

Delivering power to the people

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## SESE POWER GENERATION LICENCE GRANTED

The Botswana Energy Regulatory Authority (BERA) has informed the Sese JV that it has approved the application for an electricity generation license (Generation Licence) for the proposed 300MW Sese Power Station (Sese Project).

The Generation License was the final regulatory approval required for the Sese Project to commence.

BERA will issue the licence document and details of conditions at a later date, at which point African Energy will provide further details.

The award of the Generation Licence follows the recent execution of power sales agreements for first 300MW Stage of the Sese power station.

The award of the Generation Licence is a major milestone for the Sese Project and confirms it as one of the most advanced major Independent Power Projects in the Southern African region. The Sese Project is receiving strong interest from major power consumers throughout the region and is actively engaged with parties seeking to participate in expansion stages beyond the first 300MW.

Potential debt and equity financiers are well advanced in their due diligence. Further advice on these negotiations will be released in due course.

Authorised for release by Frazer Tabeart, CEO of African Energy.

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



## **SESE JV BACKGROUND**

African Energy owns one third of the Sese JV, which is developing the 300MW Sese Power Station (Sese Project).

Under a joint venture agreement signed in 2014, First Quantum Minerals (FQM) earned a 66.7% interest in the Sese Project, with African Energy owning the balance of 33.3% (Sese JV). The parties contribute pro rata to ongoing costs, however FQM are obliged to arrange all debt financing for the project and loan fund AFR's equity contribution.

The Sese JV has completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design has determined that Sese coal is a suitable fuel for all common power station boiler technologies and can readily meet the required air quality and emissions standards set in the environmental approvals for the project.

These studies have also established the operating costs, capital costs and a robust financial model for a power project and the associated coal mine and coal processing facilities and have demonstrated that power from Sese could be delivered to the large power consumers in the Zambian Copperbelt.

The Sese JV has secured the majority of licences, permits and stakeholder approvals that are required for such an operation including:

- A large-scale mining licence has been granted for an initial period of 25-years over an area of approximately 51 km<sup>2</sup> which contains 650Mt of coal in Block-C.
- A Development Approval Order which sets the fiscal framework for the project, including a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate.
- Land Rights and an associated 50-year Land Lease Agreement.
- Water extraction rights from Shashe Dam.
- Environmental approval for the project for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- Implementation of the resettlement action plan (RAP) around Sese.

Sese JV has executed power sales agreements with Kalumbila Minerals Limited (Zambian subsidiary of FQML) and a Term Sheet with Zimasco (Pvt) Ltd, which together would consume the full output of the initial 300MW power station for a period of 15 years.

Sese JV is in discussions with several additional parties. A second 300MW unit can be considered if suitable demand and associated power sales agreements can be established

## **REGIONAL ENERGY CRISIS**

Southern Africa is currently experiencing a major energy crisis due to a combination of thermal power generation plant failures in South Africa, and severe drought-induced low river flows reducing hydro-electric output in Zambia and Zimbabwe. This has resulted in widespread load shedding, often between 2,000MW (Stage 2 Load Shedding) and 6,000MW (Stage 6 Load Shedding) in South Africa, with a flow through impact in neighbouring countries which import a significant proportion of their power from South Africa.

This crisis is driving strong interest in the low-cost baseload power that can be delivered by the Sese Project.



Many major mining and smelting projects, which are critical to their national economies, are highly dependent on stable power supply. A number of new builds and expansion plans for such projects are contingent on securing long-term power supply at suitable prices. The Sese Project is therefore receiving strong interest from potential buyers and is well placed to satisfy this demand and provide a valuable addition to the southern African energy market.