



Coal Export & Power Development Opportunities in Botswana

October 2013

Business to be driven by low-cost coal



Overview of AFR's coal projects

1. Sese Integrated Power Projects (50-500Mt coal)

- Multiple 300MW opportunities for domestic and export power

2. Sese Export Project (>2,000Mt)

- Large export tonnages possible
- Successful export trial via Maputo

3. Mmamantswe Project (1,300Mt)

- 20km from South Africa, the largest regional market for power



- AFR and its IPP development partner will submit an Expression of Interest on 2nd October for a 300MW power station and associated coal mine at Sese in Botswana
- A Joint Development Agreement is close to being finalised. Key terms incorporate:
 - Development partner to provide all equity required for the 300MW project, and will become the lead developer and operator of the power project
 - The financial returns to AFR at financial close and throughout the life of the project
- Additional export power generation opportunities are being pursued for both Sese and Mmamantswe coal projects
- Coal export options are also being assessed

Capital Structure and management



CAPITAL STRUCTURE:

429,577,474 Ordinary Fully Paid Shares

\$35.5M Market Capitalisation (26-Sep)

\$5.1M cash (end July 2013)

\$5.0M debt

BOARD MEMBERS:

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 Director: Mr Ian Hume

Non-Exec Chairman (Botswana): Mr Blackie Marole

MAJOR SHAREHOLDERS:

