



AGM Presentation to Shareholders

19 November 2020



Summary of presentation



- **Sese Project overview**
- **Sese Project development plans**
- **Regional power situation**
- **Sese Project permitting update**
- **Sese Project next steps**
- **Diversification strategy**
- **Copper-gold project applications in WA**



African Energy's Power Projects: Overview

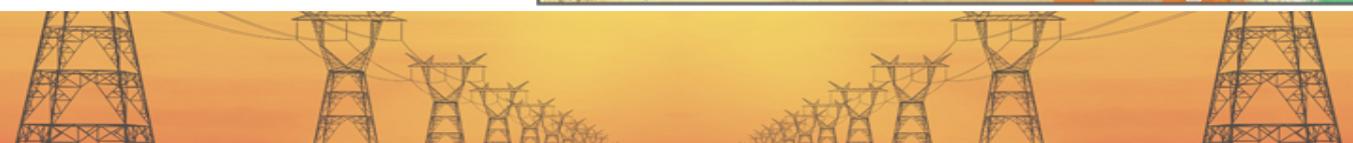
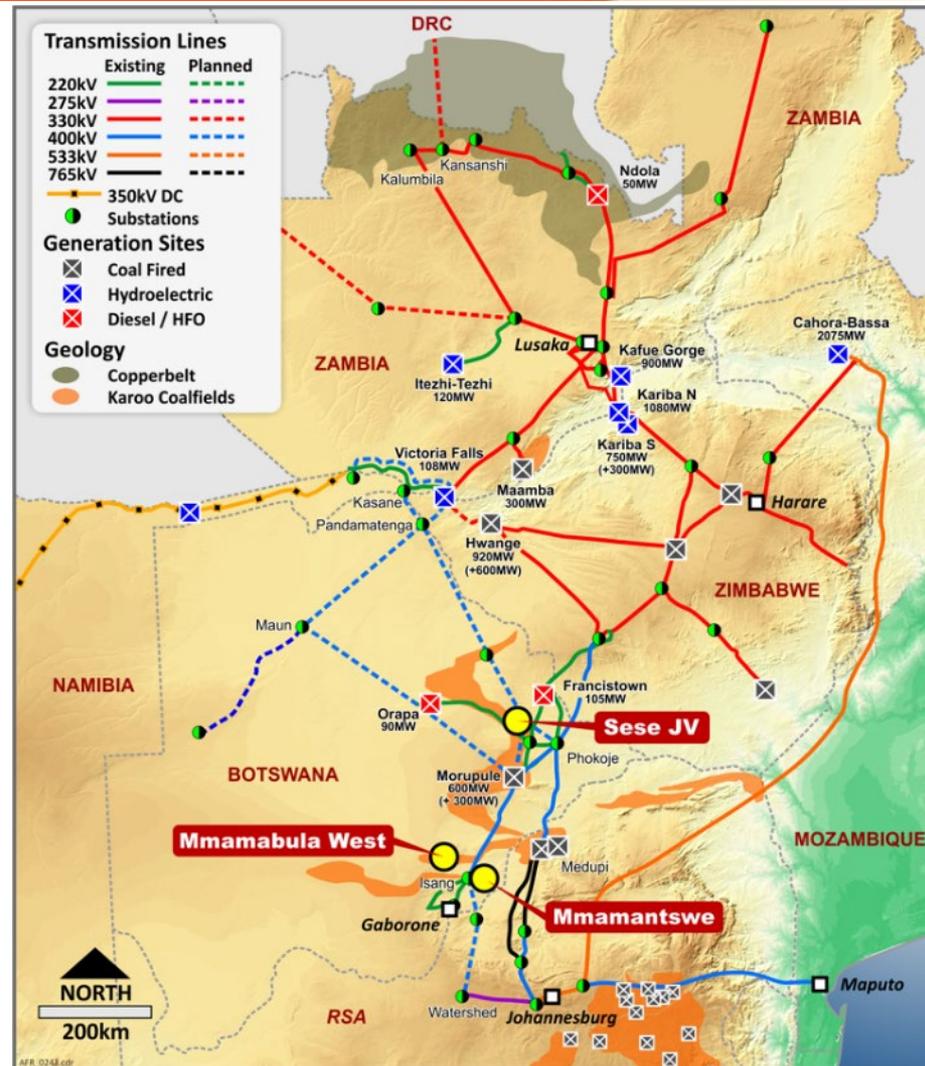


Background: Regional Power Shortage

- Systemic regional power deficit in southern Africa continues, exacerbated by equipment failures leading to poor availability.
- Regional utilities unable to build new generation due to severe financial constraints.
- Tariff continue to rise across the region and will exceed USD 10c/kWh across the board within 1-2 years.

African Energy's Power portfolio:

- 33.3% ownership of the Sese Power Project, a JV with First Quantum Minerals Ltd (FQM, 66.7%).
- Power Sales Agreement to sell 100MW from Sese to FQM's Zambian operations has been signed.
- Term Sheet for another 150MW has been signed with Zimasco (Pvt) Ltd.
- Generation and Export Licence has been approved
- Continued discussions with potential Chinese development partners for Sese Power Project.
- Initial 300MW development stage followed by further expansions.



