlying Shares on their behalf.

Shareholders

Ordinary Shareholders may vote by attending the Meeting in person, by proxy or by authorised representative. Shareholders of the Company, entitled to attend, speak and vote are entitled to appoint one or more proxies to attend, speak and vote at this Meeting. The completion and return of a valid form of proxy will not prevent holders of ordinary Shares from attending, speaking and voting in person at the Meeting if so desired. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

Voting in Person

To vote in person you need to attend the Meeting on the date and at the place set out above.

Attendance at Meeting

All holders of Shares appearing in the Company's Register of Shareholders at 19 October 2021 at 4.00pm Western Standard Time will be entitled to attend and vote at the Meeting. Given the current COVID-19 pandemic, voters are urged to vote by completing and returning the Voting Instruction Form.

Proxy Form and CDI Voting Instruction Form

To be effective, the Proxy or Voting Instruction Form must be received by the Company no later than 9.30am Western Standard Time on 19 October 2021. You should submit your Proxy Form or Voting Instruction Form in accordance with the instructions on that form.

Your Proxy Form or Voting Instruction Form is enclosed with this Notice, depending on your holder status.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of African Energy Resources Limited will be held at Suite 1, 245 Churchill Avenue, Subiaco, Western Australia on 21 October 2021 at 9.30am (Western Standard Time), for the purpose of transacting the business set out below.

Due to the ongoing COVID-19 pandemic and strict limitation on physical attendance, the Company has taken steps to ensure attendance in person is in adherence to COVID-19 protocols. If the situation in relation to COVID-19 changes in a way that affects the Company's ability to facilitate an in-person Meeting as currently proposed, the Company will provide a further update ahead of the Meeting by releasing an announcement on the ASX market announcements platform.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholder to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

Resolution 1 – Ratification of issue of first tranche placement Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue of 63,750,000 Shares to institutional investors as a first tranche placement is approved under and for the purposes of Listing Rule 7.4 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 – Approval to issue second tranche placement Shares to Alasdair Cooke

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue up to 5,000,000 Shares to Alasdair Cooke or his nominees is approved under and for the purposes of Listing Rule 10.11 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Alasdair Cooke and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Restriction on proxy voting by key management personnel or closely related parties:

A person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the key management personnel for the Company; or
 - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the chair of the Meeting; and
- (d) the appointment expressly authorises the chair of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Where the chair is the related party the subject of the Resolution or is an associate of the related party, the chair cannot cast undirected proxies in respect of the Resolution.

Resolution 3 – Approval to issue second tranche placement Shares to Frazer Tabcart

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue up to 1,250,000 Shares to Frazer Tabcart or his nominees is approved under and for the purposes of Listing Rule 10.11 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Frazer Tabcart and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Approval to issue securities under Employee Incentive Scheme

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue of securities under the 'Employee Incentive Plan' for a period of 3 years from the Meeting is approved under and for the purposes of Listing Rule 7.2 Exception 13(b) and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is eligible to participate in the Employee Incentive Plan or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 – Approval to issue Options to Alasdair Cooke

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue up to 8,000,000 Options to Alasdair Cooke or his nominees is approved under and for the purposes of Listing Rule 10.14 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Approval to issue Options to Frazer Tabcart

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That the issue up to 8,000,000 Options to Frazer Tabcart or his nominees is approved under and for the purposes of Listing Rule 10.14 and for all other purposes, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 7 – In Specie Distribution

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of articles 181 and 186 of the Articles of Association of the Company and for all other purposes, an in specie dividend be paid to the Shareholders of the Company by way of a transfer of the shares held by the Company in African Energy Limited on the terms set out in the Explanatory Statement accompanying this Notice."

BY ORDER OF THE BOARD

A handwritten signature in black ink that reads "DM Davis". The letters are cursive and fluid.

Daniel Davis
Company Secretary
Dated: 20 September 2021

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. BACKGROUND TO RESOLUTIONS

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

The Company has undertaken a placement to fund the option expenditure commitment (of a minimum of \$750,000), which is a condition precedent to the exercise of the option.

The first tranche of the placement Shares have been issued to investors who are unrelated parties utilising the Company's Listing Rule 7.1 capacity (63,750,000 Shares and for which ratification is sought under Resolution 1). Listing Rule 10.11 approval is being sought to issue the second tranche of the placement Shares to 2 Directors who wish to participate in the placement on the same terms as unrelated parties. The 2 Directors seeking to participate are Alasdair Cooke (for which approval is being sought to issue up to 5,000,000 Shares by Resolution 2) and Frazer Tabcart (for which approval is being sought to issue up to 1,250,000 Shares by Resolution 3).

Resolution 4 seeks approval to issue securities under the Company's Employee Incentive Plan. The approval under Listing Rule 7.2 exception 13(b) will allow the Company to issue securities under the Plan to eligible participants for a period of 3 years whilst preserving the Company's placement limit in Listing Rule 7.1.

Resolutions 5 and 6 seek approval to issue incentive Options to the 2 executive Directors, Alasdair Cooke and Frazer Tabcart.

To facilitate the Company's increased focus on copper, the Company proposes to undertake a restructure so that the Coal Assets will be held by AFR Newco (an Australian unlisted public company special purpose vehicle). By Resolution 7 the Company is seeking approval to effect an in-specie distribution (Distribution) of all the AFR Newco Shares held by it on a pro-rata basis to shareholders on the Record Date.

After the Distribution, the Company will have a copper focus through its copper projects without a secondary focus on the Coal Assets. The AFR Newco Shares will be held by the Shareholders of the Company and AFR Newco will hold the Coal Assets via subsidiaries.

2. RESOLUTION 1 – RATIFICATION OF ISSUE OF FIRST TRANCHE PLACEMENT SHARES

2.1 Background

On 20 August 2021 (Issue Date) the Company issued 63,750,000 Shares at 2 cents per Share to institutional investors who are unrelated parties as a first tranche placement.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The Issue does not fit within any of these exceptions and, as it has not yet been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to the Issue under and for the purposes of Listing Rule 7.4.

If this Resolution is passed, the Issue will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Issue Date.

If this Resolution is not passed, the Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Issue Date.

2.2 Listing Rule 7.5

For Shareholders to approve the Issue under and for the purposes of Listing Rule 7.4, the following information is provided to Shareholders in accordance with Listing Rule 7.5:

- (a) The securities were issued to institutional investors (being sophisticated and professional investors) exempt from or outside the disclosure requirements under Chapter 6D of the Corporations Act. None of the subscribers is a related party of the Company.
- (b) The number of securities issued was 63,750,000 Shares issued as CDI's.
- (c) Each one CDI represents one underlying fully paid ordinary Share. The CDI's rank equally with the Company's current CDI's.

- (d) The securities were issued on 20 August 2021.
- (e) The securities were issued at 2 cents each.
- (f) The funds raised from the issue of the securities will be used to fund exploration, and therefore the option expenditure commitment, on the Queensland Project and fund general working capital.
- (g) There was no broker to the placement and the securities were not issued under a relevant agreement.

3. RESOLUTIONS 2 AND 3 – APPROVAL TO ISSUE SECOND TRANCHE PLACEMENT SHARES TO RELATED PARTIES

3.1 Background

Resolutions 2 and 3 seek Shareholder approval so that Alasdair Cooke and Frazer Tabear, who are Directors of the Company and thereby related parties, may participate in the placement on the same terms as unrelated parties the subject of Resolution 1.

Specifically, Resolution 2 seeks Shareholder approval so that the Company may issue up to 5,000,000 Shares at 2 cents per Share to Alasdair Cooke or his nominees. Resolution 3 seeks Shareholder approval so that the Company may issue up to 1,250,000 Shares at 2 cents per Share to Frazer Tabear or his nominees.

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- (a) Listing Rule 10.11.1 - a related party;
- (b) Listing Rule 10.11.2 - a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) Listing Rule 10.11.3 - a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) Listing Rule 10.11.4 - an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- (e) Listing Rule 10.11.5 - a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue falls within Listing Rule 10.11.1 (as each of Alasdair Cooke and Frazer Tabear is a Director of the Company) and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Each of Resolutions 2 and 3 seek the required Shareholder approval to the issue under and for the purposes of Listing Rule 10.11.

For each of Resolutions 2 and 3, if the Resolution is passed, the Company will be able to proceed with the issue.

For each of Resolutions 2 and 3, if the Resolution is not passed, the Company will not be able to proceed with the Issue and the Company will not raise the sum of \$125,000 the subject of these Resolutions.

3.2 Listing Rule 10.13

For Shareholders to approve the issue of the securities under and for the purposes of Listing Rule 10.11, the following information is provided to Shareholders in accordance with Listing Rule 10.13:

- (a) The securities will be issued to Alasdair Cooke or his nominees (Resolution 2) and Frazer Tabeart or his nominees (Resolution 3).
- (b) Each of Alasdair Cooke and Frazer Tabeart is a Director and is therefore a related party (Listing Rule 10.11.1).
- (c) The maximum number of securities the Company will issue is 5,000,000 Shares to Alasdair Cooke (Resolution 2) and 1,250,000 to Frazer Tabeart (Resolution 3). The Shares will be issued as CDI's.
- (d) Each one CDI represents one underlying fully paid ordinary Share. The CDI's rank equally with the Company's current CDI's.
- (e) The securities will be issued prior to the "Ex" date for the Distribution and no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (f) The securities will be issued for 2 cents per Share.
- (g) The purpose of the issue is to assist funding the option expenditure commitment on the Queensland Project and for general working capital.
- (h) The issue of the securities respectively affects Alasdair Cooke and Frazer Tabeart in their capacity as an investor and is not intended to remunerate or incentivise them.
- (i) The securities are not to be issued under a relevant agreement.

4. RESOLUTION 4 – APPROVAL TO ISSUE SECURITIES UNDER EMPLOYEE INCENTIVE SCHEME

4.1 Background

The Board adopted the Employee Incentive Plan in October 2020 and it enables the Company to issue Options or Performance Rights to eligible participants being employees (full and part-time), directors, relevant contractors, casual employees and prospective parties in these capacities.

The Employee Incentive Plan is intended to provide an opportunity to eligible participants to participate in the Company's future growth and assist with reward and retention of eligible participants.

The Employee Incentive Plan is an employee incentive scheme in accordance with the Listing Rules.

