



3 MAY 2012

ASX: AFR

BSE: AFR

ASX RELEASE

via electronic lodgement

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## COMPANY UPDATE

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African Energy Resources (AFR) is rapidly progressing the Sese Coal and Power Project in Botswana with recent milestones including the completion of a 15,000t bulk sample excavation and the successful trial rail shipment of coal to the east coast port of Maputo. The Company has also enhanced its ability to deliver its project development goals through successfully recruiting high calibre executives to lead the mining, power development and marketing divisions of the business.

To keep shareholders fully informed of the Company's activities the following update is provided:

1. Members of the executive management team have embarked on a roadshow through India and China to promote the Sese Coal and Power Project Company to potential Strategic Development Partners. The marketing presentation being used for this roadshow is appended to this update.
2. The Company has been advised that the Botswana Ministry of Minerals, Energy and Water Affairs (MMEWR) has commenced assessing the first of AFR's coal prospecting licence applications, Foley West. This particular licence application covers the area immediately to the north and south of the Sese Coal and Power Project. Further progress on the applications will be provided as information is received from MMEWR.
3. As a result of the successful rail shipment trial to Maputo, the Company is about to commence negotiations with Botswana's Ministry of Transport and Communications and Botswana Railways to establish an economic rail tariff for the transport of coal to Maputo. Specialist rail and port consultants have been engaged to evaluate options to increase the capacity on the existing infrastructure and will also be working closely with both parties to seek efficiency improvements on the network.
4. The Company has made a written submission to Grindrod, operators of the Matola Coal Terminal in Maputo, seeking an allocation for coal exports under their terminal expansion plan.



5. Most of the analytical data pertinent to a resource review for Sese has now been received. The Company's independent resource consultants expect to have the new estimate completed and available for release before the end of the quarter. It is expected that this update will place portions of Block-B and Block-C into the Measured Resource category.
6. Analytical results from exploration drilling at the Sinazongwe East coal prospect in Zambia are expected later this week and will be released to the market once they have been interpreted.

For any further information, please refer to the Company's website or contact the Company directly on +61 8 6465 5500.

*For and on behalf of the board*

*The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.*

*Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabeart (an employee and the Managing Director of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 Tabeart consents to the inclusion of the data in the form and context in which it appears.*

# Sese Coal and Power: Project development summary



Company presentation, May 2012

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# 18m coal seam exposed at Sese



# Executive summary



## Summary:

- Coal mine and power station project in Botswana
- Low sovereign and commercial risk
- Development team for mine and power project
- Aligned to markets and infrastructure

## Sese Project:

- Very large thermal coal deposit >2.6 Billion tonnes
- Amenable to open cut mining with very low ROM costs
- Can produce large tonnages of coal for domestic and export market

## Development Plan:

- Bankable feasibility study and EIA underway for mine
- Power off-take & EPC discussions in progress
- Discussions with Strategic Development Partners
- Stage 1: 1-2Mtpa coal production from mid-2013
- Stage 2: ramp-up to 4-5Mtpa in 2015 with feed to IPP
- Stages 3 & 4: >20-30Mtpa via expanded exports



# Capital structure and corporate overview



## Capital Structure

Shares on Issue (ASX, BSE)	326M
Options	26.4M
Price range (52 weeks)	A\$0.22-A\$0.91
Market Cap (30 <sup>th</sup> Apr)	A\$84M
Cash (30th Apr)	A\$8.5M

## Major Shareholders

Management	9.8%
Mr Stacey Radford	5.3%
Independent Asset Mgmt	4.0%
Mr David Metford	3.8%
Geiger Counter Ltd (CQS)	2.0%
Republic	1.2%
Top 20	48.1%

