Progress on Coal & Power Development Projects

29th August 2013
Overview of AFR’s coal projects

- Sese Integrated Power Project (50-500Mt)
  - PFS complete, EIA underway
  - Project partner negotiations underway
  - Multiple 300MW power opportunities
- Sese Export Project (>2,000Mt)
  - Large export tonnages possible
  - Rail/port option confirmed
  - Successful export trial via Maputo
- Mmamantswe Project (1,300Mt)
  - Approved EIA for 10Mtpa + 1000MW
  - Only 20km from South Africa, the largest regional market for coal and power
CAPITAL STRUCTURE:
- 429,577,474 Ordinary Fully Paid Shares
- $33.5M Market Capitalisation (26-Aug)
- $5.1M cash (end July 2013)
- $5.0M debt

BOARD AND MANAGEMENT:
- Chairman (Exec): Mr Alasdair Cooke
- Managing Director: Dr Frazer Tabeart
- Executive Director: Mr Bill Fry
- Non-Exec Director: Mr Philip Clark
- Non-Exec Director: Mr Valentine Chitalu
- Non-Exec Director: Mr Michael Curnow
- Non-Exec Chairman (Botswana): Mr Blackie Marole

MAJOR SHAREHOLDERS:
- 17.3% Sentient
- 9.0% Management
- 4.0% Independent Asset Mgmt
- 4.0% Stacey Radford
- 3.7% Republic Investment
- 51% TOP 20
**CHINA:**
China’s thermal coal demand will double by 2030, even after accounting for shale-gas ramp-ups
- Wood Mackenzie, June 2013

**INDIA:**
India has now surpassed Japan as the second largest importer of thermal coal at a rate of 130Mtpa
- Salva Report, May 2013

**SOUTH AFRICA:**
Largest regional market for coal and power with looming shortages of both
South Africa: long-term power deficits

- Integrated Resource Plan (IRP) stipulates an additional 42,500 MW of generational capacity by 2030 (i.e. a doubling of installed capacity)
- IRP has a target of 6,250 MW of additional coal-fired power generation, with balance to come from nuclear (>9,000MW) and renewables
- Request for Registration and Information (RFRI) recently sought from Independent Power Producers for 1,000 MW of coal-fired electricity
- AFR submitted an RFRI proposal to supply 300MW
South Africa – Eskom’s Coal Cliff

- Eskom currently purchases 125Mtpa with forecast consumption to increase by an additional 60Mtpa by 2020
- Eskom currently has a shortfall in delivered coal from 2015 onwards – this is the so-called “coal cliff”
- Mines in the Witbank coalfield getting deeper thereby increasing costs
- Regulated power tariffs impacts Eskom’s capacity to accommodate higher-cost coal
- Botswana can supply coal to SA on existing rail network - AFR within 25kms of this rail network
Export pathways into South Africa

- Botswana coalfields geographically close to Eskom’s demand centers
- Existing and proposed rail links offer transport solution
- MOU signed between Botswana and RSA for coal exports in late 2012
- Transnet (TFR) now engaging with Botswana coal industry
Botswana power market

- 300MW greenfield tender document released in July 2013
- Power station to be producing electricity as early as 2016
- Expression of Interest (EOI) to be submitted by 27th Nov 2013
- AFR well positioned to submit EOI via Sese Power Ltd SPV
- Sese one of only two advanced projects in Botswana capable of delivering power by 2016

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 – coal resource

- 2.5 billion tonnes of thermal coal, including 650Mt of Measured Resource:
  - 320Mt Block-B (Export coal)
  - 330Mt Block-C (IPP fuel)
- Sese West PL197/2007 significant exploration potential (widespread coal intersections in drilling)
- Sese ROM costs amongst the lowest in Africa due to very low strip ratio (2:1)
Sese Integrated Power Project

- **Sese Integrated Power Project (SIPP)** comprises an initial one or two 300MW power stations plus 1.5Mtpa ‘captive’ coal mines in Block-C

- Block-C measured resource enough for 8 x 300MW projects for 30 years

- Very low generation cost due to low mining and processing costs, and local limestone source

- Multiple power project opportunities:
  - 300MW Botswana greenfield tender to be submitted by 27th November 2013
  - 300MW registration of interest submitted to South Africa Dept. of Energy in July 2013
1. Support the long term development of new >100Mtpa infrastructure, whilst implementing a low-cost, near-term 10-20Mtpa interim solution

2. De-risk each stage of expansion of coal exports from Botswana:
   1. Successful trial export train proved Northern Rail Corridor is viable
   2. Prefeasibility study has demonstrated the expansion potential to 20Mtpa
   3. Low-cost of 2Mtpa start-up reduces finance risk
Mmamantswe project acquisition

- Mmamantswe is less than 20km from South Africa
- Indicated resource of 1,296Mt, including 895Mt probable reserve
- Scoping studies completed for 2x500MW and 2x750MW and transmission options
- 8GL/annum water borefield identified and registered
- Environmental impact assessment has been approved for 10Mtpa and 1000MW

<table>
<thead>
<tr>
<th>MODEL</th>
<th>Indicated Resource¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZONE D</td>
<td>17.9 Metres</td>
</tr>
<tr>
<td>ZONE C</td>
<td>5.6 Metres</td>
</tr>
<tr>
<td>ZONE B</td>
<td>14.8 Metres</td>
</tr>
<tr>
<td>ZONE A</td>
<td>8.9 Metres</td>
</tr>
<tr>
<td>ALL ZONES</td>
<td>1296.2 Million tonnes</td>
</tr>
</tbody>
</table>
Mmamantswe ideally located for RSA

**EXPORTING COAL:**
Close to existing and proposed new rail to South Africa, providing potential for future export of coal to Eskom power stations.

**EXPORTING POWER:**
Close to existing power transmission grid and therefore easy to supply electricity to South Africa.

---

*Southern Africa Power Grid*
Summary

- The long-term fundamentals for energy coal are still robust, particularly in South Africa and Asia.
- African Energy has two coal projects which can both produce primary export products and mine-mouth power station fuel.
- Both projects are well located to deliver to their respective markets.
- Both projects have low ROM mining costs due to low strip ratios.
- Well positioned to deliver domestic and export power in short- to medium-term.
This presentation has been prepared by and issued by African Energy Resources Limited (“African Energy”) to assist it in informing interested parties about the Company and its progress. It should not be considered as an offer or invitation to subscribe for or purchase any securities in the Company or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this presentation.

You should not act or refrain from acting in reliance on this presentation material. This overview of African Energy does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of the Company’s prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation and making any investment decision.

The Company has not verified the accuracy or completeness of the information, statements and opinions contained in this presentation. Accordingly, to the maximum extent permitted by law, the Company makes no representation and give no assurance, guarantee or warranty, express or implied, as to, and takes no responsibility and assume no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation. The contents of this presentation are confidential.

This presentation includes certain “Forward-Looking Statements”. The words “forecast”, “estimate”, “like”, “anticipate”, “project”, “opinion”, “should”, “could”, “may”, “target” and other similar expressions are intended to identify forward looking statements. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows and potential mineralisation, resources and reserves, exploration results, future expansion plans and development objectives of African Energy Resources Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

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 Resources”, “Inferred Resources” and “Indicated 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 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.