The Employee Incentive Plan is in accordance with ASIC Class Order 14/1000, as amended, which expanded the class of financial products that could be offered (ie performance or incentive rights can be issued as well as shares and options) and expanded the categories of persons who can participate (ie certain contractors and casual employees).

A summary of the Employee Incentive Plan is set out in Annexure 1.

4.2 Listing Rule 7.2 Exception 13(b)

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Although Shareholder approval is not required under the Corporations Act or the Listing Rules for the operation of the Employee Incentive Plan itself, Listing Rule 7.2 Exception 13(b) provides that an issue of securities under an employee incentive scheme (such as the Employee Incentive Plan) will not be included in calculating the Company's placement limit in Listing Rule 7.1 if it is made within 3 years after shareholders approve the issue of equity securities under the scheme as an exception to the placement limits.

By this Resolution the Company is seeking approval to issue securities under the Employee Incentive Plan for a period of 3 years from the Meeting to eligible participants who are not Directors or Listing Rule 10.14 parties, so that the issue of securities is excluded in calculating the placement limit in Listing Rule 7.1.

This will enable the Company to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval to such issues under Listing Rule 7.1.

If this Resolution is passed, the Company will be able to proceed with issues of securities under the Employee Incentive Plan for a period of 3 years from the Meeting and these issues will be excluded in calculating the Company's placement limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval.

If this Resolution is not passed, any issues of securities under the Employee Incentive Plan will be included in calculating the Company's placement limits in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval.

For Shareholders to approve the issue of securities under the Employee Incentive Plan for a period of 3 years from the Meeting, the following information is provided to Shareholders in accordance with Listing Rule 7.2 Exception 13(b):

- (a) A summary of the Employee Incentive Plan is set out in Annexure 1. Options or Performance Rights may be issued under the Employee Incentive Plan to eligible participants.
- (b) No securities have been issued to date under the Employee Incentive Plan.

- (c) The maximum number of equity securities proposed to be issued under the Employee Incentive Plan following Shareholder approval sought by this Resolution is 60,000,000 equity securities.

Any equity securities proposed to be issued under the Employee Incentive Plan to a Director or Listing Rule 10.14 party will require separate Shareholder approval under Listing Rule 10.14 of the Listing Rules.

4.3 Recommendation

The Board recommends that Shareholders approve the issue of securities under the Employee Incentive Plan as it will allow the Company to issue such securities for the benefit of eligible participants for a period of 3 years from the Meeting whilst preserving the Company's placement limit in Listing Rule 7.1 and will provide flexibility in the manner in which the Employee Incentive Plan is managed.

5. RESOLUTIONS 5 AND 6 – APPROVAL TO ISSUE OPTIONS TO DIRECTORS

5.1 General

The Board consists of Alasdair Cooke (Executive Chairman), Frazer Tabcart (Managing Director), Valentine Chitalu (Non-Executive Director), Vincent Masterton-Hume (Non-Executive Director) and John Dean (Non-Executive Director).

Resolutions 5 and 6 seek Shareholder approval so that the Company may issue Options to Alasdair Cooke and Frazer Tabcart, the executive directors under the Employee Incentive Plan.

Shareholder approval is required under Chapter 10 of the Listing Rules because Alasdair Cooke and Frazer Tabcart are Directors and therefore related parties of the Company. Shareholder approval is being sought under Listing Rule 10.14 as the securities are being issued under an employee incentive scheme (being the Employee Incentive Plan). Listing Rule 10.14 is dealt with below.

5.2 Listing Rule 10.14

By Resolutions 5 and 6, the Company is proposing to issue Options to Alasdair Cooke and Frazer Tabcart, the 2 executive directors, under the Employee Incentive Plan, which is an employee incentive scheme ("**Issue**").

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- (a) Listing Rule 10.14.1 – a director of the listed company;
- (b) Listing Rule 10.14.2 – an associate of a director of the listed company; or
- (c) Listing Rule 10.14.3 – a person whose relationship with the listed company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The Issue falls within Listing Rule 10.14.1 above and therefore requires the approval of the Company's Shareholders under Listing Rule 10.14.

Resolutions 5 and 6 seek the required Shareholder approval to the Issue under and for the purposes of Listing Rule 10.14.

In each case, if the Resolution is passed, the Company will be able to proceed with the Issue and the particular Director will be able to be issued the Options under the Employee Incentive Plan.

In each case, if the Resolution is not passed, the Company will not be able to proceed with the Issue and this incentive will not be issued to the particular Director. No other replacement incentive is currently proposed.

5.3 Listing Rule 10.15

For Shareholders to approve the issue of the Options under and for the purposes of Listing Rule 10.14, the following information is provided to Shareholders in accordance with Listing Rule 10.15:

- (a) The securities will be issued to Alasdair Cooke or his nominees (Resolution 5) and Frazer Tabcart or his nominees (Resolution 6).
- (b) Each of the persons referred to above is a Director and is a Listing Rule 10.14.1 party.
- (c) The number of securities the Company will issue is up to 8,000,000 Options to Alasdair Cooke or his nominees (Resolution 5) and up to 8,000,000 Options to Frazer Tabcart or his nominees (Resolution 6).
- (d) The current total remuneration package of each of the Directors is set out in Section 5.4(d) below.
- (e) No securities have previously been issued to the Directors the subject of Resolutions 5 and 6 under the Employee Incentive Plan.
- (f) The securities to be issued are Options with an exercise price of 5 cents and an expiry date of 31 July 2024. The full terms of the Options are set out in Annexure 2. As noted in Annexure 2, the exercise price is subject to change by reason of the Distribution. Options are being issued under the Employee Incentive Plan as the Directors consider this incentive is a cost effective and efficient reward and incentive and will preserve the cash reserves of the Company as opposed to the payment of cash compensation. The value of the Options with the disclosure of the assumptions is set out in Section 5.4(h) below.
- (g) The securities will be issued no later than 3 years after the date of the Meeting.
- (h) The Options will be issued for no consideration and there is no issue price.
- (i) The material terms of the Employee Incentive Plan are summarised in Annexure 1.
- (j) No loan will be made to any of the Directors in relation to the issue of the Options under the Employee Incentive Plan.

- (k) Details of any securities issued under the Employee Incentive Plan to Listing Rule 10.14 parties will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Employee Incentive Plan after this Resolution is approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

5.4 Additional Information

The Company is incorporated in Guernsey and is registered as a foreign company under the Australian Corporations Act. As such, the Company is not subject to the related party provisions of the Corporations Act. However, the Company provides the following additional information to Shareholders, which is similar to the style of information that Shareholders would receive if these provisions applied.

- (a) *The related party to whom the resolution would permit the financial benefit to be given*

The related parties are Alasdair Cooke (Resolution 5) and Frazer Tabear (Resolution 6).

- (b) *The nature of the financial benefit*

The nature of the financial benefit is the issue of up to:

- (i) 8,000,000 Options to Alasdair Cooke (or his nominees);
- (ii) 8,000,000 Options to Frazer Tabear (or his nominees).

The Options will have an exercise price of 5 cents and an expiry date of 31 July 2024. The full terms of the Options are set out in Annexure 2. As noted in Annexure 2, the exercise price is subject to change by reason of the Distribution.

- (c) *Reasons for giving the benefit and Directors Recommendation*

The purpose of the issue of the Options is to incentivise the 2 executive directors to provide ongoing dedicated services and provide remuneration linked to the performance of the Company. The benefit will only be received from the Options upon the Company's Share price exceeding the exercise price of the Options and thereby warranting their exercise.

Under the Company's current circumstances, the Directors consider that the incentive, represented by the issue of these Options, is a cost effective and efficient reward and incentive to be provided to the relevant Director by the Company, as opposed to alternative forms of incentive, such as the payment of cash compensation. In addition, the Directors consider it prudent to make payment by way of the Options so as to preserve the cash reserves of the Company.

The Directors independent of the particular Director in each case consider that the quantity of Options together with the terms of the Options constitutes an appropriate number to adequately incentivise the Director in question in light of that Director's

skill and experience and his current remuneration as detailed below.

The independent Directors and in each case recommend that Shareholders vote in favour of the Resolutions.

Alasdair Cooke abstains from making a recommendation to Shareholders on Resolution 5 as he has a material personal interest in the outcome as the recipient of the Options.

Frazer Tabcart abstains from making a recommendation to Shareholders on Resolution 6 as he has a material personal interest in the outcome as the recipient of the Options.

(d) *Current total remuneration package*

The current total remuneration received by Alasdair Cooke is \$85,000 per annum as executive chairman for one day per week time commitment plus a consultancy fee of \$2,000 per day for work in excess of one day per week. In the 2021 financial year Alasdair Cooke received remuneration of \$85,000 inclusive of superannuation.

The current total remuneration received by Frazer Tabcart is \$160,000 per year inclusive of superannuation.

(e) *Existing relevant interests*

After the issue of the second tranche placement Shares the subject of Resolutions 2 and 3, the Directors will have a relevant interest in securities of the Company as follows:

	Shares
Alasdair Cooke	55,003,682
Frazer Tabcart	6,024,100

(f) *Dilution*

The passing of the Resolutions would have the effect of issuing up to 16,000,000 Options to the Directors.

If any of the Options are exercised into Shares, the effect will be to dilute the shareholding of existing Shareholders. If all the 16,000,000 Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 2.26% based on the total number of Shares on issue after the second tranche of placement Shares of 692,960,630.

(g) *Trading history*

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last 12 months.

	Closing Price	Date
Highest Price	4.4 cents	6 September 2021
Lowest Price	1.6 cents	28 April 2021
Latest Price	3.8 cents	17 September 2021

(h) *Valuation of Options*

The Company has valued the Options to be issued by reference to the Black and Scholes valuation model.

The following assumptions have been made regarding the inputs required for the model:

	Input	Note
Number of Options	16,000,000	
Underlying share spot price	2.9 cents	1
Exercise Price	5 cents	2
Dividend rate	Nil	3
Risk free rate	0.0704%	4
Volatility	98%	5
Life of the Options	35 months	6
Valuation	1.4 cents	

Note 1: The underlying share spot price used for the purpose of the valuation is based on the Company's Share price of 2.9 cents on 27 August 2021.

Note 2: The exercise price is 5 cents.