17.3% Sentient

9.0% Management

4.0% Independent Asset Mgmt

4.0% Stacey Radford

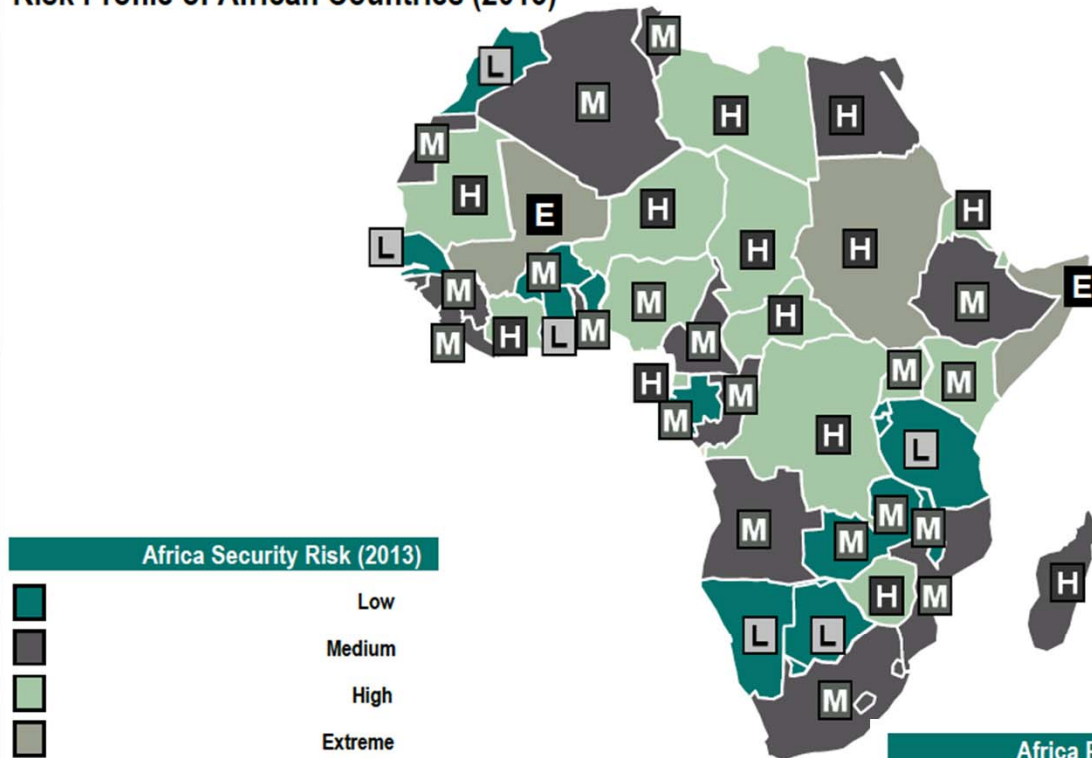
3.7% Republic Investment

51% TOP 20

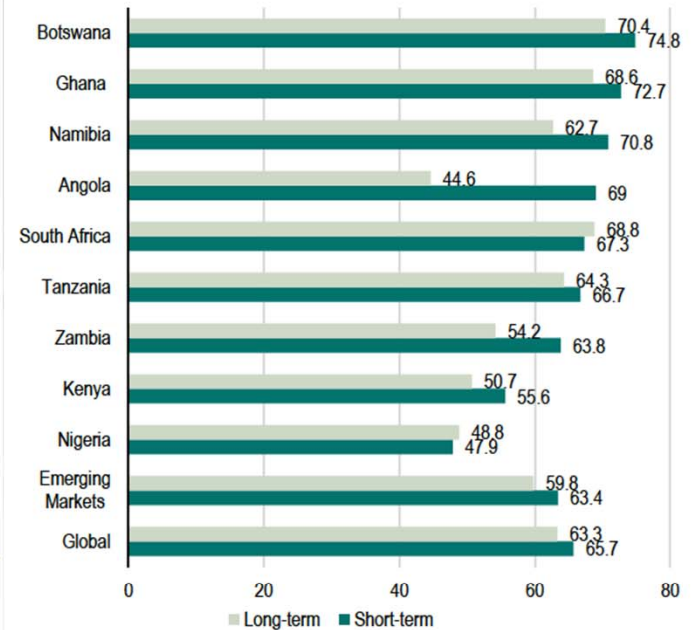
Botswana: a safe place to invest



Risk Profile of African Countries (2013)



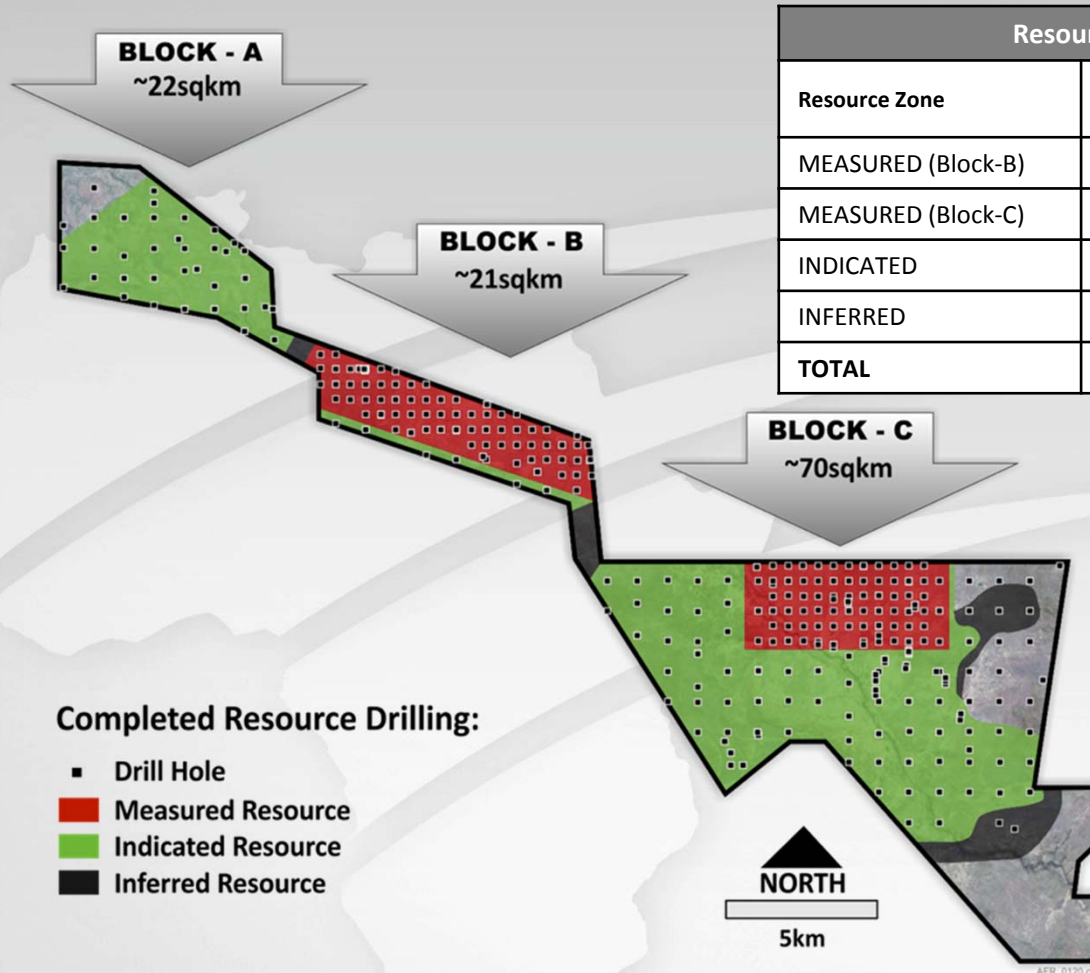
Political Ratings of Key African Economies (2012)



