



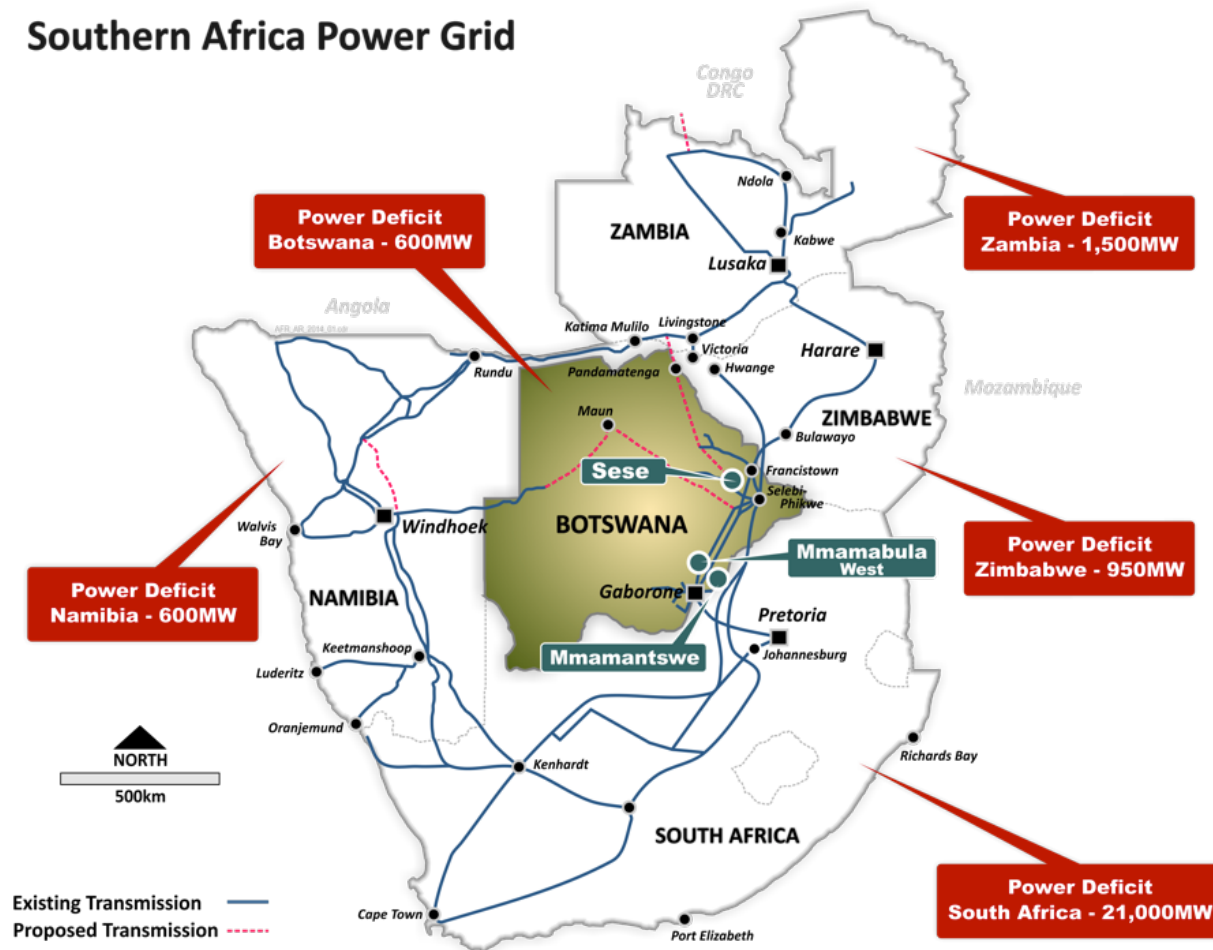
**Botswana Power  
Development  
March 2015**

- Strong regional power demand underpinning business strategy
- Independent power producers (IPP's) required to build new capacity
- AFR developing multiple power generation projects
- Lead developer for Sese IPP secured via JV with First Quantum Minerals
- AFR fully funded through to cash flow from power station at Sese
- Development partners for Mmamantswe IPP shortlisted
- Three large-scale coal projects provide flexibility with infrastructure and off-take

