AFR: Company overview

AFR is participating in the development of three large-scale power projects in Botswana

- **African Energy** has built a portfolio comprising over 8.5 billion tonnes of thermal coal* in three projects in Botswana, the safest and most stable investment destination in Africa
- All three projects are being developed as 300-600MW fully integrated power projects to supply the chronically power starved SADC region
- All three projects are to be funded to investment decision point by development partners, minimal cash required from AFR
  - **Sese JV**: managed by First Quantum Minerals Ltd, targeting power sales to Zambia
  - **Mmamabula West**: Term sheet executed with a South African developer to enter into a Joint Venture Agreement to rapidly progress a 600MW power project for South Africa
  - **Mmamantswe**: Agreement to sell project to South African developer (TM Consulting) for US $20M at financial close

* Refer to Appendix 1 Resource Statement
Corporate summary

**ASX Code**: AFR  
**Shares on issue**: 608 million  
**Market Cap (@ $0.04)**: AUD $24M  
**Cash (30 Sept 2016)**: AUD $5.0M  
**Debt**: Nil  

**Major Shareholders**

- The Sentient Group: 23%
- First Quantum Minerals: 11%
- Management: 10%
- Top 20: 62%

**Directors and Senior Management**

- **Alasdair Cooke**: *Executive Chairman*, >25 years experience in project development, mining and resource sector
- **Frazer Tabeart**: *Managing Director*, >25 years experience in international exploration and development projects
- **Bill Fry**: *Executive Director*, >25 years experience in finance, funds management and commercial management
- **Valentine Chitalu**: *Non-executive Director*, >25 years experience in finance and funds management, based in Zambia
- **Phil Clark**: *Non-executive Director*, >35 years experience in international coal industry, largely with BHP Billiton
- **Wayne Trumble**: *Non-executive Director*, >35 years experience in power generation and financing, including Bluewaters (WA)
- **Ian Hume**: *Non-executive Director*, >35 years experience in international finance, one of the founders of Sentient Group
- **John Dean**: *Non-executive Director*, Commercial Manager at First Quantum’s Sentinel copper operation in Zambia
- **David Walton**: *Project Manager*, >30 years experience with power development, generation and power sales/marketing
- **Daniel Davis**: *Company Secretary and Financial Accountant*, >12 years experience in accounting and resource sector
Regional power demand – strong growth forecast

- Sub-Saharan Africa (SSA) has highest forecast population growth globally
- Forecast growth in power demand is linked to population growth and rising living standards
- Population is forecast to double between 2010 to 2050, with energy consumption forecast to double in same period
- This is driving large procurement programs e.g. South Africa’s Integrated Resource Plan (IRP)

Although sub-Saharan Africa consumes less electricity than Brazil, by 2040 its demand will reach a level equal to 2010 consumption in Latin America and India combined.

<table>
<thead>
<tr>
<th>Electricity consumption 2010, terawatt-hours p.a.</th>
<th>Consumption/capita, kilowatt-hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>3,962</td>
</tr>
<tr>
<td>China</td>
<td>3,557</td>
</tr>
<tr>
<td>European Union</td>
<td>3,033</td>
</tr>
<tr>
<td>Sub-Saharan Africa (2040)</td>
<td>1,570</td>
</tr>
<tr>
<td>Japan</td>
<td>996</td>
</tr>
<tr>
<td>Latin America</td>
<td>841</td>
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<tr>
<td>India</td>
<td>780</td>
</tr>
<tr>
<td>Canada</td>
<td>522</td>
</tr>
<tr>
<td>Brazil</td>
<td>426</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>423</td>
</tr>
</tbody>
</table>

Policy Adjusted IRP
Total additional capacity (without committed until 2030 in GW)

Source: Department of Energy, South Africa, 2016
Regional demand for new power supply is strong

**Industrial demand** in the Copperbelt and Bushveld, plus growing population is driving a strong, long-term regional market for new power generation.