## Board and Management

### Executive Directors

**ALASDAIR COOKE**, Executive Chairman  
*Geologist, founder of AFR, successful mine developer*

**FRAZER TABEART**, Managing Director  
*Geologist, 25 years global exploration experience*

**BILL FRY**, Executive Director  
*Accountant, funds management and project development*

### Non-executive Directors

**BLACKIE MAROLE**, Non-exec Chairman, Botswana  
*Economist, senior Board roles (Debswana) and Govt. roles*

**VALENTINE CHITALU**, Non-executive Director  
*Accountant, investment and development management*

**MICHAEL CURNOW**, Non-executive Director  
*Mining project development in Africa*

**PHIL CLARK**, Non-executive Director  
*Engineer, 33 years experience in global coal with BHPB*

### Senior Management

**DAVID SCOTT**, General Manager Projects  
*Engineer, coal mine development roles in Botswana*

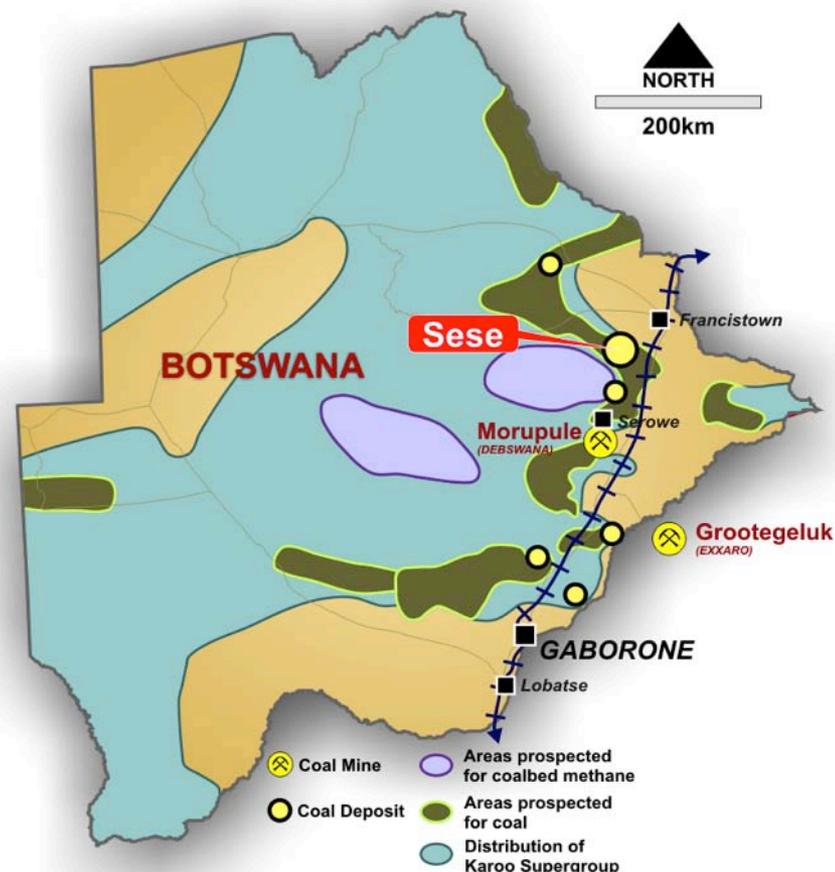
**THOMAS SCOTT-MOREY**, Power Development Manager  
*Experienced developer of power stations and their finance*