Note 3: No dividends are expected to be paid during the life of the Options.

Note 4: The risk free rate is based on the Commonwealth Government 3 year Treasury bond yield of 0.0704% at 27 August 2021.

Note 5: The volatility was calculated from the Company's historical trading volatility over the last 12 months and is 98%.

Note 6: The life of the Options has been assumed to be 35 months expiring on 31 July 2024, the final date for exercise of the Options.

Based on the above assumptions, the Options have been valued as follows:

Number and Value of Options	
Alasdair Cooke	8,000,000 Options – 1.4 cents each (\$112,000)
Frazer Tabcart	8,000,000 Options – 1.4 cents each (\$112,000)

6. RESOLUTION 7 – IN SPECIE DISTRIBUTION

6.1 Timetable

The anticipated timetable for the Distribution is set out below.

Event	Date
Meeting to approve the Distribution Company notifies ASX that Shareholders have approved the Distribution	21 October 2021
Effective date of Distribution	27 October 2021
"Ex" date for the Distribution – the date on which Shares commence trading without the entitlement to participate in the Distribution	29 October 2021
Record Date for Distribution	1 November 2021
Completion of Distribution of AFR Newco Shares to Shareholders	8 November 2021
Date holding statements for AFR Newco are sent to Shareholders	8 November 2021

The timetable above (other than the date of the Meeting) is indicative only, and may be changed at the discretion of the Directors (subject to the Listing Rules) or as required by ASX.

6.2 Background information to Distribution

The Company is incorporated in Guernsey with the Articles, is registered under the Corporations Act with an ARBN and is listed on ASX.

The Company listed on ASX in April 2007 as a resource company then focused on uranium exploration.

In 2010 after discovering a coal resource in Botswana (Sese Coal Project) whilst exploring for uranium, the Company's focus shifted to coal exploration initially targeting a large coal export project and subsequently the development of a 300MW coal fired power station. In 2014 the Company entered into an incorporated joint venture in respect of the Sese Coal Project, where currently FQM holds 66.7% of the joint venture company and the Company (AFR) holds 33.3% of the joint venture company.

The Company acquired 2 additional coal exploration projects being the Mmamantswe Coal Project in 2013 and the Mmamabula West Coal Project in 2014.

Together the Sese Coal Project, the Mmamabula West Coal Project and the Mmamantswe Coal Project represent the Coal Assets.

Since August 2017, the Company has had an investment in ASX listed copper company, Caravel Minerals Limited (ASX:CVV) which is developing the Caravel Copper Project in Western Australia. The Company currently has 15,183,872 CVV Shares representing an approximate 4.5% interest in CVV.

To complement the copper exposure of the Company through its investment in CVV, the Company has implemented a strategy of increasing its exposure to, and focus upon copper and gold. The Company's current copper projects are the Queensland Project (an exclusive option to commence an earn-in to obtain up to a 70% interest in the Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project in South East Queensland), the South West WA Copper Projects (5 granted exploration licences constituting the Kondinin Project, Tarin Rock Project and Sunnyside-Mayanup Project) and the Kimberley WA Copper Project (9 exploration licence applications).

To facilitate the Company's increased focus on copper, the Company proposes to effect a restructure so that the Coal Assets will be held by an Australian unlisted public company subsidiary which is a special purpose vehicle established to hold these assets (AFR Newco).

By Resolution 7 the Company is seeking Shareholder approval to undertake an in specie distribution (Distribution) of all the AFR Newco Shares held by it on a pro-rata basis (being 1 AFR Newco Share for every 1 Share held in the Company) to Shareholders on the Record Date.

After the Distribution, the Company will have a copper focus through seeking to develop its Copper Projects and its holding of CVV Shares without a secondary focus on the Coal Assets. The Company intends to pursue its strategy of evaluating new copper opportunities.

After the Distribution, the AFR Newco Shares will be held by the Shareholders of the Company. AFR Newco will hold the Coal Assets. There is no current intention for AFR Newco to list on a financial market.

The corporate structure of the Company prior to and immediately after the Distribution is set out in Annexures 3 and 4.

6.3 Legal requirements

6.3.1 *Guernsey law*

The Company is incorporated in Guernsey with the Articles and is regulated in part by the *Companies (Guernsey) Law 2008 as amended*.

Article 181 of the Articles of the Company permit, with the sanction of the Company in general meeting, that any dividend may be paid wholly or in part by the distribution of specific assets and in particular of paid-up shares of the Company. Article 186 provides the Company may, upon the recommendation of the Board, by ordinary resolution, direct

payment of a dividend wholly or partly by the distribution of specific assets (and in particular of paid up shares of any other company) and the Directors shall give effect to such resolution.

If approved, the in specie dividend will be paid by the transfer of the shares held by AFR Newco to the Shareholders of the Company (AFR). For each 1 Share held in the Company, each Shareholder of the Company will receive 1 share in AFR Newco at no cash cost. The transfer of AFR Newco Shares will be effected pursuant to the Restructure Agreement summarised in section 6.4.1 of this Explanatory Statement.

The Board has resolved to circulate the Notice to Shareholders and, subject to the passing of the Resolution, approve the in specie dividend. The Board is satisfied that the Company, immediately after the payment of the in specie dividend (ie. The Distribution) remains solvent as it is able to pay its debts as they become due and the value of the Company's assets is greater than the value of its liabilities.

6.3.2 ***Prospectus in Australia***

An invitation to Shareholders to vote on this Resolution constitutes an offer to transfer the AFR Newco Shares to Shareholders under the Distribution. Further, the Corporations Act may restrict the Company from disposing of the AFR Newco Shares to Shareholders within 12 months of their issue, by way of the proposed Distribution, without the Company issuing a Prospectus. The Corporations Act may also restrict Shareholders from on-selling the AFR Newco Shares acquired by them within 12 months of their issue.

In order to overcome these offer and disposal restrictions, the Company has prepared the Prospectus, which accompanies this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice and the Explanatory Statement.

There is no information known by the Company that is material to the decision by Shareholders on how to vote on this Resolution other than as disclosed in the Notice and Explanatory Statement, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

6.4 **Details of the Distribution**

6.4.1 ***Restructure Agreement***

The Company and AFR Newco have entered into the Restructure Agreement. The material terms of the Restructure Agreement in relation to the Company are as follows:

- The Distribution is subject to Shareholder approval of the Resolution.
- Following Shareholder approval of the Resolution:
 - (a) the Company will transfer all the shares it holds in African Energy Holdings SRL (the Sese Coal Project joint venture company) to AFR Newco. Thereby, AFR Newco will become the holder of a 33.3% interest in the Sese Coal Project joint venture company;

- (b) the Company will effect the Distribution by issuing all the AFR Newco Shares it holds as an in specie distribution to the Shareholders of the Company, where each Shareholder will receive 1 AFR Newco Share for each 1 share held in the Company; and
- (c) The Company will transfer A\$300,000 to AFR Newco for working capital.

6.4.2 **Distribution**

After the issue of the second tranche placement Shares the subject of Resolutions 2 and 3 and prior to the Distribution, the Company will hold 692,960,630 AFR Newco Shares representing 100% of the share capital of AFR Newco.

The return of capital will be effected by a distribution of all of the AFR Newco Shares held by the Company to the Shareholders as at the Record Date on the basis of 1 AFR Newco Share for every 1 Share held in the Company.

6.4.3 **Record date**

The Record Date is 1 November 2021. Shareholders who will be entitled to receive the AFR Newco Shares under the Distribution are those Shareholders who are registered as a Shareholder as at 5.00pm (WST) on the Record Date.

6.4.4 **Rights and liabilities attaching to the AFR Newco Shares**

Details of the rights and liabilities attaching to the AFR Newco Shares are detailed in the constitution of AFR Newco and, in certain circumstances, are regulated by the Corporations Act. A summary of the rights and liabilities attaching to the AFR Newco Shares is set out in section 6.10.6 of this Explanatory Statement.

6.4.5 **Taxation issues**

There are taxation consequences following the Distribution to Shareholders. Details of the general taxation issues are set out in section 6.11 of this Explanatory Statement.

6.5 **Effect of the Distribution on the Company**

6.5.1 **Capital structure**

The capital structure of the Company after the issue of the second tranche placement Shares (Resolutions 2 and 3) and the incentive Options (Resolutions 5 and 6) and prior to the Distribution will be:

Shares	692,960,630
Options	40,000,000

The Distribution of the AFR Newco Shares will not affect the number of Shares in the Company, which will not change. The rights attaching to the Shares in the Company will also not be altered by the Distribution.

The 40,000,000 Options referred to above do not include 31,124,532 Options which have been issued to ALS (Hong Kong) Limited as a remuneration incentive under a consultancy agreement. These will be cancelled by agreement prior to the Distribution.

6.5.2 Reduction in the share capital of the Company

The Distribution should have the effect of reducing the issued share capital of the Company by approximately US\$6,993,637 based on the 31 December 2020 consolidated statement of financial position.

The pro-forma statement of financial position of the Company following the Distribution is set out in Annexure 5.

6.6 Future of the Company if the Distribution is approved

Following the completion of the Distribution, the Company will continue to have a copper focus without having an interest in the Coal Assets. The Company intends to seek to develop its Copper Projects and pursue its strategy of evaluating new copper opportunities.

There are no changes proposed to the Board as a result of the Distribution.

A summary of the Copper Projects is set out below.

Queensland Project

The Company announced obtaining rights to the Queensland Project in its announcement of 18 August 2021 which also addresses the prospectivity of this Project

The Queensland Project contains a JORC Code Inferred Mineral Resource of 143Mt @ 0.29% copper at a 0.2% cut-off grade and is close to major infrastructure including Gladstone deep-water port, 50km to the east.

Undrilled porphyry copper mineralisation is visible at surface within a 2km geochemical anomaly surrounding the Inferred Mineral Resource, indicating excellent potential to substantially increase the size of the resource with further exploration drilling. Higher grade mineralisation, identified in volcanic sediments surrounding the intrusive core and in internal quartz rich bodies, indicate potential to increase the grade of the deposit with further exploration drilling.

South West WA Copper Projects

The South West WA Copper Projects consist of 5 exploration licences over 3 project areas which are considered prospective for large porphyry-style Cu-Au deposits or intrusion related orogenic Au deposits. Preliminary evaluation of open file data indicates very limited historical exploration has been undertaken in these areas. See the Company's announcement of 11 May 2021.

