



## Pathway to Development

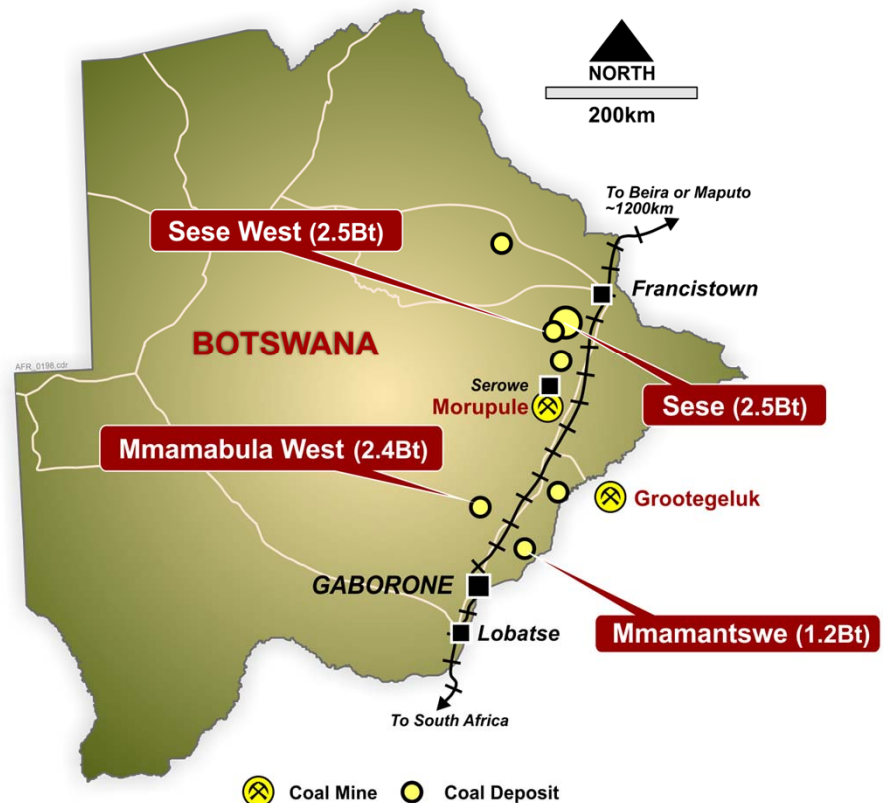
Investor Presentation, May 2014

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- ① 8.7 BT THERMAL COAL
  - ② LOW SOVEREIGN RISK JURISDICTION
  - ③ STRONG DOMESTIC & REGIONAL POWER DEMAND
  - ④ INFRASTRUCTURE IN PLACE
  - ⑤ MAJOR INTERNATIONAL DEVELOPMENT PARTNER
  - ⑥ POWER OFF-TAKE NEGOTIATIONS COMMENCED