# Botswana's national coal roadmap

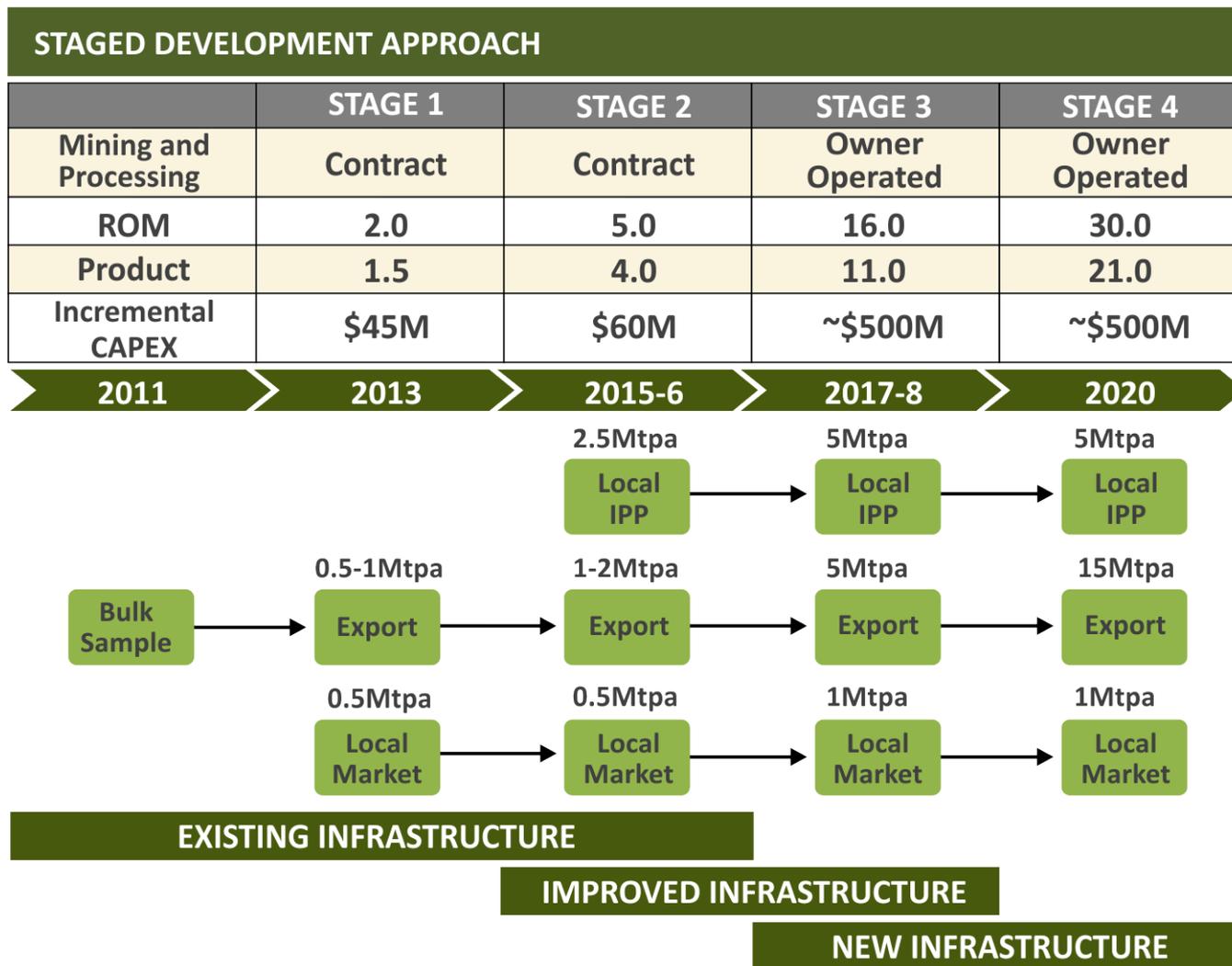


## Botswana – a great place to do business

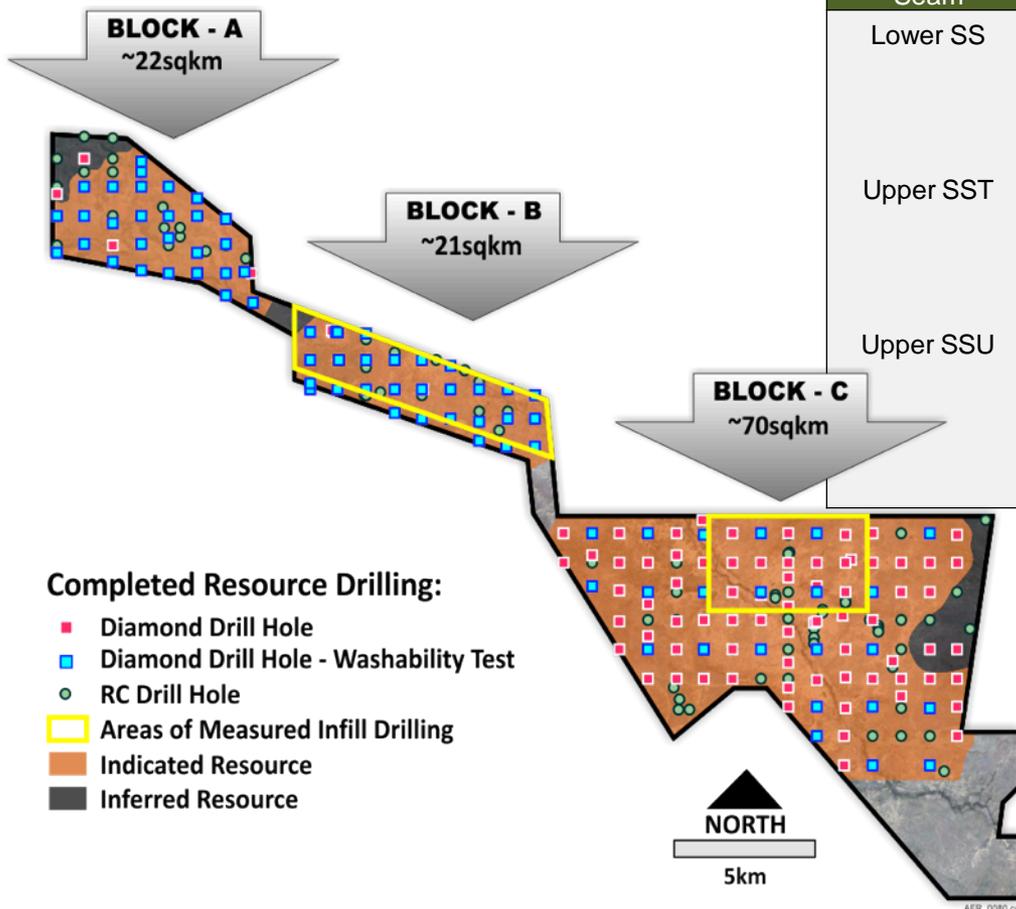
- **Stable, safe and secure jurisdiction**
  - *Widely perceived as an excellent investment destination by companies (and their bankers!)*
- **Transparent Mining Act plus attractive fiscal regime**
  - *3% royalty (on mine-gate revenue)*
  - *Attractive tax rate based on profitability ratio (generally low for “bulk commodities”)*
- **Government has announced a national coal “roadmap”**
  - *Nation building opportunity to enhance economic development for 50+ years*
  - *Highest priority to be given to exports of coal AND electrical power*
  - *Establish a dedicated Coal Coordinating unit by May 2012*
  - *Identification of strategic partners for resource and infrastructure development*
  - *Infrastructure development plans by 2017*



# Development plan for Sese project



# World class resource



## Indicated and inferred resources:

Seam	JORC	TONNES /Mt	CV (MJ/kg)	CV (kcal/kg)	Washed CV range (kcal/kg) RD 1.5 to 1.7
Lower SS	Indicated	1532	17.36	4146	
	Inferred	68	14.85	3547	
	<b>Total</b>	<b>1599</b>	<b>17.26</b>	<b>4121</b>	<b>4550-5500</b>
Upper SST	Indicated	637	12.76	3046	
	Inferred	32	9.43	2253	
	<b>Total</b>	<b>669</b>	<b>12.60</b>	<b>3008</b>	<b>4200-5250</b>
Upper SSU	Indicated	348	13.06	3120	
	Inferred	9	12.95	3092	
	<b>Total</b>	<b>357</b>	<b>13.06</b>	<b>3119</b>	<b>4350-5400</b>
		<b>2626</b>	<b>15.50</b>	<b>3701</b>	

