



Progress on Coal & Power Development Projects

29th August 2013

Overview of AFR's coal projects



- Sese Integrated Power Project (50-500Mt)
 - PFS complete, EIA underway
 - Project partner negotiations underway
 - Multiple 300MW power opportunities
- Sese Export Project (>2,000Mt)
 - Large export tonnages possible
 - Rail/port option confirmed
 - Successful export trial via Maputo
- Mmamantswe Project (1,300Mt)
 - Approved EIA for 10Mtpa + 1000MW
 - Only 20km from South Africa, the largest regional market for coal and power



Capital Structure and management



CAPITAL STRUCTURE:

429,577,474 Ordinary Fully Paid Shares

\$33.5M Market Capitalisation (26-Aug)

\$5.1M cash (end July 2013)

\$5.0M debt

BOARD AND MANAGEMENT:

Chairman (Exec): Mr Alasdair Cooke

Managing Director: Dr Frazer Tabeart

Executive Director: Mr Bill Fry

Non-Exec Director: Mr Philip Clark

Non-Exec Director: Mr Valentine Chitalu

Non-Exec Director: Mr Michael Curnow

Non-Exec Chairman (Botswana): Mr Blackie Marole

MAJOR SHAREHOLDERS:

17.3%	Sentient
9.0%	Management
4.0%	Independent Asset Mgmt
4.0%	Stacey Radford
3.7%	Republic Investment
51%	TOP 20

Botswana's markets for energy coal

CHINA:

China's thermal coal demand will double by 2030, even after accounting for shale-gas ramp-ups

- *Wood Mackenzie, June 2013*

INDIA:

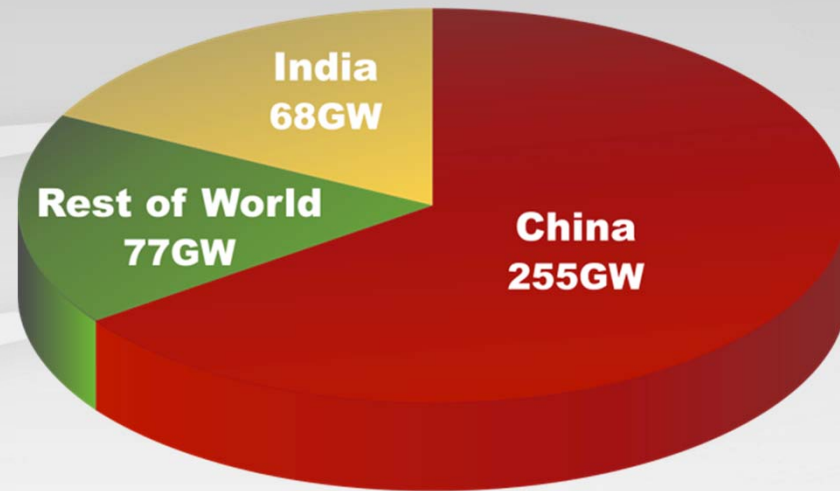
India has now surpassed Japan as the second largest importer of thermal coal at a rate of 130Mtpa

- *Salva Report, May 2013*

SOUTH AFRICA:

Largest regional market for coal and power with looming shortages of both

2011 - 2015 New Coal-Fueled Generating Capacity (GW)