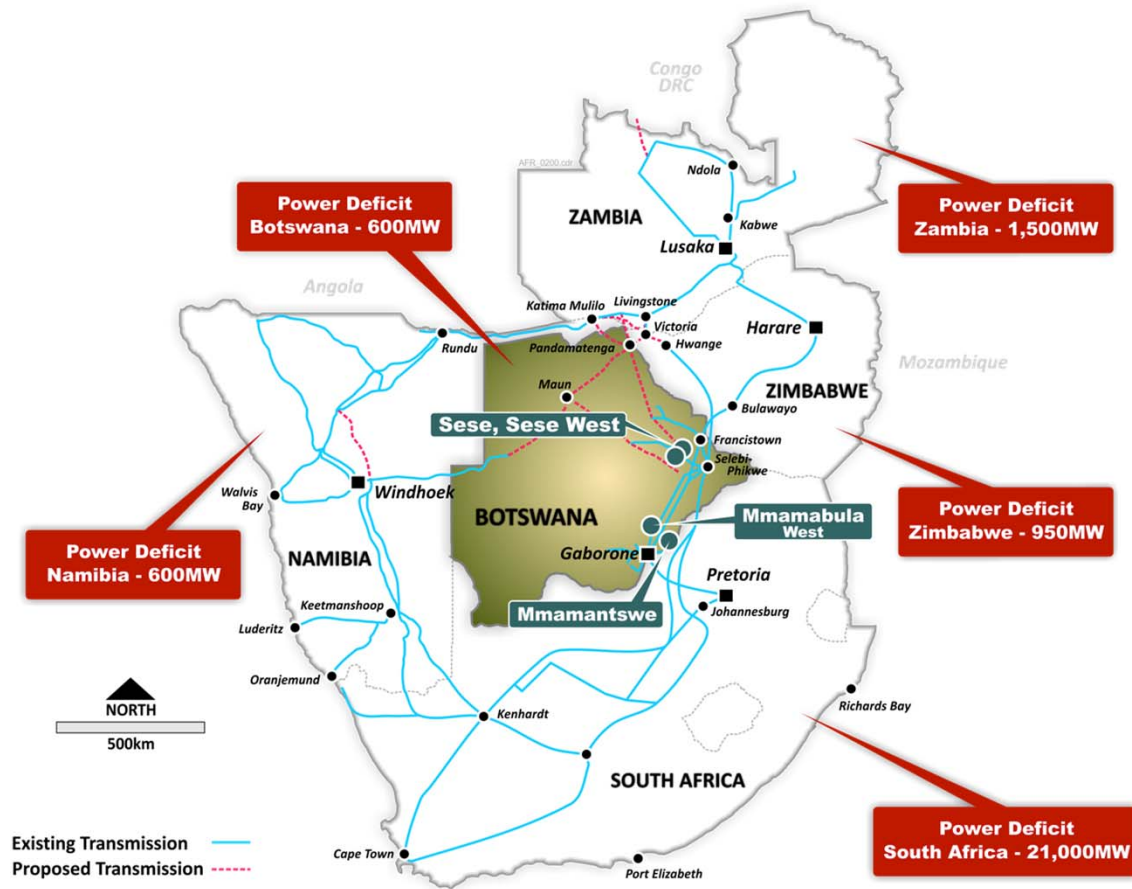
# Project Locations in Botswana



- Botswana – safe jurisdiction with highest credit rating in the entire region
- Mining friendly - history of mining diamonds, coal, base and precious metals
- New markets represent an opportunity:
  - Domestic power generation
  - Export of power to neighboring countries
  - Export of power station coal to South Africa
  - Export of coal to Asia
- African Energy's project portfolio has size and diversity to meet this demand



1. Sese coal can support multiple 300MW projects for regional power
  - Very low strip ratio and raw coal quality suited to low-cost power generation
  - Close to existing transmission grid and planned grid extensions
  - Matched to power markets in Botswana and neighboring countries
  - Joint Development Agreement with ACWA Power International
2. Mmamantswe project to focus on South African power market
  - Project is less than 20km from South African, the largest regional power market
  - Economies of scale for >1,000MW power project





# Sese – Risk Minimisation

- Very low risk mining due to seam geometry and low strip ratio across a wide area
- Definitive Feasibility Study nearing completion for first 300MW project – provides basis of assumptions used in power project financial model
- Mine schedule based on energy input budget for 300MW power station for 25 year life
- Power station SPV will own the 70Mt coal resource to reduce financing risk
- Water allocation from nearby Shashe Dam approved, multiple back-up sources
- Surface Rights application submitted – low population density in project area
- Grid infrastructure in close proximity

