

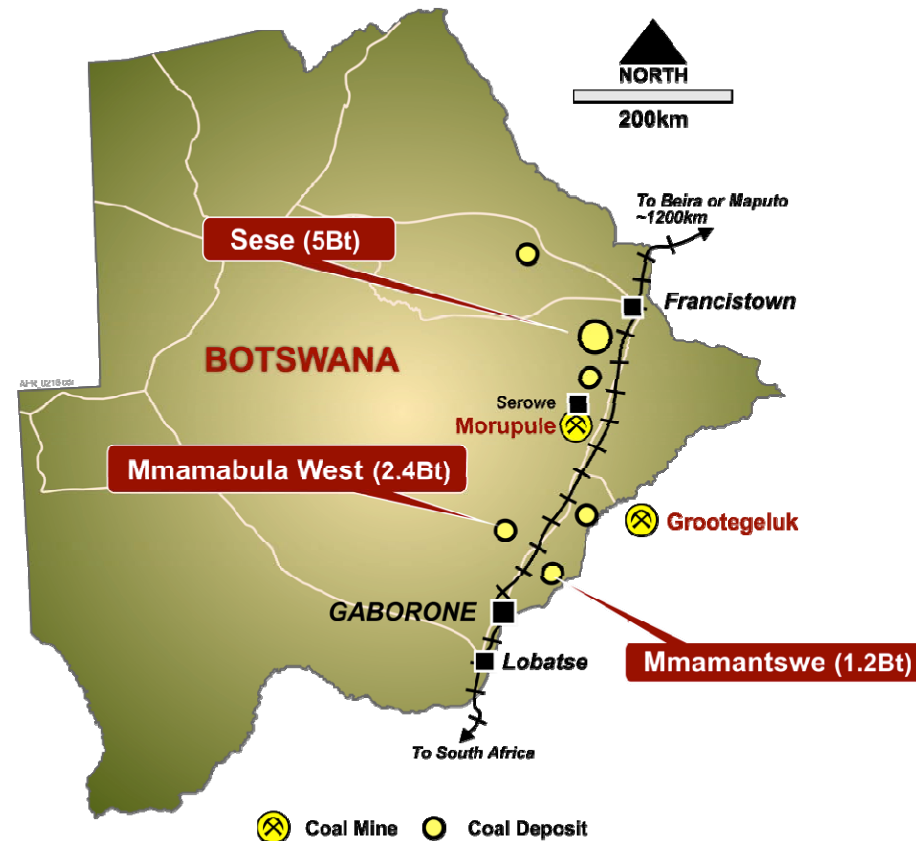


# Developing Power Projects in Southern Africa

Cape Town Presentation  
8<sup>th</sup> February 2016

## AFR now participating in the development of three large-scale power projects in Botswana

- ❖ Completion of initial Sese investment by First Quantum Minerals Ltd (FQM) in January 2015
- ❖ Progression of technical, commercial and permitting programs at Sese JV by FQM
- ❖ Re-alignment of Mmamabula West as a power project and funding for AFR to progress rapid development of this project
- ❖ Share Sale Agreement for Mmamantswe project to South African developer for US\$20M
- ❖ Balance sheet strengthened through repayment of all debt, reduction in corporate costs and a healthy residual cash position (~AUD \$7M)
- ❖ AUD \$1M share buy-back commenced in November 2015