Africa Political Risk (2013)



Sese deposit facts



Resource Summary (Raw coal on an air-dried basis)					
Resource Zone	Total Tonnes in situ*	CV (MJ/kg)	CV (kcal/kg)	Ash %	S %
MEASURED (Block-B)	318 Mt	16.0	3,820	34.8	1.7
MEASURED (Block-C)	333 Mt	17.6	4,200	30.2	2.1
INDICATED	1,714 Mt	15.3	3,650	38.9	2.0
INFERRED	152 Mt	15.0	3,600	39.1	2.2
TOTAL	2,517 Mt				

Block-B Resource by Seam (air-dried basis)				
Seam	In-Situ Tonnes	CV (MJ/kg)	Ash %	S %
SS	178.5	18.8	26.4	1.8
SSU	33.8	13.7	41.9	1.9
SST	97.4	11.6	47.6	1.2

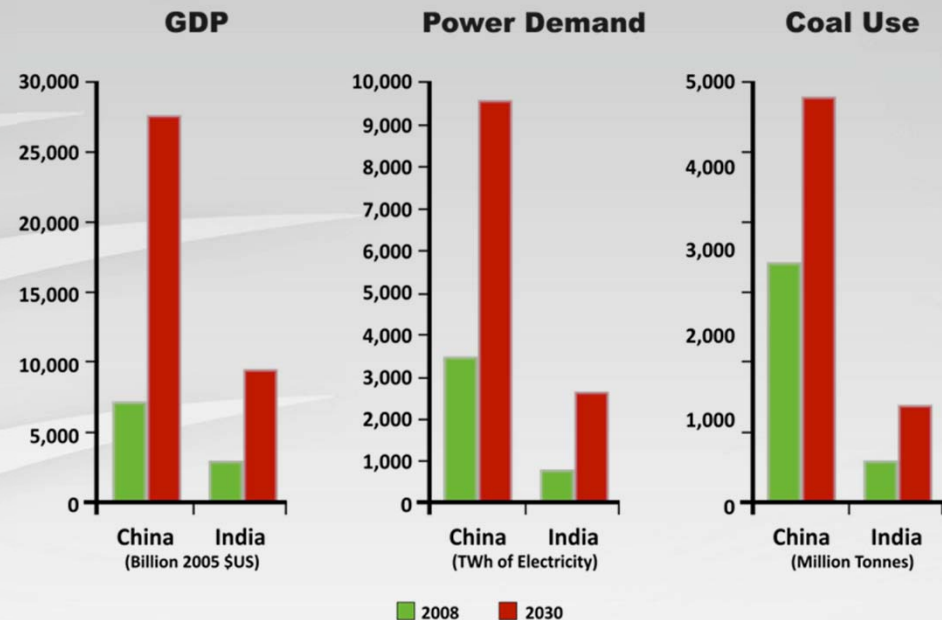
Block-C Resource by Seam (air-dried basis)				
Seam	In-Situ Tonnes	CV (MJ/kg)	Ash%	S %
SS	281.6	18.3	28.1	2.2
SSU	17.2	14.9	38.9	1.8
SST	33.1	13.3	42.4	1.0

Four main markets for Botswana coal



1. Domestic power generation
 - AFR in a very strong position due to location and low generation cost
2. Power generation for export
 - Large regional demand in South Africa and to a lesser extent in Zambia, Namibia
3. Regional coal exports for power generation
 - To meet expected shortfalls in domestic coal availability in South Africa
4. Seaborne global coal market
 - Export via existing rail and port networks to Asian markets

