



# 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**



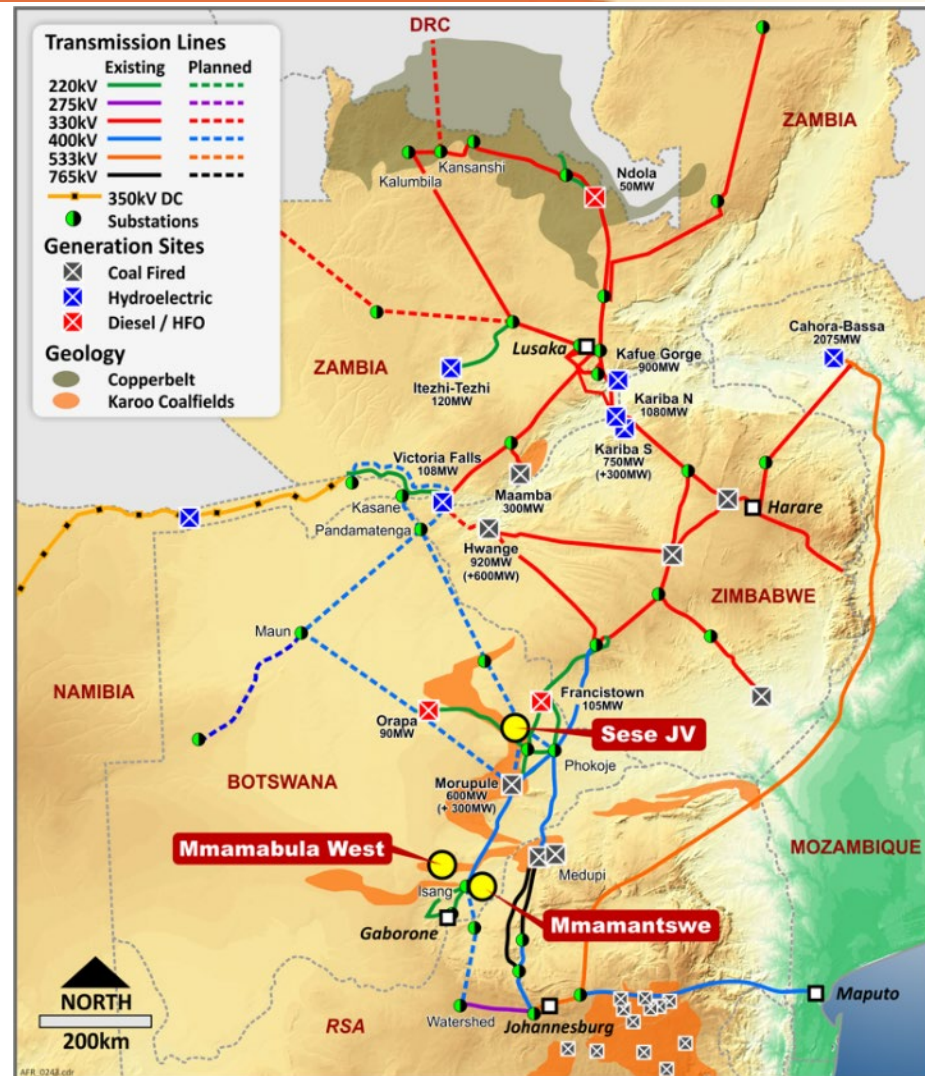
# African Energy's Power Projects: Overview

## 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:

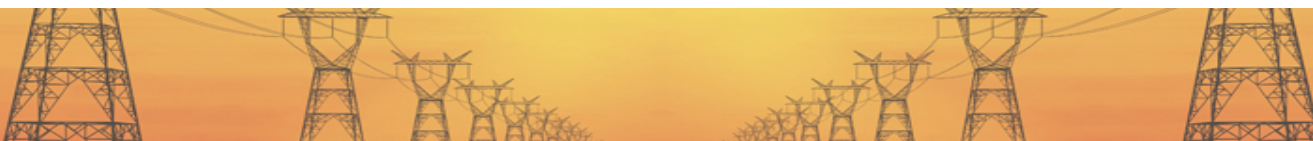
- 33.3% ownership of the Sese Power Project, a JV with First Quantum Minerals Ltd (FQM, 66.7%).
- Power Sales Agreement to sell 100MW from Sese to FQM's Zambian operations has been signed.
- Term Sheet for another 150MW has been signed with Zimasco (Pvt) Ltd.
- Generation and Export Licence has been 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



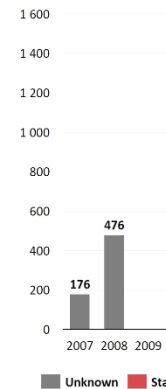
- **Stage 1** comprising 300MW as 2 x 150MW units which are readily available for purchase in China:
  - ~260MW of net power available for sale at the Botswana grid connection point.
  - Discussions with potential Chinese development partners are ongoing.
  - Power Sales Agreement executed for 100MW 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