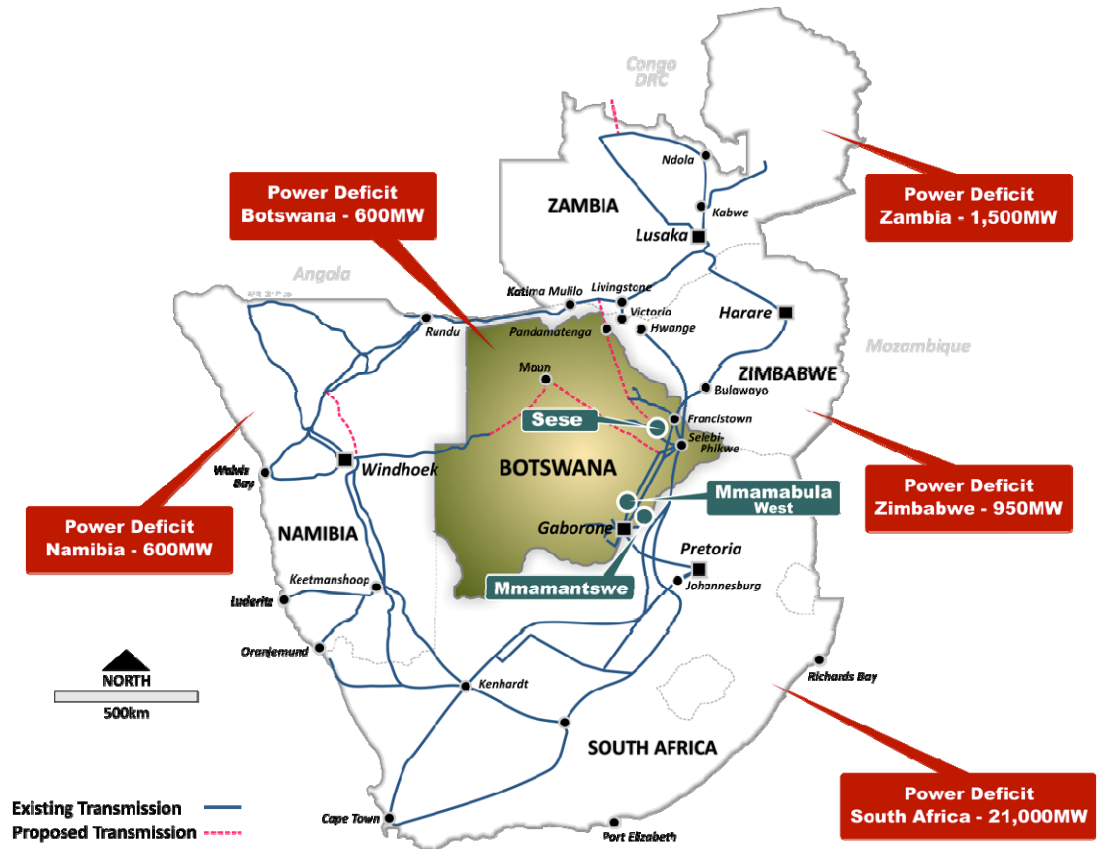
## Positioning the Company to focus on regional power demand

**Surrounded by robust demand for power:** every country in SADC is chronically short of reliable, affordable base-load power

**Regional hub:** AFR's projects are centrally located within the SAPP transmission grid

**Easy access to core infrastructure:** AFR's projects in close proximity to grid connection

**Stable business environment:** Botswana provides the most secure and stable fiscal and political setting in southern Africa



## State-owned utilities unable to fund new supply to meet current + forecast demand

### SOUTH AFRICA

- New Eskom mega-stations behind schedule, over budget
- Renewable projects are all small, represent <10% of total supply and not base-load
- Dept. of Energy seeking tenders from IPP's for coal-fired base-load projects
- IPP projects up to 600MW (domestic and cross-border) will be considered by DoE

### ZAMBIA

- Over-reliance on hydro schemes, massively impacted by current drought
- Severe supply side constraints leading to mine capacity reductions
- Currently importing power and using diesel/HFO at 15-18c per kWh
- Limited new supply, severely constrained supply until well beyond 2020

### BOTSWANA

- Morupule-B still underperforming, Morupule-A refurbishment likely to be expensive
- 300MW brownfield project unlikely to be on grid until 2020
- Still reliant on ~200MW expensive diesel power for base-load
- Needs a further 300MW to become fully self-sufficient at affordable base-load rates