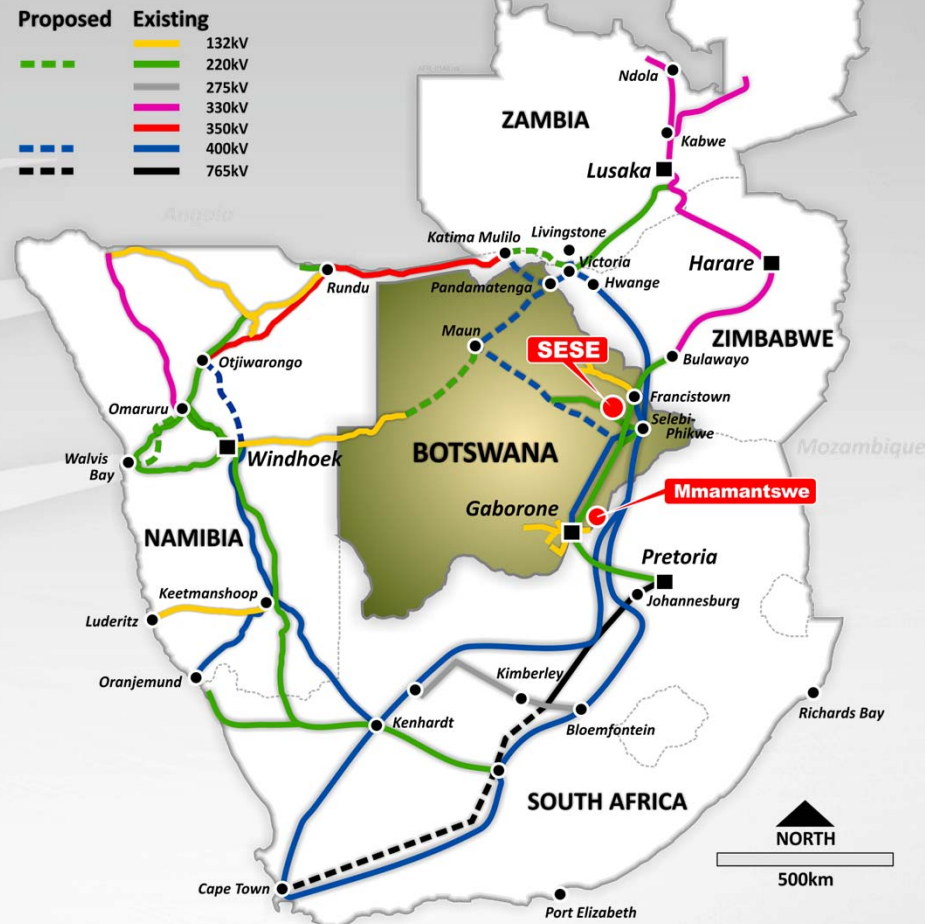
Source: Platts Worldwide Power Plant Database; EIA International Energy Outlook 2010 and Peabody analysis. Growth of global coal-based generation (billion kilowatt hours) based on 2007-2035 EIA data.

South Africa: long-term power deficits



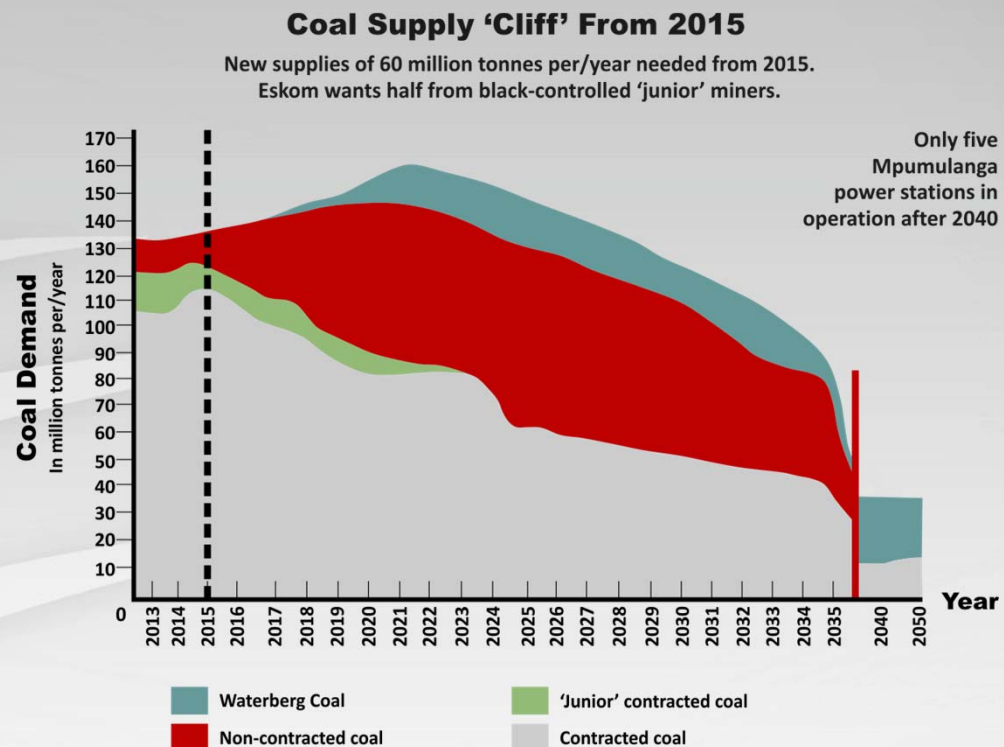
- Integrated Resource Plan (IRP) stipulates an additional 42,500 MW of generational capacity by 2030 (i.e. a doubling of installed capacity)
- IRP has a target of 6,250 MW of additional coal-fired power generation, with balance to come from nuclear (>9,000MW) and renewables
- Request for Registration and Information (RFRI) recently sought from Independent Power Producers for 1,000 MW of coal-fired electricity
- AFR submitted an RFRI proposal to supply 300MW