## Resource/Reserve upgrades

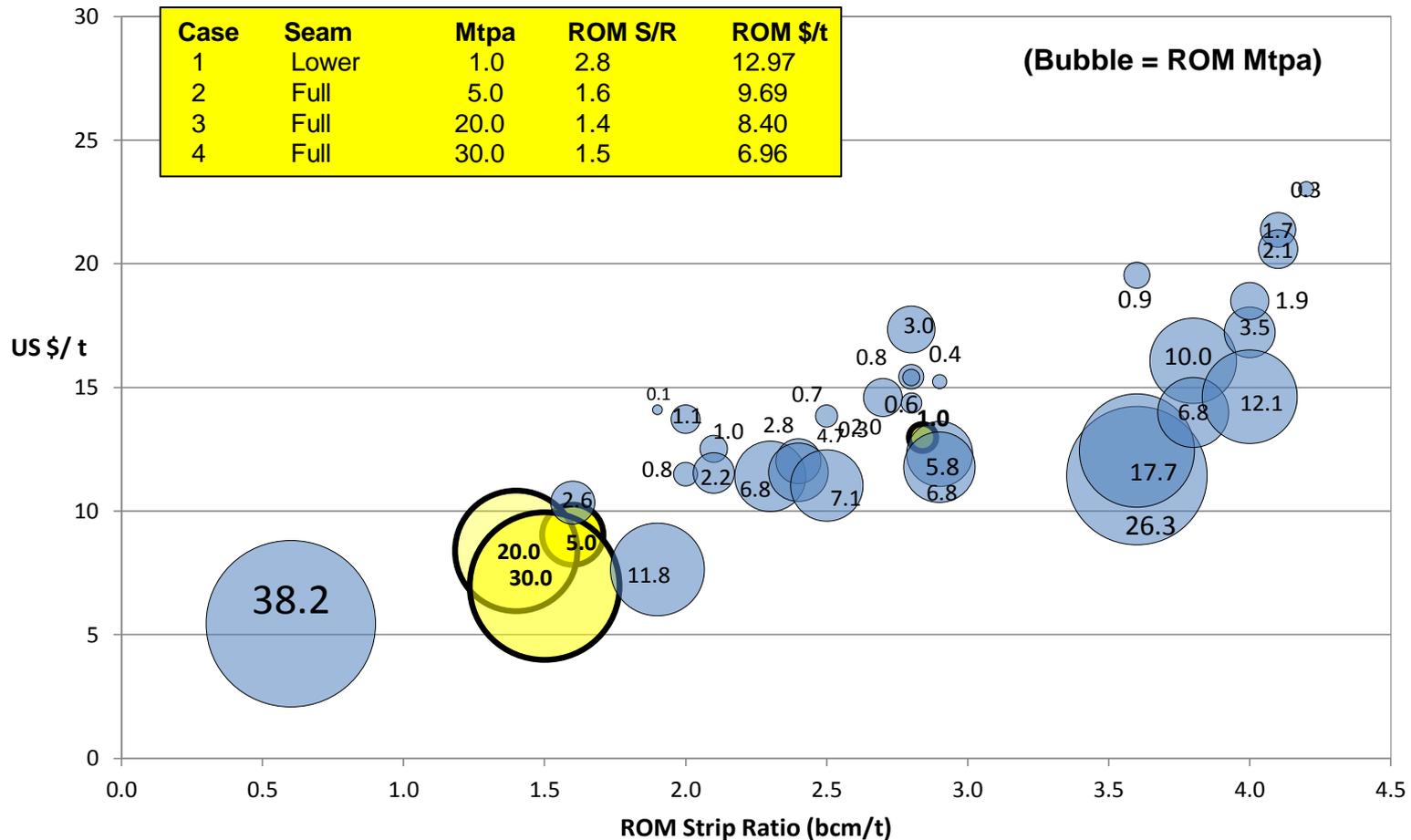
Infill core drilling to 500m grid completed in Block-B and Block-C

**MEASURED RESOURCE** plus **RESERVE STATEMENT** in Q2 2012

# Project economics driven by low ROM cost



Sese ROM costs (yellow bubbles) benchmarked against published data for all South African open pit coal mines



Source: Wood Mackenzie Coal Supply Series South Africa 2011, and Sese Concept Study

# Stage 1: regional sales of washed coal



## Regional marketing programme underway

*Experienced consultant appointed to take Sese coal to the market...*

- Targeting sales to mine site power stations, Ni-Cu smelters, brick works, cement factories etc
- Bulk sample will provide approx. 2,000t washed coal (5000-5500 kcal/kg) for marketing
- Opportunities to significantly expand size of regional market through selling cheap coal with low supply risk