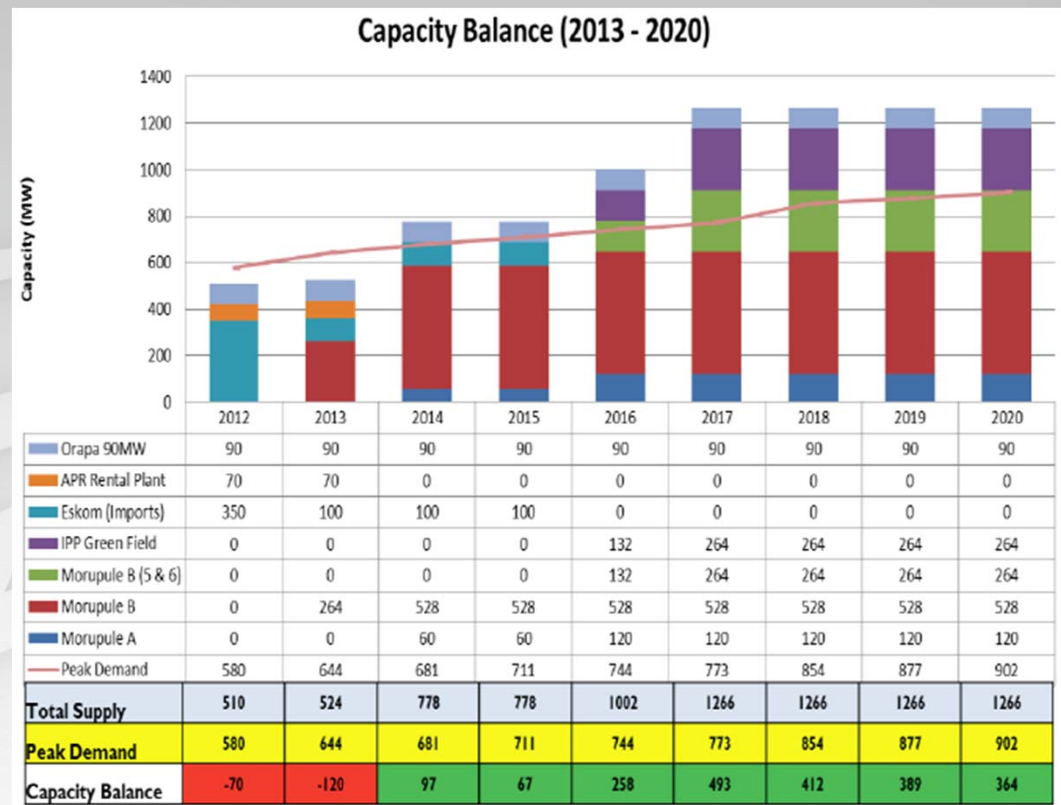
Enormous Growth in GDP Power Use



Source: U.S. Energy Information Administration, International Energy Outlook 2010 (GDP; power demand, coal use).

Domestic power market

- Botswana 300MW greenfield tender underway
- Power station to be producing electricity as early as 2016
- Sese is one of only two greenfield projects in Botswana capable of delivering power by end 2016
- AFR close to finalising terms with a preferred development partner with international IPP experience
- Expression of Interest (EOI) to be submitted by 2nd October 2013