Southern Africa Power Grid



South Africa – Eskom's Coal Cliff

- Eskom currently purchases 125Mtpa with forecast consumption to increase by an additional 60Mtpa by 2020
- Eskom currently has a shortfall in delivered coal from 2015 onwards – this is the so-called “coal cliff”
- Mines in the Witbank coalfield getting deeper thereby increasing costs
- Regulated power tariffs impacts Eskom's capacity to accommodate higher-cost coal
- Botswana can supply coal to SA on existing rail network - AFR within 25kms of this rail network



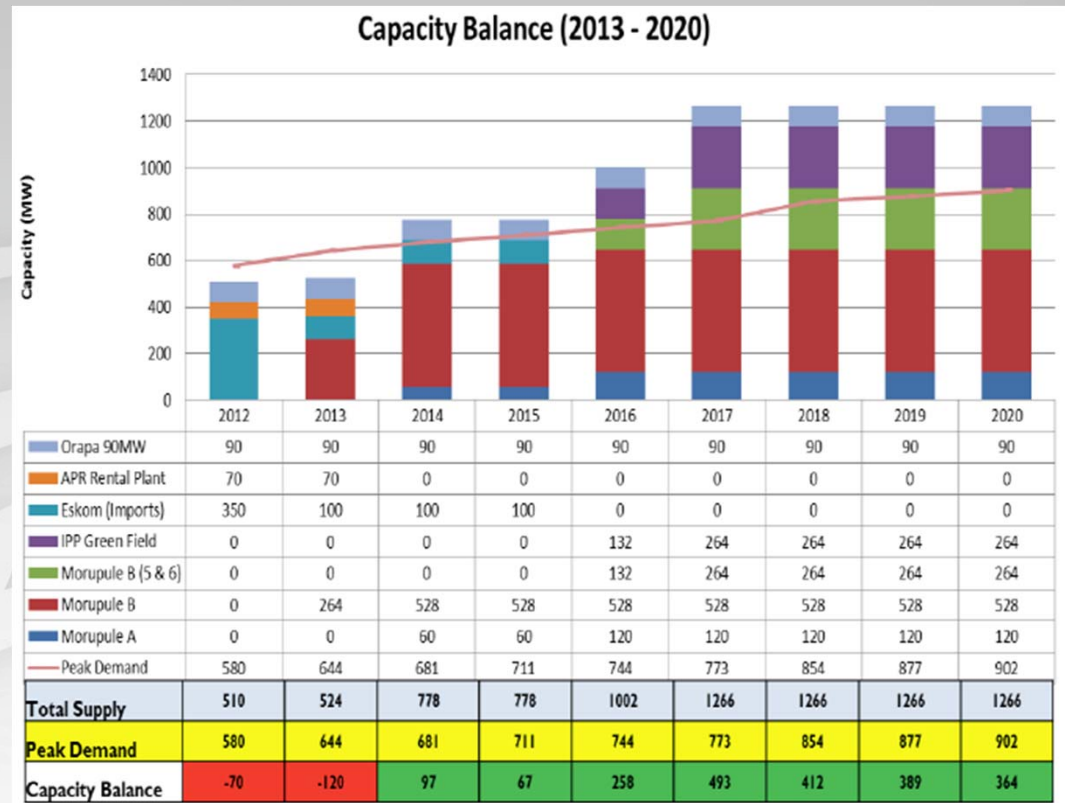
Export pathways into South Africa

- Botswana coalfields geographically close to Eskom's demand centers
- Existing and proposed rail links offer transport solution
- MOU signed between Botswana and RSA for coal exports in late 2012
- Transnet (TFR) now engaging with Botswana coal industry



Botswana power market

- 300MW greenfield tender document released in July 2013
- Power station to be producing electricity as early as 2016
- Expression of Interest (EOI) to be submitted by 27th Nov 2013
- AFR well positioned to submit EOI via Sese Power Ltd SPV
- Sese one of only two advanced projects in Botswana capable of delivering power by 2016