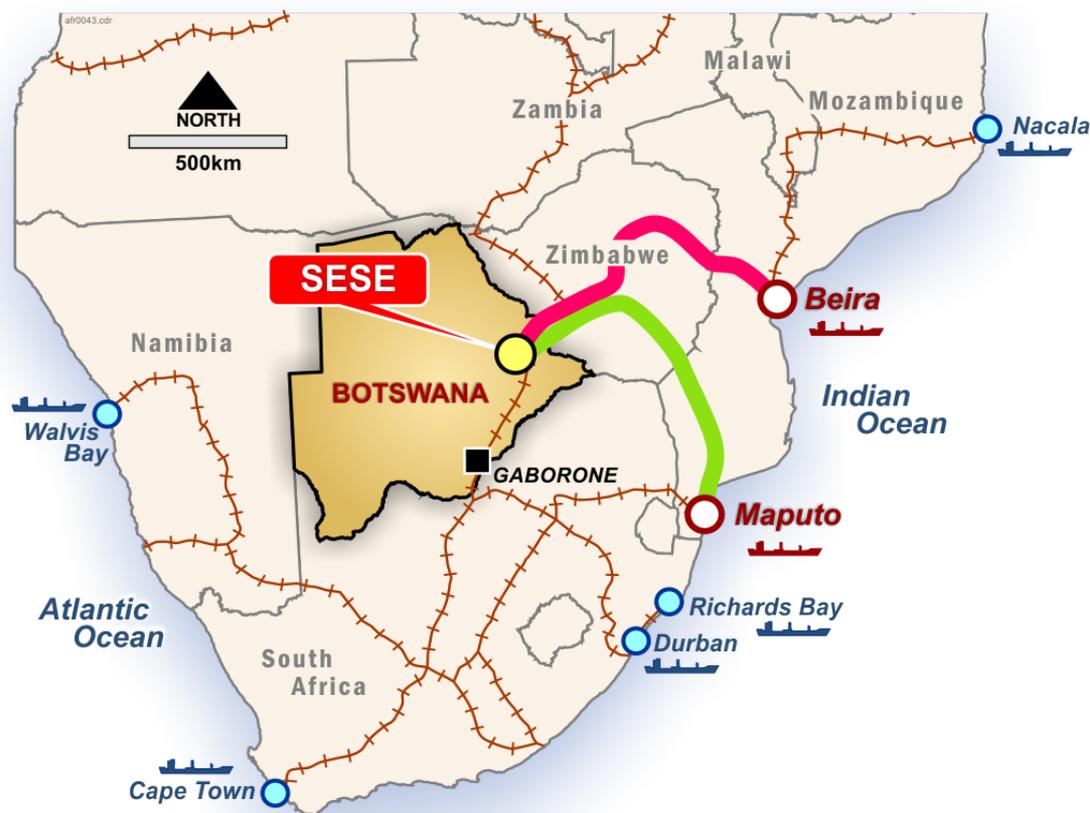


# Stage 1: export infrastructure IS in place



## Existing Infrastructure:

- Existing freight line 30km east of Sese provides access to Mozambique coast
- The Maputo railway line is currently operational and is used to import diesel into Botswana
- Botswana Railways (BR) expanding capacity through acquisition of 300 coal wagons, each of 50t capacity
- Rail capacity available now for +2Mt annual coal exports
- Planned 20 Mtpa expansion of Matola coal terminal (Grinrod coal terminal in Maputo) underway
- Trial “export” to Maputo using coal from bulk sample completed in early April in under 4 days



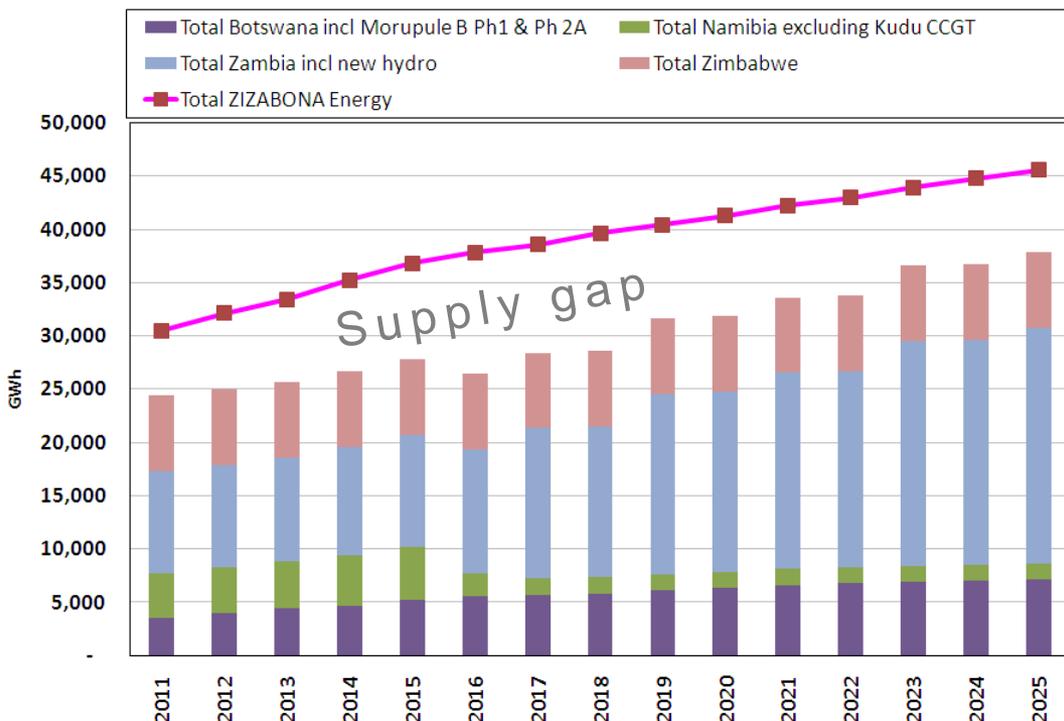
# Successful rail shipment to Maputo in April 2012



# Stage 2: electricity demands IPP's



## Regional power deficit looming



Source: PB Power 2011

## Bridging the gap

- Supply gap currently covered by ESKOM exports, but these contracts moving to 'best endeavours'
- Recent announcement by Botswana Government for new 300MW coal-fired Independent Power Project (IPP)
- Further IPP opportunities exist with credit worthy state-backed utilities
- AFR in a strong position to supply lowest cost coal in region
- AFR currently negotiating an initial 300MW IPP, with potential for a further 300MW
- Botswana is physically well situated at the centre of the regional transmission network

# Sese power project – overview



## Building the right team to deliver:

- Appointment of experienced Power Development Manager
- Initial concept study for first 300MW project completed
- Power purchasers identified, including Govt. of Botswana
- Team of external consultants and advisors appointed
- Strategic Development Partners being investigated

## Sese Power Station project scope:

- Initial 300MW (gross) coal fired power station, based on same design as Morupule B (4 x 150MW units)
- 1.5Mtpa Sese coal mine expansion
- 220 KV Sub-station
- 20-30km 220KV Transmission lines
- 0.5 Gl/yr Water supply infrastructure
- Coal handling equipment/facilities
- Ash handling equipment/facilities