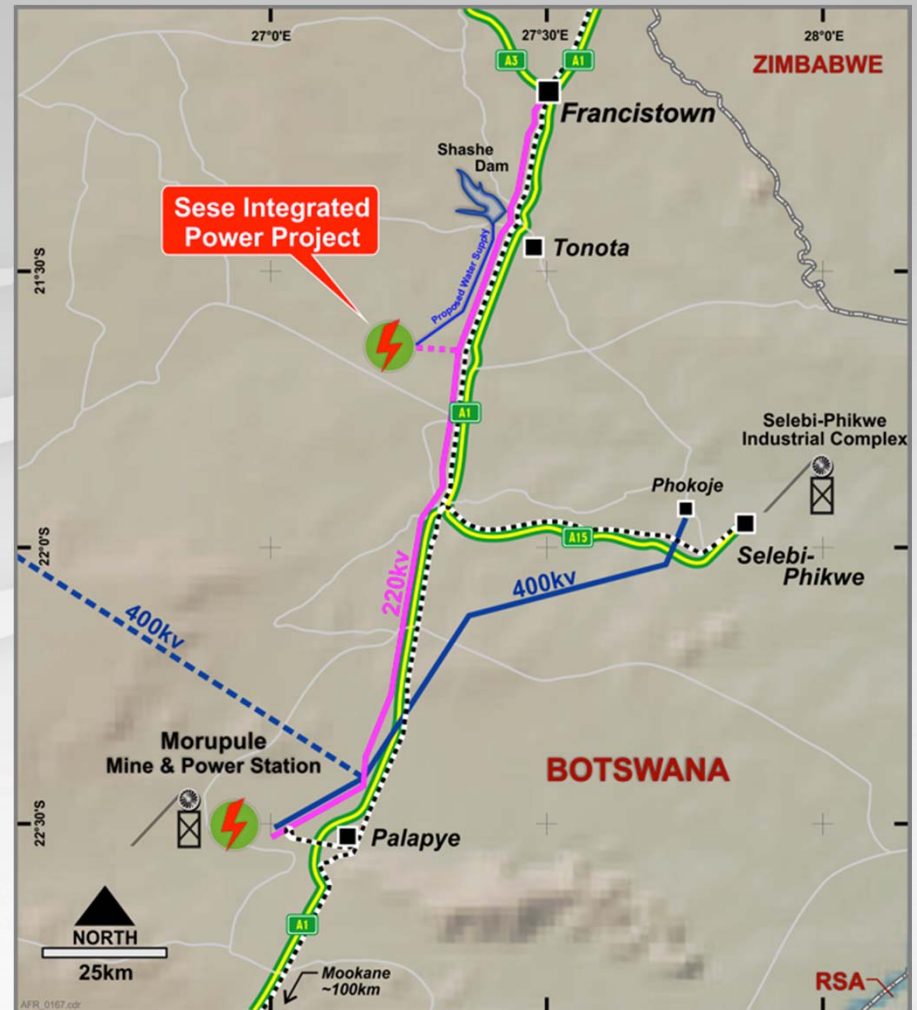
Source: Request for Expression of Interest (EOI) from potential Independent Power Producers for the development of a 300MW coal fired power station (greenfield) in Botswana.

Ministry of Minerals Energy and Water Resources July 2013

Sese Integrated Power Project



- **Sese Integrated Power Project (SIPP)** comprises one or more 300MW CFB power stations plus 1.5Mtpa 'captive' coal mines in Block-C
- Enough coal for 8 x 300MW projects over 25 years from Block-C Measured
- Low-cost fuel supply due to low strip ratio mining and minimal processing requirements
- Local source of low-cost limestone discovered by AFR <10km from SIPP (sor bent used to reduce SO₂ emissions)
- Water allocation from nearby Shashe Dam approved, final negotiations for abstraction licence underway
- EIA well advanced