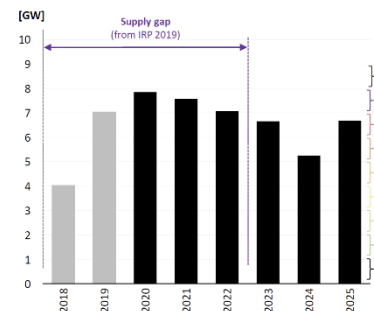
- Severe financial and technical issues, management of an ageing fleet, mounting debt, and numerous senior management changes have resulted in significant reductions in electricity generation
- Significant load shedding in 2019 continued into 2020:
  - Worst year of load shedding on record.
  - Up to 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.

Load shed [GWh]

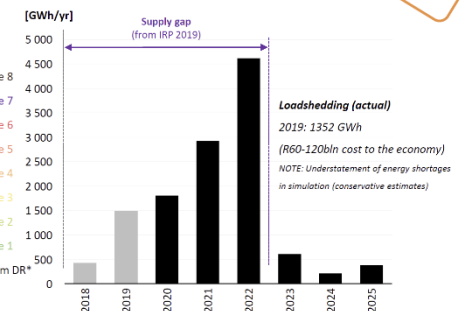


Notes: Load shedding assumed to have taken place for the full hours in which it was implemented. Practically, load shedding (and the Stage) may occasionally change/end during a particular hour. Total GWh calculated assuming Stage 1 = 1 000 MW, Stage 2 = 2 000 MW, Stage 3 = 3 000 MW, Stage 4 = 4 000 MW, 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)



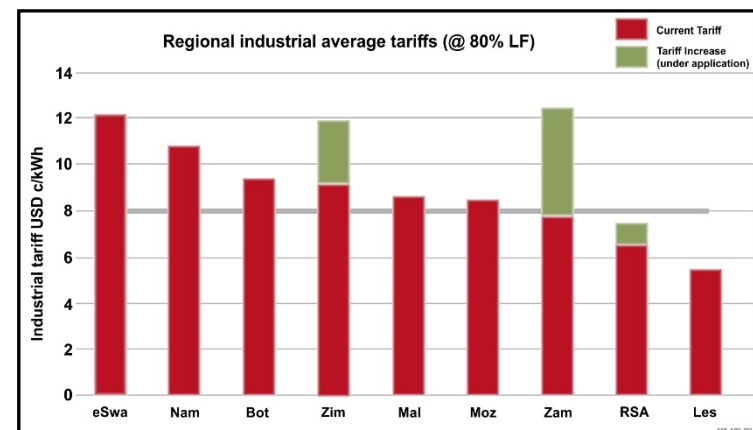
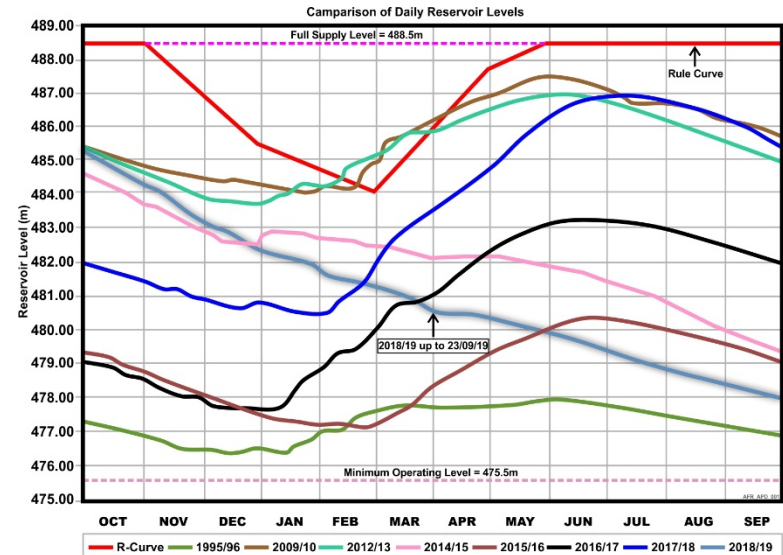
Updated EAF & Updated demand forecast

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

\* Estimated Eskom Demand Response (DR) capacity (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

