

AfricanEnergy

Developing the Sese Coal & Power Project
Presentation to the Botswana Resources Conference
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Sese highlights



The Sese Coal & Power Project

- Large-scale thermal coal project in a premium investment destination
- Deposit geometry conducive to long-life, low-cost, low-risk mining
- Capable of producing large volumes of export coal and power station fuel
- Aligned with Botswana's Coal Roadmap

Sese Integrated Power Project

- Feasibility study and EIA underway for initial 300MW power station plus 1.5Mtpa 'captive' coal mine, with potential to expand both
- First 300MW MOU signed with potential off-taker
- Potential to unlock significant value from a tiny (<5%) portion of the total resource

Sese Export Project

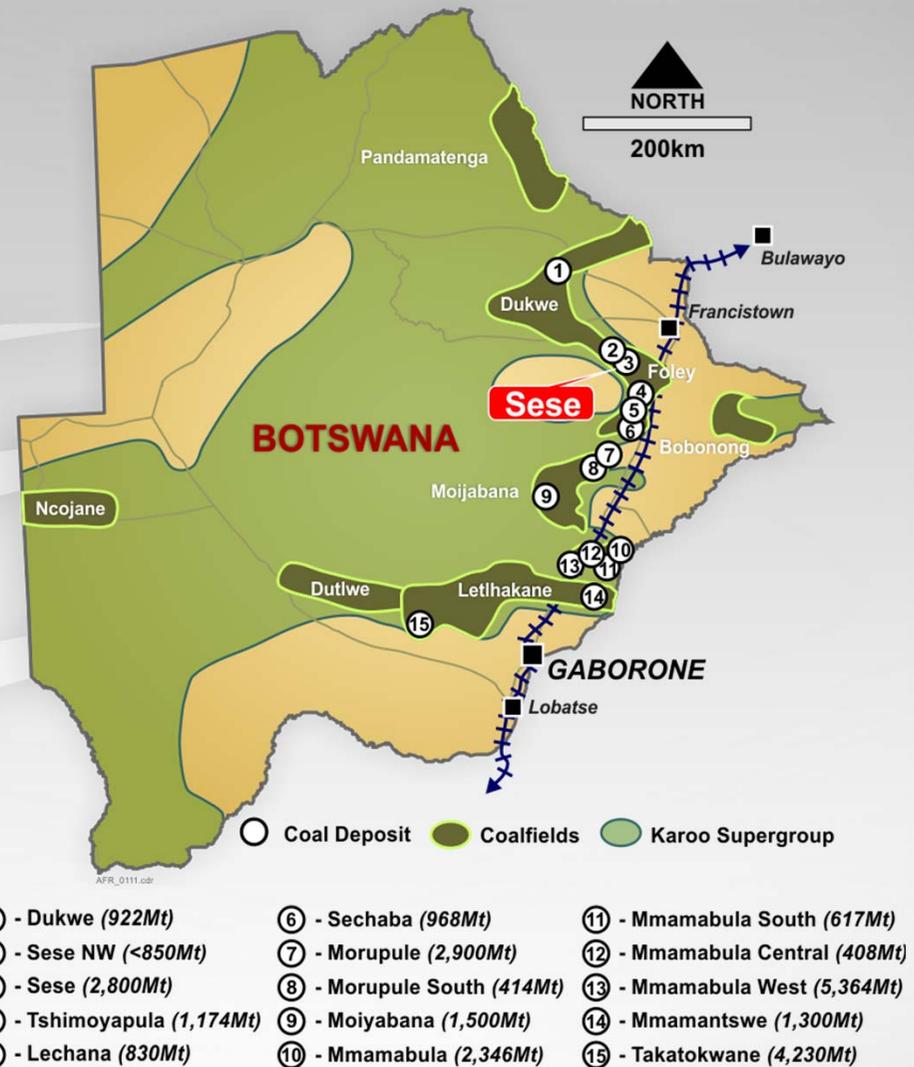
- Long-term strategy to supply thermal coal to Asian markets
- Successful 15,000t bulk sample and 25t rail shipment to Maputo complete
- Formally assessing current rail and port capacity and their potential to be expanded



Coal resources of Botswana



- Botswana contains one of the world's largest undeveloped thermal coal provinces
- Sese is one of 15 delineated coal resources in Botswana
- Studies demonstrate that Sese has the potential for the lowest ROM operating costs in the country
- Botswana's Coal Roadmap (and African Energy's business plan) is focused on delivering three core businesses;
 - Export coal
 - Export electricity
 - Domestic electricity



Sese coal deposit facts

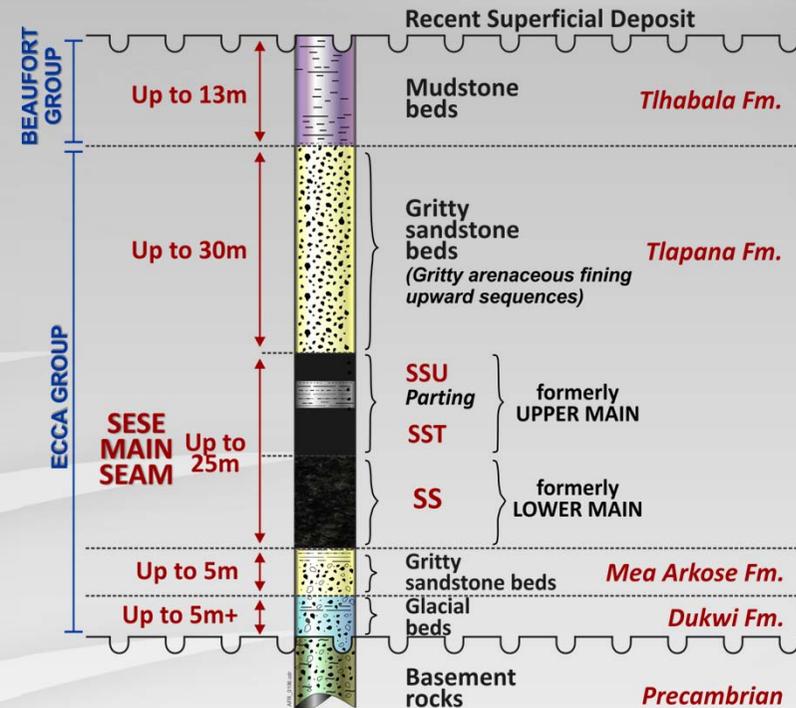


Rapid advances since discovery

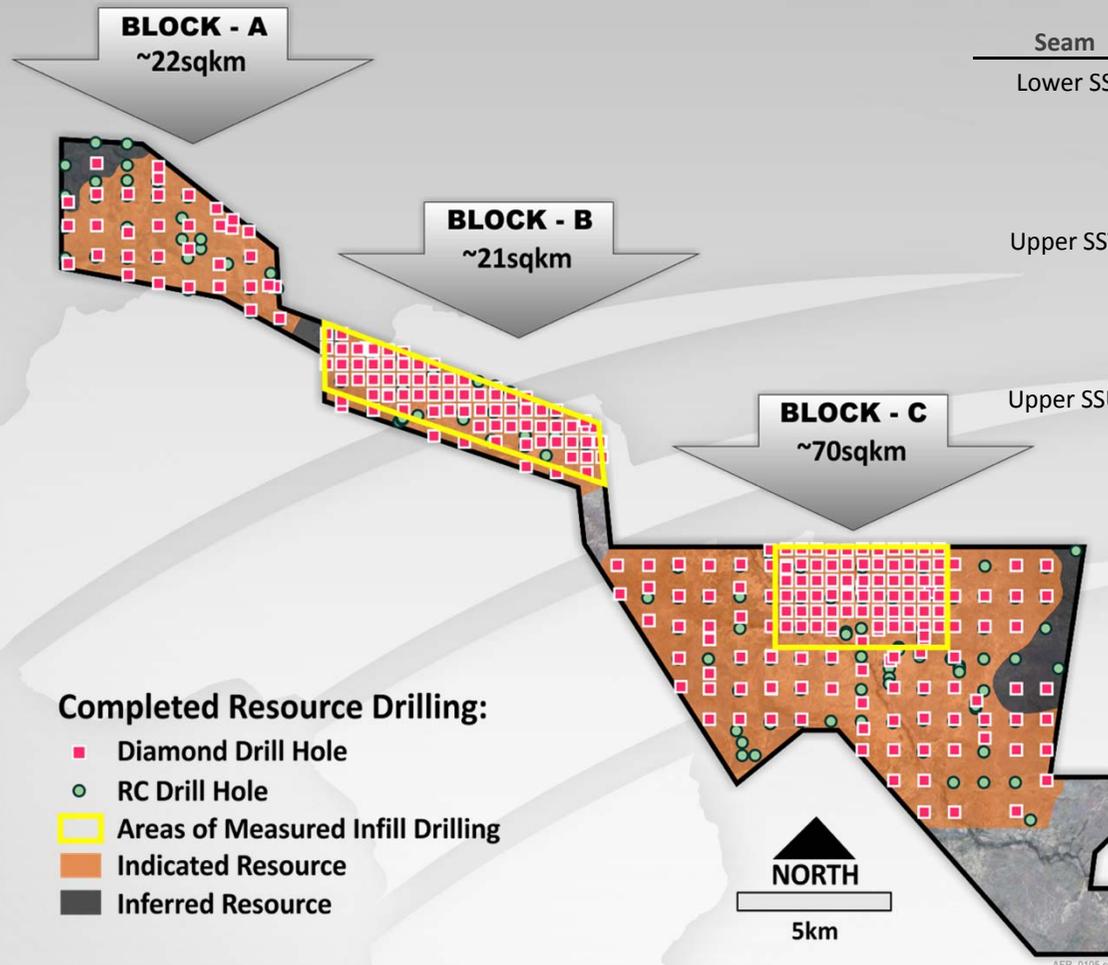
- 2.6 billion tonne coal deposit
- Discovered in May 2010
- Initial resource published May 2011
- Indicated Resource in February 2012
- Measured Resource in June 2012

Deposit geometry

- 35km strike-length
- 14m thick single seam
- Flat lying – dips less than 2°
- Average depth 40m (locally <20m)
- Minor faulting



Sese resource



Seam	JORC	TONNES/ Mt	CV (MJ/kg)	CV (kcal/kg)	Washed CV range (kcal/kg) RD1.5 to 1.7
Lower SS	Indicated	1532	17.36	4146	
	Inferred	68	14.85	3547	
	Total	1599	17.26	4121	4550-5500
Upper SST	Indicated	637	12.76	3046	
	Inferred	32	9.43	2253	
	Total	669	12.60	3008	4200-5250
Upper SSU	Indicated	348	13.06	3120	
	Inferred	9	12.95	3092	
	Total	357	13.06	3119	4350-5400
		2626	15.50	3701	

Measured resource upgrade

- Due by end of Q2 2012
- Measured resources estimated for both Blocks B and C
- Provides optionality for export and power station mine sites

Successful bulk sample



Processing/combustion testing



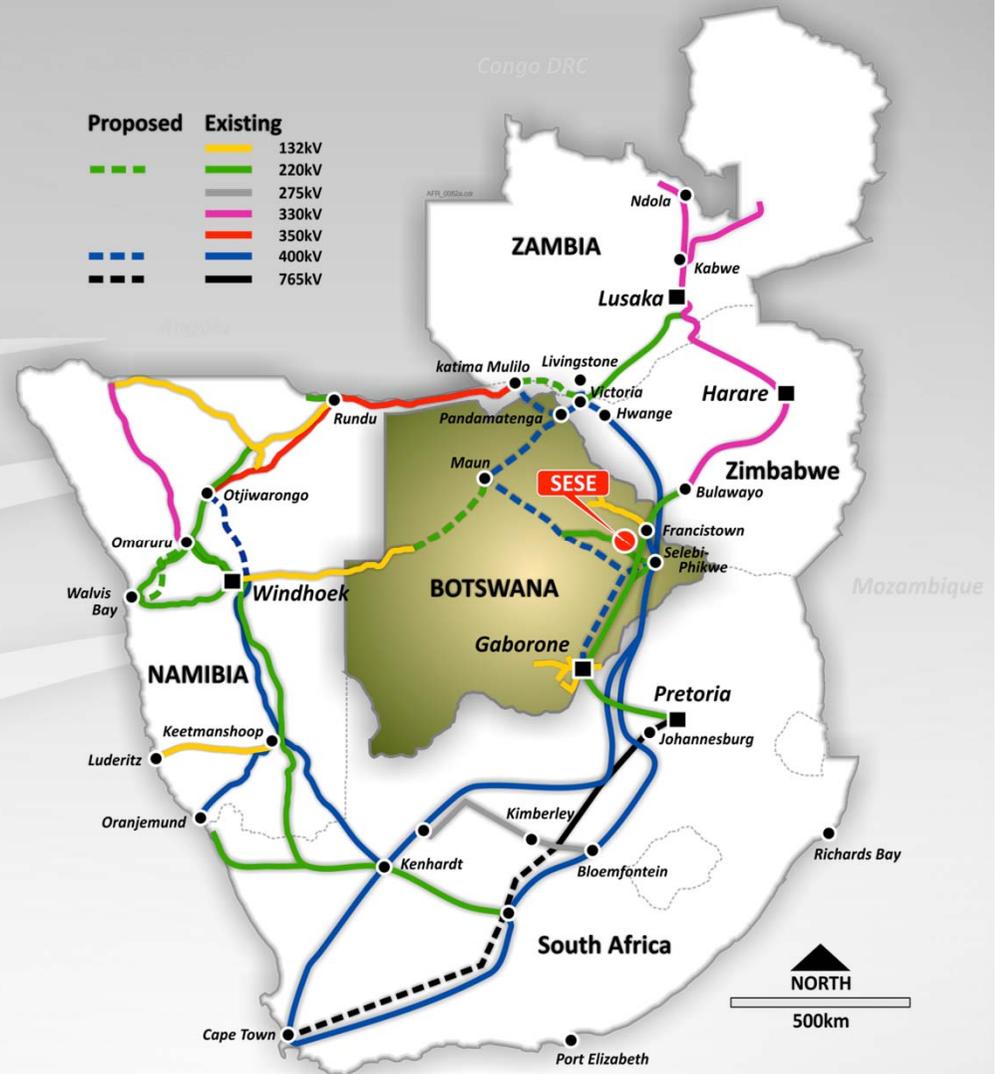
- Trial processing of Sese coal using 10tph pilot-plant scale air-separator has been successfully undertaken – results due in 6-8 weeks
- Further trials on larger samples may be warranted if results are encouraging
- Provides a low-cost, low-water consumption alternative to conventional DMS “wash”
- Combustion testing of product to be undertaken in industrial boilers in South Africa



Sese Integrated Power Project



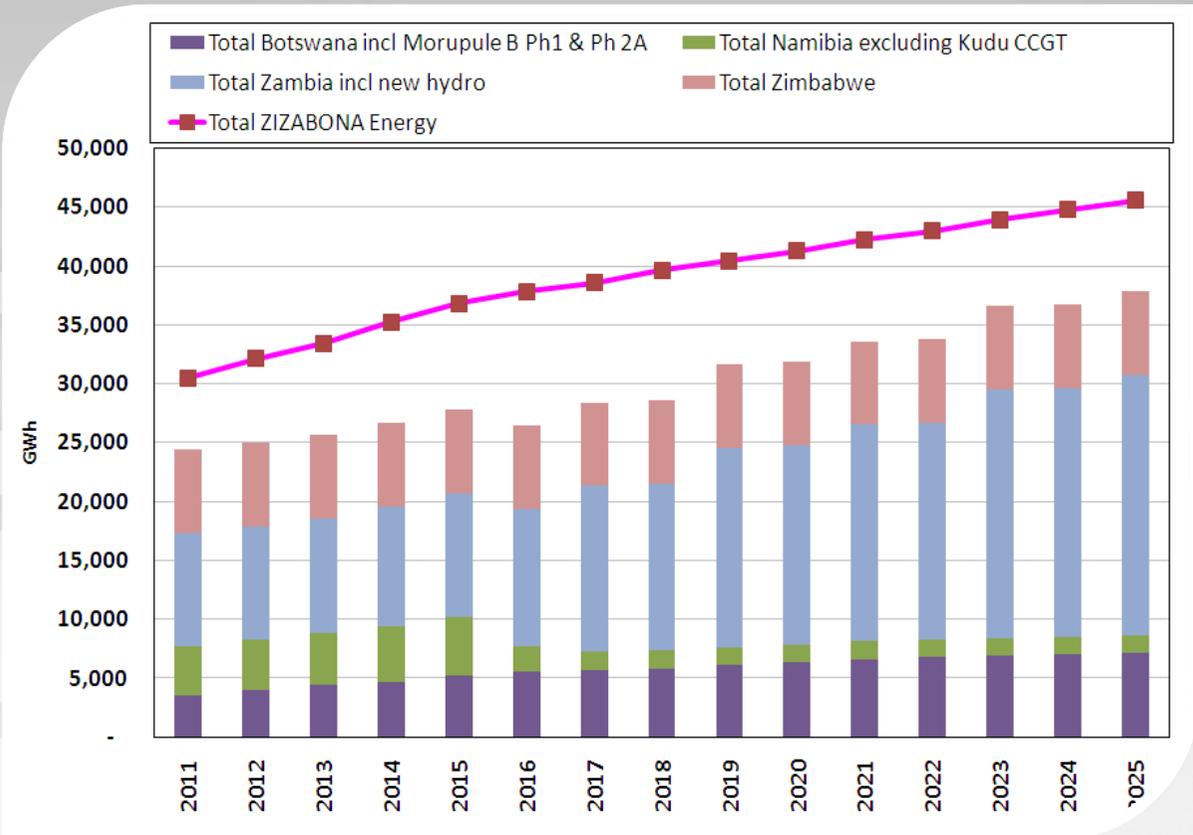
- African Energy has recognised an opportunity for power generation based on cheaply mined Sese coal
- Potential to unlock significant value from a very small proportion of the total Sese resource (<5%)
- Opportunities present for both the export of electricity and domestic supply of electricity
- The Sese **Integrated Power Project** comprises an initial 300MW power station plus a 1.5Mtpa coal mine, with potential to expand both as markets and demand develops
- Located near the centre of the Southern African Power Pool (SAPP) grid



Constrained electricity supply



- Current supply gaps in many countries met by imports from Eskom
- These supplies are no longer guaranteed
- Widening gap between supply and demand in the entire SADC region
- Opportunity for AFR and Botswana to become net exporters of cheap electricity



Source: PB Power 2011

Proposed 300MW power station



- Non-binding MOU signed with potential off-taker
- Key advisors appointed for feasibility studies, engineering design, finance
- Negotiations underway for Power Purchase Agreement and EPC contract
- Initial 300MW (gross) coal fired power station
- Same design as Morupule B (but only 2 x 150MW units)
- 1.5Mtpa 'captive' coal mine
- 220kV Sub-station
- 25km 220kV Transmission lines
- 2.8Gl/yr water supply
- Coal handling facilities
- Ash handling facilities



Feasibility/EIA/Water



Feasibility studies underway

- Prefeasibility on mine complete, including a series of trade-off studies
- Bankable study for 1.5Mtpa mine now being scoped for delivery at end 2012
- Prefeasibility study on 300MW power plant has commenced
- FEED (front end engineering design) to follow

Environmental Impact Assessment

- EIA for up to 600MW and up to 5Mtpa mine is underway
- Scoping report has been submitted
- Terms of reference soon to be received and formal EIA to commence soon

Water requirements

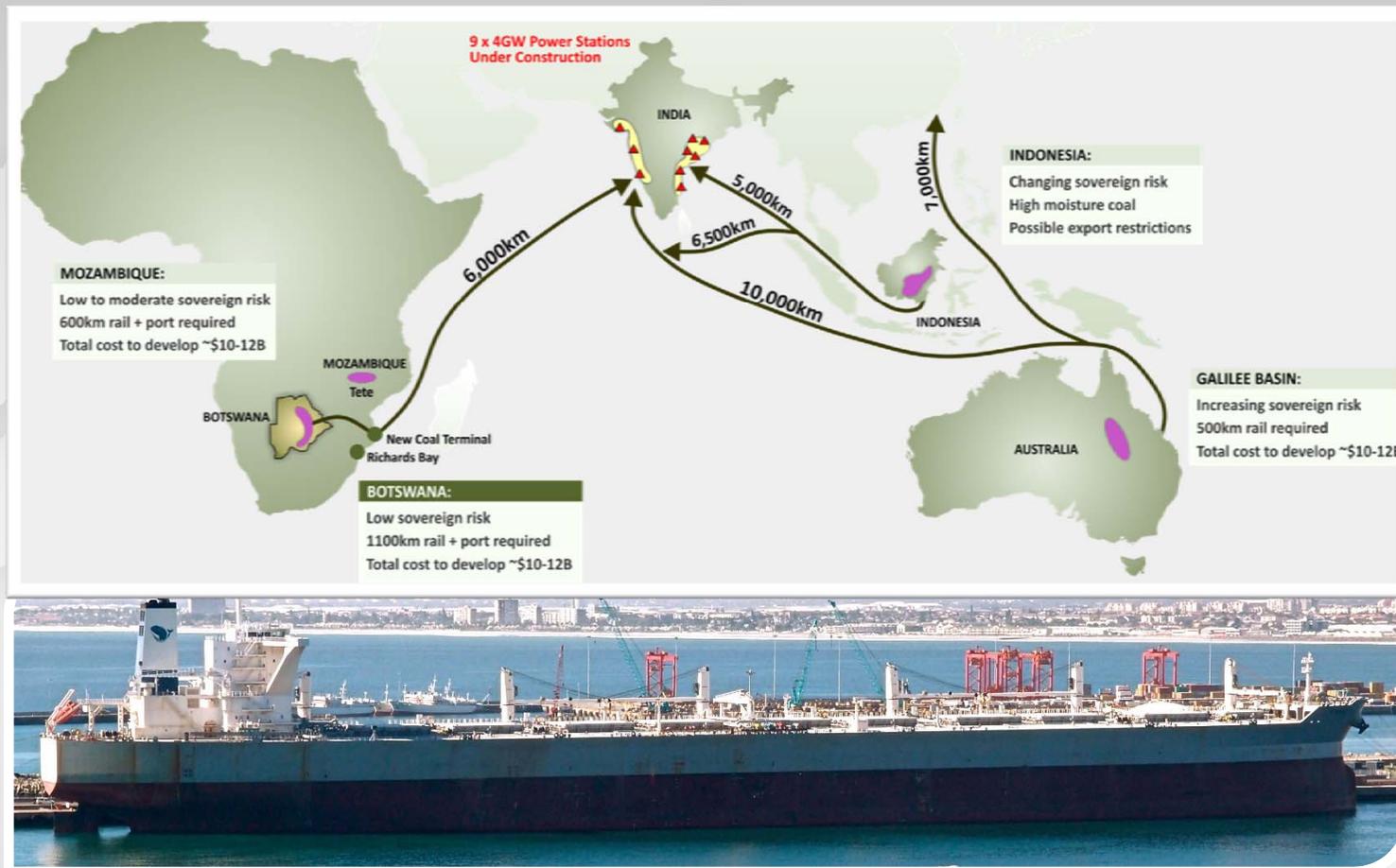
- Water budget for mine and power station up to 2.8Gl/yr
- Potential water sources identified
- Formal application for water rights to be submitted in Q3



Sese Export Project



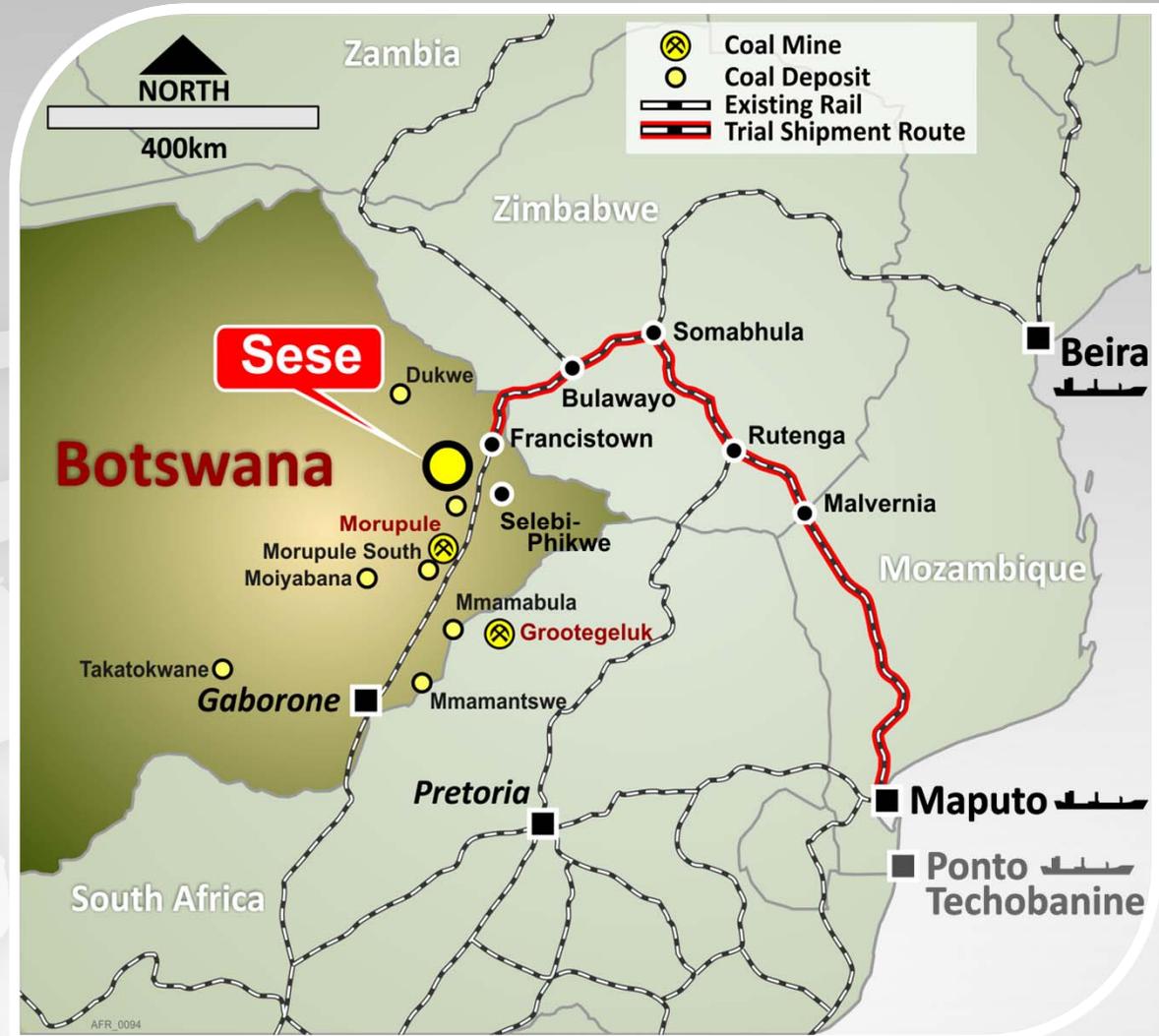
- 5000-5500kcal/kg (21-23MJ/kg) is becoming the new benchmark for Asian customers (India, China, SE Asia)
- Sese deposit can produce large volumes of coal in this range for export



Successful rail trial to Maputo



- Collaborative effort between African Energy and Botswana Railways
- 25 tonnes of Sese coal from the bulk sample was placed into 1t bulker bags and loaded onto a single flat-car/wagon in Francistown
- Wagon arrived in Maputo and unloaded at Grindrod's Matola Coal Terminal
- Total distance of 1,350km covered in under four days



Export trial to Matola Coal Terminal



Multiple options for export routes

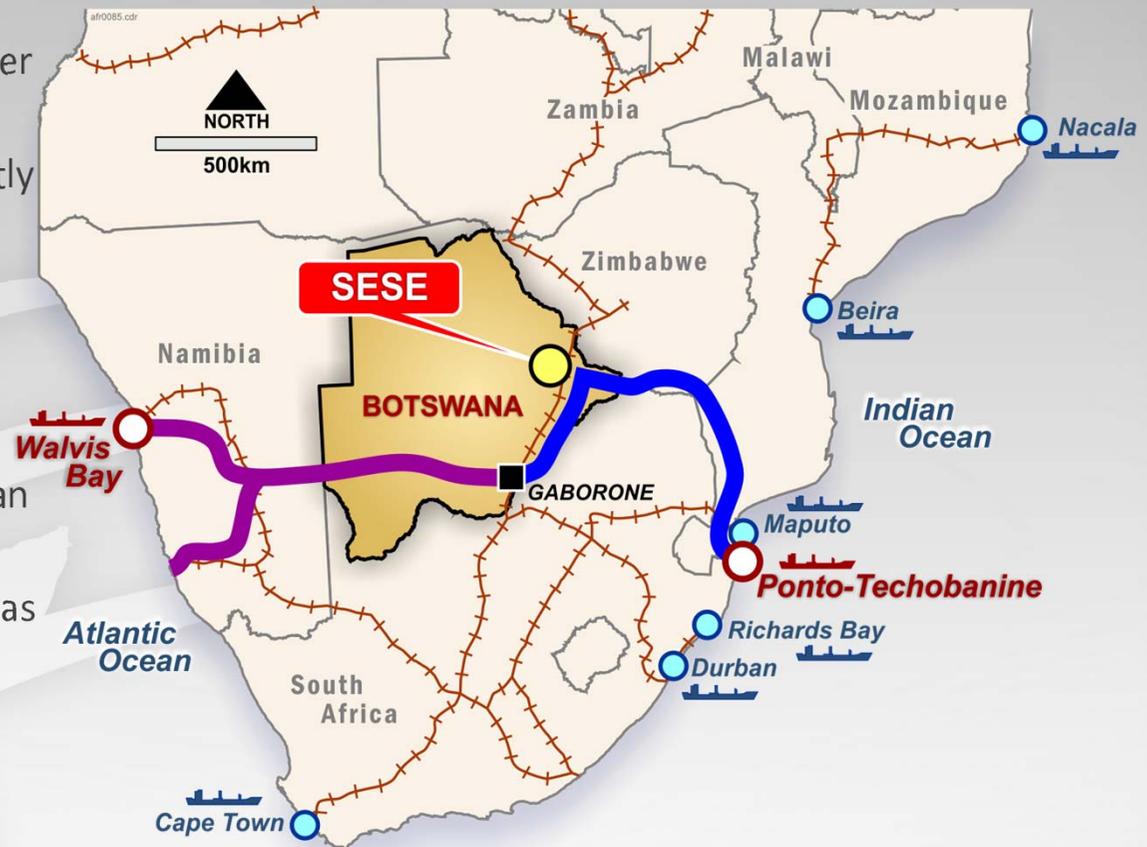


Short term expansions

- Existing rail routes and ports are under evaluation by AFR's consultants
- Evaluating the potential to significantly expand capacity on existing railways through staged investments
- Staged expansion of Matola Coal Terminal in Maputo to 20Mtpa by 2018, plus expansions have been planned for a number of South African ports
- Initial tonnage allocation at Matola has been requested

New ports and rail options

- Trans-Kalahari Railway to Walvis Bay
- Ponto-Techobanine railway to new port in southern Mozambique



Conclusions



- Advanced thermal coal and power project in Botswana
- Large resource with low ROM costs due to simple geometry
- Upgrade to Measured Resource completed
- Sese **Integrated Power Project** is an initial 300MW plus 1.5Mtpa mine
- MOU with potential off-taker signed for first 300MW power station
- First electricity generation scheduled for late 2015
- Sese **Export Project** targeting sales of 5000 to 5500kcal/kg coal to Asia
- Evaluation of existing and proposed rail/port well advanced