Sese bulk sample excavated for test work



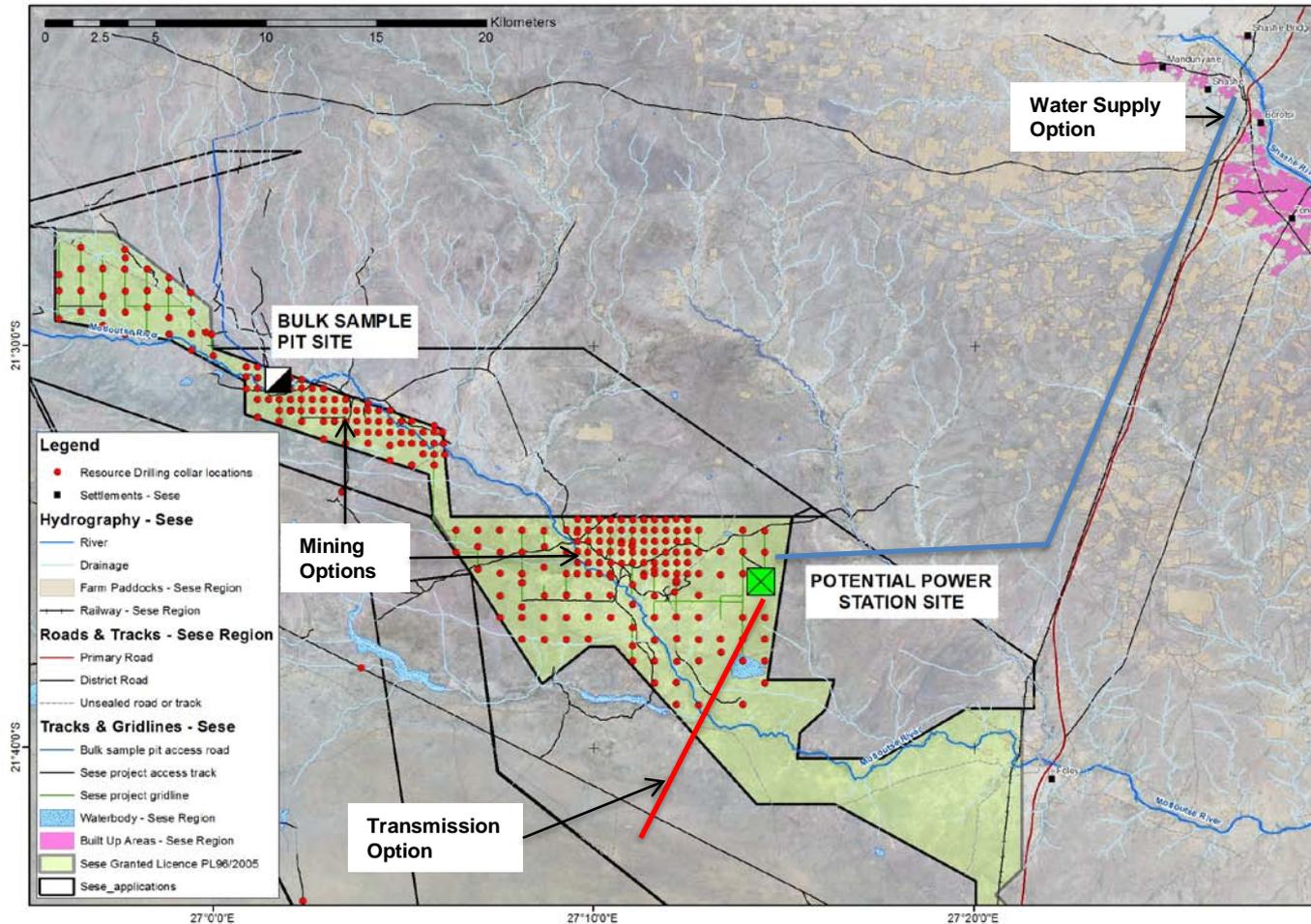
Morupule B (4 x 150MW) under construction



# The Sese Coal & Power Project



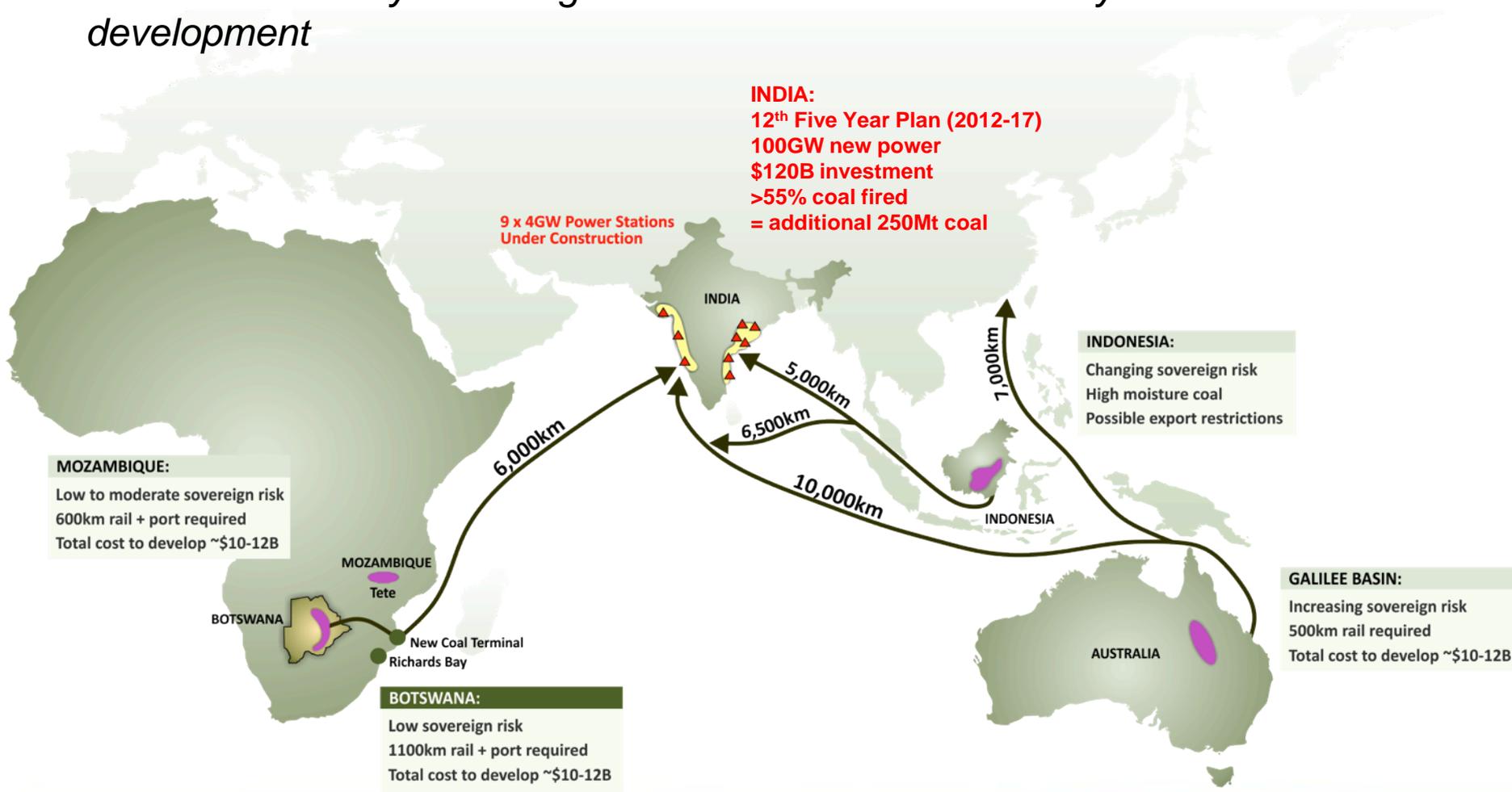
## Project & Infrastructure Map:



# Stage 3 and 4: export market is Asia



*Botswana provides one of the closest supply options for Asian coal imports - this will inevitably drive large investments in the necessary infrastructure development*



# Stage 3: expansion of existing infrastructure



## Immediate expansion opportunities

### *Rail expansion to >10Mtpa...*

- Potential to expand existing cape-gauge rail capacity with more passing loops, improved corners and bridges
- Potential to improve volumes by laying ~300km new rail to avoid population centres and shorten route



### *Port expansion plans...*

- Expansions of both Maputo and Beira are planned, to >20 Mtpa at Maputo
- Maputo expected to be >20 Mtpa within 3 years
- Short term port capacity expansions possible through transshipment options at existing ports



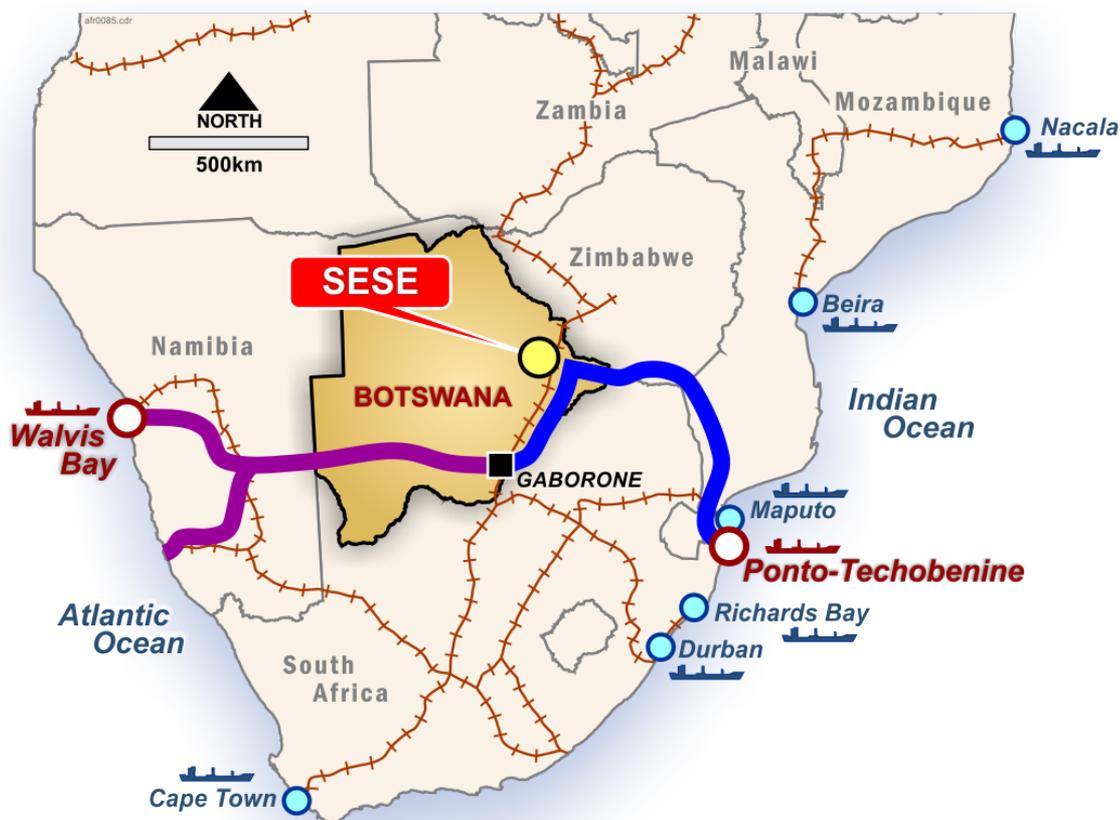
### *Infrastructure Consultants engaged...*

- Scoping study underway to assess expansion options
- Engagement with infrastructure developers

# Stage 4: planned export infrastructure



## Large-scale export infrastructure:



- Two consortia evaluating routes: the Trans-Kalahari Railway and Ponto Techobanine options
- Both proposing minimum of 60Mt annual export, which could be achieved from 3-4 mines in region
- Rail proposals currently at prefeasibility study stage, planned to be operational by ~2018
- AFR has commissioned independent study of the viability of these routes
- Also considering other options for 50-100Mtpa export infrastructure