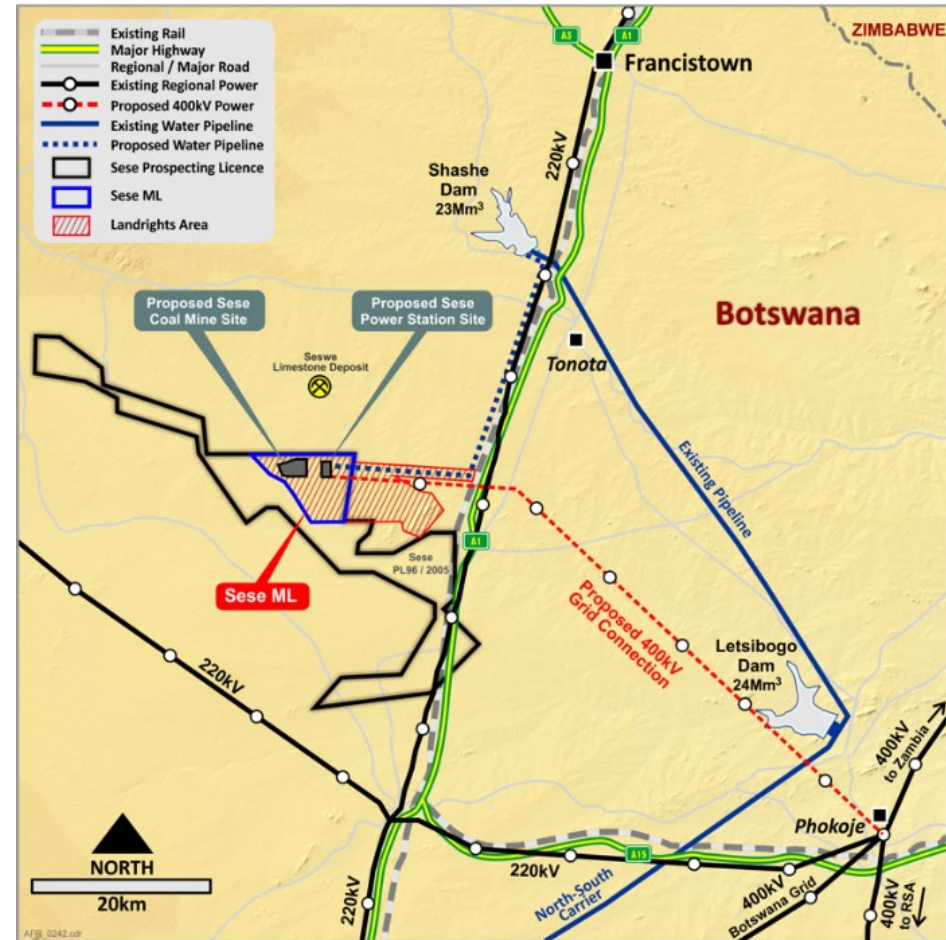
# Regional power market update - rest of SAPP

- 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.