# Power generation demand

- Southern Africa experiencing a substantial net power deficit
- Estimated additional power required by 2025 is approx. 25,000 MW
- All countries seeking various forms of Independent Power Production (IPP's)
- Botswana is centrally located within the Southern African Power Grid
- AFR's projects in Botswana are close to the existing grid and can transmit affordable power to anywhere in the region

## Southern Africa Power Grid



## 1. Escalating costs of power generation

- New baseload generation costs \$0.11 to \$0.16 per kWh across Southern Africa
- Short term contracted prices ~\$0.15 per kWh, emergency contracts ~\$0.30 per kWh
- Botswana, South Africa, Zambia all using diesel/HFO as part of their fleet at ~\$0.35 per kWh

## 2. Power tariffs increasing significantly

- Retail sales tariff vary from \$0.08 to \$0.13 per kWh across the region
- Widespread retail tariff increases approved by regulators, ~10-15% pa to stimulate new development

## 3. Opportunity for low-cost producers (AFR)

- Sese capable of producing low-cost coal, providing potential for low-cost of generation
- Long-term contracts for low-cost baseload power generators at or below current retail tariffs
- Short-term opportunity for energy trading of generation surpluses at >\$0.15 per kWh

# Botswana project summary

**SESE PROJECT: 5BT** Ideally located to export power to Zambia, Namibia, Zimbabwe. JV with First Quantum Minerals. AFR loan carried to production.

**MMAMANTSWE PROJECT: 1.25BT** Located within 20km of South Africa, the largest power market in the region. Shortlisting potential development partners.

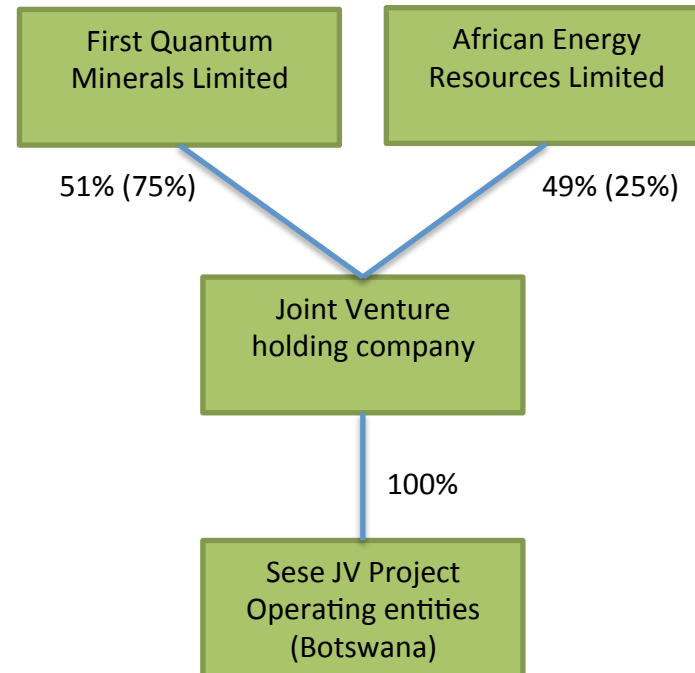
**MMAMABULA WEST: 2.4BT** Contains the best quality coal in Botswana. Potential to be an export quality coal project.



