

20 October 2014

INVESTMENT BY FIRST QUANTUM MINERALS TO DEVELOP NEW POWER PROJECTS

HIGHLIGHTS

- *First Quantum Minerals Limited (FQM) and African Energy Resources Ltd (AFR or the Company) have executed a binding Heads of Agreement (HOA) under which FQM can earn a joint venture interest in the Sese Project and carry AFR's interest through to commercial operation of one or more integrated power projects.*
- *FQM can earn a 75% interest in the Sese Project through investment of AUD \$20m and arranging finance as a loan carry for AFR's 25% interest in the Project.*
- *FQM has also agreed to subscribe for 69m shares in AFR by way of a Private Placement at AUD 5.5c per share to raise approximately AUD \$3.8m, with, subject to shareholder approval, attaching options on a 1 for 5 basis exercisable at 10.0c within three years.*
- *AFR's Board of Directors has also resolved to undertake a non-renounceable entitlement offer (Rights Issue) to all eligible shareholders to raise additional net funds of approximately AUD 3.5m. The Rights Issue will also be priced at AUD 5.5c, and is underwritten.*
- *AUD \$8m of the funds invested by FQM in the Project will be returned to AFR as loan repayments.*
- *Successful completion of the Private Placement, Entitlement Offer and the joint venture investment will leave AFR debt free, with approximately AUD \$10m working capital and with a 25% carried interest in new power projects to be developed at Sese.*

THE SESE PROJECT

African Energy Resources Ltd (African Energy, AFR or the Company) is developing the Sese Integrated Power Project (SIPP) at its 2.5 billion tonne Sese coal deposit in Botswana. SIPP will have the potential to supply power to Botswana, Zambia, South Africa and Namibia.

African Energy has completed a number of milestones for the Sese project which have reduced development risk:

- Phase 1 of the definitive feasibility study to evaluate a coal mine to provide fuel for an initial 300MW power station has been completed. No further technical studies are required until a boiler manufacturer has been selected.
- An Environmental Impact Assessment for the first 300MW integrated power project and coal mine at Sese was approved by the Department of Environmental Affairs in Botswana on 1st September, and is valid for project initiation within 5 years.
- A water allocation of up to 2.8GL per annum from the nearby Shashe Dam has been approved for project use, sufficient for approximately 750MW of power generation and associated coal mining. Additional water resources can be secured from Shashe Dam for further projects.
- Surface Rights have been approved over an area covering enough coal to fuel five 300MW power projects, along with access to the main highway, rail and power transmission lines.

FIRST QUANTUM MINERALS LTD

First Quantum Minerals Limited is an established and rapidly growing Canadian, UK and Zambia listed diversified mining and metals company operating seven mines and developing five projects worldwide. FQM produces copper, nickel, gold, zinc and platinum group elements.

It's market capitalisation as at close of business on 17 October was approximately AUD \$11 billion.

FQM's current operations are the Kansanshi copper-gold mine (Zambia), the Guelb Moghrein copper-gold mine (Mauritania), the Las Cruces copper mine (Spain), the Kevitsa nickel-copper-PGE mine (Finland), the Pyhäsalmi copper-zinc mine (Finland), the Ravensthorpe nickel-cobalt mine (Australia), and the Çayeli copper-zinc mine (Turkey).

In 2013 FQM produced over 400,000 tonnes of copper, 47,000 tonnes of nickel, 248,000 ounces of gold, almost 50,000t of zinc and 55,000 ounces of platinum group metals.

FQM'S INVESTMENT IN AFR AND THE SESE PROJECT

Private Placement

FQM have subscribed for 69 million shares in AFR at 5.5c each to raise approximately AUD \$3.8 million. These shares have been issued under AFR's capacity under Listing Rule 7.1 and do not require prior shareholder approval. Through this placement, FQM will own approximately 12.6% of AFR's issued capital, and is entitled to appoint one representative to the Board of Directors of the Company.

The Placement also includes 13.8 million options (1 option for every five shares subscribed for) that are valid for 3 years at an exercise price of 10.0c per option. These options will be issued subject to shareholder approval at a General Meeting of Shareholders to be held in November.

Entitlement Offer

The Board of Directors of AFR have also resolved to undertake a non-renounceable entitlement offer (Rights Issue) to all eligible shareholders on a 1 for 8 basis at 5.5c to raise approximately AUD \$3.75m before costs:

- The Rights Issue will be made available to residents of Australia, New Zealand and the Cayman Islands (eligible shareholders).
- Eligible shareholders will be given the opportunity to participate in the capital raising on the same terms as the Private Placement to FQM via a non-renounceable Rights Issue at 5.5c per share (without the attaching 1 for 5 option).
- Eligible shareholders will be able to participate in a shortfall facility and apply for new shares in excess of their pro rata entitlements under the Rights Issue
- The entitlement offer is not extended to Excluded Shareholders (any Shareholder whose registered address on the Record Date is not situated in Australia, New Zealand or Cayman Islands). The Company will appoint a Nominee that will subscribe for the Shares that would otherwise be issued to Excluded Shareholders and will then sell these Shares and distribute the proceeds net of expenses (if any) to the Excluded Shareholders in proportion to their shareholding.
- The Rights Issue is underwritten to AUD \$2,862,041 by Sentient, the Company's largest shareholder. The amount underwritten when added to the committed take up by Sentient of its entitlement and the take up of committed director entitlements seeks to ensure full subscription under the Rights Issue.

Proceeds from the Private Placement and the Rights Issue will be used to fully repay the USD \$5 million loan facility provided by Macquarie Bank Limited. After repayment of this loan, and after provision for the outstanding USD \$1.5 million final payment due once the Mmamabula West prospecting licence is renewed for a further two-years, AFR will have AUD \$2.0 million in immediately available funds.

Joint Venture Investment

FQM and AFR have executed a HOA under which FQM will make a Joint Venture Investment to acquire a majority interest in African Energy Holdings SRL once certain conditions precedent have been satisfied. African Energy Holdings SRL is the wholly owned Barbados project entity which owns African Energy Resources Botswana (Pty) Ltd, the holder of the Sese and Sese West coal prospecting licences, the Foley North industrial minerals prospecting licence, the approved EIA, surface rights and water allocation.

Key conditions precedent requiring satisfaction within 30 days of signing the HOA are:

1. Completion of due diligence by FQM on African Energy Holdings SRL and African Energy Resources Botswana (Pty) Ltd and their assets
2. Execution of a Shareholders Agreement

Once the conditions precedent have been met, FQM will invest a total of AUD \$20 million for a 75% stake in African Energy Holdings SRL. An initial payment of AUD \$8 million will be used to repay outstanding project loans between African Energy Holdings SRL and AFR (increasing AFR's working capital to AUD \$10 million) and will earn FQM an effective 51% interest in the Sese Project. The balance committed of AUD \$12 million will fund future project development activities. FQM will become the project manager after payment of the initial \$8m.

AFR's 25% interest in all projects undertaken in African Energy Holdings SRL and its subsidiaries will be loan carried through to commercial operation, with its share of debt to be priced on the same terms as FQM's and repaid from its share of operating cashflow.

On completion of these three transactions, AFR will have;

- Working capital of \$10m to be used for ongoing project development work at Mmamabula and Mmamantsewe.
- No debt.
- 25% carried interest in all future project developments at Sese.
- A world-class joint venture partner with the ability to arrange finance at attractive rates.
- Clear path to rapid project development of one or more power projects in the region.

For any further information, please contact the Company directly on +618 6465 5500

For and on behalf of the Board