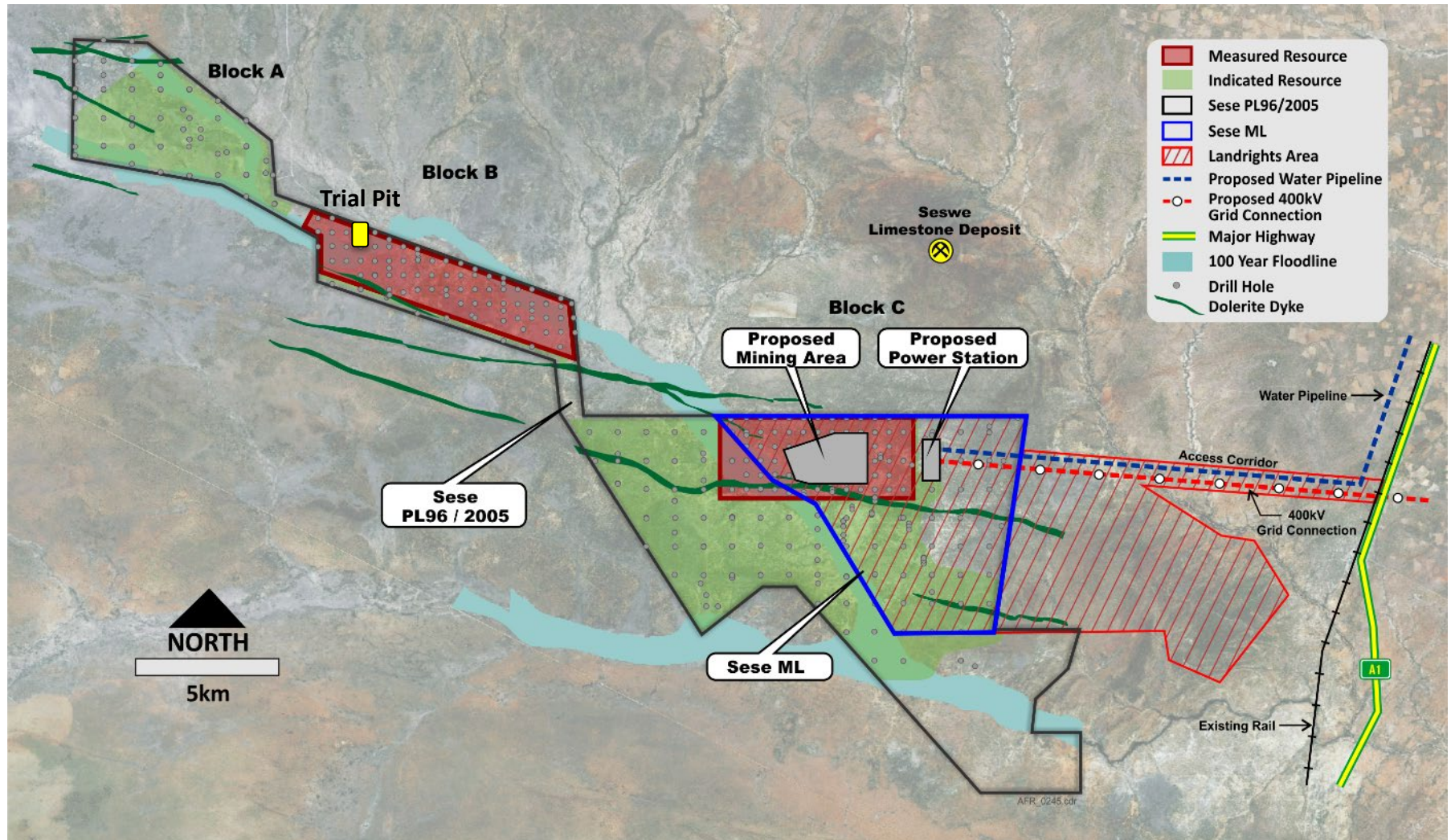


# Sese Project: All Key Approvals in Place

- ✓ **Technical Studies** completed for coal mine and power station
- ✓ **Approved** 25-year Mining License covering 51km<sup>2</sup> 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 110km<sup>2</sup>
- ✓ **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

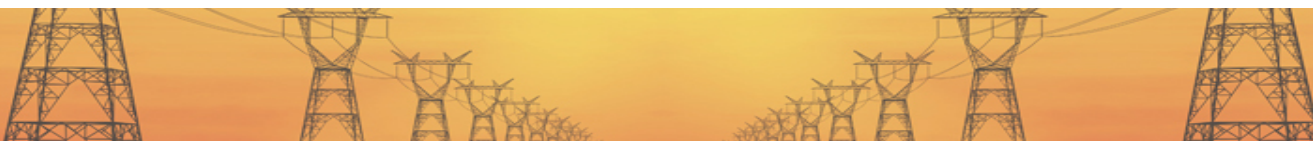
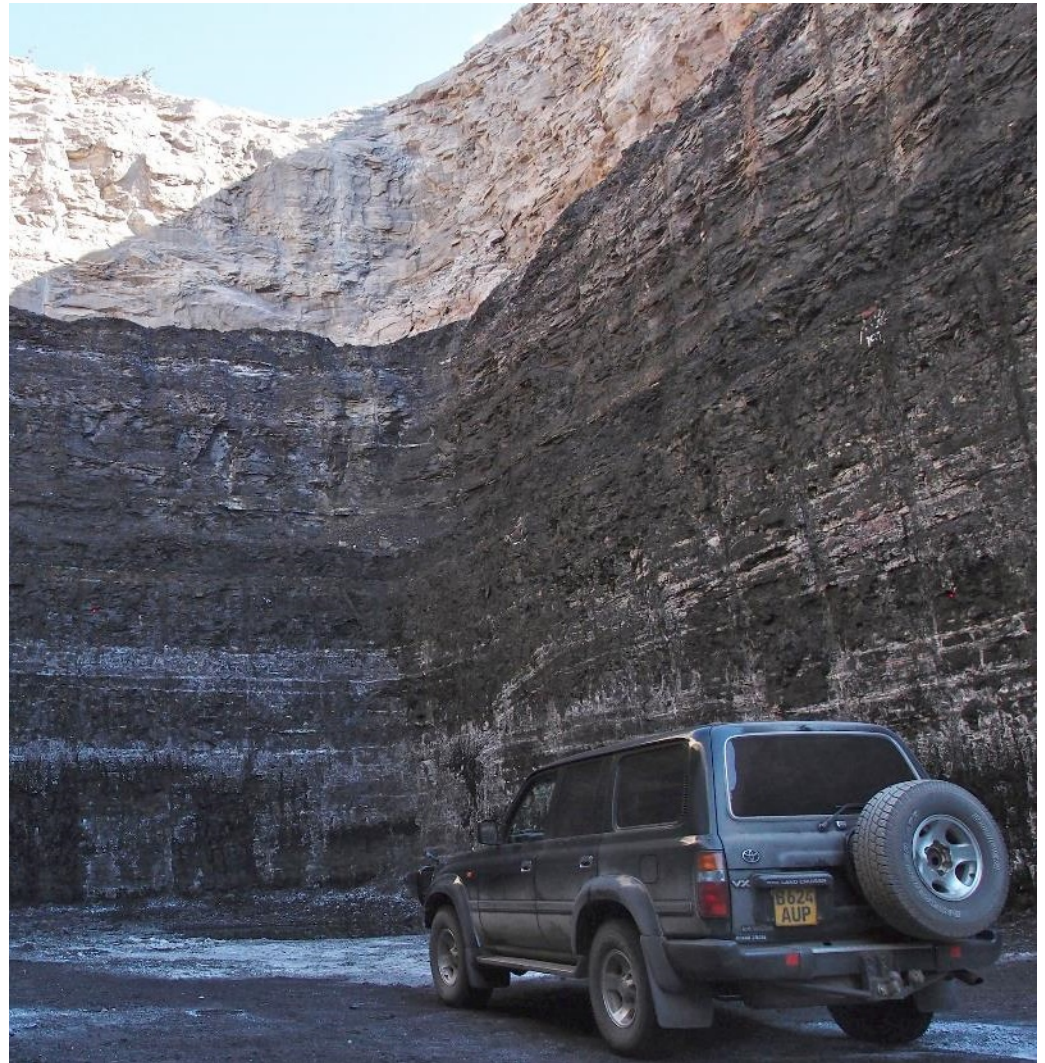


# Sese Project Layout



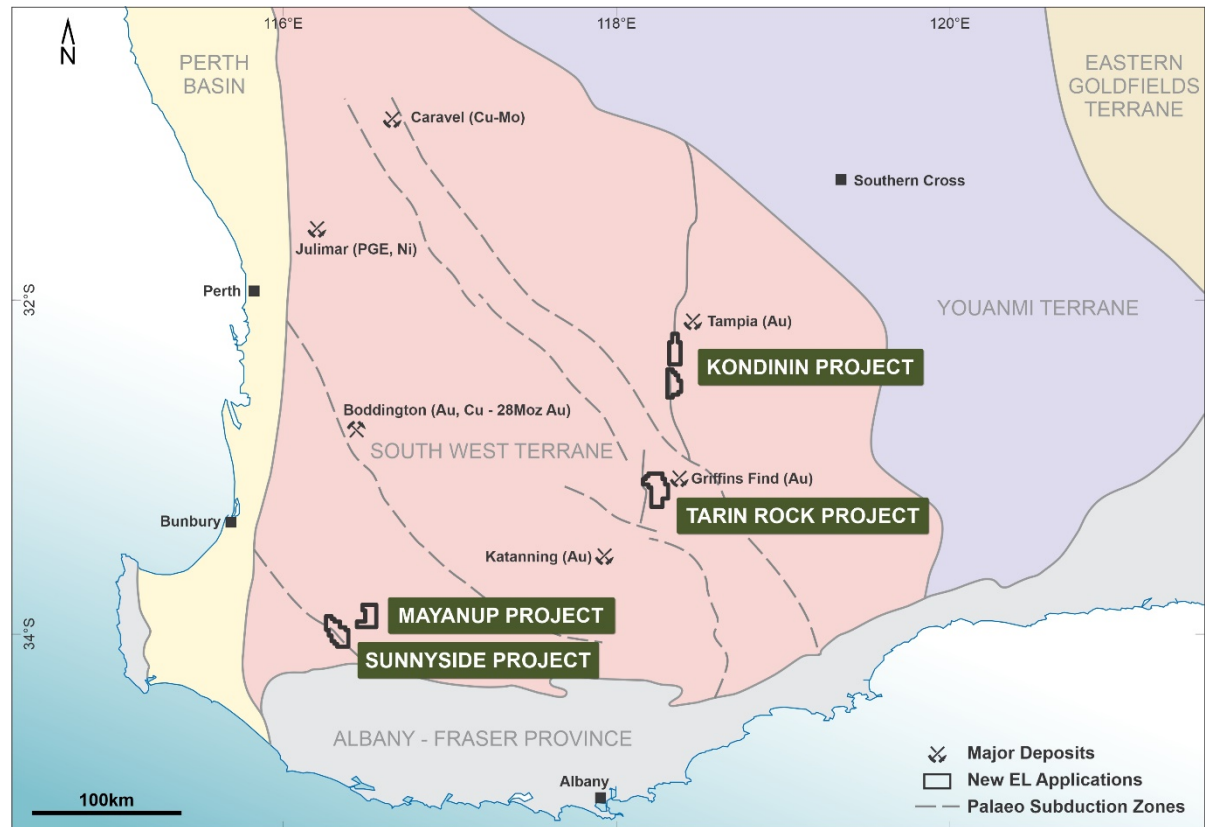
# Next Steps for Sese Power Project

- 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

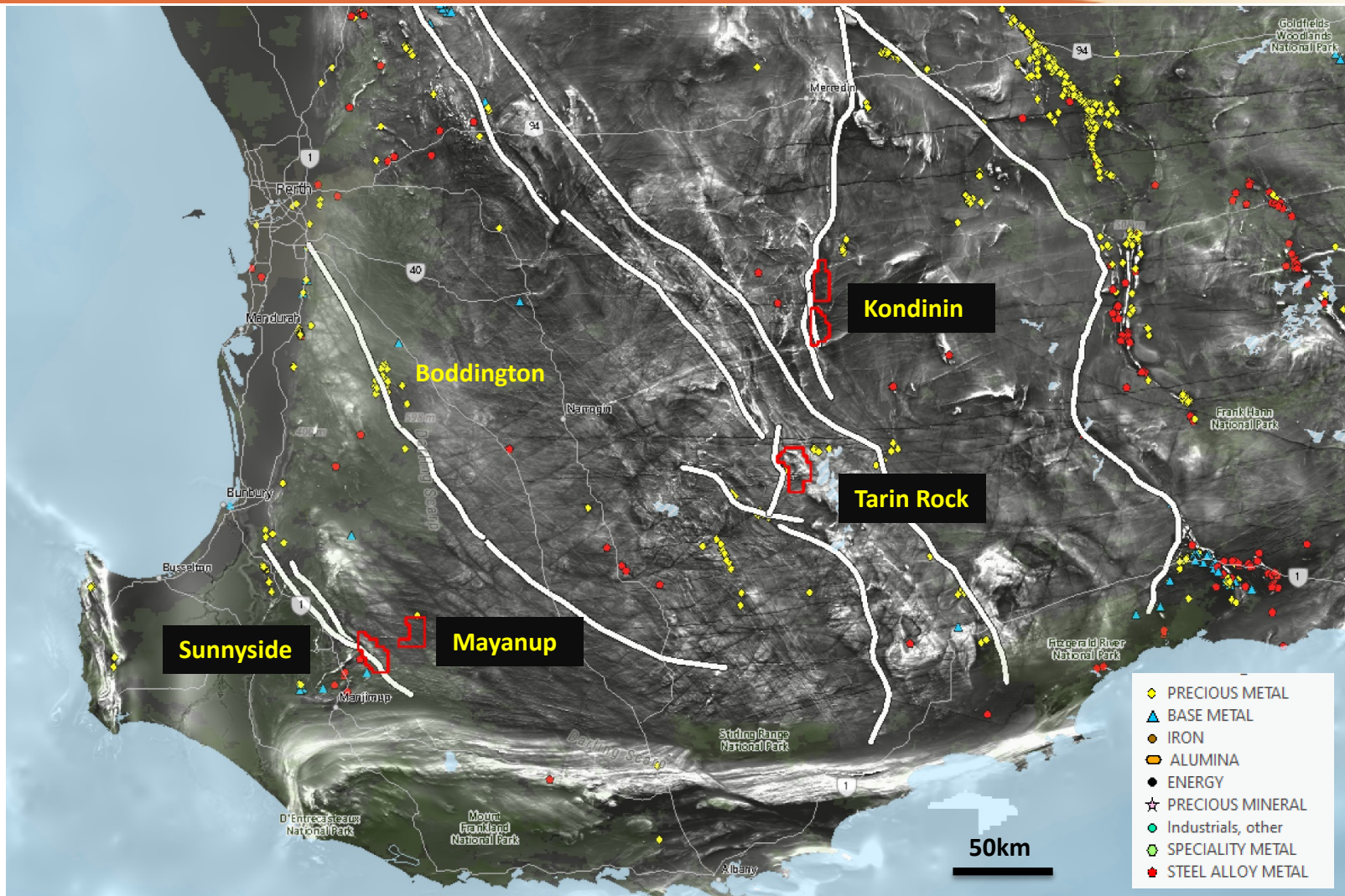


# Diversification strategy

- 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.

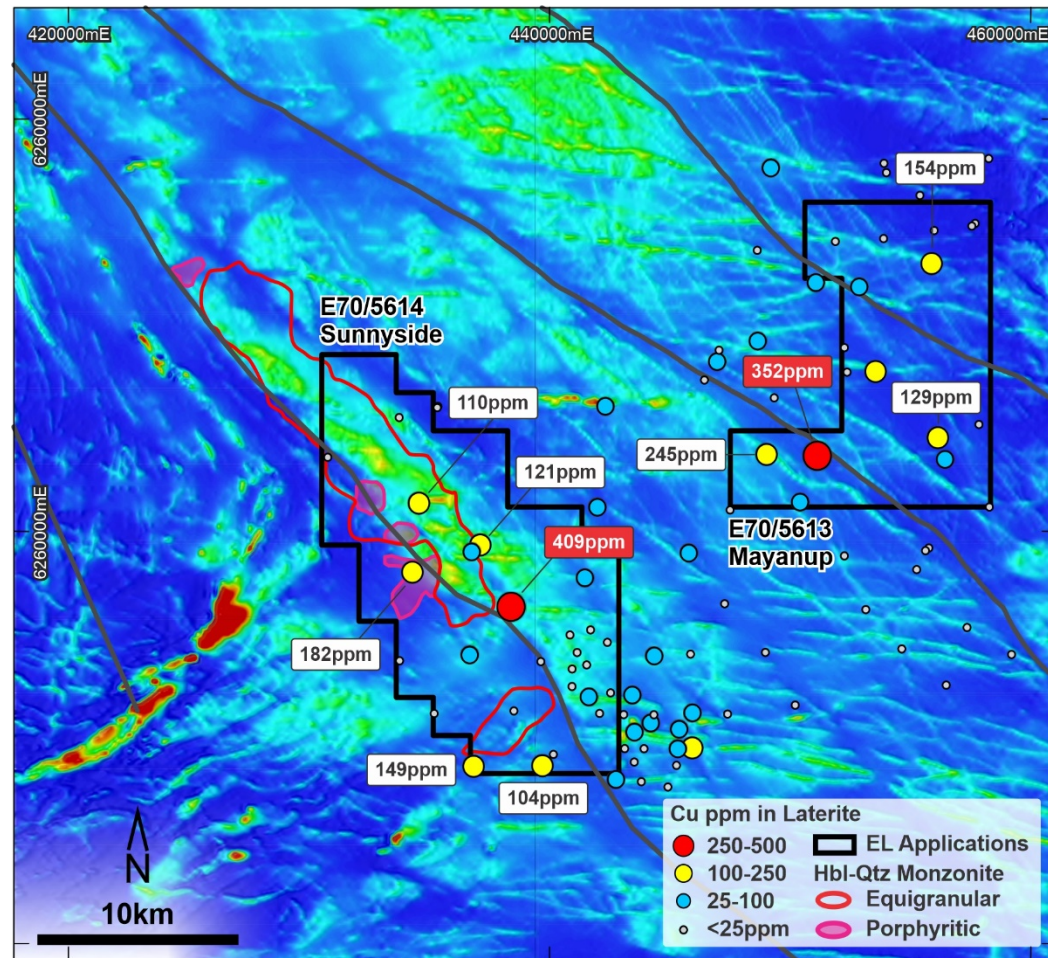


# New project applications on major structures



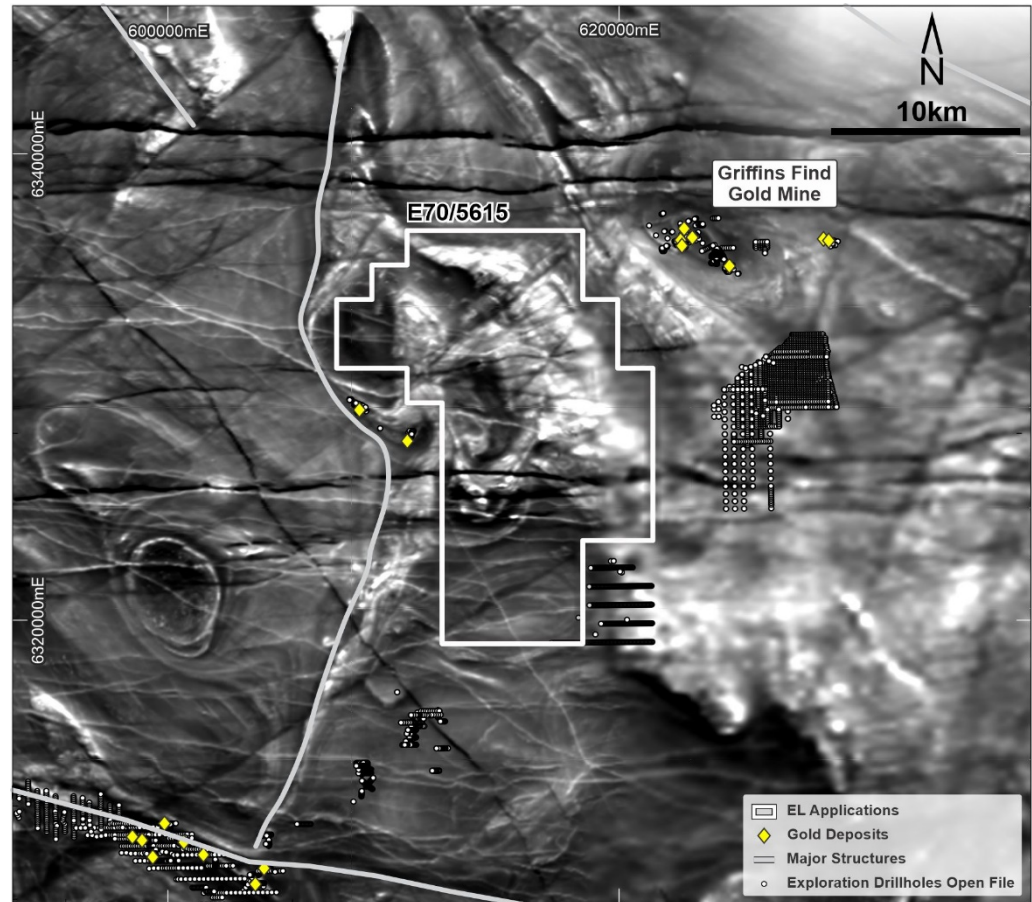
# Porphyry Cu-Au applications in SW Terrane