Noongar Aboriginal Heritage Agreements have been executed over the 5 exploration licences.

Roadside soil sampling and geological mapping of the Sunnyside and Mayanup projects will commence shortly.

Initial field reconnaissance of the Tarin Rock and Kondinin project areas will be undertaken to evaluate the geochemical sampling medium and to assist with planning follow up sampling.

Kimberley WA Copper Project

As announced on 20 August 2021, the Company has submitted 9 exploration licence applications in the East Kimberley of Western Australia covering 2 Project areas, the Cambridge Gulf Project and the Menuair Dome Project. These Projects are prospective for copper but are subject to grant and land access agreements with the traditional owners.

The information in this Explanatory Statement that relates to Exploration Results or Mineral Resources for the Queensland Project and South West WA Copper Projects is based on information compiled by Dr Frazer Tabearat (an employee of African Energy Resources Limited), a Competent Person who is a member of the Australian Institute of Geoscientists. Dr Tabearat has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Dr Tabearat consents to the inclusion in this Explanatory Statement of the matters based on his information in the form and context in which it appears.

6.7 Future of the Company if the Distribution is not approved

In the event that Shareholders do not approve the Distribution, the Company will retain ownership of the Coal Assets. In this case, the Company will look to divest or sell down its interest in the Coal Assets while continuing to focus on its Copper Projects and pursuing its strategy of evaluating new copper opportunities.

There are no changes proposed to the Board if Shareholders do not approve the Distribution.

A summary of the Copper Projects is set out in section 6.6 above.

6.8 Directors' recommendations

The Directors unanimously recommend the approval of this Resolution. In forming their unanimous recommendation the Directors have considered the following matters:

6.8.1 *Potential advantages to Shareholders as a whole*

- (a) Shareholders will participate directly in the ownership of AFR Newco. AFR Newco will hold the Coal Assets via subsidiaries.
- (b) AFR Newco will have a primary focus on the Coal Assets and this will be unaffected by the other projects of AFR.
- (c) Shareholders will retain their current Shareholding in AFR, which will pursue its copper focus without a secondary focus on the Coal Assets.

6.8.2 **Potential disadvantages to Shareholders as a whole**

- (a) There is no guarantee that the Company's Shares or AFR Newco Shares will increase in value following the Distribution. It is possible that the collective value of Shareholder interests in the Company's Shares and the AFR Newco Shares will decrease.
- (b) Shareholders will hold AFR Newco Shares, which are not listed on any recognised financial market and will be an illiquid investment in the Coal Assets. It may be difficult for Shareholders to transfer or otherwise deal in that investment or realise the full value for that investment.
- (c) Shareholders may incur additional transaction costs if they wish to dispose of their AFR Newco Shares.
- (d) There may be taxation consequences for Shareholders following the Distribution. Details of the general taxation issues are set out in section 6.11 of this Explanatory Statement.
- (e) Although AFR Newco will provide shareholder updates, it will not be subject to ASX continuous disclosure rules.

Having regard to each of these matters, the Directors consider that, on balance, the Distribution to Shareholders is in the best interests of Shareholders as a whole.

6.9 **Directors' interests**

After the issue of the second tranche placement Shares the subject of Resolutions 2 and 3, the Directors (and their respective associates) will have a relevant interest in the Shares of the Company as set out in the table below. Interests include those held directly and indirectly. The table also shows the number of AFR Newco Shares that Directors may have an interest in if the Distribution is approved.

Director	Shares in Company	AFR Newco Shares to be received under Distribution¹
Alasdair Cooke ²	55,003,682	55,003,682
Frazer Tabcart ²	6,024,100	6,024,100
Vincent Masterton-Hume	4,157,606	4,157,606
Valentine Chitalu	2,251,425	2,251,425
John Dean	-	-

Notes:

- 1. Assumes a Distribution ratio of 1 AFR Newco Share for every 1 Share held at the Record Date.
- 2. It is proposed by this Notice that Alasdair Cooke be issued 8,000,000 Options (Resolution 5) and Frazer Tabcart be issued 8,000,000 Options (Resolution 6).

No Director will receive any payment or benefit of any kind as a result of the Distribution other than as Shareholders of the Company. To the extent that the Directors hold Shares, they will be treated on the same basis as other Shareholders in respect of the Distribution.

Valentine Chitalu, Frazer Tabcart and Alasdair Cooke are also directors of AFR Newco and will be paid directors fees in AFR Newco of \$3,000 per annum.

6.10 Information about AFR Newco

6.10.1 *AFR Newco overview*

AFR Newco is an unlisted Australian public company. There is no current intention for AFR Newco to seek to list on a financial market.

AFR Newco will hold the Coal Assets via subsidiaries. AFR Newco will have cash of A\$300,000.

Information on the Coal Assets is set out below.

Each of the projects constituting the Coal Assets feature JORC Code Resources as set out in the Statement of Mineral Resources below.

Sese Coal Project

The Sese Coal Project is a coal and power station joint venture project in Botswana targeting the development of a 300MW coal fired power station. The Project consists of 1 granted mining licence and 3 granted prospecting licences (see Tenement Schedule below).

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

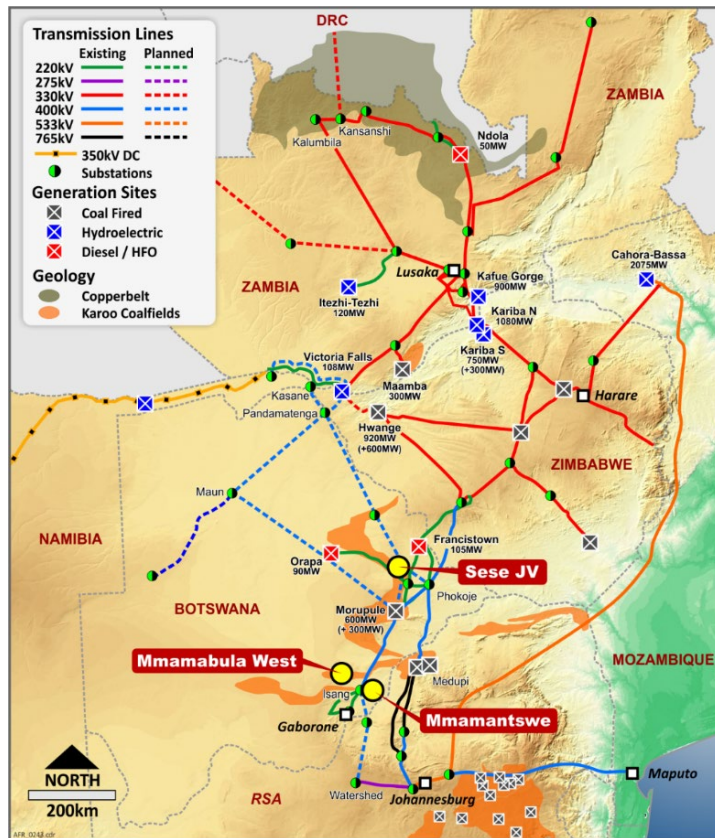


Figure 1. Location of African Energy’s Botswana coal and power projects and the existing and planned regional transmission interconnectors

Key regional power markets in Zambia, Botswana, Zimbabwe and South Africa are of relevance to Sese Coal Project. As reported in 2019, all 4 countries are experiencing domestic supply constraints for a variety of reasons, providing a market for new energy projects.

In previous years, surplus power from South Africa was available as low-cost imports to shore-up deficits in neighbouring countries. South Africa’s current supply side concerns, causing widespread and well-publicised unscheduled power cuts, mean this is no longer the case except on an emergency, high-cost basis. The result is widespread load shedding throughout the region, with power cuts ranging from 4 to 18 hours per day, along with continued upward pressure on power tariffs. This provides opportunities for a commercialised energy project to offer reliable and affordable power sales to affected utilities.

Shareholders Agreement

In 2014 AFR entered into a shareholders agreement with FQM in respect of African Energy Holdings SRL, a joint venture company. This joint venture company by subsidiaries holds the licences and assets constituting the Sese Coal Project.

FQM has spent approximately A\$17 million to earn its current 66.7% interest in the joint venture company (and thereby the Sese Coal Project). AFR currently has a 33.3% interest in the joint venture company. FQM, AFR and AFR Newco have entered into a deed of assignment and assumption by which AFR will assign its 33.3% interest in the joint venture

company to AFR Newco and AFR Newco agrees to be bound as a party to the shareholders agreement (as amended) with FQM. Thereby the continuing parties in the joint venture company will be FQM (with a current 66.7% interest) and AFR Newco (with a current 33.3% interest). The assignment of AFR's interest to AFR Newco is conditional upon the Shareholders passing the Resolution under this Notice.

FQM is the manager of the Sese Coal Project and is responsible for its operations. The board of the joint venture company is controlled by FQM as the majority shareholder with the minority shareholder having board representation. A number of matters require a special majority resolution of shareholders (more than 75% of votes) including entering into a related party agreement in excess of A\$500,000, disposal of a material part of business in excess of A\$500,000, a variation of shareholder rights, an alteration of share capital and any variation of a management agreement or entry into a new management agreement. Otherwise, all decisions of shareholders are by simple majority vote. There are pre-emptive rights between shareholders in the event a shareholder wishes to transfer shares.

FQM still has earn-in obligations where if it spends approximately A\$1 million, it will increase its shareholding in the joint venture company to 75% with AFR Newco (as the new shareholder) having its shareholding reduced from 33.3% to 25%. Thereafter, FQM as manager is responsible for arranging of project finance and where shareholder loans finance the project, AFR Newco (as the assignee of AFR's shareholder interest) will be loan carried (for its then 25% interest).

The shareholders agreement is otherwise on standard style commercial terms between shareholders of a commercial joint venture company.

The Sese joint venture company shareholders have completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design along with power station fuel specification development and coal combustion tests have determined that Sese coal is a suitable fuel for all common power station boiler technologies and can readily meet the required air quality and emissions standards set in the environmental approvals for the project.

These studies have also established the operating costs, capital costs and a robust financial model for the development of a power project in staged 225MW to 300MW increments. Assessment of the associated coal mine and coal processing facilities have demonstrated that power from Sese could be delivered to the Zambian Copperbelt where FQML operates a large copper mining and smelting business and to other large power consumers in the region.

