



*Delivering power to the people*

*ASX RELEASE ASX:AFR*

25 June 2020

### **SESE RECEIVES POWER GENERATION LICENCE**

African Energy Resources Ltd (“**African Energy**”) advises that Sese Power (Pty) Limited has received the Generation Licence documentation for the Sese Power Project from the Botswana Energy Regulatory Authority (BERA).

The Generation Licence allows the Sese Power Project to export and sell 225MW of power for 15 years to Kalumbila Minerals Limited and Kansanshi Mining Plc in Zambia (both majority owned by First Quantum Minerals Limited), Zimasco (Pvt) Limited in Zimbabwe (owned by Sinosteel) and residual/surplus power to members of the Southern African Power Pool.

The licence may be renewed beyond 15 years or increased above 225MW by application to BERA as per the BERA Act, 2016.

Sese will be applying for an amendment to increase the licence to reflect the current planning for 300MW of generation.

The Generation License was the final regulatory approval required for the Sese Project. The award of the Generation Licence follows the recent execution of power sales agreements for the first 300MW Stage of the Sese power station.

The Sese Power Project is one of the most advanced major Independent Power Projects in the Southern African region, and is receiving strong interest from major power consumers throughout the region. The Project remains actively engaged with parties seeking to participate in expansion stages beyond the first 300MW.

Authorised for release by Frazer Tabcart, CEO of African Energy.

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



## ELECTRICITY GENERATION LICENCE

This licence is issued by Botswana Energy Regulatory Authority, hereinafter referred to as "BERA", in terms of the Botswana Energy Regulatory Authority Act, 2016 (Act No. 13 of 2016).

This licence is issued to:

### Sese Power Proprietary Limited

(company registration number: UIN BW00000991410)

hereinafter referred to as "the Licensee", only for the purposes of generating and exporting/selling electricity generated at the facilities listed in Schedule 1 and purchasing electricity from Southern African Power Pool.

Generation and exporting/selling of electricity under this licence is subject to the terms and conditions contained in this licence and/or amendments to these conditions as imposed by BERA.

These licence conditions must be complied with at all times.

ISSUED AT LOBATSE ON THIS 17<sup>th</sup> DAY OF June, 2020

  
CHIEF EXECUTIVE  
OFFICER



  
CHIEF OPERATIONS  
OFFICER  
LICENCE NUMBER: 0000007 

## **SESE JV BACKGROUND**

African Energy owns one third of the Sese JV, which is developing the 300MW Sese Power Station (Sese Project).

Under a joint venture agreement signed in 2014, First Quantum Minerals Ltd (FQM) earned a 66.7% interest in the Sese Project, with African Energy owning the balance of 33.3% (Sese JV). The parties contribute pro rata to ongoing costs, however FQM are obliged to arrange all debt financing for the project and loan fund African Energy's equity contribution.

The Sese JV has completed several technical studies covering mining, coal preparation and power generation. A conceptual study of the proposed power station layout and design has determined that Sese coal is a suitable fuel for all common power station boiler technologies and can readily meet the required air quality and emissions standards set in the environmental approvals for the project.

These studies have also established the operating costs, capital costs and a robust financial model for a power project and the associated coal mine and coal processing facilities and have demonstrated that power from Sese could be delivered to the large power consumers in the Zambian Copperbelt.

The Sese JV has secured the majority of licences, permits and stakeholder approvals that are required for such an operation including:

- A large-scale mining licence has been granted for an initial period of 25-years over an area of approximately 51 km<sup>2</sup> which contains 650Mt of coal in Block-C.
- A Development Approval Order which sets the fiscal framework for the project, including a 5-year tax holiday from the commencement of commercial operations followed by a 15% corporate tax rate.
- Land Rights and an associated 50-year Land Lease Agreement.
- Water extraction rights from Shashe Dam.
- Environmental approval for the project for up to 500MW of power generation and the associated coal mining and coal processing volumes.
- Implementation of the resettlement action plan (RAP) around Sese.

Sese JV has executed power sales agreements with Kalumbila Minerals Limited (Zambian subsidiary of FQML) and a Term Sheet with Zimasco (Pvt) Ltd, which together would consume the full output of the initial 300MW power station for a period of 15 years.

Sese JV is in discussions with several additional parties. A second 300MW unit can be considered if suitable demand and associated power sales agreements can be established