Sese Power Project Development Plans



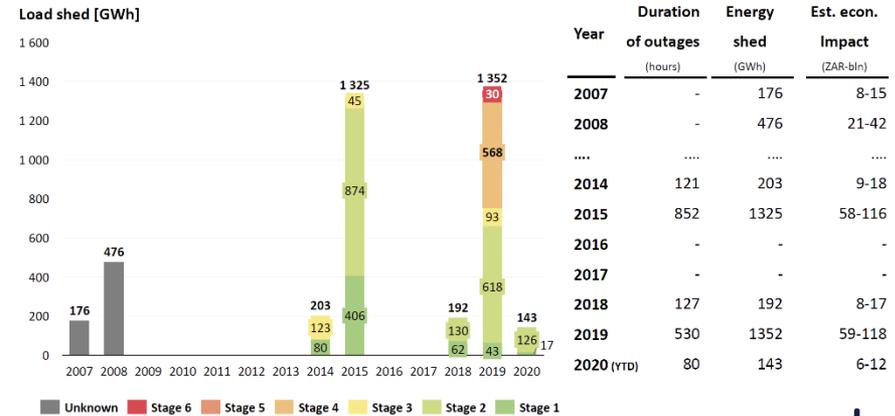
- **Stage 1** comprising 300MW as 2 x 150MW units which are readily available for purchase in China:
 - ~260MW of net power available for sale at the Botswana grid connection point.
 - Discussions with potential Chinese development partners are ongoing.
 - Power Sales Agreement executed for 100MW delivered to FQM's Zambian copper operations for 15-years.
 - Term Sheets being developed with other credit worthy off-takers in Zimbabwe and South Africa
 - Term Sheet for 150MW to Zimasco (Pvt) Ltd has been signed.
 - Initial interest shows an additional 250MW of demand in Zimbabwe.
 - Strong interest from mining companies in South Africa.
 - Considerably more demand than can be met from Stage 1 alone.
- **Stage 2** comprising a further 300MW:
 - Requires Sese to secure additional power sales agreements, but as shown above, demand is clearly present.
- **Expansion** plans under discussion with development partners:
 - Potential to strengthen and expand regional transmission grid as part of Sese project development
 - Potential to develop large Solar PV park at Sese site.



Regional power market update – South Africa



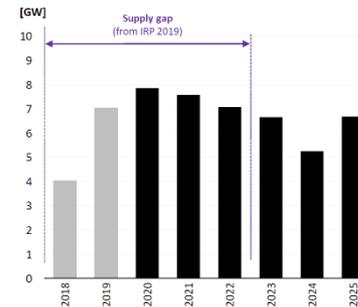
- Severe financial and technical issues, management of an ageing fleet, mounting debt, and numerous senior management changes have resulted in significant reductions in electricity generation
- Significant load shedding in 2019 continued into 2020:
 - Worst year of load shedding on record.
 - Up to Stage 6 Load Shedding (6000MW).
 - Estimated loss of ZAR 60-120 billion in GDP.
 - Likely to continue for 2-3 years.
- Reduction in volumes of power exported from South Africa to its neighbours.
- No short term solution in sight to meet the daily demand profile typical in southern Africa:
 - Renewables are clearly part of the solution, but
 - Requires significant investment in base load capacity to stabilise the grid and match the demand profile
- Provides an opportunity for new IPP's to provide affordable base load power.



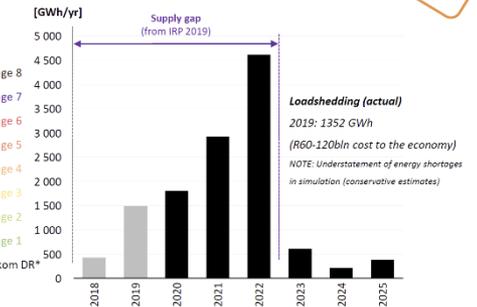
Notes: Load shedding assumed to have taken place for the full hours in which it was implemented. Practically, load shedding (and the Stage) may occasionally change/ end during a particular hour. Total GWh calculated assuming Stage 1 = 1 000 MW, Stage 2 = 2 000 MW, Stage 3 = 3 000 MW, Stage 4 = 4 000 MW, Stage 5 = 5 000 MW, Stage 6 = 6 000 MW. Cost to the economy of load shedding is estimated using COUE (cost of unserved energy) = 87.50 R/kWh. Sources: Eskom Twitter account; Eskom se Push (mobile app); Nersa; CSIR analysis



Capacity (shortage)



Energy (shortage)



Updated EAF & Updated demand forecast

(EAF from ≈67% in 2019 to ≈64% by 2024) (Demand forecast initially flat & growth to 267 TWh by 2025)

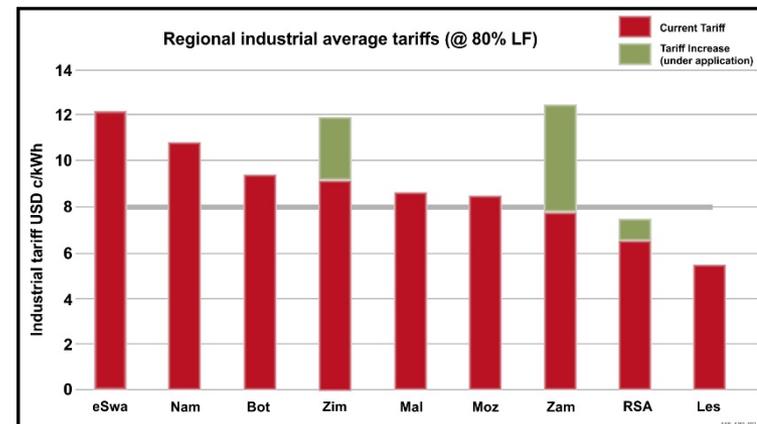
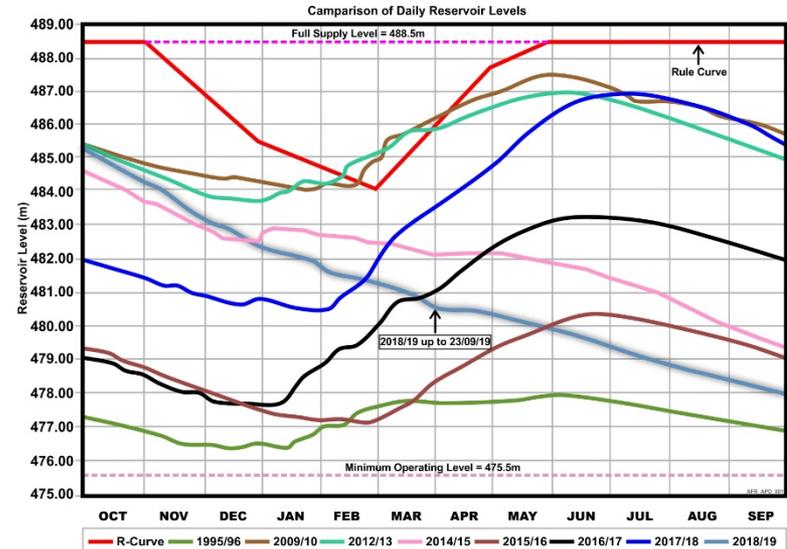
* Estimated Eskom Demand Response (DR) capability (mostly industrial & energy limited); NOTES: Energy & capacity shortage is demand that cannot be served due to a lack of capacity (including OCGTs, pumped storage & Eskom DR); Outcomes shown are from deterministic simulations - thus indicative; 99th percentile of capacity & energy shortage is reported; All IRP 2019 capacity is assumed to come online as planned (Step 3 is always considered implemented); Cost of load shedding is estimated using COUE (cost of unserved energy) = 87.50 R/kWh; Sources: CSIR Energy Centre analysis