**Limited competition for new base load supply:**
- Zambian hydro-electric projects (comprising ~80% of Zambia’s installed base load capacity) are struggling during droughts, very limited alternative fuels for base load power, currently importing expensive diesel generated power
- South Africa formally seeking 3,750MW via cross-border, coal-fired, IPP procurement program
- AFR is well placed to supply these markets due to geographic proximity and abundant low-cost coal which provides fuel security

**Key infrastructure already in place:**
well developed regional interconnected transmission grid allows wheeling of power throughout the region via SAPP (Southern Africa Power Pool), with a number of key upgrades already planned

**Land-linked - not stranded assets!**
Regional power shortage in all SADC countries
AFR controls large coal resources in a safe jurisdiction near the SAPP hub
Individual project plans have been matched to market opportunity
Portfolio risk reduced via multiple projects, each with a different development partner, and seeking access to multiple markets

**SESE JV:**
- Power sales to Zambia
- First Quantum Minerals Ltd (FQML) earning up to 75% project interest
- Funded by FQML to financial close
- No further costs to AFR
- Engineering and project management skills of FQML to benefit project during construction
- AFR 25% interest, loan carried to production

**MMAMABULA WEST:**
- Power sales to RSA
- Negotiating JV with with strong business partner
- To be funded by partner to key development decision
- Large resource with potential to develop multiple 600MW projects
- Coal quality and mining style suitable for low cost power station fuel
- AFR to retain significant equity in the project

**MMAMANTSWE:**
- Power sales to RSA
- Strategic location within 20km of RSA border
- Funded by South African partner, TM Consulting, to financial close
- No further costs to AFR
- AFR retains 100% ownership until financial close
- AFR to sell project for US $20M if TMC reaches financial close
First Quantum Minerals Ltd (FQML) will invest up to A $20M in the Sese JV

- A $10M invested to date by FQML to take a 55% interest and management of JV
- FQML sole funding the next A $10M to increase its interest to 75%
- Funding being used to investigate the development of a fully integrated coal mine and mine-mouth power station
- New $3M work program commenced in August 2016 to advance technical studies and permitting
- Remaining $7M to be invested in project by 12th July 2017
Approved EIA for 300MW of power and associated coal mining

Approved water allocation from Shashe Dam sufficient for 750MW

50-year Land Lease Agreement covering 110km² surface rights area has been signed

Application submitted for a 51km² Mining Licence

Enough coal in ML to fuel multiple power projects for >35 yr

Proposed grid connection to Phokoje sub-station opens up power markets in Botswana, Zambia, South Africa, Namibia

Transmission studies for power evacuation to Zambia completed
The Sese JV: Current work program

AUD $3M commitment to technical, commercial and permitting programs

- Large diameter drilling program has commenced:
  - will collect ~1,000kg coal for combustion testing and physical handling test work
  - will lead to the finalisation of the fuel specification for the proposed power station
- Preliminary power station design and layout will commence later this year
- Preliminary geotechnical evaluations of proposed power station and mine infrastructure sites are underway
- Update to the mining study and mine scheduling to meet the requirements for an expanded 450MW integrated power project (staged development of 2 x 225MW units) will commence later this year
- Hydrogeological studies at the proposed mine site to characterise aquifers for the mining study and environmental management plan will commence later this year
- Commencement of early site works to include upgrading the access road and preliminary siting of camp facilities
- Update the Environmental Approvals and mining operations plan to allow up to 450MW of power generation and associated coal mining and coal processing (from current 300MW approval levels)
- Finalise Water Supply Agreement
- Negotiate power sales agreement, grid connection agreement and power wheeling agreements
South Africa has announced a 3,750MW coal-fired, cross-border, base-load IPP procurement program:

- Includes mechanism for direct negotiation with the Dept. of Energy (the “Procurer”) for power sales agreements with Eskom
- Targeting grid connection “ASAP”
- Commitment to additional regional transmission infrastructure such as BOSA

Projects in Botswana may account for a significant component of this procurement program due to limited competition from other countries.

