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ACWA POWER JOINT DEVELOPMENT AGREEMENT & SUBMISSION OF EOI

African Energy Resources (“AFR” or the “Company”) has executed a Joint Development Agreement (“JDA”) with ACWA Power International (“ACWA Power”) for the development of a 300 MW power station and integrated coal mine (“Project”) to be located at the Company’s Sese coal deposit in Botswana. ACWA Power is a highly regarded international power generation and water desalination developer, investor, co-owner and operator. Its headquarters are located in the Kingdom of Saudi Arabia with projects spread globally. Its total contracted generation portfolio is 15,731 MW of power and 2.4 million m³/day of desalinated water with an investment value in excess of USD 23 Billion.

AFR and ACWA Power have jointly submitted an expression of interest for the 300MW Greenfield Tender Request recently announced by the Ministry of Minerals, Energy and Water Resources, on behalf of the Government of the Republic of Botswana.

JOINT DEVELOPMENT AGREEMENT

AFR and ACWA Power have agreed to co-operate as a single consortium for:

- The preparation and submission of an Expression of Interest (EOI) for the 300 MW Greenfield Tender Request announced by the Government of Botswana. This submission was made on 2nd October 2013.
- The preparation and submission of a joint bid in response to a request for proposals issued by the Government of Botswana, or any other proposal requested by the Government of Botswana for the award of the Project; and
- To develop and implement the Project in accordance with the terms of the JDA if the consortium is successful in any bid process.

THE KEY ROLES OF EACH PARTY

ACWA Power will be the lead developer, manager, co-ordinator and chief point of contact of the Consortium, up to the point of financial close. Specific roles will include:

- The management of the Project;
- The financing of the Project, including the preparation and negotiation of the Financing Documents;
- The selection of the technology and configuration of the Power Station;
- The selection of the EPC Contractor and the preparation and negotiation of the Transaction Documents;
- The selection of the O&M Contractor and (together with AFR) the Mining O&M Contractor;

AFR will act as co-developer but with no commitment for additional developmental funding. AFR expects forecast costs to be reduced over the next year, as some expenses dedicated to the Sese power project will be borne by the Consortium.

KEY TERMS OF AGREEMENT

If the consortium is successful in any Government of Botswana bid process then AFR will receive a structured financial return based on the Project financial model.

ACWA Power as lead developer and equity financier of the project will become the major shareholder in Sese Power (Pty) Ltd, the special purpose vehicle created for the project.

AFR and ACWA Power recognise the potential for further power development opportunities fuelled by Sese coal and have agreed that ACWA Power will have a first right of refusal to participate in future IPP's at Sese subject to mutually agreeable terms.

EXPRESSION OF INTEREST

In August the Ministry of Minerals, Energy and Water Resources (MMEWR), on behalf of the Government of the Republic of Botswana, released a Tender Notice and Invitation for the EOI for the development of a Greenfield 300 MW coal-fired power station.

African Energy Resources and ACWA Power as a consortium have now submitted an EOI with the Government of Botswana to build, own and operate a 300 MW coal fired power generation plant to be located at AFR's Sese coal deposit with the ability to deliver power into the grid as early as 2016, and no later than 2019. MMEWR expects to determine its IPP procurement process shortly, however it has indicated that the information provided may allow it to identify projects that could be engaged earlier.

ABOUT ACWA POWER

ACWA Power is a developer, investor, co-owner and operator of a portfolio of plants with a capacity to generate 15,731 MW of power and produce 2.4 million m³/day of desalinated water. The portfolio has an investment value in excess of USD 23 billion and provides employment to more than 2,300 people in 8 countries. The company was founded in 2004 as an operator of power generation and desalinated water producing plants in which it has a meaningful economic interest and exercises management control. ACWA Power was born out of the policy decision by the Kingdom of Saudi Arabia to increase private sector involvement in the power generation and desalinated water production sectors to include ownership and operation of assets.

The company was incorporated in the Kingdom of Saudi Arabia with a paid-up capital of approx. USD 1.5 Billion. It is owned by eight Saudi conglomerates along with Sanabil Direct Investment Company (owned by the Public Investment Fund) and the Saudi Public Pensions Agency.

From its head office in Saudi Arabia, ACWA Power has already expanded into the GCC, Jordan and Egypt and further afield to Turkey, Morocco, and the southern cone of Africa. It has:

- Regional offices in Dubai, Istanbul, Rabat, Johannesburg, Maputo and Beijing
- A customer base that includes state utilities and industrial majors located on three continents
- Employees representing 30 nationalities working in 10 countries

- More than 20 plants spread over 8 countries.

The current portfolio of assets and investments delivers:

- Over 6,050 MW of power and approximately 2.3 million m³/day of desalinated water in Saudi Arabia which represents 12% of the installed power generation capacity of the Kingdom and 45% of the desalinated water producing capacity of the Kingdom
- 1,550 MW of power in Jordan which represents over 55% of the electricity generation capacity of Jordan
- 427 MW of power and 91,000 m³/day of desalinated water in Oman, representing 6% of the installed electricity generation capacity and 16% of desalinated water capacity of Oman
- 60MWp using photovoltaic technology in its solar plant in Karadzhalovo, Bulgaria (which is the single largest renewable energy plant in that country).

The portfolio also includes the world's largest two sea going barge mounted, self-contained water desalination plants each capable of producing 25,000 m³/day of water. New capacity of 5,900 MW of power generation, 55,000 m³/day of desalinated water and 2,270 tons per hour of steam capacity is under construction in Saudi Arabia. A 50 MWe Concentrated Solar Power (CSP) plant at Bokpoort in South Africa, a 160 MWe CSP plant at Ouarzazate in Morocco and a 45,000 m³/day of water desalination project in Oman are also under construction. In an advanced stage of development are an 850 MW gas fired plant in Turkey and a 300 MW coal fired power plant in Mozambique.

ACWA Power lives by its mission statement – to be the lowest cost producer of electricity and water in a sustainable fashion and operates the business according to its values which are: Diversity, Rigor, Ingenuity, Fairness and Integrity.

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

For and on behalf of the board.