Regional power market update - rest of SAPP

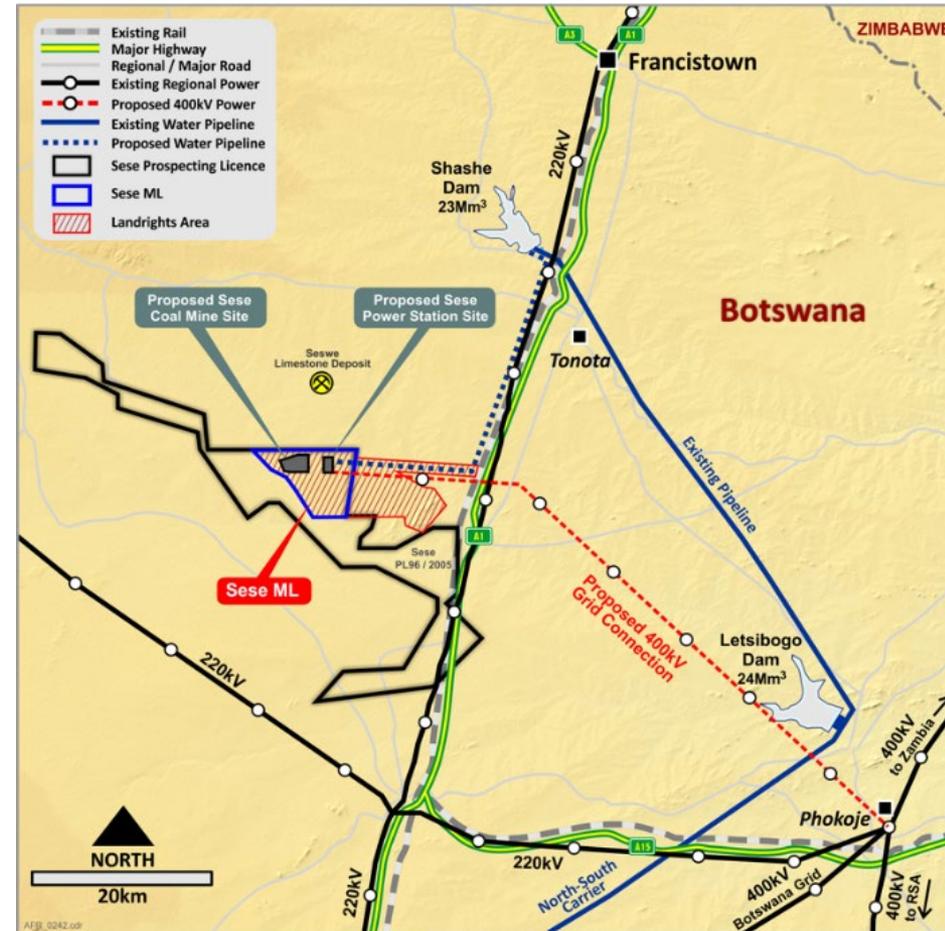


- In Zambia and Zimbabwe, declining inflows and overallocation of water in 2018/19 resulted in a significant fall in electricity generation from Kariba Dam and other hydro-electric schemes (see figure top right).
- This improved in 2020, but highlights the inherent dangers of hydro-power in drought prone regions.
- Botswana power generation fell due to performance issues at the Morupule B, resulting in reliance on expensive diesel generation and costly imported power.
- Coupled with reduced Eskom exports, the result is widespread load shedding throughout the entire region, along with upward pressure on electricity tariffs.
- In most cases average industrial tariffs are now well in excess of USD 8.0c/kWh (figure bottom right) with further tariff hikes to >USD 10.0c/kWh inevitable.
- Sese is very competitive, and can deliver power to the Botswana border at very competitive tariff's compared to any projected utility tariff in 2023/24.