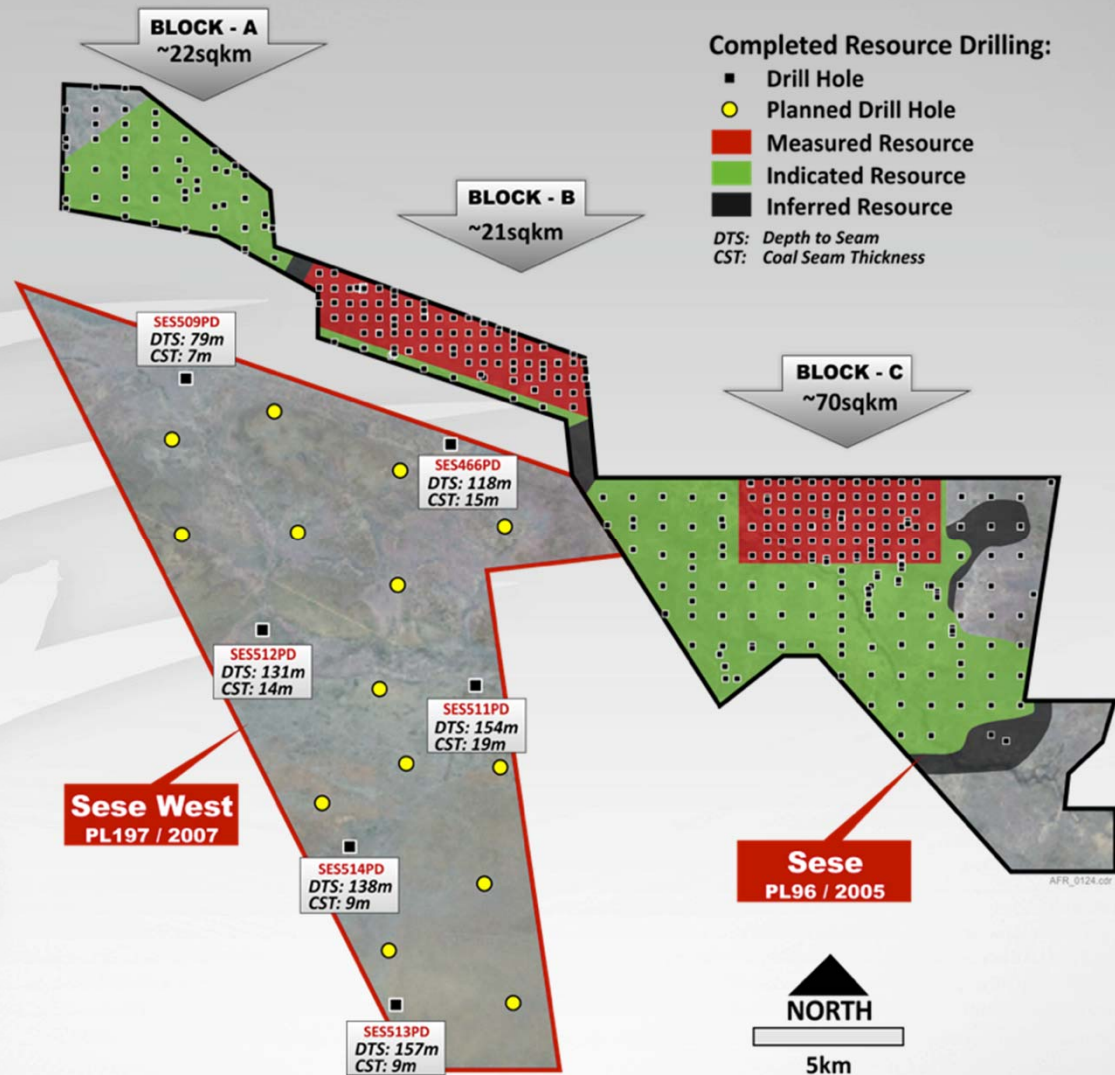


Source: Request for Expression of Interest (EOI) from potential Independent Power Producers for the development of a 300MW coal fired power station (greenfield) in Botswana.

Ministry of Minerals Energy and Water Resources July 2013

Sese – coal resource

- 2.5 billion tonnes of thermal coal, including 650Mt of Measured Resource:
 - 320Mt Block-B (Export coal)
 - 330Mt Block-C (IPP fuel)
- Sese West PL197/2007 significant exploration potential (widespread coal intersections in drilling)
- Sese ROM costs amongst the lowest in Africa due to very low strip ratio (2:1)



Sese Integrated Power Project



- **Sese Integrated Power Project (SIPP)** comprises an initial one or two 300MW power stations plus 1.5Mtpa 'captive' coal mines in Block-C