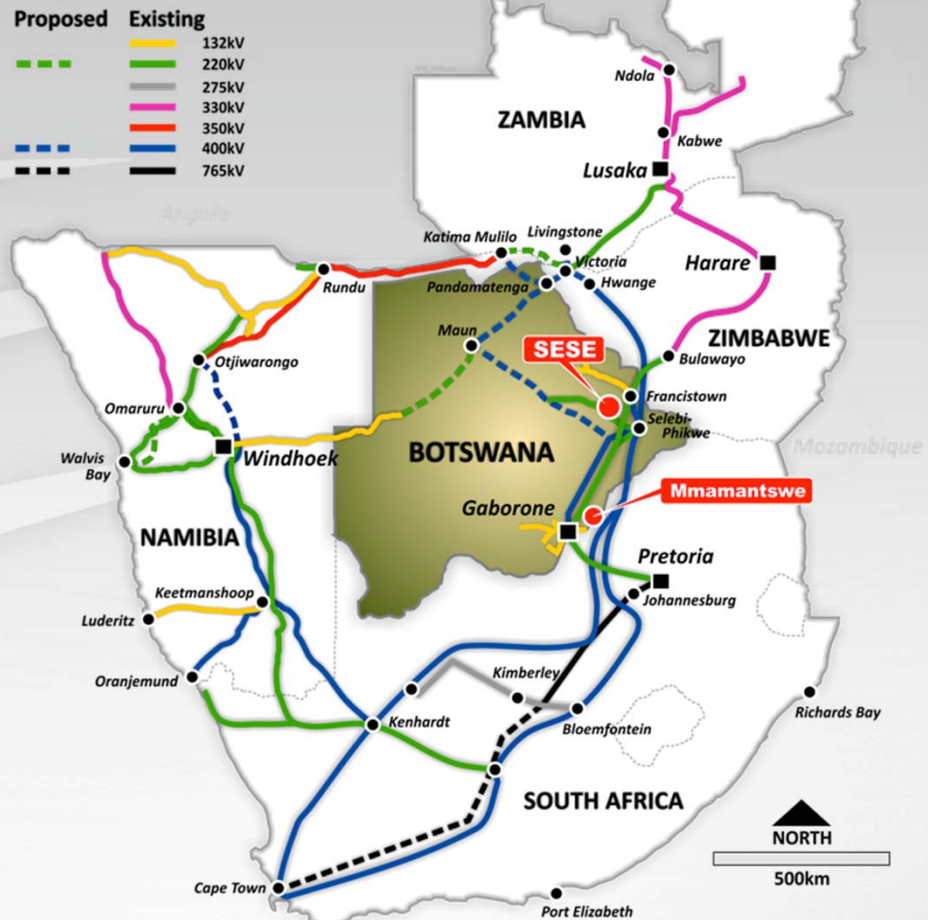


South African power market (export)



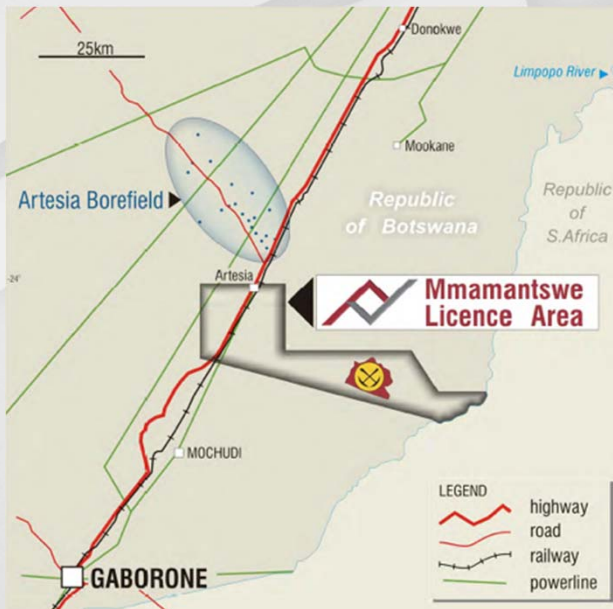
- Integrated Resource Plan (IRP) stipulates an additional 42,500 MW of generational capacity by 2030
- South Africa likely to seek 1,000MW of new coal-fired IPP generation every year for the next 10 years
- AFR has submitted an RFRI proposal to supply an initial 300MW
- Mmamantswe project ideally located for this market due to proximity to border and key transmission links

Southern Africa Power Grid

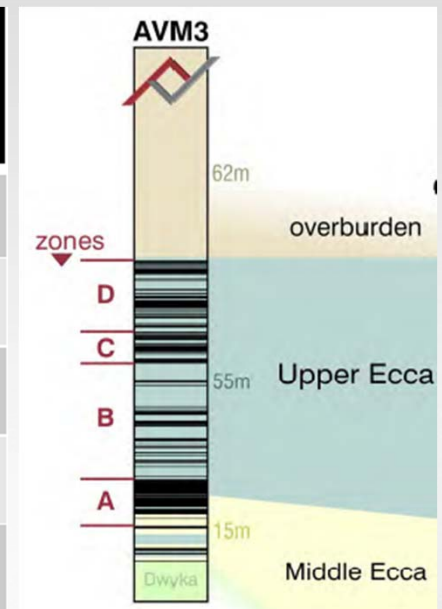


Mmamantswe project

- Mmamantswe is less than 20km from South Africa
- Indicated resource of 1,296Mt, including 895Mt probable reserve
- 8GL/annum water borefield identified and registered
- Environmental impact assessment approved for 10Mtpa coal and 1000MW power
- Ideal coal for 1000MW mine-mouth power station exporting power to South Africa



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



Export 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:

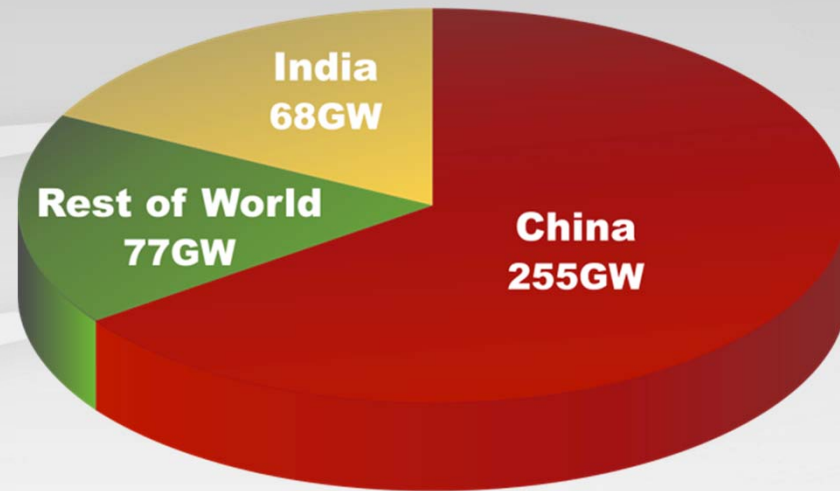
India has now surpassed Japan as the second largest importer of thermal coal at a rate of 130Mtpa