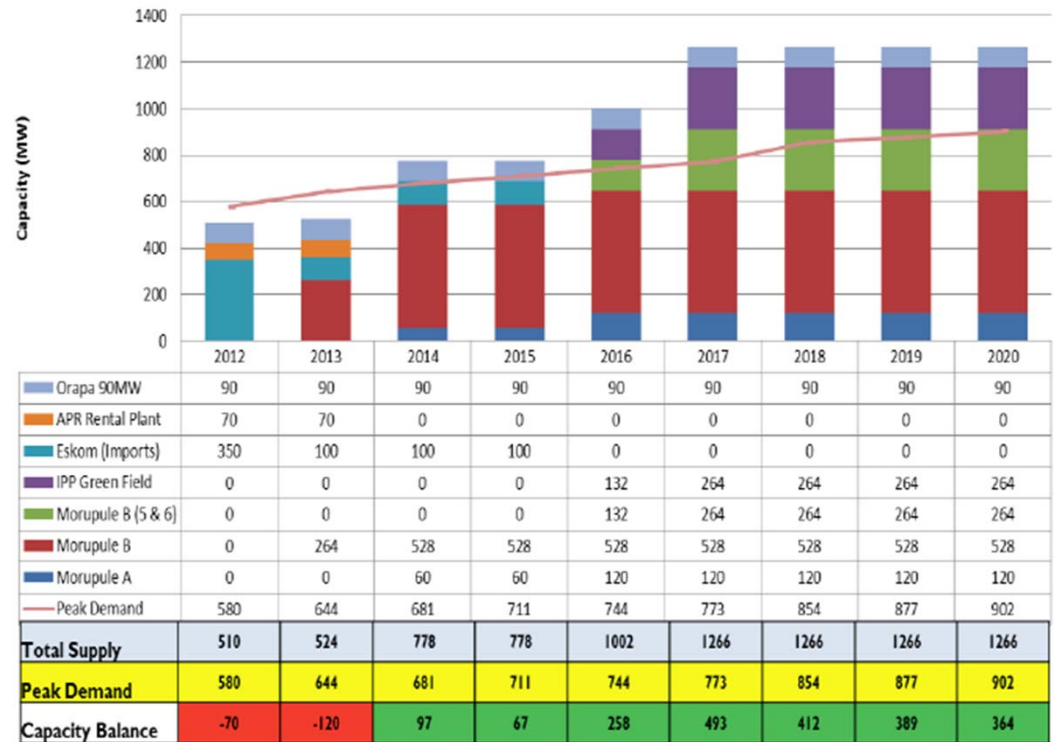


# Sese: 300MW Botswana Greenfield Tender



- AFR and ACWA Power International have formed a bid consortium and executed a Joint Development Agreement covering this and future projects
- AFR/ACWA shortlisted to receive request for proposal (RFP) when formal bids are invited next quarter
- Subject to a successful bid, ACWA will be the lead developer and will ensure the equity and debt funding for the project is arranged
- AFR will not be required to fund the power project – it will contribute the coal and receive a financial return on this contribution over the life of the project

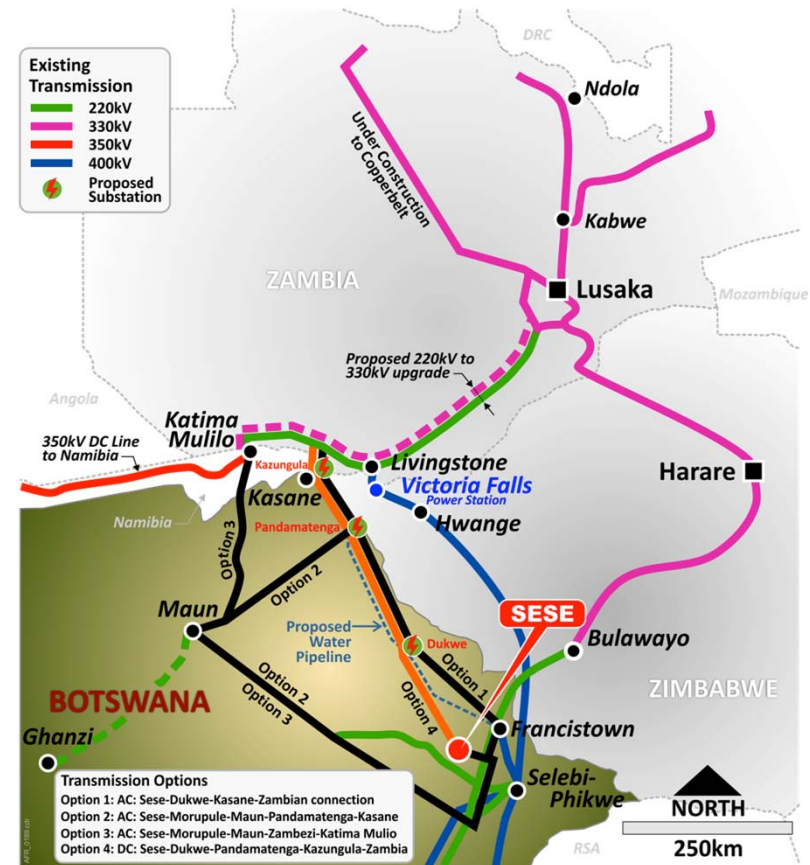
Capacity Balance (2013 - 2020)