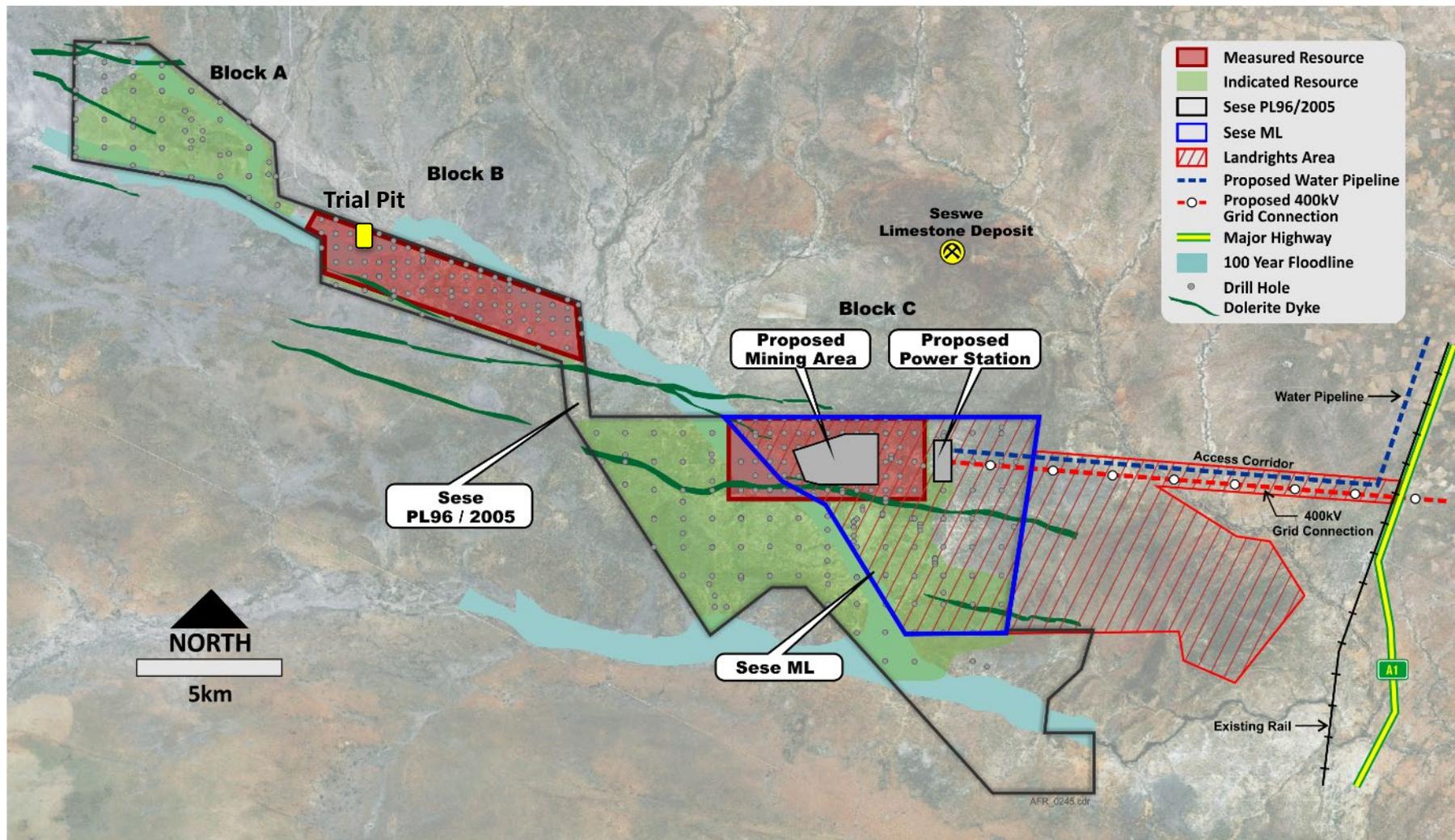


Sese Project: All Key Approvals in Place

- ✓ **Technical Studies** completed for coal mine and power station
- ✓ **Approved** 25-year Mining License covering 51km² which contains enough coal to fuel multiple 450-600MW power projects
- ✓ **Approved** Manufacturing Development Approval Order sets fiscal regime for the power project
- ✓ **Approved** Environmental permits to allow up to 500MW of power generation and associated coal mining
- ✓ **Approved** water allocation from Shashe Dam and fully executed 30-year Water Supply Agreement
- ✓ **Approved** 50-year Land Lease Agreement covering 110km²
- ✓ **Resettlement Action Plan** completed – all 31 households resettled.
- ✓ **Power Sales Agreement and Term Sheets** in place to cover full output of first stage of the project.
- ✓ **Approved Power Generation/Export License**
- ☐ **Transmission and Use-of-System/Wheeling Agreements** under negotiation