The project has secured the majority of licences, permits and stakeholder approvals that are required for such an operation, including:

- In 2020, the Botswana Energy Regulatory Authority issued an electricity generation licence (“Generation Licence”) for the proposed 300MW Sese Coal and Power Project.
- The Generation Licence allows the Sese Power Project to export and sell 225MW of power for 15 years to the Zambian subsidiaries of FQML, Zimasco (Pvt) Limited in Zimbabwe and residual/surplus power to members of the Southern African Power Pool.
- The Generation Licence can be increased to 300MW upon written application as per the Botswana Electricity Regulatory Authority Act.
- A large-scale mining licence has been granted for an initial period of 25-years over an area of ~51 km² which contains 650Mt of coal.
- Environmental approval for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- Land Rights and an associated 50-year Land Lease Agreement.
- A Water Supply Agreement relating to extraction rights from Shashe Dam, and
- A Development Approval Order which sets the fiscal framework for the project, including a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate on power generation.

The Sese joint venture company has key licenses and permits required to develop an integrated coal and power project in Botswana. The main remaining commercial documents required for the project include Grid Connection, Transmission, and Use of System agreements with the power utilities in Botswana, Zimbabwe and Zambia.

Mmamabula West Coal Project

The 2,935Mt Mmamabula West Coal Project consists of 1 granted prospecting licence (see Tenement Schedule below) and contains high quality coal in two 4m to 6m thick seams (A-Seam and K-Seam) which are 100-150m below surface and are amenable to conventional underground mining. The project is situated 65km west of the main railway line in Botswana which provides access to local and regional coal markets (Figure 2).

A prefeasibility study on the extraction of the high-quality lower A-Seam was completed for the project in 2014 and determined that conventional underground mining could produce a variety of products for coal export or power generation at highly competitive prices, and that this coal could be readily trucked to a rail loading station on the main Botswana railway line. African Energy has developed coal specifications for several different coal products, including high quality export coals and coal suitable for use in South African power stations.

PL56/2005 (Mmamabula West Prospecting Licence) is valid until 30 September 2022.

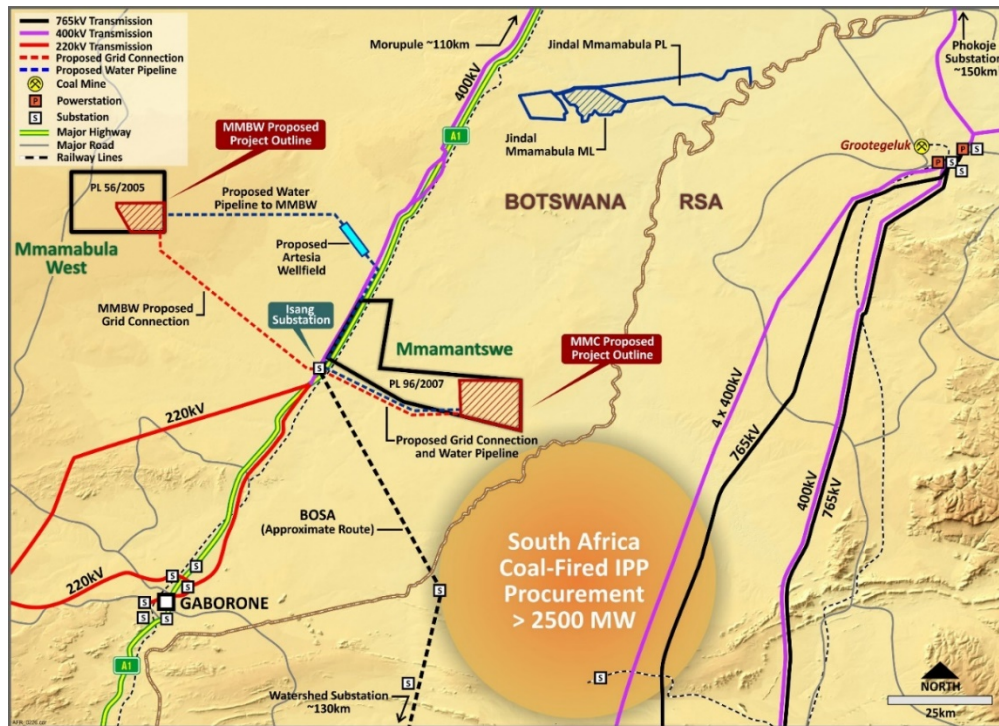


Figure 2: Location of the Mmamabula West and Mmamantswe coal projects with respect to key infrastructure elements in Botswana and northern South Africa.

AFR Newco intends to:

Undertake a review the Life-of-Mine (LOM) schedule and reserve statement for the A-Seam based on the current resource statement.

Update the mining prefeasibility study to reflect a coal specification to meet Eskom power station requirements, a revised LOM mining schedule and current capital and operating cost estimates.

Continue negotiations with potential South African BEE partners seeking to invest in the project.

Finalise the Environmental and Social Impact Assessment submission for an integrated coal mine and power station of up to 600MW

Mmamantswe Coal Project

Mmamantswe Coal Project consists of 1 granted prospecting licence which contains 1.24Bt of thermal coal close to the South African border. Several studies on coal preparation and power station design were completed by the previous project owner, including grid integration studies for power sales into the South African grid. These studies indicated that the coal quality and coal geometry is suitable for the development of a mine-mouth power station and integrated coal mine but requires a large off-taker for ~600MW to be viable. The project is only 20km from the South African border and is close to the regional power transmission grid and planned grid expansions into South Africa (refer to Figure 2).

The Botswana Department of Mines issued a 3-year extension of the Mmamantswe Prospecting Licence PL69/2007 in March 2019. The licence is valid until 31 December 2021.

AFR Newco may elect to apply for an extension to PL69/2007 in advance of the licence expiry. The directors of AFR Newco have advised that they will assess the costs and benefits of extending the prospecting licence and there is no guarantee of an extension being sought by AFR Newco and, if sought whether the extension will be successful. If not extended, the Coal Assets for AFR Newco will then be limited to the Sese Coal Project and the Mmamabula West Coal Project.

Tenement Schedule of Coal Assets

Tenement Name	Tenement Holder	Licence Number	Equity	Area (sq km)	Date Granted	Current Expiry Date
Sese ML	Sese Power Subsidiary (Pty) Ltd	ML2016/42L	33.3%	51	22-Mar-17	31-Jan-42
Sese	African Energy Resources Botswana (Pty) Ltd	PL 96/2005	33.3%	95	26-Jul-05	30-Sep-21
Sese West	African Energy Resources Botswana (Pty) Ltd	PL197/2007	33.3%	131	01-Oct-07	30-Sep-21
Foley North (Sese)	African Energy Resources Botswana (Pty) Ltd	PL004/2013	33.3%	774	01-Jan-13	30 Sep-23
Mmamantswe	Mmamantswe Coal (Pty) Ltd	PL069/2007	100%	453	01-Jul-12	31-Dec 21
Mmamabula West	Phokoje Power (Pty) Ltd	PL56/2005	100%	293	01-July-05	30-Sep-22

Statement of Mineral Resources

Sese JV Project (AFR 33.3%, FQML 66.7%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Bk-C)	325 Mt	17.6	4,200	30.1	7.9	20.6	41.5	2.1
MEASURED (Bk-B)	304 Mt	16.0	3,820	34.8	7.4	20.3	37.6	1.6
INDICATED	1,663 Mt	15.4	3,700	38.4	6.8	18.7	34.1	2.0
INFERRED	126 Mt	14.2	3,400	41.4	6.4	18.8	31.2	2.2
TOTAL	2,418 Mt							

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

Mmamabula West Project (AFR 100%): Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	17 Mt	22.2	5,300	19.6	7.3	24.8	48.2	1.6
INDICATED	1,061 Mt	20.4	4,875	24.4	6.1	26.5	43.1	1.5
INFERRED	1,858 Mt	20.3	4,850	24.7	5.8	26.2	43.4	1.6
TOTAL	2,935 Mt							

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

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

The Coal Resource estimates in the table above for the Mmamantswe Project were prepared and first disclosed in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004. This information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this Explanatory Statement that relates to the Mineral Resources for the Mmamantswe Project is based on information compiled by Dr Frazer Tabearth (an employee of African Energy Resources Limited) who is a Member of the Australian Institute of Geoscientists. Dr Tabearth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a

Competent Person as defined in the 2004 edition of the JORC Code. Dr Tabcart consents to the inclusion in this Explanatory Statement of the information in the form and context in which it appears.

The Coal Resource estimates in the table above for each of Sese JV Project, Sese West Project and Mmamabula West Project have been previously reported in accordance with JORC 2012. The relevant market announcements for these Projects reporting in accordance with JORC 2012 are 31 January 2019 for the Sese JV Project, 11 May 2020 for the Sese West Project and 11 October 2019 for the Mmamabula West Project.

The Company is not aware of any new information or data that materially affects the information included in these relevant market announcements and all material assumptions and technical parameters underpinning the estimates in these relevant market announcements continue to apply and have not materially changed.

6.10.2 Risk factors

On completion of the Distribution, Shareholders of the Company will become shareholders in AFR Newco and should be aware of the general and specific risk factors, which may affect AFR Newco and the value of its securities.

The following is a non-exhaustive list of the risks that may have a material effect on the financial position and performance of AFR Newco and the value of its securities.

The specific risks relate to AFR Newco being an unlisted public company with limited initial funding and risks associated with its Coal Assets in Botswana.

Specific risks – liquidity and limited initial funding

(a) **Liquidity of shares**

AFR Newco is an unlisted Australian public company. Following the Distribution, Shareholders will hold shares which are not listed on any securities exchange. There is no current intention for AFR Newco to seek to list on a financial market. This means Shareholders will have an illiquid investment in an asset (unlisted AFR Newco Shares) and it may be difficult for Shareholders to transfer or otherwise deal in that investment or realise full value for that investment whilst the AFR Newco Shares remain unlisted. There can be no assurance that an active market for AFR Newco Shares will be achieved or sustained. Holders of AFR Newco Shares may be unable to sell their investment on satisfactory terms or at all.