Source: Request for Expression of Interest (EOI) from potential Independent Power Producers for the development of a 300MW coal fired power station (greenfield) in Botswana. Ministry of Minerals Energy and Water Resources July 2013

# Sese: 300MW Zambian Opportunity

- Large power deficit in Zambia as major mine and smelter expansions in the Copperbelt drives new demand for electricity
- Sese can provide 300MW (or more) to Zambia
- Transmission scoping study to assess transmission options completed - no fatal flaws identified
- Detailed transmission study to commence with technical input from ZESCO and BPC
- MOU with ZESCO executed, MOU with BPC being finalised
- Strong support from Botswana Govt. due to synergies with their electrification programmes





# Mmamantswe: Coal & Power Project



- Extensive studies between Dec 2007 and Jan 2011 on coal quality, coal processing options, coal mining and power generation
- ESIA for 10Mtpa ROM and 1,000MW power station has been approved
- 8Gtpa water borefield (near town of Artesia) has been drilled, fitted, pump tested and registered
- Ideal project from which to supply power to South Africa (21,000MW needed by 2030)
- 2,500MW of base load bidding to be announced by South Africa in May
- Discussions with multiple potential project partners underway



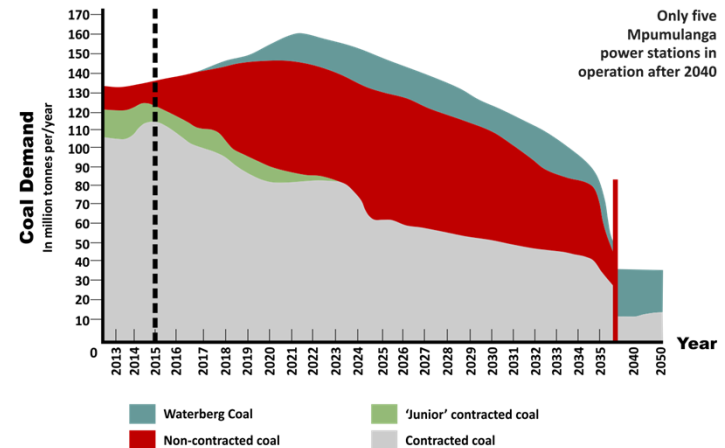
# Thermal Coal Export Strategy



1. Global thermal coal demand supported by huge power growth in China and India
  - India now the second largest importer of thermal coal (behind China)
2. Market for coal in South Africa as Eskom faces a supply shortfall
  - Potential to provide new supply to Eskom from 2015 onwards
  - Transnet planning rail link to Botswana to facilitate coal export to SA
3. Mmamabula West project acquired for its export potential
  - High quality in-situ coal resource which can produce multiple export products
4. Rail/port infrastructure in place
  - Multiple route and port options
  - Port and rail expansion plans well advanced