- *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)

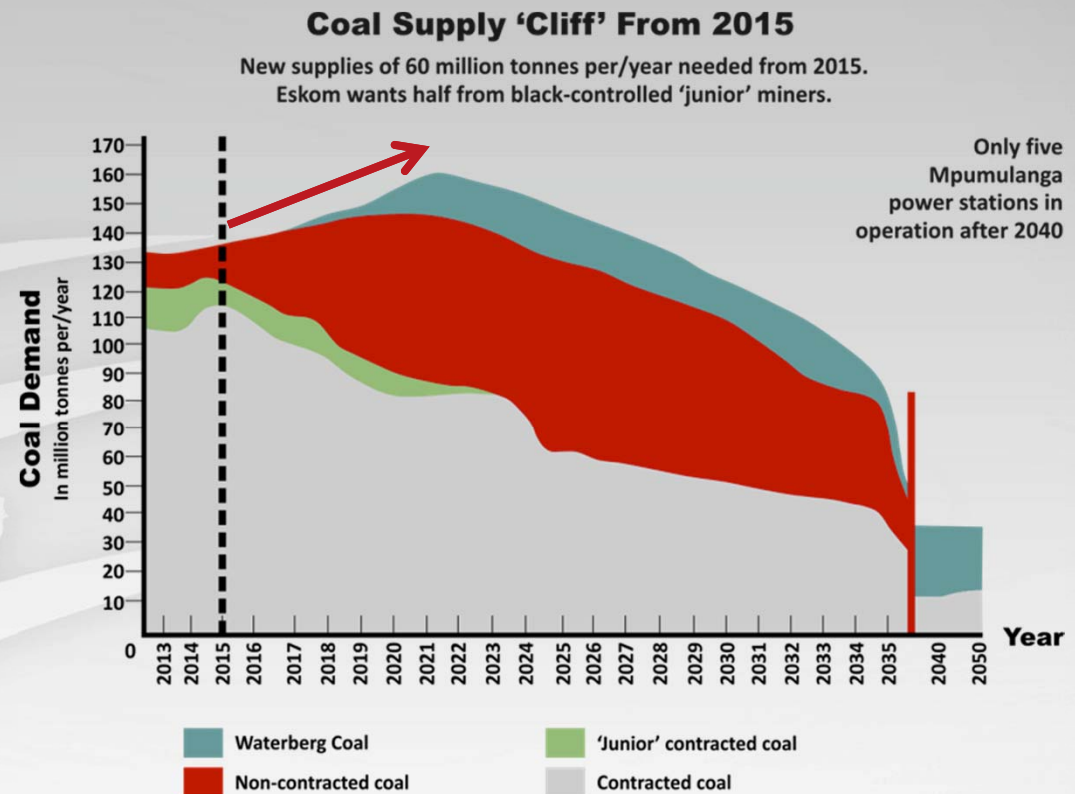


Source: Platts Worldwide Power Plant Database; EIA International Energy Outlook 2010 and Peabody analysis. Growth of global coal-based generation (billion kilowatt hours) based on 2007-2035 EIA data.

South African coal market



- Eskom currently purchases 125Mtpa with forecast consumption to increase by an additional 40Mtpa by 2020
- Eskom currently has a shortfall in delivered coal from 2015 onwards
- Mines in the Witbank coalfield getting deeper thereby becoming more expensive
- Botswana can supply low-cost coal to SA on the existing rail network - AFR projects within 25kms of this rail network