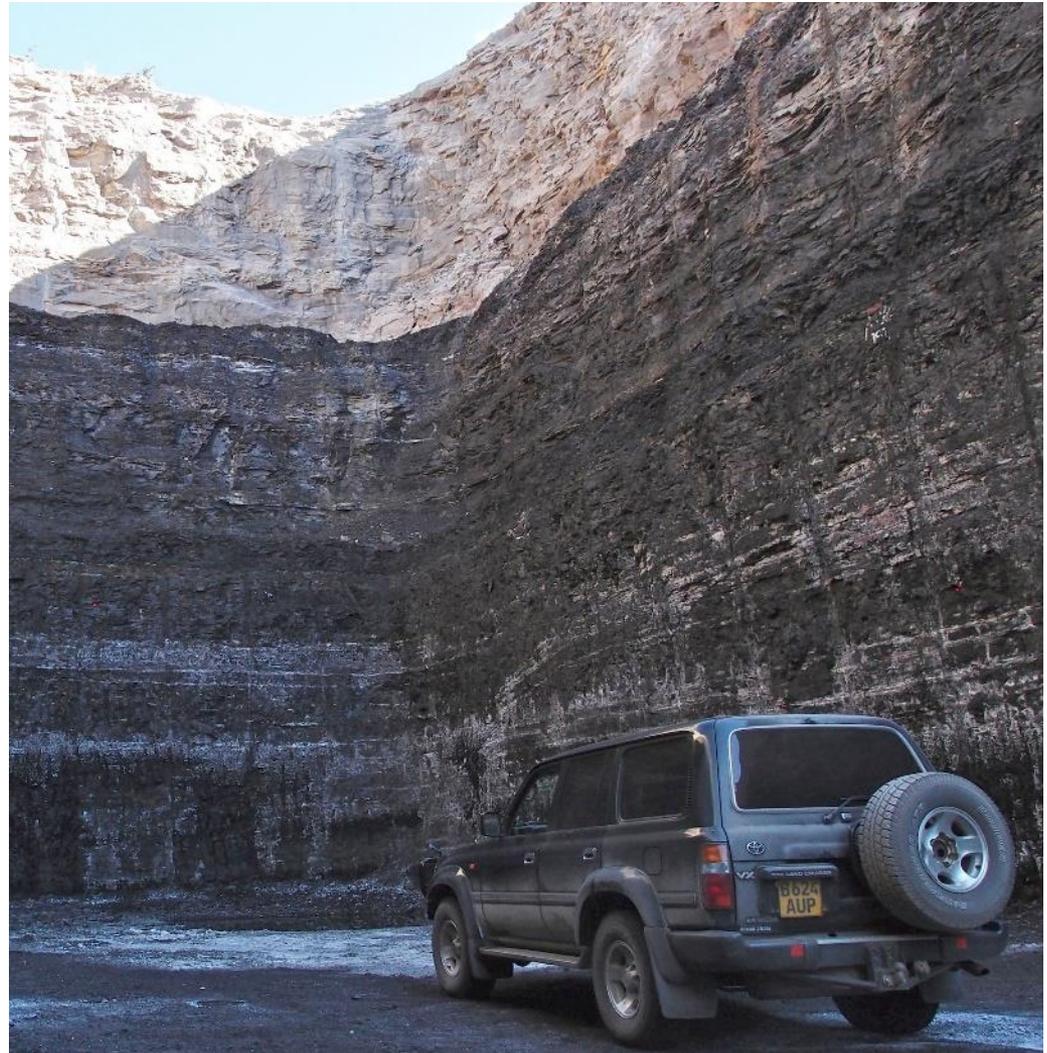


Sese Project Layout



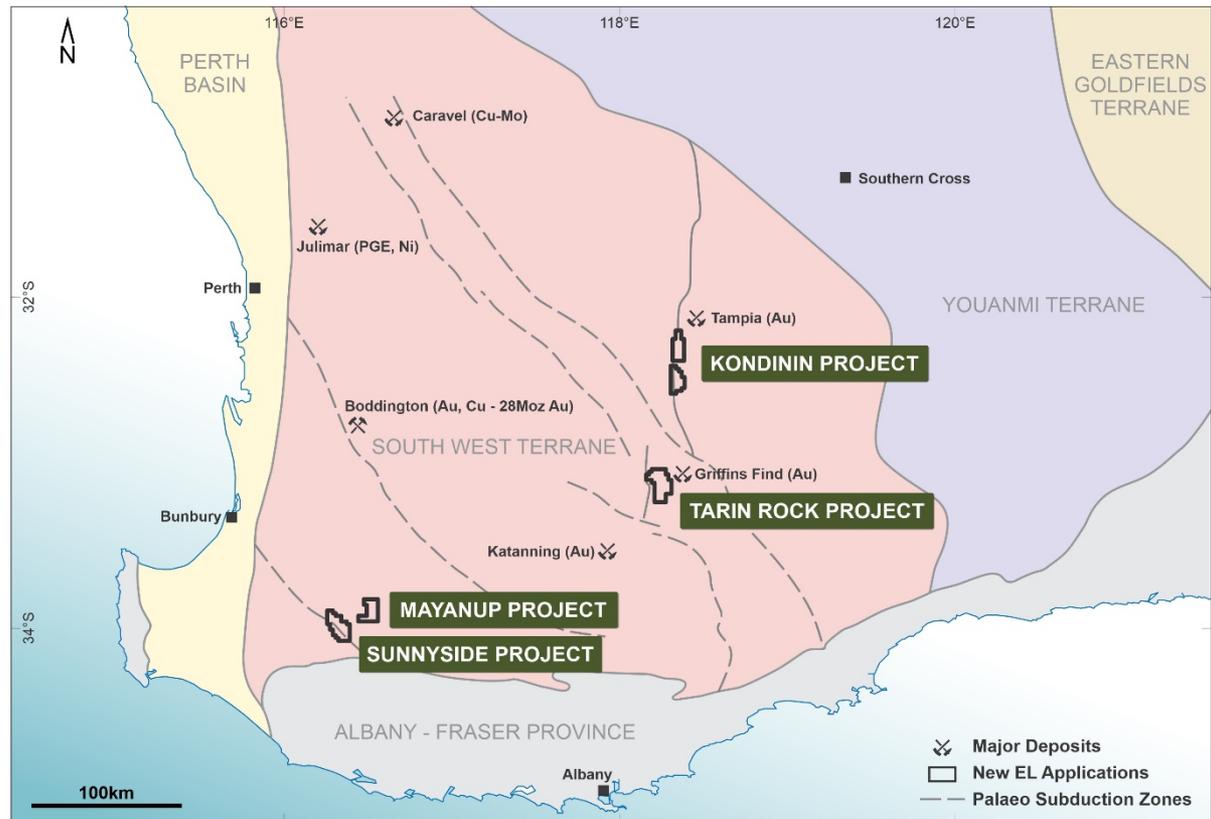
Next Steps for Sese Power Project

- Continue discussions with potential off-takers for power sales agreements to support second stage expansion of project
- Continue discussions with potential project development partners that would take an early equity stake in the project
- Discussions with EPC and OEM contractors to confirm high-level pricing of major capital items
- Discussions with potential lenders for debt funding portion of capital cost