## Coal Supply 'Cliff' From 2015

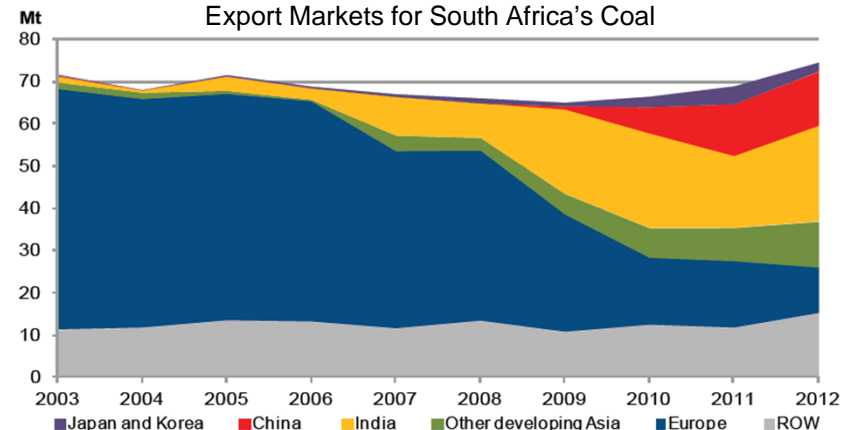
New supplies of 60 million tonnes per/year needed from 2015.  
Eskom wants half from black-controlled 'junior' miners.



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Source: Eskom Coal

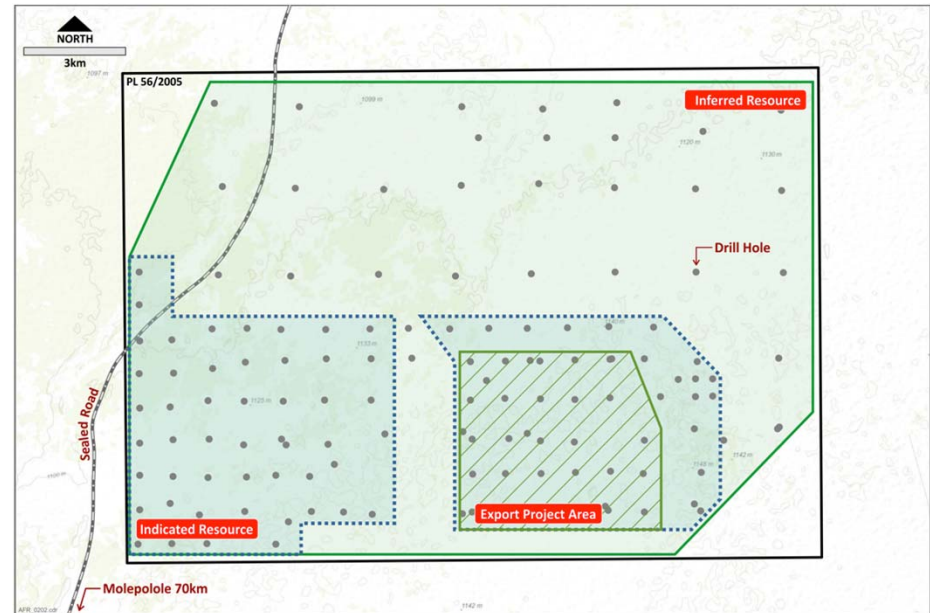
## Export Markets for South Africa's Coal



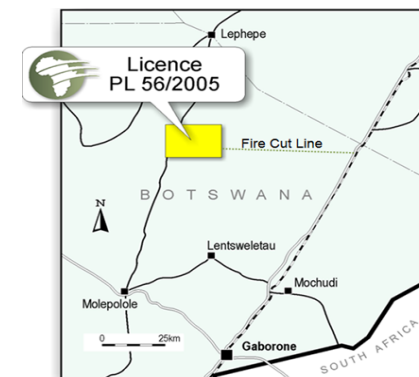
Sources: McCloskey (2013), *McCloskey Coal Reports 2010-2013*, McCloskey's, London, <http://cr.mccloskeycoal.com>; IEA analysis.