AFR_0164.cdr

Source: Eskom Coal

Export to Asia; key infrastructure in place

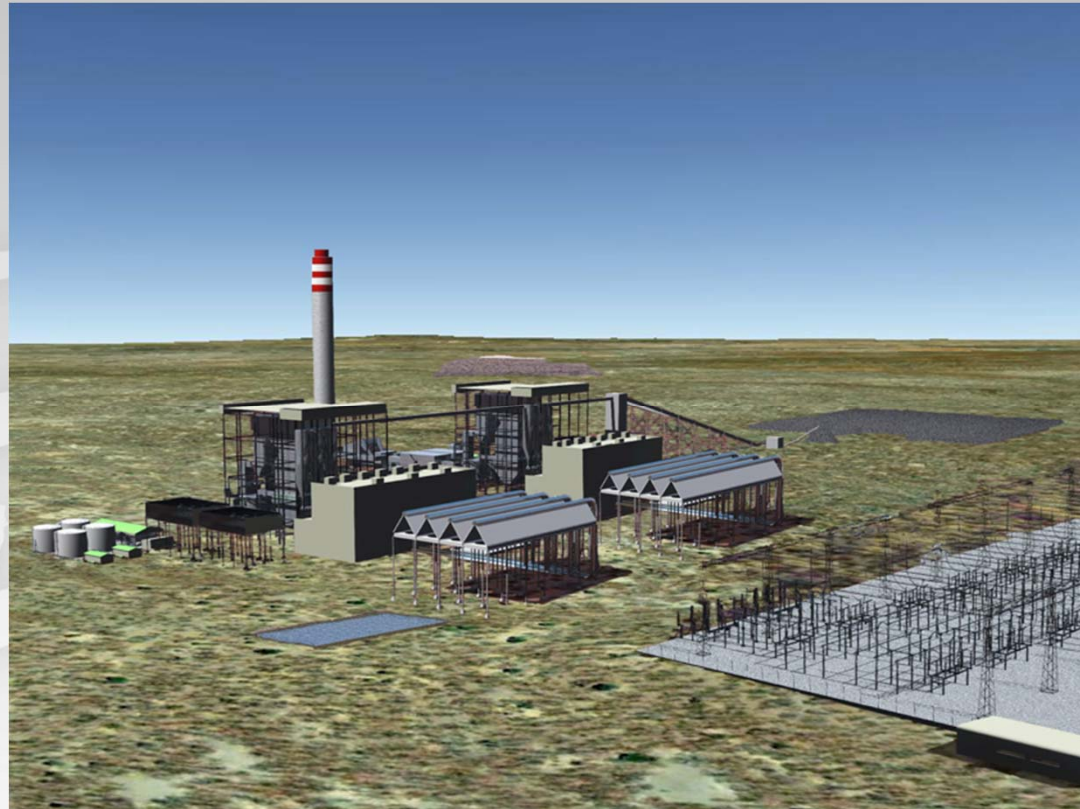


- Need access to efficient rail/port solutions on the east coast of Africa
- Maputo is the best short and medium term port solution up to 20Mtpa, and could be expanded to >100Mtpa
- Successful 1600t trial export train in Nov 2012 – proof of concept
- Prefeasibility study has determined current and future rail capacity, and developed models for affordable capital program and operating costs
- About to commence negotiations on rail access regime and tariffs



Concluding remarks

- Multiple power projects have been proposed to the governments of Botswana and South Africa using AFR coal (Sese and Mmamantswe)
- African Energy is working with a major international IPP to bring these projects to a successful conclusion
- A successful outcome to one or more of these projects would deliver significant returns to the Company
- All necessary infrastructure for coal exports is in place



Disclaimer



This presentation has been prepared by and issued by African Energy Resources Limited ("African Energy") to assist it in informing interested parties about the Company and its progress. It should not be considered as an offer or invitation to subscribe for or purchase any securities in the Company or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this presentation.

You should not act or refrain from acting in reliance on this presentation material. This overview of African Energy does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of the Company's prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation and making any investment decision.

The Company has not verified the accuracy or completeness of the information, statements and opinions contained in this presentation. Accordingly, to the maximum extent permitted by law, the Company makes no representation and give no assurance, guarantee or warranty, express or implied, as to, and takes no responsibility and assume no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation. The contents of this presentation are confidential.

This presentation includes certain "Forward- Looking Statements". The words "forecast", "estimate", "like", "anticipate", "project", "opinion", "should", "could", "may", "target" and other similar expressions are intended to identify forward looking statements. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows and potential mineralisation, resources and reserves, exploration results, future expansion plans and development objectives of African Energy Resources Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured Resources", "Inferred Resources" and "Indicated Resources" are to those terms as defined in the JORC Code.

Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabeart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabeart consents to the inclusion of the data in the form and context in which it appears.