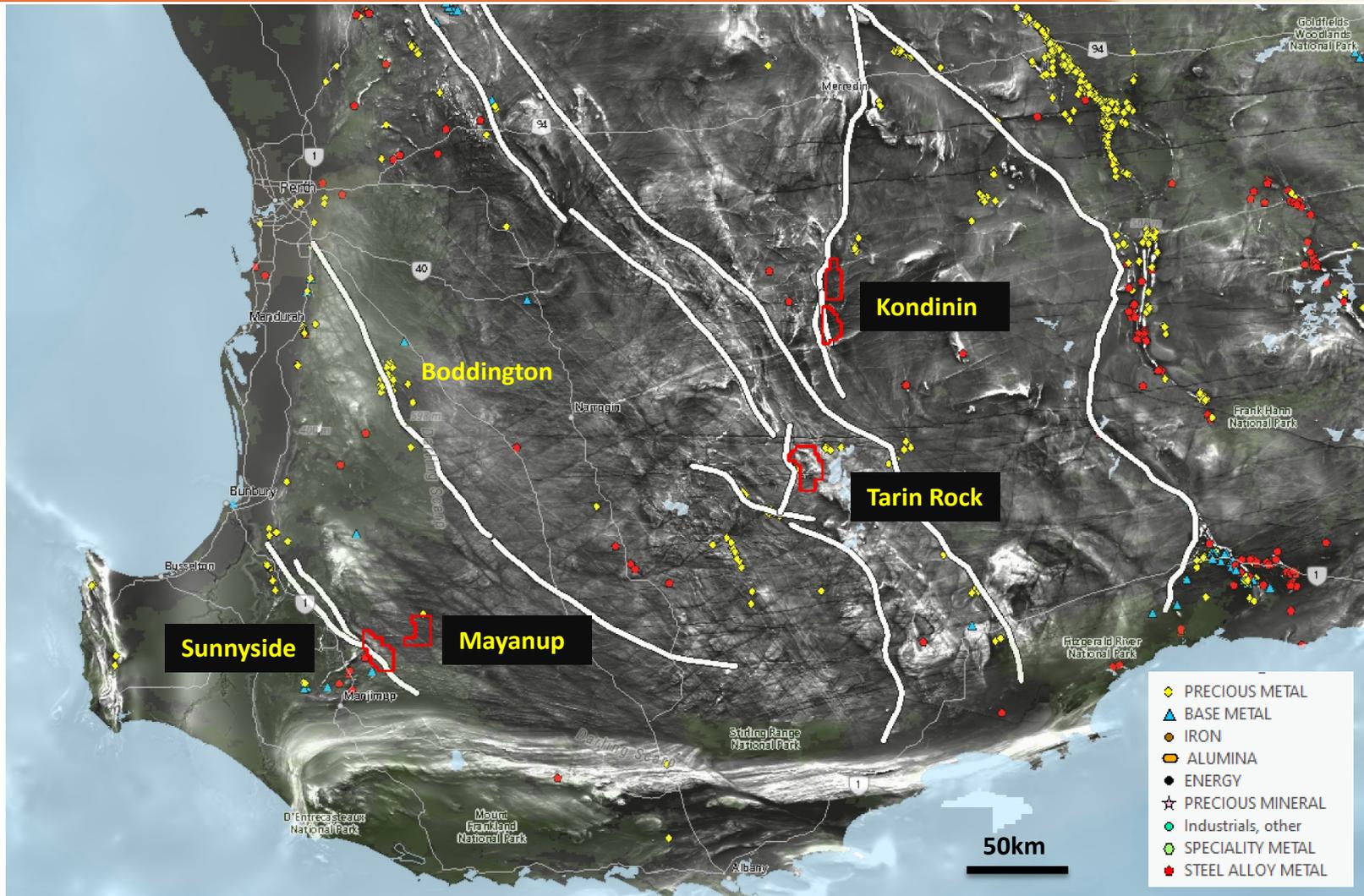


Diversification strategy

- There is inherent risk in a single commodity, single jurisdiction portfolio
- AFR is diversifying into new commodities (Cu and Au) in low-risk jurisdictions
- Applications submitted for five new exploration licences in the highly prospective South West Terrane of Western Australia.
- Applications are considered highly prospective for large porphyry-style Cu-Au deposits or intrusion related orogenic Au deposits.
- Very limited historical exploration has been undertaken in these areas.
- Complements African Energy's previous investment in ASX-listed Caravel Minerals, which owns a large porphyry Cu-Mo deposit in Western Australia.

