

22 September 2021

IN-SPECIE DISTRIBUTION OF COAL ASSETS

Highlights

- African Energy Resources Limited ("AFR" or the "Company") intends to spin-out its Botswana coal assets undertaking a pro-rata in-specie distribution of shares in a spin-out vehicle ("Newco") to AFR shareholders.
- Newco is a new unlisted Australian public company that will own the interest in the coal assets. AFR shareholders will retain their exposure to the coal assets through a shareholding in Newco.
- The in-specie distribution will be subject to shareholder approval by AFR shareholders.
- Shareholders retain their current interest in the ASX-listed AFR which owns copper-gold projects in Australia, approximately \$1 million in cash and ~15.2 million shares in ASX listed copper explorer Caravel Minerals, currently valued at approximately \$6.5 million.
- The in-specie distribution will allow AFR to focus on its copper-gold assets and the ongoing evaluation of additional opportunities.

African Energy Resources Ltd ("AFR" or "Company") has reported its gradually changing focus towards Australian copper and gold exploration over the past 18 months. The Company's board has been considering options to allow the Company to expand its copper interests whilst maintaining shareholder exposure to their current interest in the Sese JV and its 100% interest in the Mmamantswe and Mmamabula West coal projects ("Coal Assets").

The Company's current 30.3% interest in the Sese JV is free carried and the Company was seeking funding partners or outright buyers of the Mmamantswe and Mmamabula West coal projects. As a result, ongoing capital requirements for the Coal Assets are relatively low.

The AFR Board has resolved to transfer its interest in the Coal Assets to Newco and distribute shares in Newco to AFR shareholders by way of an in-specie distribution.

The in-specie distribution allows AFR shareholders to retain exposure to the Coal Assets through a shareholding in Newco which will hold the Coal Assets and approximately \$300,000 cash. Shareholders will also retain their interest in AFR and its copper-gold portfolio, cash and Caravel shares.

The in-specie distribution will represent a standard full spin-out without IPO. That is, AFR will not retain any securities in the spin-out vehicle (Newco) at the conclusion of the transaction and the spin-out does not include an IPO to raise capital.

In order for AFR, as a foreign registered company, to undertake an in-specie distribution (which is an equal capital reduction), it needs to obtain an ordinary shareholder approval under The Companies (Guernsey) Law.

The ASX Appendix 7A paragraph 9 Timetable will apply to the in-specie distribution with the record date to be after shareholder approval.

A notice of meeting to seek shareholder approval will be lodged. The notice of meeting outlines full details of the in-specie distribution.