- Block-C measured resource enough for 8 x 300MW projects for 30 years
- Very low generation cost due to low mining and processing costs, and local limestone source
- Multiple power project opportunities:
 - 300MW Botswana greenfield tender to be submitted by 27th November 2013
 - 300MW registration of interest submitted to South Africa Dept. of Energy in July 2013



Export strategy

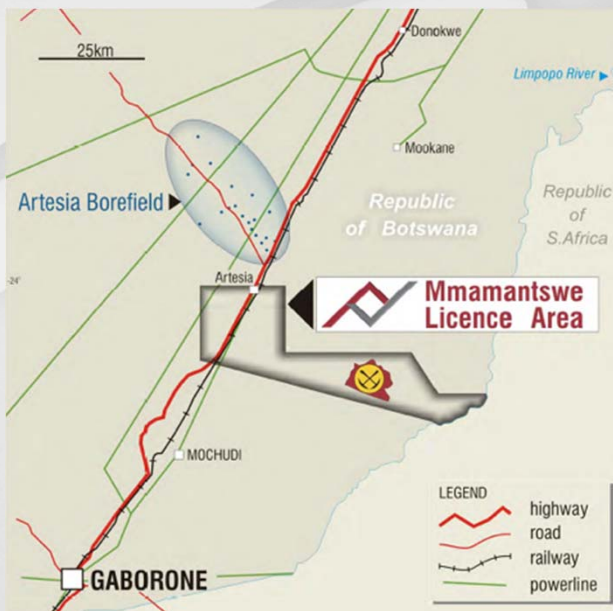


1. Support the long term development of new >100Mtpa infrastructure, whilst implementing a low-cost, near-term 10-20Mtpa interim solution
2. De-risk each stage of expansion of coal exports from Botswana:
 1. Successful trial export train proved Northern Rail Corridor is viable
 2. Prefeasibility study has demonstrated the expansion potential to 20Mtpa
 3. Low-cost of 2Mtpa start-up reduces finance risk