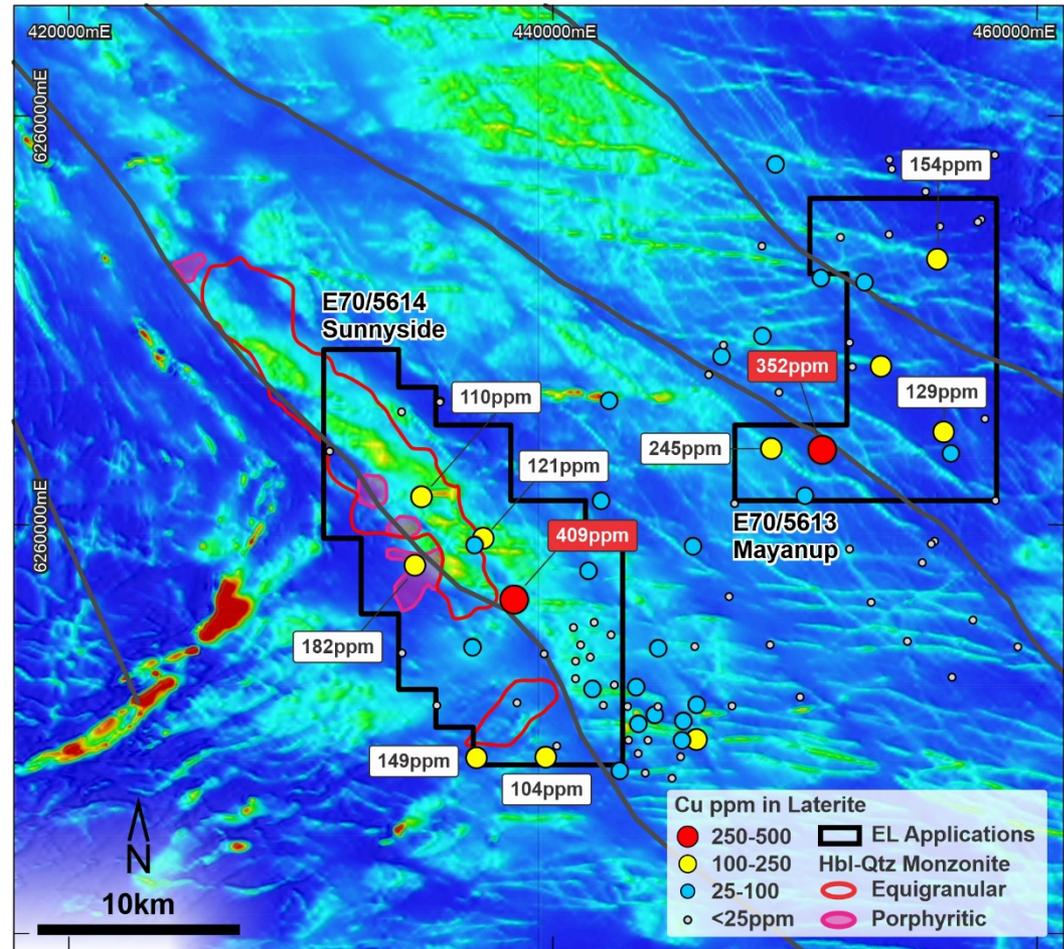


New project applications on major structures



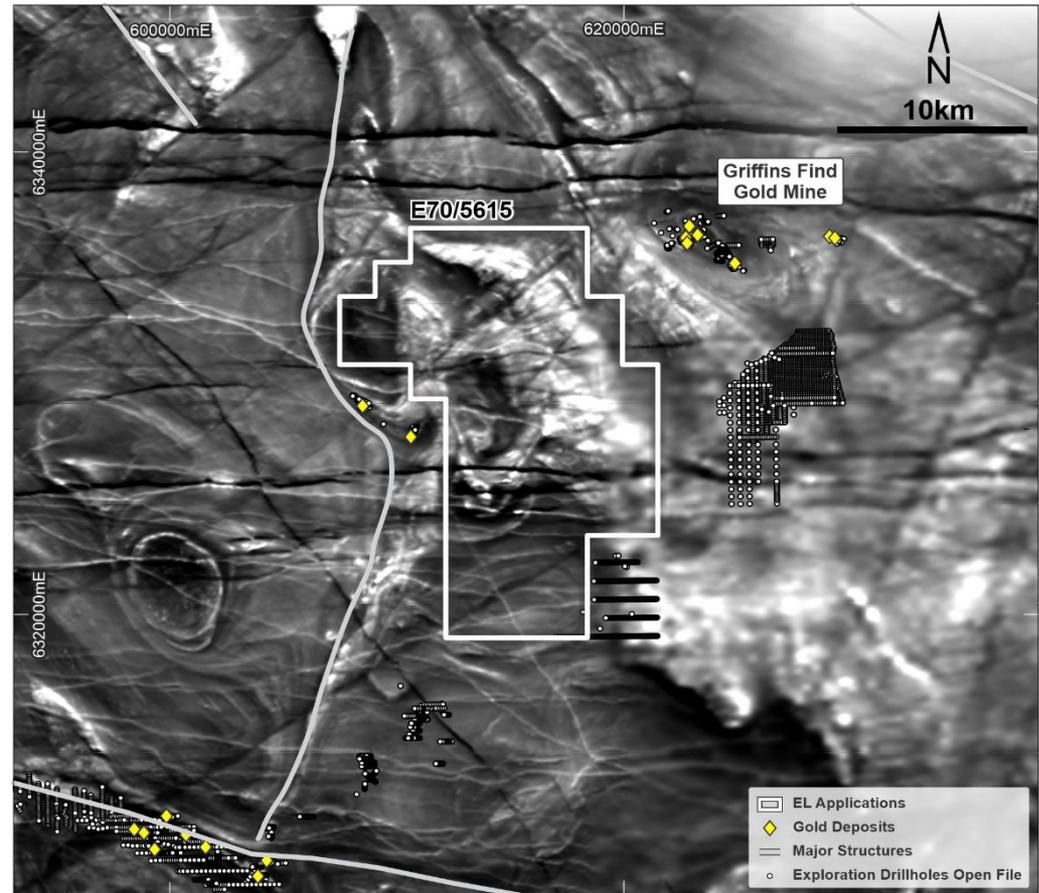
Porphyry Cu-Au applications in SW Terrane