# Mmamabula West : Overview

- Mmamabula West, 2.4Bt global resource, acquired in late 2013
- Two main coal seams separated by 20-30m
  - K-Seam averages 5.5m thick, 105m depth
  - A-Seam averages 4.5m thick, 130m depth
- 60km west of existing power, rail and water
- ESIA and prefeasibility study for a 4Mtpa underground coal mine completed
- Prefeasibility Study conducted on a 25km<sup>2</sup> Export Project Area (A-Seam only, 220Mt portion of Indicated Resource) – this area has the best yield for a 6,200kcal/kg product

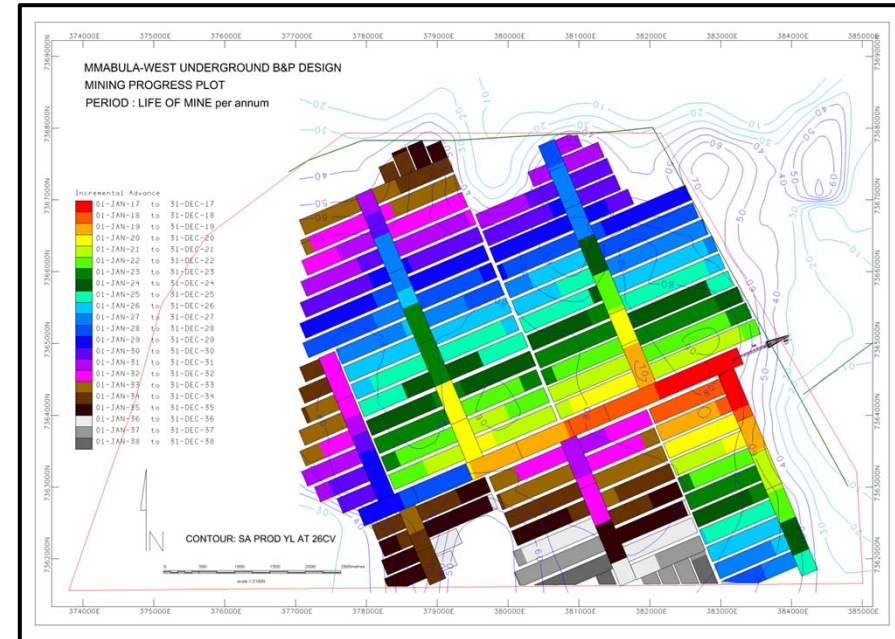


Resource Category	Seam Thickness (m)	TTIS* (Mt)	Project Area Indicated Resource: Raw Coal Quality (adb)					
			CV	CV	ASH	IM	VM	TS
			(MJ/kg)	Kcal/kg	(%)	(%)	(%)	(%)
Seam A	4.54	220	22.6	5,400	22.0	6.9	24.6	1.03

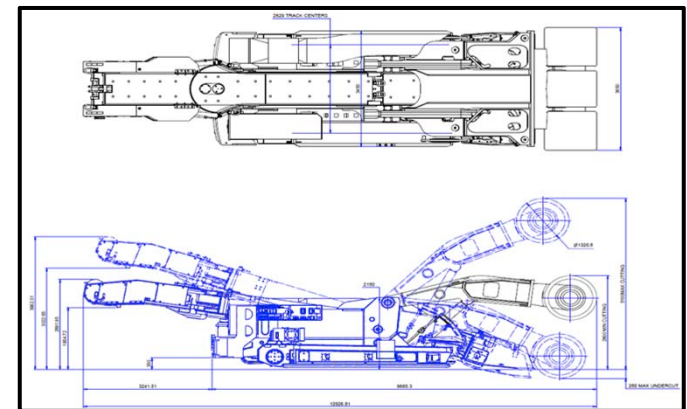


# Mmamabula West: Key PFS Results

- 4.4Mtpa ROM underground mine (bord and pillar)
- Up to 3.0Mtpa export quality product
- 70Mt ROM gives 46Mt of product over 20 year life
- Can increase ROM/product tonnes by pillar mining
- Conventional DMS and spiral processing plant
- Owner operated mining fleet and processing plant
- Initial capital costs of \$113M
- Deferred capital of up to \$64M to meet full production
- ROM operating cost of \$17/t
- Mine-gate product cost of \$25/t
- 60km road haul to rail siding