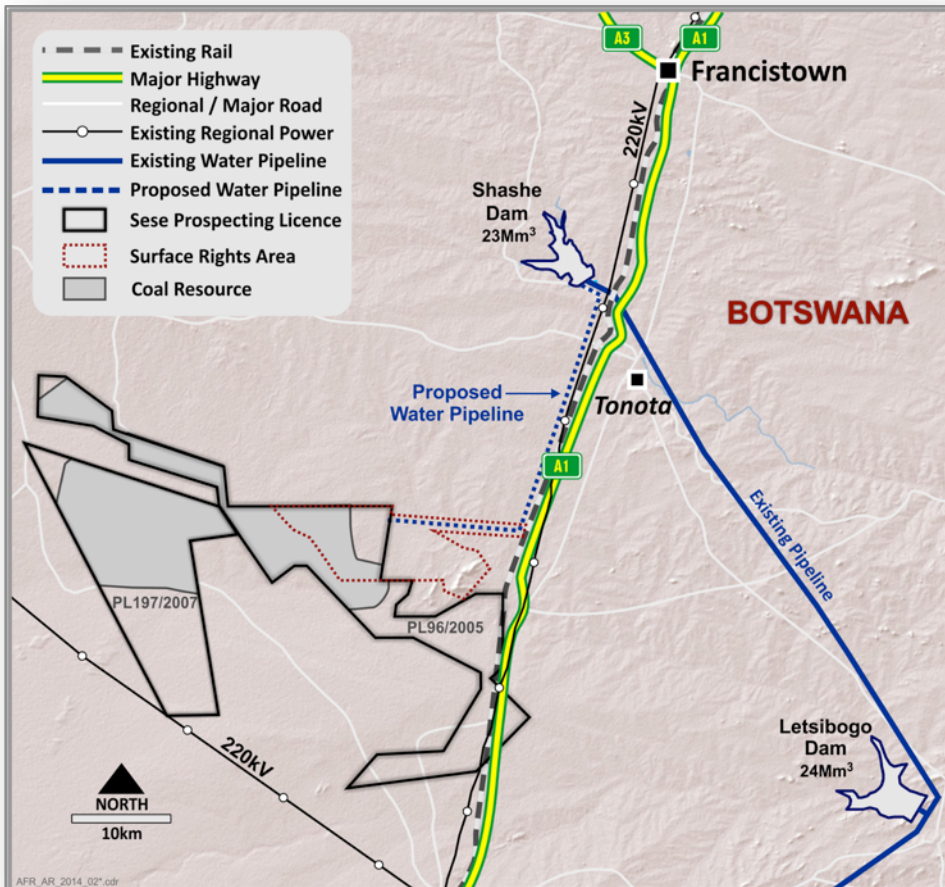
# Sese Joint Venture – key terms



- FQM have a 51% interest in the Sese JV
- FQM increasing their interest to 75% by sole funding the next AUD\$12M in the project
- FQM responsible for all funding to finance one or more integrated power projects
- AFR's 25% share will be loaned by FQM and carried to commercial production
- Initial project development to consider 600MW
- Initial development provides security of power supply to FQM's mining and smelting operations in the Zambian Copperbelt
- Opportunity to sell surplus power to utilities in Botswana, Namibia, Zambia, Zimbabwe
- AFR's AUD\$9m cash freed up for other projects



# Sese Integrated Power Project summary



- Fully integrated coal mine, coal processing plant, power station and grid connection
- Very low risk mining: shallow, flat, extensive seam
- Approved water allocation from Shashe Dam, enough for 750MW, expandable
- Environment approvals granted for first 300MW integrated project, expandable to 600MW
- Surface rights approved over area with enough coal for > 1500MW for 35 years, expandable