# BFS/EIA – progress to date

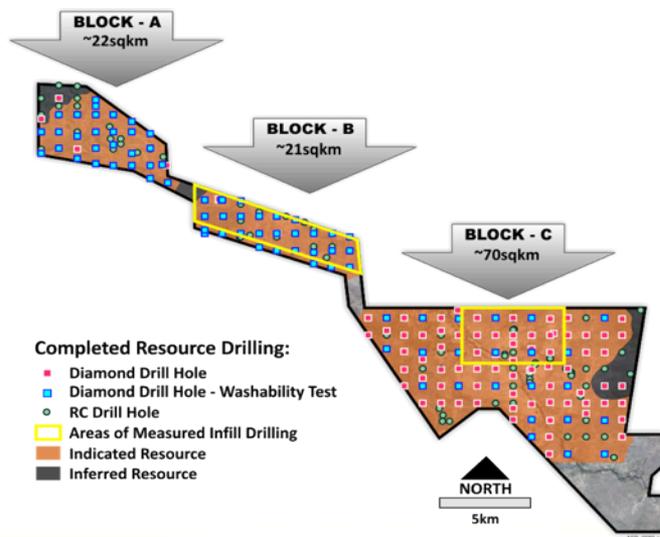


## Bankable feasibility study

- MRM (Runge): study manager/mining consultant
- Sedgman appointed as processing consultant
- Additional consultants appointed for key tasks
- Phase 1 completed by June 2012 to prefeasibility standard
- Phase 2 completed by Dec' 2012 to bankable standard

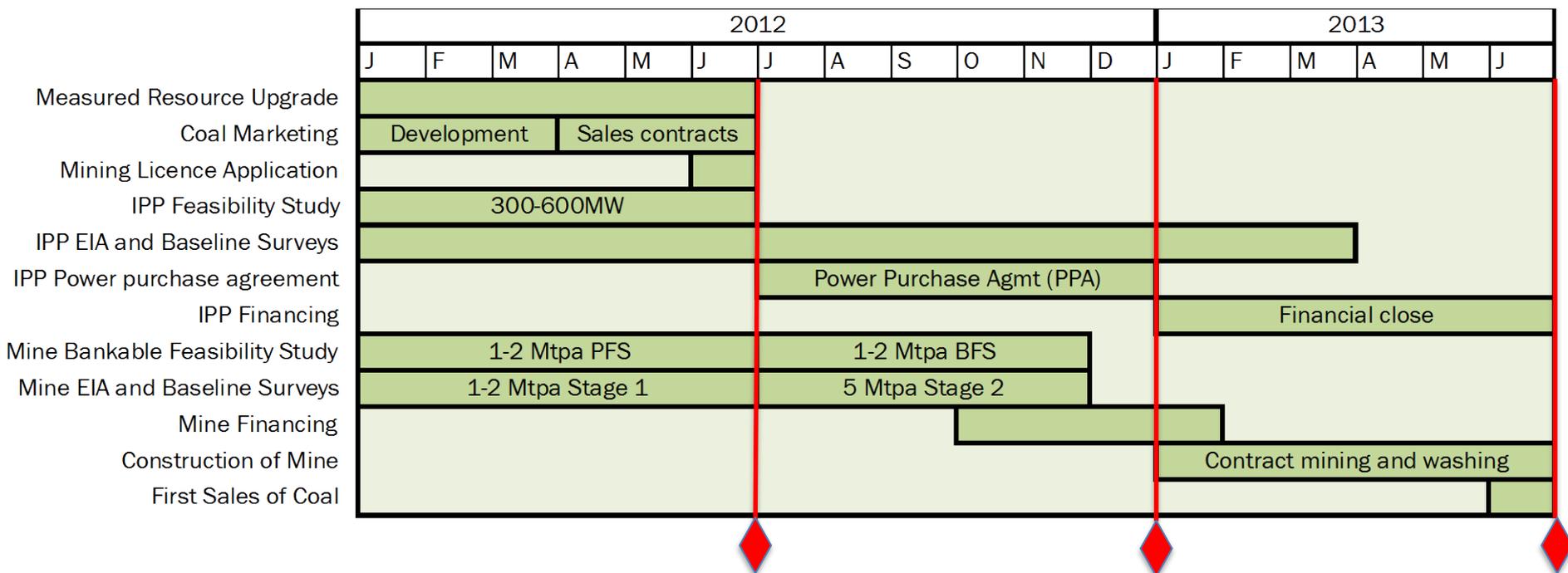
## Environmental Impact Assessment

- Ecosurv appointed as EIA consultant
- Preliminary EIA for 5mtpa mine and 600MW power station has been approved
- Community consultation meetings in February
- Baseline surveys to commence in Q1 2012
- Mine EIA process to be complete by end 2012, with power station EIA some six months later



Sese bulk sample operation in Feb' 2012

# Integrated development milestones



*The above schedule is indicative only and assumes all project milestones are met and government permits and licences are granted in a timely manner*

# Summary



- ✓ 2.5 billion tonne indicated resource in stable host country
- ✓ Extremely low coal supply risk and cost of operations.
- ✓ Team of developers with significant coal mine and power station expertise
- ✓ Thermal coal suitable for both export and domestic markets
- ✓ Planned 300MW power station with scope for expansion
- ✓ Initiation of discussions with potential Strategic Development Partners
- ✓ Initial 1-2Mtpa Stage 1 operation in 2013, ramping up to 4-5Mtpa for Stage 2