Mmamabula West Washed Product Specifications (adb)								
RD	CV (MJ/kg)	CV (kcal/kg)	ASH%	VM%	IM%	FC%	TS%	Yld
1.52	26.00	6,210	13.10	25.95	7.89	52.65	0.41	74.57%



# Mmamabula West: Export Logistics



- Multiple existing export options:
  - Maputo is the best short and medium term port option up to 20Mtpa
  - Existing rail has potential to transport up to 20Mtpa to Maputo
  - Successful 1,600t trial export train to Maputo in Nov 2012 – proof of concept
  - Alternative routes through South Africa offer additional capacity and ensure competitive market for freight services
  - Recent rail tariff reductions to competitive levels
  
- New investments in rail coming:
  - Transnet Freight Rail – announced commencement of the Waterberg extension in 2015 to link Botswana and RSA
  - Recently executed bilateral agreement between Namibia and Botswana for the construction of the Trans Kalahari Railway and 65Mtpa coal terminal

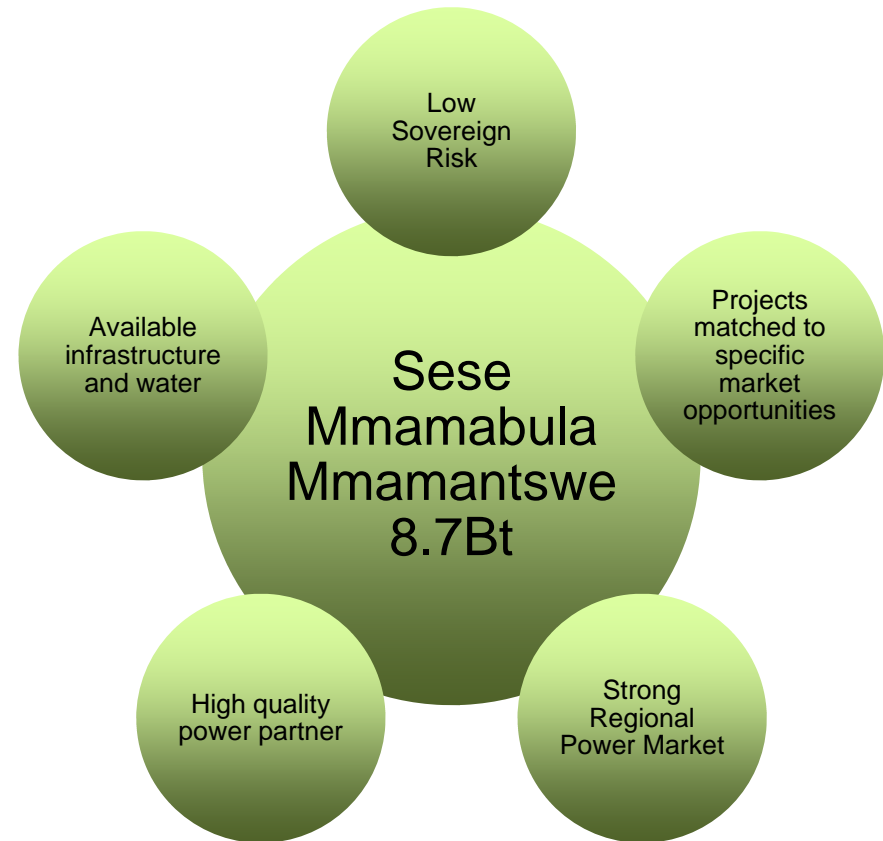


## Significant progress made in the last 12 months:

- Portfolio consolidation at low-point in market
- Commencement of power off-take negotiations
- International power partner attracted to Sese Power
- Potential partners seeking access to Mmamantswe Power