(b) **Future capital needs and funding**

AFR Newco has limited working capital and may be required to raise additional equity and/or debt capital to finance its future activities. In the event of requiring further capital, AFR Newco's ability to raise further capital within an acceptable time, of a sufficient amount and on terms acceptable to it will vary according to a number of factors, including prospectivity of projects (existing and future), market and industry conditions and the price of relevant commodities (such as coal) and exchange rates. No assurance can be given that future funding will be available to AFR Newco on favourable terms (or at all). If adequate funds are not available on acceptable terms AFR Newco may not be able to develop its projects and may impact upon the ability of the AFR Newco to continue as a going concern.

AFR Newco is a minority shareholder in the Sese Coal Project joint venture company and where shareholder loans finance the project, AFR Newco (as the assignee of AFR's shareholder interest) will be loan carried.

Specific risks – Coal Assets

(c) **Sese Coal Project joint venture risk**

AFR Newco will be a shareholder in the Sese Coal Project joint venture company with a current 33.3% interest in the company. FQM has a 66.7% interest and is manager. The rights of the parties as shareholders are governed by a shareholders agreement summarised in section 1.10.1 of this Explanatory Statement.

AFR Newco will be a minority shareholder and the success of the joint venture company will be reliant in part on the ability of FQM as manager and AFR Newco and FQM working effectively together and without dispute.

(d) **Water**

Power projects and the associated mining activities require considerable volumes of water. Although a suitable water source has been identified for each of the Coal Assets, these water sources will only remain sustainable if recharge of the water resource is achieved over the operational life of each project. Technical modelling of the recharge rates indicate adequate water supply, but these models are by their nature only an estimate of future recharge rates and may not necessarily provide reliable information, and may have to be recalculated in the future. The cost of accessing water is a risk.

(e) **Infrastructure Risk**

The Coal Asset projects occur within 20 kms to 60kms of existing road, rail, water and power infrastructure. In each case a connection to the appropriate regional infrastructure will be required and there is always the risk of failure of this connecting infrastructure or of the primary infrastructure itself.

(f) **Exploration and Development Risks of Coal**

In relation to the coal projects, coal exploration and development is by its nature a high risk undertaking. There is no assurance that AFR Newco's activities on these projects will result in a commercially viable operation.

(g) **Title**

Botswana has a reliable mineral tenure system which is managed through the Mines and Minerals Act 1999. The core prospecting licences covering coal at the Company's Coal Asset projects have been renewed. However, there is no guarantee that future extension applications will be granted.

(h) **Coal Price**

The Sese Coal Project and Mmamantswe Coal Project are being developed predominantly as integrated power projects and therefore are not directly exposed to export coal prices. The Mmamabula West Coal Project was acquired for its export coal potential. If developed, this project depends on, amongst other factors, the coal price being sustained at a level which allows the project to remain financially viable. The international coal price can be highly volatile and depends upon a number of factors outside the control of AFR Newco and represents a risk to any coal export project.

(i) **Botswana Sovereign Risk**

Botswana is a representative democratic republic that has been independent from the United Kingdom since 1966. The political situation since independence has been stable and Botswana has a legal system based on British law.

However, sovereign risk exists as uncertainties may arise from matters such as corruption, civil strife and poor infrastructure.

(j) **Foreign Exchange Rate Risk**

Any revenue received by AFR Newco would likely be derived in Botswana Pula (BWP) or US dollars (USD) from the sale of electricity or US dollars (USD) from the sale of coal. AFR Newco's operating expenses would be incurred principally in Botswana Pula. Therefore, USD reported revenue will be directly impacted by movements in the BWP/USD exchange rates. Movements in the BWP/USD exchange rate and/or the USD coal price or BWP electricity price may adversely or beneficially affect AFR Newco's results or operations and cash flows.

(k) **Environmental**

AFR Newco Projects are subject to various government laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. Development of AFR Newco Projects is dependent on AFR Newco satisfying environmental guidelines and, where required, being approved by government authorities.

(l) **Legal proceedings**

Legal proceedings may arise from time to time in the course of AFR Newco's business. As at the date of this Notice, there are no material legal proceedings affecting AFR Newco or the Coal Assets.

General investment risks

(m) **Covid-19 Pandemic Risk**

The COVID-19 pandemic has adversely affected many aspects of the global economy and impacted the ability of many businesses and governments to operate.

Various governments have imposed restrictions on the movement of people and goods as a measure to seek to slow and contain the spread of the COVID-19 virus. Social distancing measures have been implemented. Various stages of restriction such as lockdowns may be implemented.

Development of the Coal Asset Projects may be delayed or curtailed as a result of the COVID-19 pandemic or measures to contain it.

(n) **Economic risk**

Changes in both Australia and Botswana and world economic conditions may adversely affect the financial performance of AFR Newco. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

(o) **Legislative**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies in Australia and Botswana may adversely affect the financial performance of AFR Newco.

6.10.3 **Board of directors of AFR Newco**

The board of directors of AFR Newco consists of Alasdair Cooke, Frazer Tabcart and Valentine Chitalu. Profiles of these directors are set out below.

Alasdair Cooke

Mr Cooke has over 30 years' experience in the resource exploration and mining industry throughout Australia and internationally, initially as part of BHP Minerals Business Development Group and with the last twenty years managing public resource companies as part of the Mitchell River Group. Mitchell River Group has been responsible for a number of successful mining operations and resource companies including Exco Resources Ltd, Albidon, Panoramic Resources, Caravel Minerals and Mirabela Nickel Ltd.

Mr Cooke holds a first-class honours degree in Geology and a bachelor's degree in Science from the University of Western Australia and is a member of the Australian Institute of Geoscientists.

Frazer Tabcart

Dr Tabcart has more than 30 years experience in the international resources industry in both exploration and mining projects covering coal, uranium, nickel, copper and gold across five continents.

Since 2005 Dr Tabcart has worked for African Energy developing projects in Zambia and Botswana, prior to which he was a Principal Geoscientist at Western Mining Corporation where he held various positions over the previous 16 years.

He is Managing Director of copper and gold focussed PolarX Limited, which has exploration projects in Alaska and Nevada.

Dr Tabcart has a first-class honours degree and PhD from the Royal School of Mines in London and is also a member of the Australian Institute of Geoscientists and the Society of Economic Geologists.

Valentine Chitalu

Mr Chitalu has had both an international and local career over a period of twenty years in the fields of private equity, privatisation, merchant banking, corporate finance, accounting, auditing, development economics, capital markets and business/private sector development in transitional economies. He has a significant interest in private sector development in southern Africa and is extensively networked in the region.

Mr Chitalu 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 Master's Degree in Economics, Finance and Politics of Development from Cambridge University as well as a Bachelor's Degree in Accounting and Finance from the University of Zambia.

6.10.4 **Financial information**

The statement of financial position for AFR Newco at 31 May 2021 is set out in Annexure 6.

6.10.5 **Shareholder structure of AFR Newco**

Following the Distribution, Shareholders will hold 100% of AFR Newco in the same proportions as each Shareholder's interest in the Company at the Record Date.

6.10.6 **Rights attaching to AFR Newco Shares**

The AFR Newco Shares to be transferred to Shareholders under the Distribution will be fully paid and rank equally with each other. A summary of the rights attaching to the AFR Newco Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of the AFR Newco shareholders. Full details of the rights attaching to the AFR Newco Shares are set out in AFR Newco's constitution, a copy of which is available on request.

Voting Rights

Subject to any rights or restrictions from the time being attached to a class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per share on a poll. Voting may be in person or by proxy, attorney or representative.

Dividends

The profits of the company which the board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the board resolves to pay a dividend in proportion to the amount for the time being paid (including amounts credited) on a share bears to the total amount paid or payable (including amounts credited). All shares currently on issue are fully paid shares and at present there are no special rights attached to any share issues. The directors are not anticipating paying dividends at this stage of the company's (AFR Newco's) development.

Future issues of securities

Subject to the Corporations Act and any other regulatory requirements, the directors may issue or otherwise dispose of unissued shares in the company at the times and on the terms that the directors think proper and a share may be issued with preferential or special rights.

Meetings and notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution or the Corporations Act. Shareholders may requisition meetings in accordance with the Corporations Act.

Election of directors

There must be a minimum of 3 directors. At every annual general meeting one third of the directors (rounded down to the nearest whole number) must retire from office. The managing director is excluded from the rotation requirements.

6.11 Taxation

6.11.1 For Shareholders

The following is a general summary of the potential tax consequences of the capital reduction to Shareholders as at the date of this Explanatory Statement and applies only to Shareholders who are residents of Australia for tax purposes. The Company recommends that all Shareholders obtain their own independent taxation advice in relation to the impact of this Resolution on their individual circumstances.

The summary shows the likely tax outcomes for Shareholders who hold their Shares on capital account. The taxation position for share traders, dealers or other Shareholders holding their Shares on revenue account is not dealt with in this section and those Shareholders should obtain their own independent taxation advice to consider the impact of this Resolution.

This general guide does not extend to Shareholders who do not elect to apply the de-merger relief referred to below. Such Shareholders should obtain their own independent taxation advice to consider the tax implications of the transactions envisaged under this Resolution.

Shareholders may be entitled to both capital gains tax (CGT) relief under Division 125 of Part 3-3 of the Income Tax Assessment Act 1997 and dividend relief under sub-section 44(4) of the Income Tax Assessment Act 1936.

CGT Relief

CGT relief is available to Shareholders who individually make a choice that the CGT relief provisions apply in a de-merger restructuring involving a distribution in specie of shares held by a head entity (the Company) in a de-merger subsidiary (AFR Newco).

The form of the CGT relief is to entitle Shareholders to disregard any capital gain or capital loss that may otherwise arise under the de-merger restructuring.

Shareholders, irrespective of whether they have elected to claim the CGT relief or not, will be required to make adjustments so as to spread their CGT cost base (and reduced cost base, where applicable) of Company Shares over both the Company and AFR Newco Shares held after the de-merger.

Dividend relief

Dividend relief applies to a de-merger dividend that would otherwise have been an assessable dividend under section 44(1) of the Income Tax Assessment Act 1936.

The form of this dividend relief is to ensure the de-merger dividend is neither assessable income nor exempt income. It follows that should any part of the distribution in specie be considered an ordinary dividend, then that amount will not be assessable income in the hands of the Shareholder.

Integrity rules

In circumstances where Shareholders are in receipt of a de-merger benefit under a scheme, the purpose of which (dominant or otherwise, but excluding incidental purposes) is to provide a tax benefit, then an otherwise non-assessable de-merger dividend will become an assessable dividend.

This is an integrity measure which the Company does not believe should have application to the transaction the subject of the Resolution. Whilst the Company could obtain a Class Ruling from the Commissioner of Taxation confirming that it will not make an adverse determination under the integrity rules, the Company is not proposing to do so.

6.11.2 For the Company

On the basis that the de-merger relief provisions apply, the Company is entitled to disregard any capital gain it would otherwise have made from the disposal of the AFR Newco Shares pursuant to the distribution to Shareholders.

6.12 Other material information

There is no information material to the making of a decision by a Shareholder in the Company whether or not to approve this Resolution (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders in the Company) other than as disclosed in this Explanatory Statement and all relevant Annexures.

AFRICAN ENERGY RESOURCES LIMITED
ARBN 123 316 781

GLOSSARY

In this Explanatory Statement, the following expressions have the following meanings:

"AFR Newco Constitution" means the constitution of AFR Newco.

"AFR Newco" means African Energy Limited (ACN 650 431 226), a company incorporated under the laws of Australia.

"AFR Newco Share" means a fully paid ordinary share in the capital of AFR Newco.

"Articles" means the Articles of Association of the Company as amended from time to time.

"ASX" means the ASX Limited (ACN 008 624 691).

"ASX Listing Rules" or **"Listing Rules"** means the listing rules of the ASX.

"Board" means the Board of Directors of the Company.

"Business Day" has the same meaning as in the Listing Rules.

"CDI" means a CHESS Depository Interest representing a unit of beneficial ownership in the Shares registered in the name of CHESS Depository Nominees Pty Ltd.

"Coal Assets" means the Sese Coal Project, Mmamabula West Coal Project and the Mmamantswe Coal Project.

"Company" or **"AFR"** means African Energy Resources Limited (ARBN 123 316 781).

"Copper Projects" means the Queensland Project, South West WA Copper Projects and the Kimberley WA Copper Project;

"Corporations Act" means Corporations Act 2001 (Cth) of Australia.

"CVV" means Caravel Minerals Limited (ACN 120 069 089) a company incorporated under the Laws of Australia.

"CVV Share" means a fully paid ordinary share in the capital of CVV.

"Directors" means the Directors of the Company from time to time.

"Distribution" means the in specie distribution by the Company to Shareholders on a pro-rata basis of 692,960,630 AFR Newco Shares.

"Employee Incentive Plan" means the African Energy Resources Employee Incentive Plan, with the terms summarised in Annexure 1.

"equity securities" has the same meaning as in the Listing Rules.

"Explanatory Statement" means this explanatory statement.

"FQM" means First Quantum Minerals Ltd, a company incorporated in British Columbia.

"General Meeting" or **"Meeting"** means this Meeting.

"JORC Code" means the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

"Kimberley WA Copper Project" means the 9 exploration licence applications in the East Kimberley of Western Australia, the subject of the 20 August 2021 announcement.

"Mmamantswe Coal Project" means the Mmamantswe coal and power project in Botswana to be held by AFR Newco as to 100% post-Distribution.

"Mmamabula West Coal Project" means the Mmamabula West coal project in Botswana to be held by AFR Newco as to 100% post-Distribution.

"Notice" or **"Notice of Meeting"** means the notice of meeting that accompanies this Explanatory Statement.

"Option" means an option to subscribe for a Share.

"Performance Right" means a right to acquire a Share subject to the satisfaction of applicable vesting conditions.

"Prospectus" means the prospectus issued by the Company in relation to the AFR Newco Shares proposed to be distributed in specie to Shareholders of the Company and which accompanies this Notice.

"Queensland Project" means the Briggs, Mannersley and Fig Tree Hill Porphyry Copper Project in South East Queensland, the subject of the 18 August 2021 announcement.

"Record Date" means 1 November 2021.

"Resolution" means a resolution contained in the Notice.

"Restructure Agreement" means the restructure agreement between the Company and AFR Newco dated 6 August 2021.

"Sese Coal Project" means the Sese coal and power joint venture project in Botswana.

"Share" means a fully paid ordinary Share in the capital of the Company, and where the context requires, a CDI.

"Shareholder" means a registered holder of a Share in the Company.

"South West WA Copper Projects" means the 5 granted exploration licences in Western Australia constituting the Kondinin Project, Tarin Rock Project and Sunnyside-Mayanup Project, the subject of the 11 May 2021 announcement.

"WST" or **"Western Standard Time"** means Western Standard Time, Perth, Western Australia.

"\$A" means Australian dollars.

"\$US" means United States dollars.

ANNEXURE 1

TERMS OF EMPLOYEE INCENTIVE PLAN (RESOLUTION 4)

- 1. Purpose** The purpose of the Employee Incentive Plan is to provide an incentive for eligible participants to participate in the future growth of the Company and to offer Options or Performance Rights to assist with reward, retention, motivation and recruitment of eligible participants.
- 2. Eligible Participants** Eligible participants are a full or part-time employee, or a director of the Company or a subsidiary, relevant contractors and casual employees and prospective parties in these capacities ("Eligible Participants").
- 3. Offers** Subject to any necessary Shareholder approval, the Board may offer Options or Performance Rights to Eligible Participants for nil consideration.
- 4. Expiry Date** The expiry date of any Options or Performance Rights will be determined by the Board.
- 5. Vesting Conditions and Lapse** An Option or Performance Right may only be exercised after it has vested and before its expiry date. The Board may determine the conditions upon the vesting of the Options or Performance Rights at its discretion. By way of example, the Board may impose Share price and/or continuous service vesting hurdles.

An Option or Performance Right lapses upon various events including a vesting condition not being satisfied, a participant ceasing to be an Eligible Participant (except for certain matters such as death or permanent disablement) and upon misconduct by a participant.
- 6. Shares issued on vesting** Each Option or Performance Right entitles the holder to one fully paid ordinary share on exercise or vesting.
- 7. Transferability and quotation** An Option or Performance Right may not be transferred without the prior written approval of the Board or by force of law. Quotation of the Options or Performance Rights on the ASX will not be sought. However, the Company will apply for official quotation of Shares issued on the exercise of the Options or vesting of the Performance Rights.
- 8. No voting or dividend rights** The Options or Performance Rights are personal and do not confer any entitlement to attend or vote at meetings, any entitlement to dividends or any entitlement to participate in any return of capital unless the Options or Performance Rights are vested and the underlying Shares have been issued.
- 9. No participation rights** The Options or Performance Rights do not entitle the holder to participate in the issue of securities unless the Options or Performance Rights are exercised or vested and Shares have been issued before the record date for determining entitlements.
- 10. Limitation on number of securities** Securities to be issued under the Employee Incentive Plan in any 3 year period must not exceed 5% of the total number of Shares on issue at the time of the relevant offer. Various excluded offers may be disregarded so as to not count for the 5% limit being any offer to a person outside Australia, an offer not requiring disclosure to

investors because of section 708 of the Corporations Act or an offer made under a disclosure document.

11. Administration of the Employee Incentive Plan

The Employee Incentive Plan will be administered under the directions of the Board and the Board may determine procedures for the administration of the Employee Incentive Plan as it considers appropriate.

12. Operation

The operation of the Employee Incentive Plan is subject to the Listing Rules and, where necessary, the Corporations Act.

ANNEXURE 2

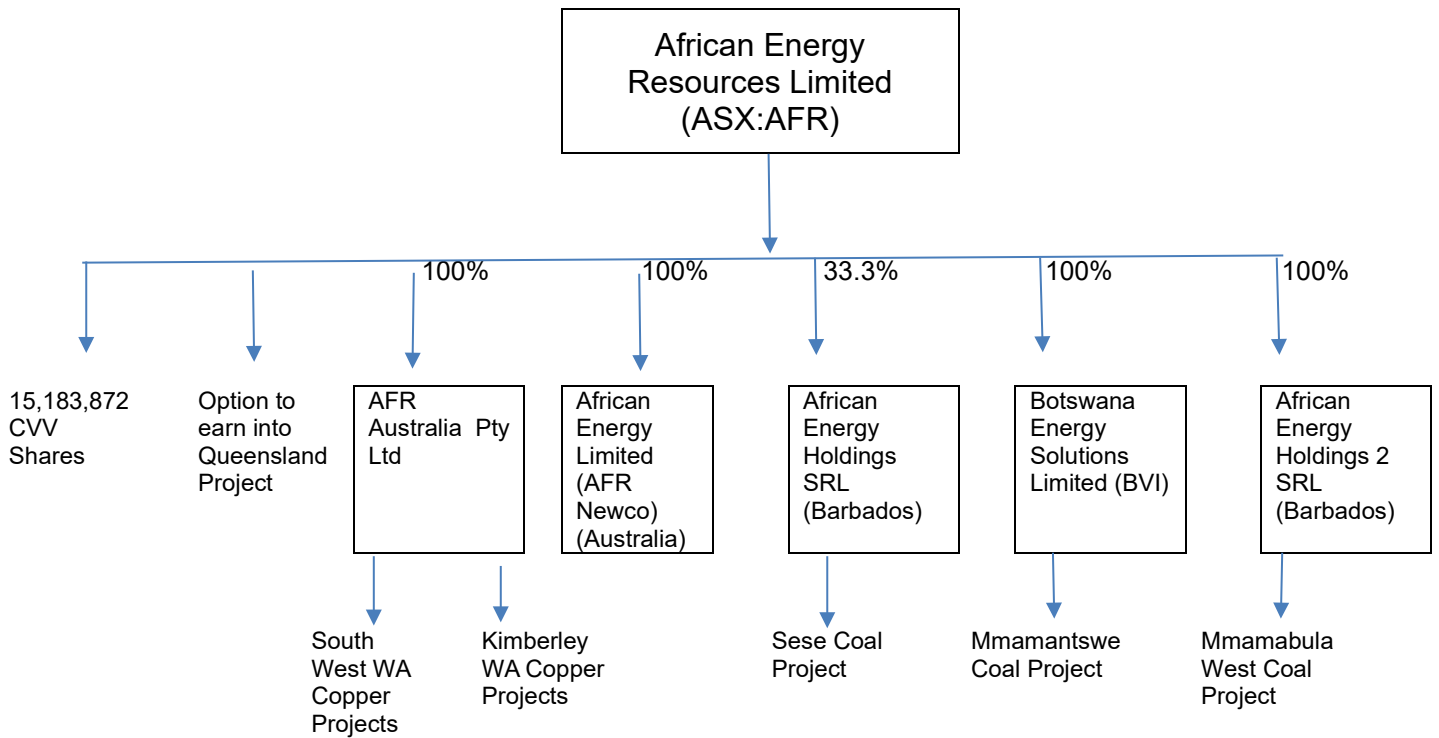
TERMS OF OPTIONS (RESOLUTIONS 5 AND 6)

The terms of the Options are:

1. Each Option entitles the holder to one Share (fully paid ordinary share) upon exercise of the Option.
2. The exercise price of the Options is 5 cents.*
3. The Options are exercisable at any time prior to 5.00 pm WST on 31 July 2024 (Expiry Date).
4. The Options are only transferable with Board approval. The Options are not intended to be quoted.
5. The Company will provide to each Option holder a notice that is to be completed when exercising the Options (Notice of Exercise). The Options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of the Company to be received any time prior to the Expiry Date. The Company will process all relevant documents received at the end of every calendar month.
6. Upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be issued a Share ranking equally with the then issued Shares. The Company will apply to ASX in accordance with the Listing Rules for all Shares pursuant to the exercise of Options to be admitted to quotation.
7. There will be no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Thereby, the Optionholder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised except in the event of a bonus issue. However, the Company will ensure that the Optionholder will be notified of a proposed issue after the issue is announced. This will give an Optionholder the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
8. If there is a bonus issue (Bonus Issue) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Optionholder are to be changed in a manner consistent with the Listing Rules.

* These Options will be issued before the "Ex" date for the Distribution and the exercise price will be reduced in accordance with Listing Rule 7.22.3 to an exercise price of approximately 3.6 cents.

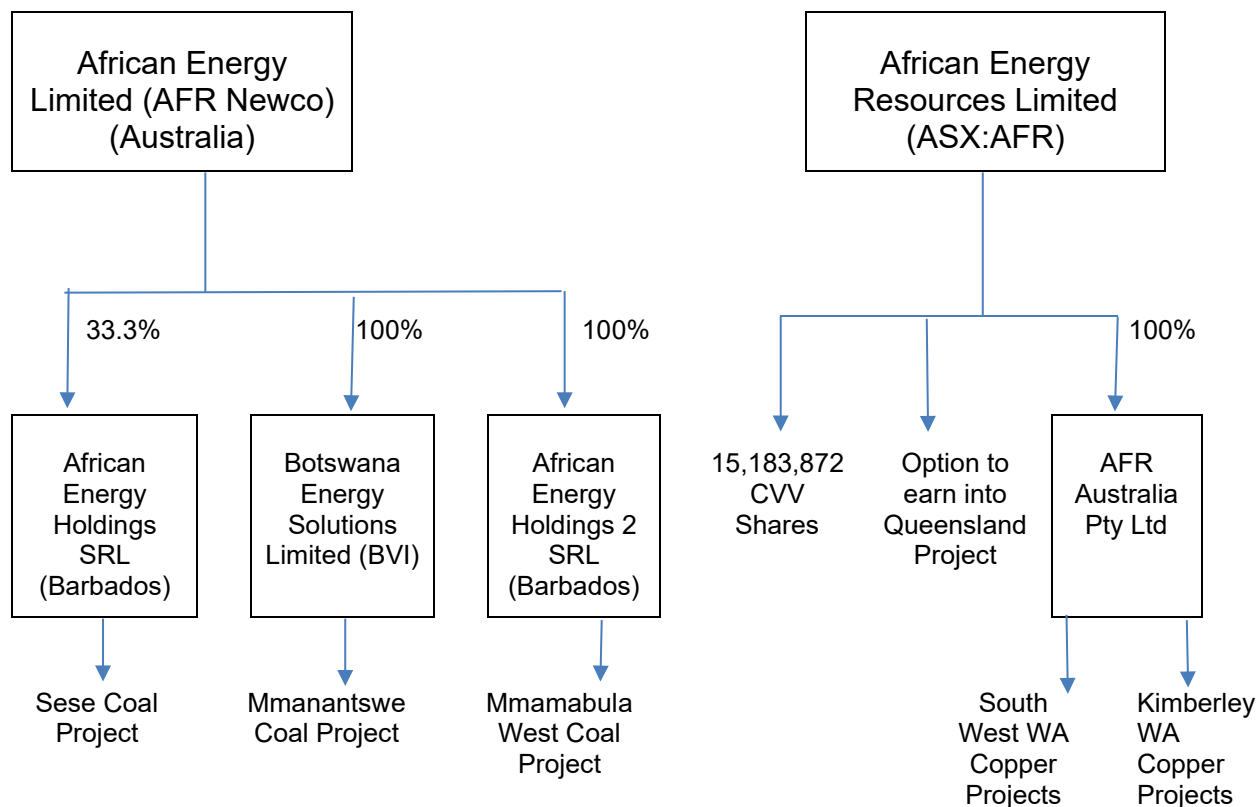
ANNEXURE 3
CORPORATE STRUCTURE OF THE COMPANY
PRE-DISTRIBUTION



* The companies holding the Coal Assets depicted above are holding companies with wholly owned subsidiaries holding the licences that constitute the Coal Assets.

ANNEXURE 4

CORPORATE STRUCTURE OF THE COMPANY POST-DISTRIBUTION



* The companies holding the Coal Assets depicted above are holding companies with wholly owned subsidiaries holding the licences that constitute the Coal Assets.

ANNEXURE 5

PROFORMA STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Unaudited Pre-Distribution 31-May-21 \$US	Unaudited Proforma Post- Distribution 31-May-21 \$US
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	1,072,389	764,053
Financial Assets at FVOCI	6,067,431	6,067,431
Trade and other receivables	9,012	8,078
Total current assets	7,148,832	6,839,562
<i>Non-current Assets</i>		
Investment in Sese Joint Venture	6,686,297	-
Total non-current assets	6,686,297	-
Total assets	13,835,129	6,839,562
Liabilities		
<i>Current Liabilities</i>		
Trade and other payables	41,326	39,396
Total current liabilities	41,326	39,396
Total liabilities	41,326	39,396
Net assets	13,793,803	6,800,166
Equity		
Contributed equity	64,134,977	57,141,340
Reserves	2,269,448	2,269,448
Accumulated losses	(52,610,622)	(52,610,622)
Total equity	13,793,803	6,800,166

The above pro-forma statement of financial position of the Company shows the financial impact of the following transaction:

1. The in specie distribution of 692,960,630 AFR Newco Shares to Shareholders being a capital reduction of US\$6,993,637

ANNEXURE 6

STATEMENT OF FINANCIAL POSITION OF AFRICAN ENERGY LIMITED/AFR NEWCO

	Unaudited
	Proforma
	31-May-21
	\$US
	<hr/>
Assets	
<i>Current Assets</i>	
Cash and cash equivalents	308,336
Trade and other receivables	934
Total current assets	<hr/> 309,270 <hr/>
<i>Non-current Assets</i>	
Investment in Sese Joint Venture	6,686,297
Total non-current assets	<hr/> 6,686,297 <hr/>
Total assets	<hr/> 6,995,567 <hr/>
Liabilities	
<i>Current Liabilities</i>	
Trade and other payables	1,930
Total current liabilities	<hr/> 1,930 <hr/>
Total liabilities	<hr/> 1,930 <hr/>
Net assets	<hr/> 6,993,637 <hr/>
Equity	
Contributed equity	6,993,637
Reserves	-
Accumulated losses	-
Total equity	<hr/> 6,993,637 <hr/>


LODGE YOUR INSTRUCTION

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474


X999999999999
CDI VOTING INSTRUCTION FORM
STEP 1
DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

I/We being a holder of CHESS Depository Interests (**CDIs**) of African Energy Resources Limited (**Company**) hereby direct CHESS Depository Nominees Pty Ltd (**CDN**) to vote the shares underlying my/our CDI holding at the General Meeting of stockholders of the Company to be held at **9:30am (WST) on Thursday, 21 October 2021 at Suite 1, 245 Churchill Avenue, Subiaco, 6008, Western Australia**, and at any adjournment or postponement of that Meeting, in accordance with the following directions. By execution of this CDI Voting Instruction Form the undersigned hereby authorises CDN to appoint such proxies or their substitutes in their discretion to vote in accordance with the directions set out below.

VOTING INSTRUCTIONS

Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Ratification of issue of first tranche placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval to issue Options to Alasdair Cooke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval to issue second tranche placement Shares to Alasdair Cooke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval to issue Options to Frazer Tabcart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to issue second tranche placement Shares to Frazer Tabcart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 In Specie Distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval to issue securities under Employee Incentive Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you do not mark the "For", "Against" or "Abstain" box your vote will not be counted.

STEP 2
SIGNATURE OF CDI HOLDERS – THIS MUST BE COMPLETED
STEP 3

CDI Holder 1 (Individual)

Sole Director and Sole Company Secretary

Joint CDI Holder 2 (Individual)

Director/Company Secretary (Delete one)

Joint CDI Holder 3 (Individual)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.



HOW TO COMPLETE THIS CDI VOTING INSTRUCTION FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDIs using this form.**

DIRECTION TO CHESSE DEPOSITARY NOMINEES PTY LTD

Each CHESSE Depository Interest (CDI) is evidence of an indirect ownership in the Company's shares of common stock (Shares). The underlying Shares are registered in the name of CHESSE Depository Nominees Pty Ltd (CDN). As holders of CDIs are not the legal owners of the Shares, CDN is entitled to vote at the Meetings of stockholders on the instruction of the registered holders of the CDIs.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either holder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with Link. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: with respect to an Australian company, where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF A CDI VOTING INSTRUCTION FORM

This CDI Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30 am (WST) on Tuesday, 19 October 2021**, being not later than 48 hours before the commencement of the Meeting. Any CDI Voting Instruction Form received after that time will be invalid.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the CDI Voting Instruction Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, stockholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the CDI Voting Instruction Form).



BY MAIL

African Energy Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* in business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).