- 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



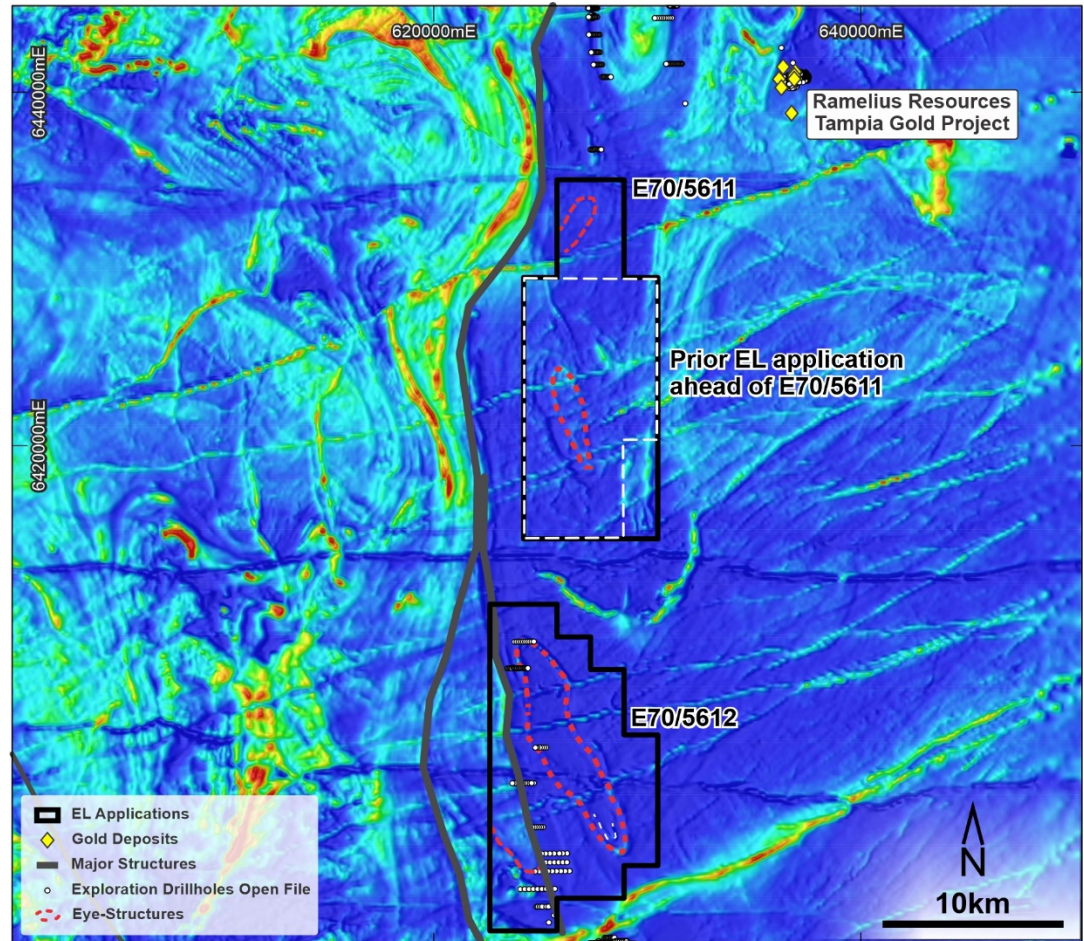
# Tarin Rock Orogenic Au and Porphyry Cu-Au target

- 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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*Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabcart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabcart 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 Tabcart consents to the inclusion of the data in the form and context in which it appears*

**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](http://www.africanenergyresources.com) and the ASX website [www.asx.com.au](http://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 Tabcart, CEO

