



***Delivering **power** to the people***

**ASX RELEASE ASX:AFR**

24 November 2017

**ANNUAL GENERAL MEETING PRESENTATION**

African Energy Resources advises that the following presentation was delivered at the Annual General Meeting held in Perth yesterday.

For any further information, please contact the Company directly on +61 8 6465 5500.



# **Annual General Meeting: Presentation to Shareholders**

23<sup>rd</sup> November 2017



# 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.

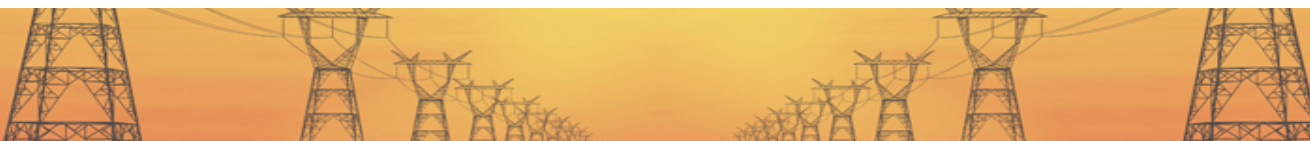
You should not act or refrain from acting in reliance on this presentation material. This overview of African Energy does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of the Company's prospects. You should conduct 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.*



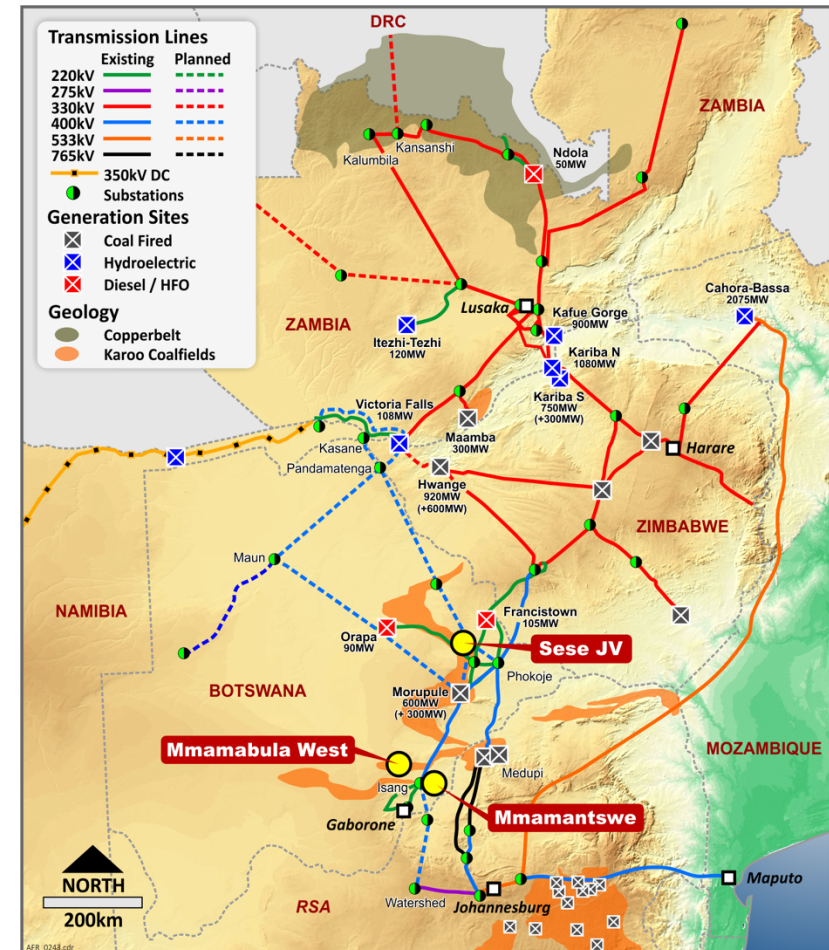
# Company overview

African Energy is participating in the development of large-scale power projects in Botswana

- ❖ Three projects in Botswana being developed as integrated power projects to supply electricity into the SADC region:
  - ❖ **Sese JV**: 450MW: Managed by First Quantum Minerals Ltd
  - ❖ **Mmamabula West**: 600MW: Early development stage.
  - ❖ **Mmamantswe**: 600MW: Under option to South African developer for the 3,750MW IPP program