### NAMIBIA

- Kudu gas project delayed again due to cost concerns
- 250MW gas project not yet finalised
- Net importer of power
- Opportunity for cross-border IPP sales from new supply





## Sese JV

- Advanced project
- Measured resource\*
- Approved EIA for 300MW
- Water allocation approved
- Land Lease Agreement signed giving Surface Rights for 50 years
- First Quantum Minerals earning up to 75% interest
- AFR's 25% interest loan carried to commercial operation of power station

## Mmamabula West

- Indicated/inferred resource\*
- Good quality thermal coal suitable for power generation and export
- EIA being amended to include 300MW + 300MW
- Project being developed for submission in RSA coal-fired IPP procurement program
- AFR discussing partnership opportunities with several developers

## Mmamantswe

- Advanced project
- Measured resource\*
- Approved EIA for 2,000MW
- Water source registered
- Project consortium to submit bid into South Africa's coal-fired IPP procurement program
- AFR has agreed to sell project for US\$20M to the consortium if project bid is shortlisted and/or project is taken to financial close

\* Refer to resource table in Appendix 1



# The Sese JV: Summary

First Quantum Minerals Limited will invest up to \$20M in the Sese JV

- AUD \$8M invested by FQM to take a 51% interest and management of the JV
- FQM sole funding the next AUD \$12M to increase interest to 75%
- This funding is being used to investigate the development of a fully integrated coal mine and mine-mouth power station
- FQM are responsible for sourcing all additional funding beyond the initial \$20M investment
- AFR's 25% share of additional funding will be loaned to it by FQM, and carried to commercial production
- Technical, permitting and commercial programs making good progress



## Sese JV - project development tasks underway

**TECHNICAL** Transmission study on existing Tx options between Botswana and Zambia

Confirmation of critical power plant (boiler) technology, unit size and layout

Coal combustion test-work to finalise fuel specification

---

**PERMITTING** Land Lease Agreement (surface rights for 50 years) was recently executed

Complete and execute Water Supply Agreement (2.8 GL p.a. water allocation approved)

Complete Coal Supply Agreement and submit ML application

---

**COMMERCIAL** Prepare and submit Manufacturing Development Approval Order

Confirm design and cost estimate for fully integrated power project





# Mmamabula West: Power Development Opportunity

Mmamabula provides an immediate development opportunity for power generation

- 2.43 billion tonnes in two main coal seams, each ~5m thick, 100-130m deep
- Geometry and coal quality provides multiple development options for **power generation and/or coal export**
- AFR has re-aligned this project to bid into South Africa's IPP procurement program
- Work program underway to reduce development risk of power generation at this project
- Surface rights submission being prepared, water supply options under evaluation, EIA being amended, grid connection study to commence in Q1 2016