- Two applications submitted;
 - Sunnyside (E70/5614, 57 graticular blocks)
 - Mayanup (E70/5613, 40 graticular blocks)
- Flexures in regional structures which are interpreted to represent old subduction zones that may be prospective for porphyry Cu-Au mineralisation
- Sunnyside application straddles a structure and GSWA mapping indicates the presence of hornblende-bearing quartz monzonites which are locally porphyritic in nature
- These types of rocks are considered prospective for porphyry Cu-Au mineralisation
- Supported by strong geochemical anomalism for copper in the CSIRO-CRC-LEME Laterite Geochemical database in this area, with anomalous samples (>100ppm Cu) containing up to 409ppm Cu over an area of ~14km x 3.5km
- Mayanup application straddles two linear structures and contains copper anomalism up to 352ppm Cu over an area of ~12km x 5km



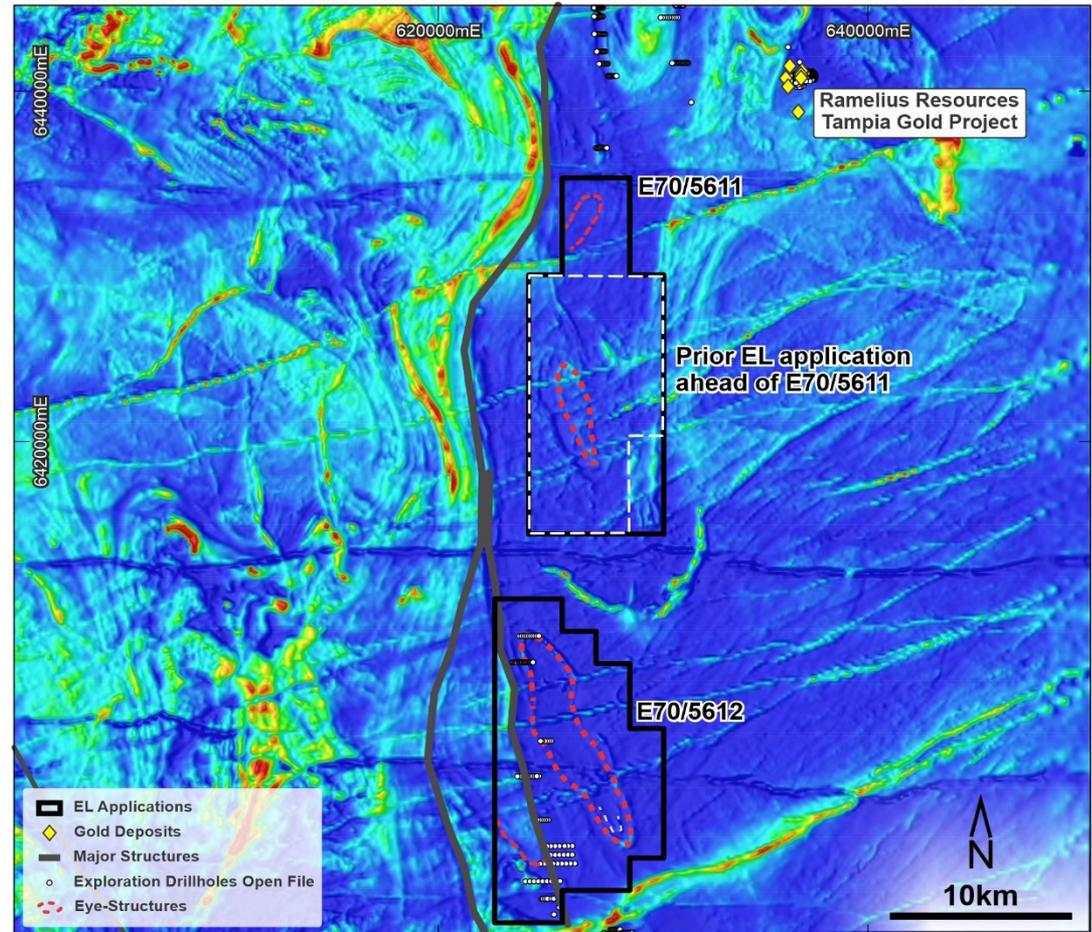
Tarin Rock Orogenic Au and Porphyry Cu-Au target

- Tarin Rock project comprises a single application for an exploration licence (E70/5615), covering 70 graticular blocks.
- This project occurs in an area of geological complexity where regional aeromagnetic data indicates the presence of a series of complex, nested felsic intrusive rocks to the immediate north-east of a jog in a major NNE trending structure
- Griffins Find intrusion related orogenic gold deposit occurs a further 5km to the NE of the tenement application.
- Prospective for intrusion related orogenic gold deposits.
- Open file data review underway prior to initial field reconnaissance



Kondinin Au opportunity

- Kondinin Project consists of two EL applications
 - E70/5611 (Kondinin North, 38 graticular blocks) and
 - E70/5612 (Kondinin South, 39 graticular blocks)
- These applications cover deformed felsic gneisses to the east of a major N-S structure in which several elongate dome or “eye” structures are present – prospective for orogenic gold
- Competing exploration licence application was submitted ahead of E70/5611, covering the central core of the Company’s application
- Kondinin North is approximately 10km to the SW of Ramelius Resources’ Tampia gold project.
- Limited aircore drilling over Kondinin South reported in open file data
- Open file data review underway prior to initial field reconnaissance



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- African Energy owns 33.3% of the Sese JV, a coal-to-power project in Botswana
 - Robust power market in southern Africa offers potentially good returns
 - The Sese project is fully permitted and the most advanced project in Botswana
 - Offtake agreement (100MW) and a term sheet for 150MW offtake in place
 - Continuing to explore relationships with development partners and financing options
 - AFR also diversifying into Cu-Au, Au through five EL applications in Western Australia

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Previous Disclosure The information in this report is based on the following African Energy ASX Announcement, which are available from the African Energy website www.africanenergyresources.com and the ASX website www.asx.com.au:

21 October 2020 "New Copper And Gold Project Applications In Western Australia"

For and on behalf of the board. Authorised for release by Frazer Tabearth, CEO