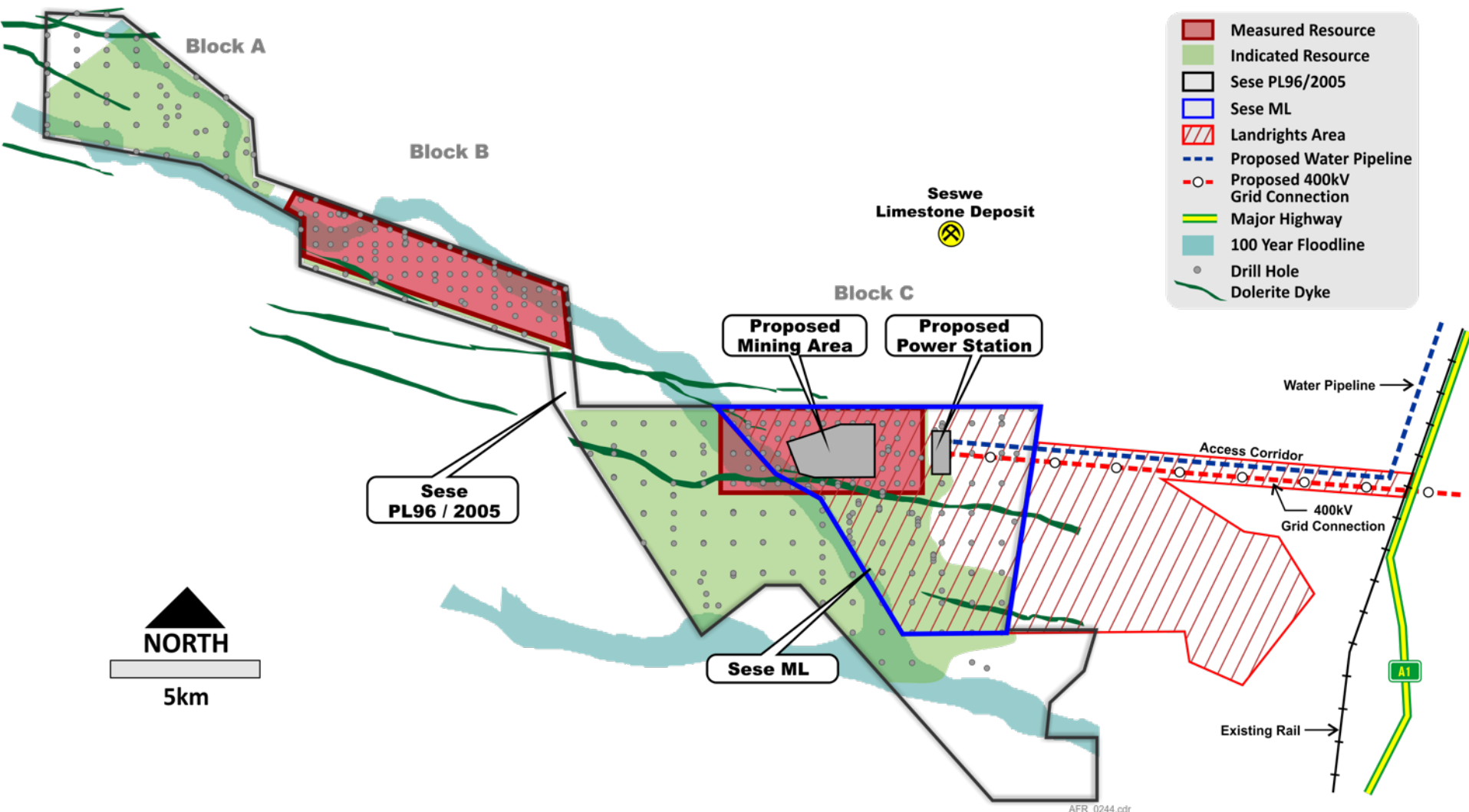
## Main Developments in 2017:

- ❖ Significant progress with permitting and technical studies for the Sese JV. On track for completion of all permitting this year
- ❖ Tariff increases in Zambia resulted in legal disputes and Government intervention, in turn leading to agreement for FQM to import power, though progress remains subject to cooperation by state utility ZESCO
- ❖ Excess power generation in South Africa has allowed Eskom to offer cheap exports, disrupting plans for new generation



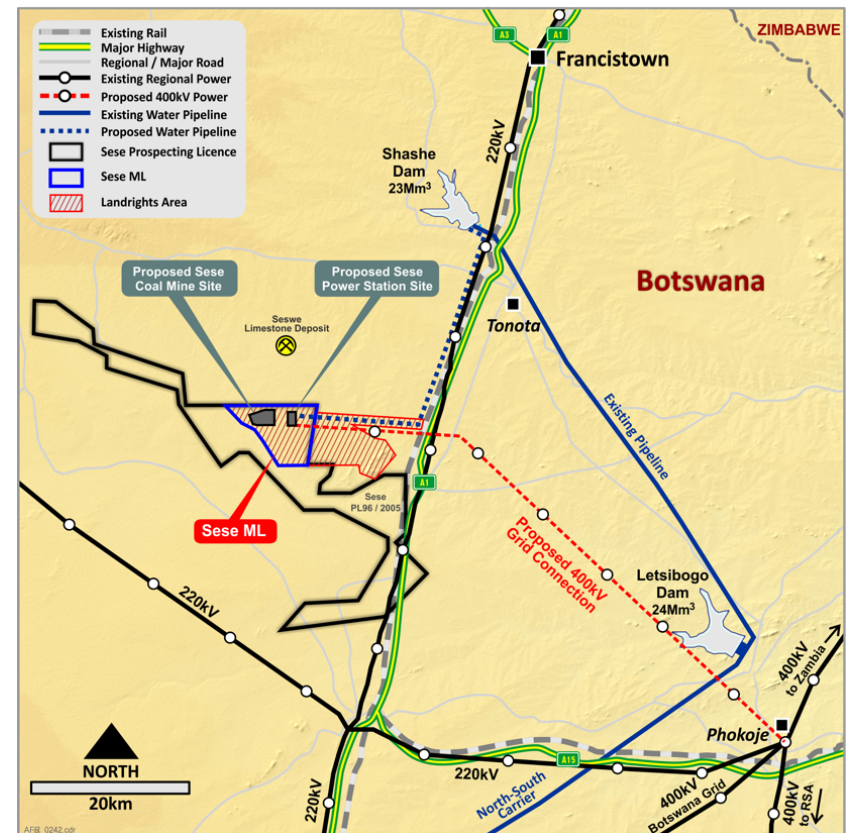


# Sese JV: project overview



# Sese JV: significant progress in 2017

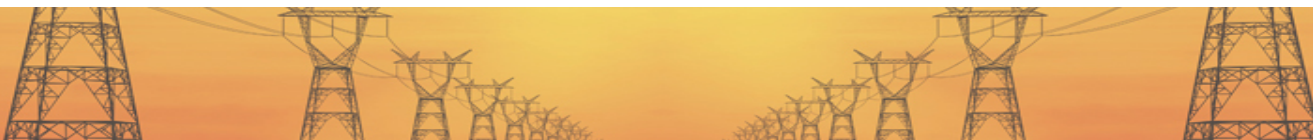
- ✓ **Completion** of mining studies and power station design to pre-feasibility standard
- ✓ **Approved** water allocation from Shashe Dam and fully executed Water Supply Agreement
- ✓ **Approved** 50-year Land Lease Agreement covering 110km<sup>2</sup>
- ✓ **Approved** 25-year Mining Licence covering 51km<sup>2</sup> which contains enough coal to fuel multiple 450MW power projects
- ✓ **Approved** Manufacturing Development Approval Order sets fiscal regime for the power project, including a 5-year tax holiday from commencement of operations and then a tax rate of 15%
- Draft Power Sales Agreement between Sese JV and FQM's copper operations in Zambia
- Negotiations for a Generation and Export Licence and Power Wheeling Agreements are in progress - now the only major outstanding permits and agreements





# Sese JV: ongoing programs

- Continue negotiations with the Botswana Energy Regulatory Authority (BERA) for Generation and Export License – this is the only remaining major license required for the project in Botswana
- Undertake compensation and resettlement of all cattle grazers from within the Land Rights area to new areas outside of the boundary
- Submit amendments to the approved EIA seeking adjustment to 500MW of power generation and associated coal mining
- Continue negotiations with Copperbelt Energy Corporation as a potential project partner and commercial manager of power sales from Sese to Zambia
- Seek membership of ZIZABONA as a cornerstone customer and potential provider of in-kind support to build the ZIZABONA interconnectors, providing additional pathways to move power between Botswana and Zambia



The Sese JV has all the critical elements required to build a major power business:

**1. Access to secure supply of power station fuel for the life of the project**

- ✓ Approved Mining License at Sese contains enough low-cost, low-risk coal for multiple 450MW projects for >35 years

**2. Access to long-term power markets through a secure power sales agreement**

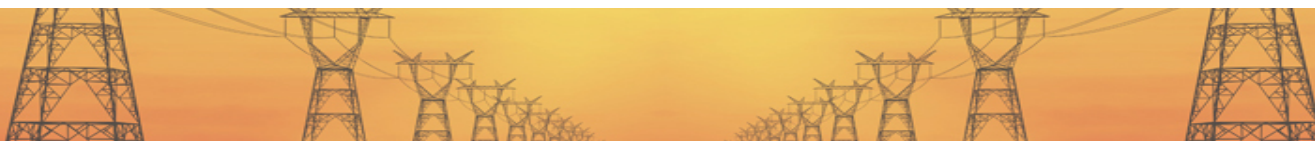
- ✓ Draft Power Sales Agreement to sell power to First Quantum's copper operations in Zambia

**3. Access to project funding**

- ✓ AFR's 25% share of Sese project funding to be loan carried to commercial operation by First Quantum Minerals Ltd

**4. Access to sufficient transmission infrastructure capacity**

- ✓ Existing high-voltage transmission infrastructure in place with available capacity





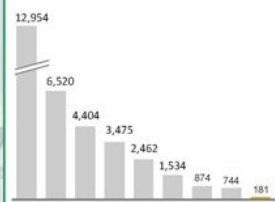
# Africa requires major growth in power generation

- Significant international interest in improving access to electricity in Africa
- Growing awareness of link between access to affordable power and improved living standards
- Cost and reliability are key issues

## Light up and Power Africa: The Challenge

Power consumption per capita in Africa remains very low, especially in Sub-Saharan Africa

Power consumption, Kilowatt hours/capita, 2012



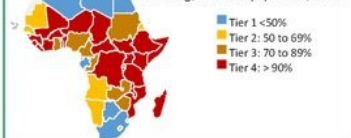
640 million of Africans (53%) still have no access to electricity

Access to electricity, % of total population, 2013



730 million people in Sub-Saharan Africa rely on the traditional use of solid biomass for cooking

Households using solid biomass for cooking, % of total population, 2013



## Generation Capacity

United States

3,360

megawatts  
per million people

Sub-Saharan  
Africa

91

megawatts  
per million people

## ENERGY for AFRICA

600 million people,

70%

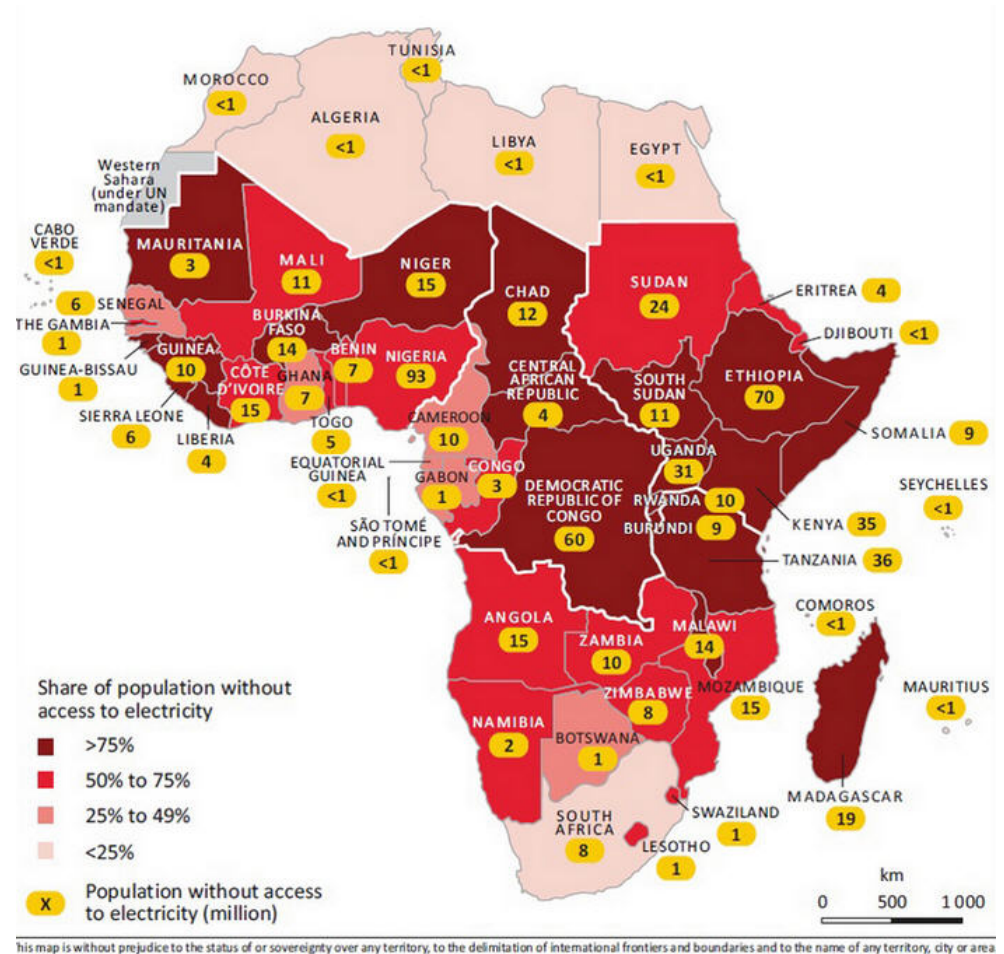
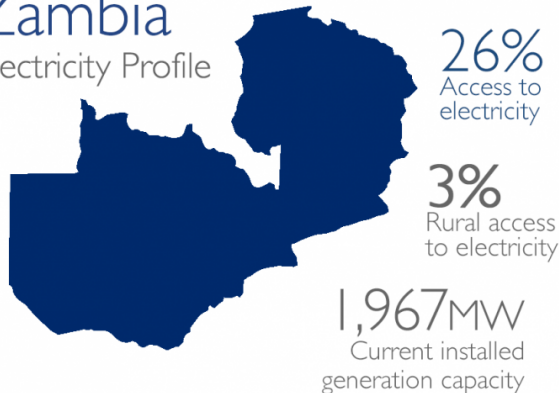
of the population of sub-Saharan  
Africa are without electricity



# Focus on Zambia

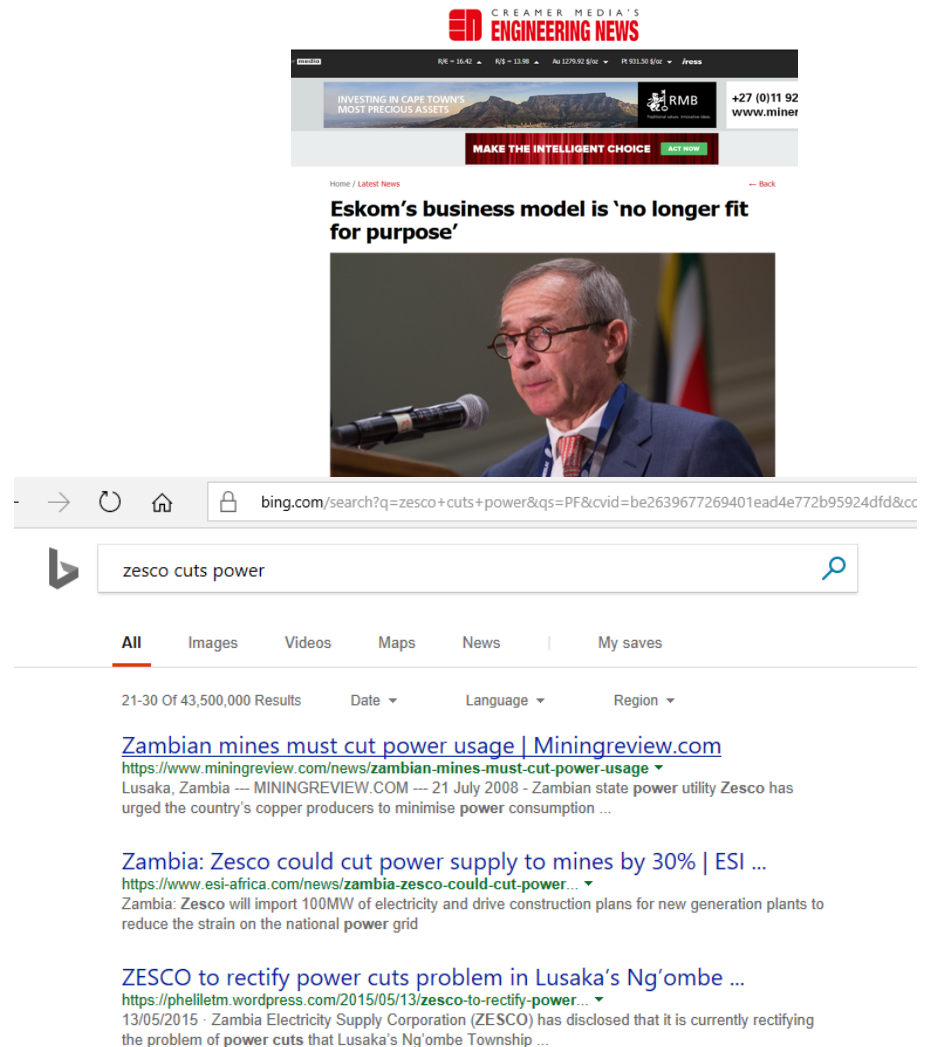
- Fast growing electricity demand from all sectors; residential commercial and industrial users
- Copper mining industry still accounts for majority of power usage. FQM alone is the largest user of power in Zambia.
- Well developed interconnection into SAPP grid
- US\$ tariff avoids currency risks in sales agreements

## Zambia Electricity Profile



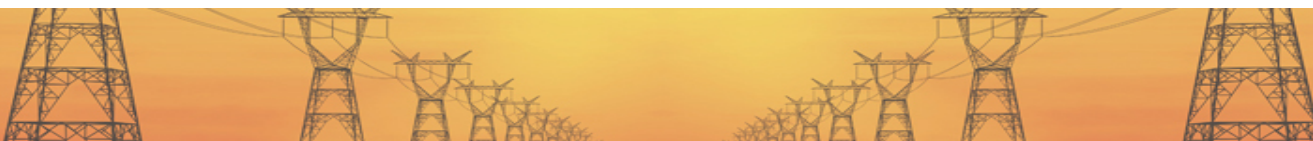
# Challenges to development

- Eskom, the South African utility, currently has excess generation capacity and is offering exports to regional customers at low tariffs (effectively at marginal cost) – this is disrupting decisions to commit to new IPP's such as Sese and Mmamantswe/Mmamabula
- The excess capacity comes from high costs generation brought on during previous shortages and is causing Eskom heavy operating losses, so these low tariff's are unsustainable
- ZESCO, the Zambian utility, is currently unable to meet internal demand without importing power
- ZESCO recently raised tariff's to it's major customers in Zambia to USD 9.3c per kWh - FQM has agreed to pay this tariff if ZESCO allows it to import a portion of its power needs, but the commercial details around MW volume and 'Use of System' fees have yet to be fully resolved





- As a result of these challenges, FQM requested a 12-24 month extension to the earn-in timeframe for the Sese JV whilst these issues are resolved
- AFR agreed to this extension, subject to FQM investing AUD \$1.38M (@ AUD \$0.078/share) into AFR and continuing to use best endeavors to resolve the commercial issues around importing power into Zambia
- Also agreed that FQM continues to seek finalisation of all Sese JV permitting tasks and continue to pursue partnership opportunities that may assist with the importation of power into Zambia
- As a part of the consideration for the extension FQM transferred its ~7% interest in Caravel Minerals (owner of the Calingri Copper Deposit in Western Australia) to AFR
- As there is a risk of further delays AFR has commenced a review of corporate costs
- In the event the project timeline is further extended consideration will be given to other project opportunities
- Further announcements regarding these reviews will be made in due course



Shares on issue 627 million

Options and Rights 21 million

Market Cap (@ \$0.035) AUD \$22M

Cash (31 Oct 2017) AUD \$4.3M

Value of Listed Investments (23 Nov 2017) AUD \$1.2M

Debt Nil

## Major Shareholders

The Sentient Group 23%

First Quantum Minerals 14%

Management 11%

Top 20 (including above) 65%

- Strong progress has been made at the Sese JV in 2017
- Technical studies completed to at least PFS level and most permits and agreements executed
- Final tasks for full project permitting are in progress;
  - Generation and Export License
  - Amendments to the approved EIA
  - Finalisation of the relocation action plan for cattle grazers
  - Commercial agreements for the transmission and importation of power into Zambia
- Delays to Sese project commitment by FQM due to
  - Sales of excess power from Eskom distorting SAPP market prices
  - Delays in finalising power imports with ZESCO
- No clear timeline is possible for dealing with the delays, therefore;
  - Review of corporate costs
  - Consideration of other projects/opportunities