# Sese power project development plan

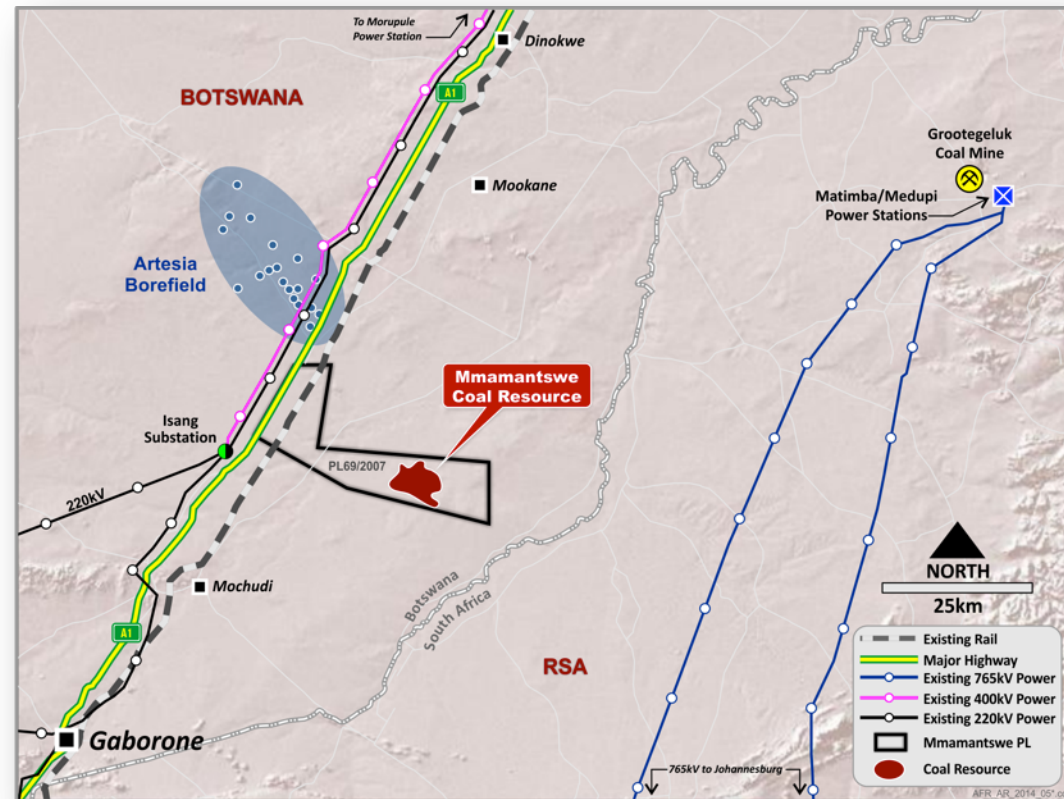


- All further funding to be provided by FQM
- Development of final fuel specification, final power station design and final mine design/schedule
- Update approved 300MW EIA to 600MW via amended environmental management plan
- Amend mining licence application to support increased project scale
- Submit application for grid connection permit
- Submit application for Generation and Export Licence



# Mmamantswe coal and power project

- South Africa's Department of Energy (DoE) is seeking to procure 1600MW, of which 600MW may be from cross-border projects
- Successful bidders will conclude a 30-year power purchase agreement with Eskom, backed by the South African government
- Mmamantswe Project - 20km from SA border, extensive drilling and technical studies
- EIA for 10Mtpa ROM coal mine and up to 2000MW power generation approved in 2013
- 8Gl p.a. water borefield has been drilled, fitted, pump tested and registered
- 600MW project registered in South Africa's coal-fired baseload IPP procurement programme
- AFR seeking to finalise development partner



# Mmamabula West: coal export market outlook



- Botswana government supporting expansion of export rail capacity to >10Mtpa on existing rail lines to Mozambique and South Africa
- Botswana and Namibian governments supporting development planning for 65Mtpa Trans-Kalahari Railway
- Botswana and South African governments signed MOU to allow export of coal from Botswana to South Africa to meet growing supply shortfall for Eskom
- High quality thermal coal in two seams at Mmamabula West for export to South Africa or global seaborne market
- Prefeasibility Study conducted on portion of deposit
- Demonstrated potential for a conventional 20-year, 3Mtpa underground mine with \$17/t ROM opex\*
- Seeking long-term development partners/buyers



\*The Company confirms that the Production Target was initially reported in a release to ASX on 12 May 2014, and all material assumptions underpinning the Production Target and forecast financial Information continue to apply and haven't materially changed.

- Strategic partnership with First Quantum Minerals to develop power at Sese
- Fully funded to grow power business in the best address in Africa
- Delivering power solutions for Zambia, Botswana, South Africa and Namibia
- Short time frame to development - advanced permitting
- AFR - 100% ownership of Mmamabula West (export) and Mmamantswe (power)
- Robust balance sheet – \$9m free cash and carried to cash flow at Sese

# Board and Capital Structure



## CAPITAL STRUCTURE:

616.7M Ordinary Fully Paid Shares

50.4M Options (10c to 15c)

11.3M Performance Rights

A\$44M Market Cap @ 7.2c

A\$9M cash (no debt)

## MAJOR SHAREHOLDERS:

20.1% The Sentient Group

11.2% First Quantum Minerals

10.5% Management

3.1% Stacey Radford

61.3% TOP 20

## EXECUTIVE DIRECTORS:

Alasdair Cooke (Chairman)

Frazer Tabear (Managing Director)

Bill Fry (Commercial Director)

## NON-EXECUTIVE DIRECTORS:

Valentine Chitalu

Phil Clark

Ian Hume

Wayne Trumble

John Dean

# 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 2012 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.*