## Next 12 months:

- Complete competitive tender process for Botswana 300MW greenfield power project
- Develop additional 300MW or larger power opportunities at Sese - focus on Zambia
- Finalise development partner for Mmamantswe and tender for South Africa's power procurement program - 2500MW
- Optimise feasibility study and ESIA for 4.4Mtpa export coal mine at Mmamabula West



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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 Tabearth (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabearth 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 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabearth consents to the inclusion of the data in the form and context in which it appears.*

*The Coal Resources quoted for the Sese, Mmamabula West and Mmamantswe Projects in the table on page 18 have been defined in accordance with the practices recommended by the Joint Ore Reserves Committee (2004 edition of the JORC Code). There have been no material changes to any of the resources since they were first announced. Sese West is reported as per the 2012 edition.*

## CAPITAL STRUCTURE:

451.3M Ordinary Fully Paid Shares

\$36M Market Cap (06-May-2014)

\$2.5M cash (30-April-2014)

\$5.0M debt (Macquarie Bank)

A partially underwritten Right Issue to raise up to \$2.95M is currently on offer to eligible shareholders, and closes on 29<sup>th</sup> May

Sentient have agreed to underwrite up to \$1.5M of shortfall

## MAJOR SHAREHOLDERS:

19.9%	The Sentient Group
10.1%	AFR Management
3.8%	Stacey Radford
3.5%	Independent Asset Mgmt
3.1%	Republic Investment
54.6%	TOP 20





## **EXECUTIVE DIRECTORS:**

Chairman:	Alasdair Cooke	Geologist and founder of several ASX listed resource companies that have developed base and precious metals mines in Australia, Africa and South America.
Managing Director:	Frazer Tabeart	Geologist with 25 years international experience. Led company through the discovery and evaluation of Sese and the subsequent acquisitions of Mmamantswe and Mmamabula.
Executive Director:	Bill Fry	Accountant with 20 years experience in property and resource project development, funds management and commercial operations. Joined AFR Board pre-IPO in 2006.

## **NON-EXECUTIVE DIRECTORS:**

Non-executive Director:	Valentine Chitalu	Zambian accountant and businessman with wide ranging interests in property and resource project developments in Africa.
Non-executive Director:	Phil Clark	Mining engineer with over 30-years experience with BHP Billiton, predominantly related to coal mining and resource development strategy for coal and power projects.
Non-executive Director:	Ian Hume	A founding partner of the Sentient Group, a private equity investment firm specialising in resources. Experienced in managed funds investment and project development.
Non-executive Director:	Wayne Trumble	Broad experience in the private power sector, including managing the construction, commissioning and operation of several large power projects in Western Australia.

## **BOTSWANA MANAGEMENT:**

Chairman (AFR Botswana):	Blackie Marole	Economist and businessman who has held several roles in private and public office in Botswana, including Managing Director of Debswana and Permanent Secretary, MMEWR.
CEO, Sese Power Ltd	David Walton	Management accountant with extensive international experience in the commercial operation of coal and gas fired power stations in Europe, Asia and Australia.
Director of Development	David Edwards	Civil engineer living in Botswana with broad project development and project permitting experience in the region.
Director, Sese Power	Dithuso Phetlhu	Civil engineer living in Botswana with broad business interests in southern Africa. Strong connections network in SADC region.

# Resource Summary by Project



## Global Coal Resources for AFR Limited Coal Projects in Botswana

Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Block-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Block-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
<b>TOTAL</b>	<b>2,517 Mt</b>							

Sese West Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INFERRED	2,501Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
<b>TOTAL</b>	<b>2,501Mt</b>							

Mmamabula West Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	N/A							
INDICATED	892 Mt	20.2	4,825	25.5	6.0	26.0	41.0	1.5
INFERRED	1,541 Mt	20.0	4,775	25.5	5.7	25.9	41.2	1.7
<b>TOTAL</b>	<b>2,433 Mt</b>							

Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis)								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
<b>TOTAL</b>	<b>1,243 Mt</b>							

**GRAND TOTAL 8,694 Mt**

*\* In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes*