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Information in this report relating to Exploration results, Exploration Targets, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabeart (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabeart 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 Tabeart consents to the inclusion of the data in the form and context in which it appears.
The Sese Coal & Power Project, Botswana

- Massive thermal coal project (+ 2.5 billion tonnes) in a premium investment destination
- Potential for Sese to become one of the world’s largest coal deposits (+5-10 BT)
- Long-life strategic asset (+100-200 years), low-cost, low-risk mining proposition
- Capable of producing large volumes of export coal, power station fuel and electricity
- Near term commercialisation options – all necessary infrastructure is in place
Progress in the last 12 months

Oct 2011: Listing on Botswana Stock Exchange
Oct 2011: Commencement of Environmental Impact Assessment for Sese Coal & Power Project
Feb 2012: Completion of 15,000t bulk sample pit
Feb 2012: Indicated Resource published (2,500Mt)
Apr 2012: Successful 25t rail trial to Maputo completed
May 2012: Coal discovery in Zambia announced
Jun 2012: MoU (non-binding) with potential power off-taker for Sese 300MW power project
Aug 2012: Successful industrial boiler trials using Sese coal
Aug 2012: Measured Resource of 651Mt announced
Oct 2012: Sese West tenement renewed and coal added to licence
Oct 2012: MoU (non-binding) with power station EPC contractor
Oct 2012: Start of export infrastructure prefeasibility study
Nov 2012: Water allocation for Sese Integrated Power Project recommended for approval
Nov 2012: 34-wagon trial export train delivers 1600t coal to Maputo in 3 days
Nov 2012: Completion of prefeasibility study for Integrated Power Project
Our business model

Sese Export Project

• Long-term strategic supply of thermal coal to Asian markets, planned commencement Q1 2015
• Existing infrastructure within 20km
• Optimisation studies of current rail and port capacity and future expansions underway
• Initial trial shipment to Maputo complete, 34-wagon export train trial underway
• Marketing and port allocation negotiations in progress

Sese Integrated Power Project

• Potential to generate very low cost power – lowest in the region
• Initial 300MW power station plus 1.5Mtpa ‘captive’ coal mine planned
• Potential to significantly expand both for >30 years
• Grid connection adjacent to project
• First 300MW MOU (non-binding) signed with potential off-taker
• MOU (non-binding) signed with EPC contractor
Coal: still the key energy source

Change in Global Energy Consumption 1999 - 2009

- Nuclear: 7%
- Oil: 10%
- Hydro: 25%
- Natural Gas: 27%
- Coal: 46%

2011 - 2015 New Coal-Fueled Generating Capacity (GW)

- China: 255GW
- India: 68GW
- Rest of World: 77GW

AFR can supply cheap coal

- Sese deposit (2.5 BT Measured/Indicated resource, plus 3-6 BT additional exploration target*) is one of the largest of JORC-compliant resources in Africa
- Studies demonstrate that Sese has the potential for the lowest coal mining ROM operating costs in Botswana, and the second lowest in Africa
- When coupled with low country risk, this makes Sese the best place in Africa to generate cheap electricity and build a large export mine
- All required enabling infrastructure (rail, port, transmission lines, water source) is in place – i.e. this is NOT a stranded asset

*Disclaimer:
The Exploration Target is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource. There is currently insufficient data to define a JORC compliant mineral resource for the Exploration Target.
Sese coal deposit facts

Resource improvements since discovery

- 2.5 billion tonne coal resource at Sese
- Includes 651Mt of measured resources
- 3-6 billion tonne exploration target at Sese West
- Discovered in May 2010
- Initial resource published May 2011
- Indicated Resource in February 2012
- Measured Resource in August 2012

Deposit geometry

- 35km strike-length
- 14m thick single seam
- Flat lying – dips less than 2°
- Average depth 28m (locally <20m) in measured resource zones
- Low to very low strip-ratio = low cost
Low-risk exploration upside

- **Sese Deposit**: 2.5 billion tonnes:
  - 650Mt Measured Resource:
    - 330Mt Block-C (IPP fuel)
    - 320Mt Block-B (Export)
  - 1,720Mt Indicated Resource
  - 150Mt Inferred Resource
- **Sese West PL197/2007 renewed and coal added to list of minerals**
- **Sese West Exploration target** of 3 to 6 billion tonnes
- Resource drilling in progress
- Additional (adjacent) ground also under application

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Sese Export Project

- 5000-5500kcal/kg (21-23MJ/kg) is becoming the new benchmark for Asian customers
- Sese deposit can produce large volumes of coal in this range for export
- Maputo (east coast) is AFR’s preferred port for exporting coal to India/China
- Existing railway is only 20km from Sese coal – provides direct access to Maputo port
- Rail optimisation studies indicate potential to export 20Mtpa on this railway, aligned with port capacity
- Rail and port can be expanded to >50-100Mtpa with further investment
Rail & port infrastructure available

- Successful 25 tonne trial shipment of Sese coal to Maputo in April 2012
- 34-wagon whole train trial successful
- Rail capacity can be increased through a series of low-cost staged expansions
- AFR developing relationships with potential rail operators with balance sheets to finance these rail expansions
- Staged expansion of Matola Coal Terminal in Maputo to 20Mtpa by 2018 aligned with rail expansions
- Negotiations underway for marketing and port allocation
Recently full train export trial

- A full train of Botswana coal (34 wagons, 1,600t coal) was delivered to Maputo on 11th Nov.
- The coal has been stockpiled for eventual export sale – this will be the first time Botswana coal sold to overseas customer, a **major milestone for Botswana coal**.
- Export trial was a partnership between African Energy Resources, Morupule Coal Mine, Grindrod Mozambique Limitada, Vitol Coal South Africa, Botswana Railways, National Railways of Zimbabwe and Caminhos de Ferro de Mocambique.
- The train covered the 1,300km from Francistown to Maputo in three days.
- Train operated for considerable distances at or above the planned 40-50km/h max speed.
- Significant commercial intelligence from this trial will deliver significant potential for increased operational efficiencies and further reductions in train turnaround times.
Sese Integrated Power Project

- Sese coal can generate cheaper power than all known competitors in the region
- The **Sese Integrated Power Project** comprises an initial 300MW power station plus a 1.5Mtpa ‘captive’ coal mine, with potential to significantly expand both as markets and demand develops
- MOU (non-binding) with first potential off-taker signed
- MOU (non-binding) signed with EPC contractor for 300MW power station
- Scalable: Block-C Measured Resource can fuel 2,400MW for >30 years
- Botswana Govt. announced tenders will be released in 2013 for 2 x 300MW independent power projects – AFR will be in a strong position to bid
300MW power project + mine

- AFR will place ~60Mt coal from Block-C into an ML in Sese Power Ltd (wholly owned AFR subsidiary)
- Sese Power Ltd becomes the SPV for the first 300MW integrated power station and mine
- Limited-recourse project finance and equity to be raised by Sese Power Ltd (not AFR)
- Non-binding MOU signed with credit worthy potential off-taker
- Negotiations underway for Power Purchase Agreement (PPA), EPC contract and O&M contract
- Water rights recommended for approval
- First delivery of electricity in January 2016
- Total budget of $800M covers:
  - 300MW power station + mine
  - $500M debt, $300M equity
  - Developer’s fee (~$25-30M to AFR)
  - AFR to retain a ~20% carried interest
  - NPV to AFR ~$250M
  - Annual cash flow to AFR ~$25M pa
Conclusions

- Potentially one of the world’s largest thermal coal deposit - strategic long life asset
- Thick seam with very low ROM costs due to simple geometry
- Advancing to commercialisation via export and power generation
- Sese **Integrated Power Project** developing an initial 300MW plus 1.5Mtpa mine, expandable
- Sese **Export Project** targeting high volume sales to Asia
- Existing infrastructure has capacity available for Sese development