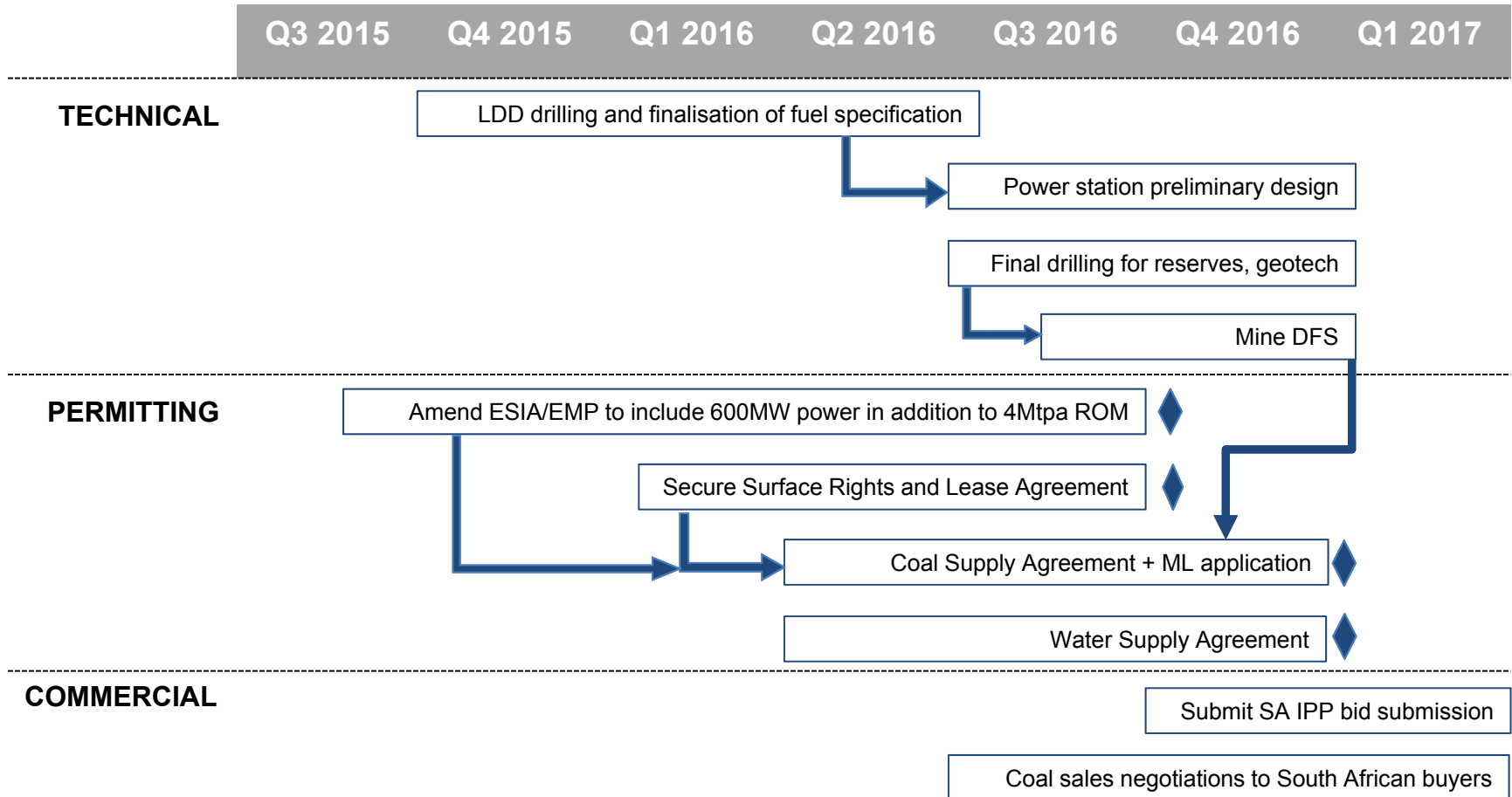
# Mmamabula West: Fuel Specification Program



Large diameter drilling cores from which a power station fuel specification will be derived



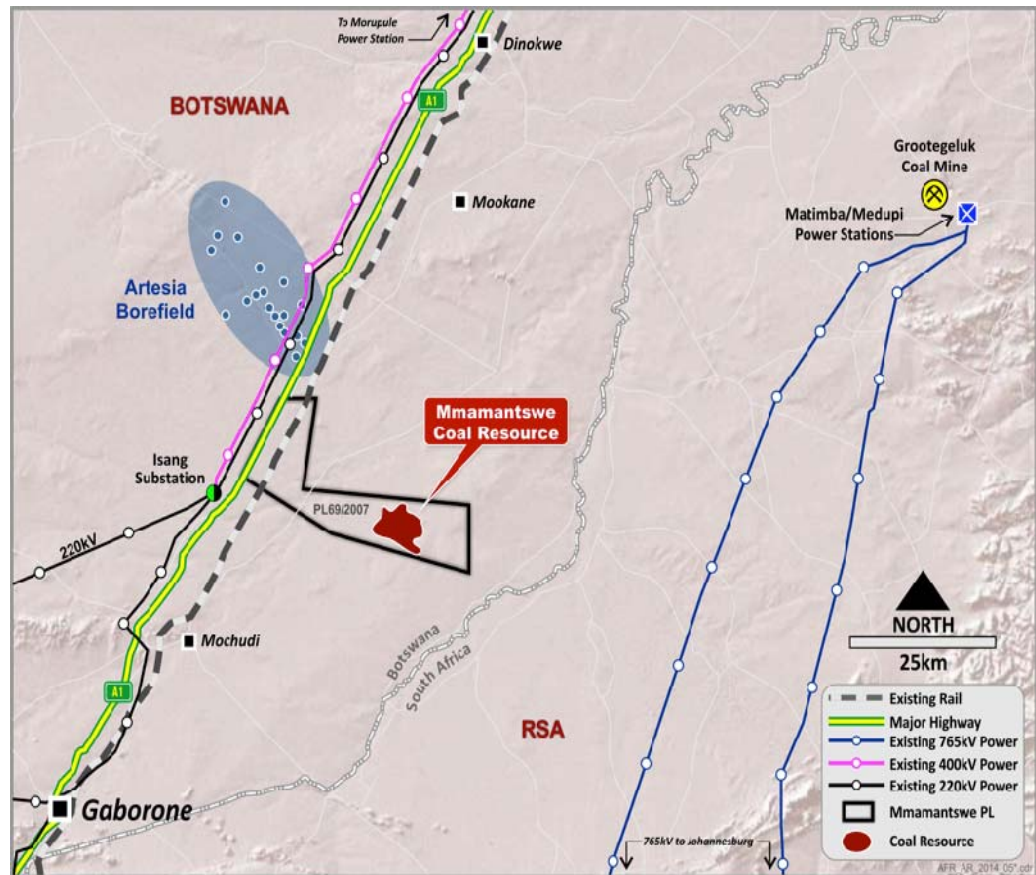
# Mmamabula West: Indicative Development Plan



# Mmamantswe - \$20M Share Sale Agreement

## South Africa is seeking 600MW of cross-border, coal-fired baseload IPP

- Very few bids shortlisted for the domestic portion of SA's 2,500MW IPP program
- Cross-border IPP proposals thus likely to receive close attention
- Binding agreement executed to sell Mmamantswe to an experienced SA developer who intends to submit a bid:
  - Qualifying criteria and the documentation (RFP) for cross-border projects to be released early 2016
  - Developer has formed a bid consortium which will sole fund bid preparation and submission, and keep tenement in good standing – no further AFR funding required
  - Subject to necessary approvals, AFR will sell the project company to the development consortium for USD \$20M if the consortium wins the tender and is able to achieve financial close





# Summary – Project Pipeline



## Sese JV

FQM evaluating the development of an integrated mine and power station

FQM earning-in, AFR loan carried to production from power station

## Mmamabula

Multiple power project potential with future coal export potential

AFR sole funding pre-development activities prior to introducing partner

## Mmamantswe

Binding agreement for a Share Sale to a South African developer

Potential \$20M short-term return, conditional upon SA IPP bid success





# Corporate Summary



## ASX Code

AFR

Shares on issue

609 million

Market Cap (@ \$0.051)

AUD \$31M

Cash (31 Jan 2016)

AUD \$6.5M

Debt

Nil

## Major Shareholders

The Sentient Group

23%

First Quantum Minerals

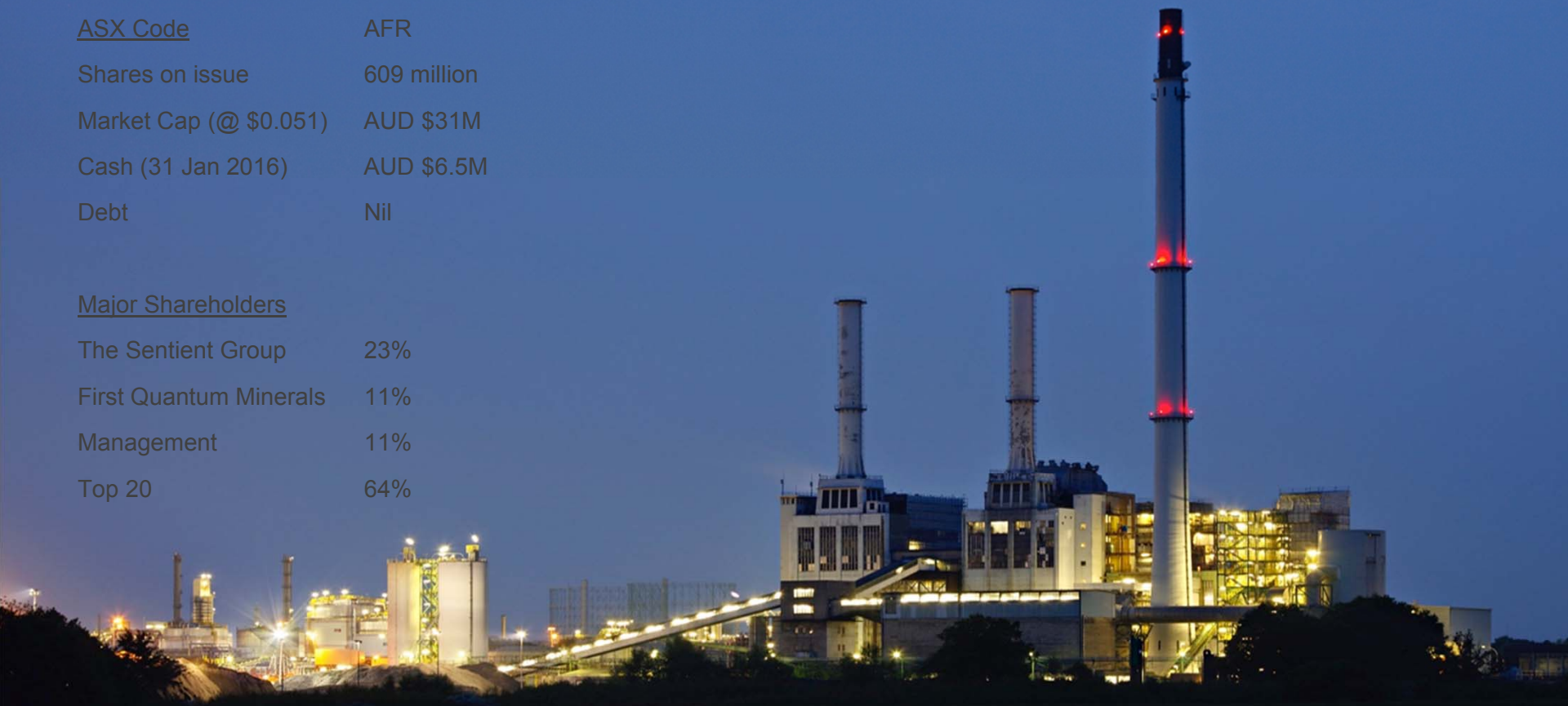
11%

Management

11%

Top 20

64%



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.*



# Appendix 1: Global AFR Coal Resource Table



## Global Coal Resources for AFR Limited Coal Projects in Botswana

Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis), FQM 53%, AFR 47%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Block-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Block-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
<b>TOTAL</b>	<b>2,517 Mt</b>							

Sese West Project: Resource Summary (Raw coal on an air-dried basis) FQM 53%, AFR 47%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INFERRED	2,501Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
<b>TOTAL</b>	<b>2,501Mt</b>							

Mmamabula West Project: Resource Summary (Raw coal on an air-dried basis) AFR 100%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	N/A							
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
<b>TOTAL</b>	<b>2,433 Mt</b>							

Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis) AFR 100%								
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							
<b>TOTAL</b>	<b>1,243 Mt</b>							

\* 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