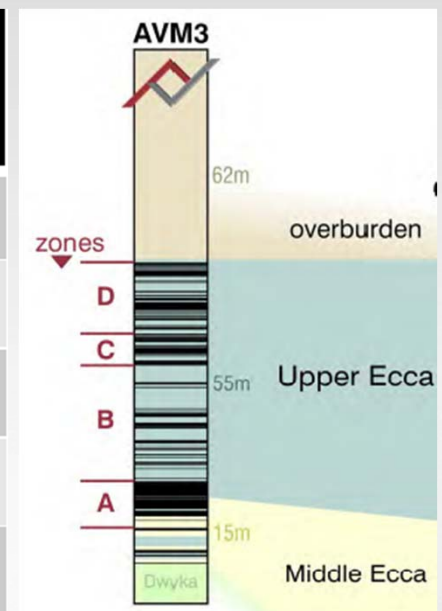
Mmamantswe project acquisition



- Mmamantswe is less than 20km from South Africa
- Indicated resource of 1,296Mt, including 895Mt probable reserve
- Scoping studies completed for 2x500MW and 2x750MW and transmission options
- 8GL/annum water borefield identified and registered
- Environmental impact assessment has been approved for 10Mtpa and 1000MW



MODEL	Indicated Resource ¹	
ZONE D	17.9	Metres
ZONE C	5.6	Metres
ZONE B	14.8	Metres
ZONE A	8.9	Metres
ALL ZONES	1296.2	Million tonnes



Mmamantswe ideally located for RSA



EXPORTING COAL:

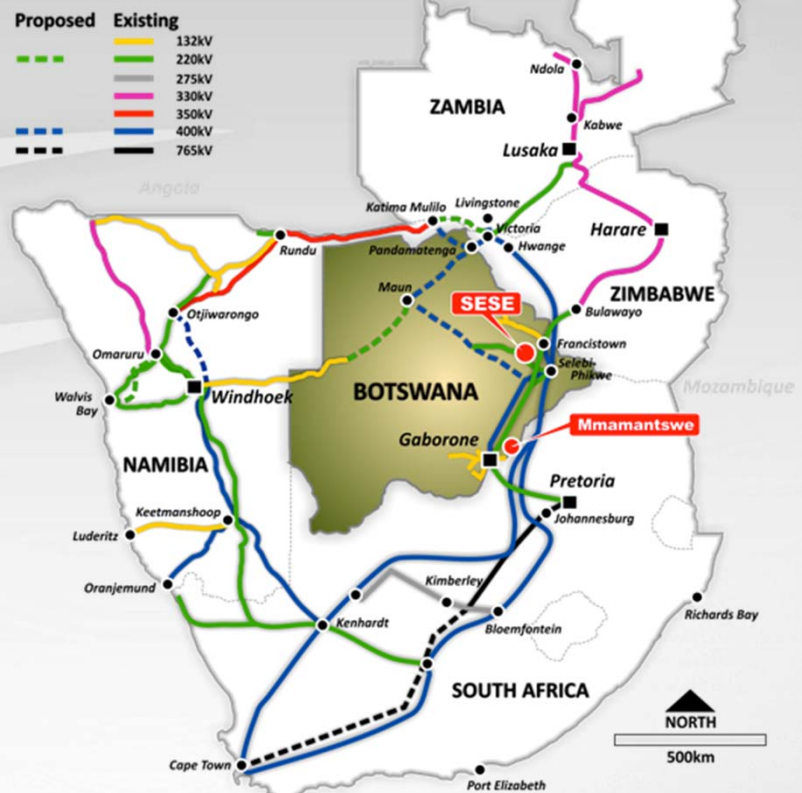
Close to existing and proposed new rail to South Africa, providing potential for future export of coal to Eskom power stations



EXPORTING POWER:

Close to existing power transmission grid and therefore easy to supply electricity to South Africa

Southern Africa Power Grid



Summary

- The long-term fundamentals for energy coal are still robust, particularly in South Africa and Asia
- African Energy has two coal projects which can both produce primary export products and mine-mouth power station fuel
- Both projects are well located to deliver to their respective markets
- Both projects have low ROM mining costs due to low strip ratios
- Well positioned to deliver domestic and export power in short- to medium-term



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