Mmamabula West and Mmamantswe are both close to Isang sub-station, and close to main demand centers in the northern Bushveld.
PFS for an underground coal mine completed in 2014 – potential for low cost ROM coal*, suitable for use as power station fuel

Joint Venture Agreement being negotiated with an experienced South African developer

Coal mining EIA being amended to include 600MW power generation plus associated grid connection

Surface Rights application to be submitted Q4 2016

Fuel specification development program close to finalisation

Hydrogeological baseline studies underway

Aim to complete all required technical studies and permitting activities to allow formal project submission to South Africa’s IPP office in 2017

* Refer to Prefeasibility Study results announced to ASX in May 2014
Summary – a strong project pipeline

**Sese JV**
- FQML evaluating the development of an integrated mine and power station
- FQM earning-in, AFR loan carried to production from ~450MW power station

**Mmamabula**
- Multiple power project potential for submission into South Africa’s 3,750MW procurement program
- Finalising Joint Venture Agreement for 600MW with South African developer

**Mmamantswe**
- Agreement to sell Project to a South African developer at financial close
- Potential $20M short-term return, conditional upon SA IPP success
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### Global Coal Resources for AFR Limited Coal Projects in Botswana

#### Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis), FQML 55%, AFR 45%

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM %</th>
<th>VM %</th>
<th>FC %</th>
<th>S %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED (Block-C)</td>
<td>333 Mt</td>
<td>17.6</td>
<td>4,200</td>
<td>30.2</td>
<td>7.9</td>
<td>20.6</td>
<td>41.4</td>
<td>2.1</td>
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<tr>
<td>MEASURED (Block-B)</td>
<td>318 Mt</td>
<td>16.0</td>
<td>3,820</td>
<td>34.8</td>
<td>7.4</td>
<td>20.4</td>
<td>37.4</td>
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<tr>
<td>INDICATED</td>
<td>1,714 Mt</td>
<td>15.3</td>
<td>3,650</td>
<td>38.9</td>
<td>6.6</td>
<td>18.7</td>
<td>35.8</td>
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<tr>
<td>INFERRED</td>
<td>152 Mt</td>
<td>15.0</td>
<td>3,600</td>
<td>39.1</td>
<td>6.4</td>
<td>19.5</td>
<td>34.9</td>
<td>2.2</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<tr>
<td></td>
<td><strong>2,517 Mt</strong></td>
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#### Sese West Project: Resource Summary (Raw coal on an air-dried basis) FQML 55%, AFR 45%

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM %</th>
<th>VM %</th>
<th>FC %</th>
<th>S %</th>
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<tbody>
<tr>
<td>INFERRED</td>
<td>2,501 Mt</td>
<td>14.6</td>
<td>3,500</td>
<td>40.2</td>
<td>6.1</td>
<td>19.8</td>
<td>31.9</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>2,501 Mt</strong></td>
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#### Mmamabula West Project: Resource Summary (Raw coal on an air-dried basis) AFR 100%

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM %</th>
<th>VM %</th>
<th>FC %</th>
<th>S %</th>
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</thead>
<tbody>
<tr>
<td>MEASURED</td>
<td>N/A</td>
<td></td>
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</tr>
<tr>
<td>INDICATED</td>
<td>892 Mt</td>
<td>20.2</td>
<td>4,825</td>
<td>25.5</td>
<td>6.0</td>
<td>26.0</td>
<td>41.0</td>
<td>1.5</td>
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<tr>
<td>INFERRED</td>
<td>1,541 Mt</td>
<td>20.0</td>
<td>4,775</td>
<td>25.5</td>
<td>5.7</td>
<td>25.9</td>
<td>41.2</td>
<td>1.7</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<tr>
<td></td>
<td><strong>2,433 Mt</strong></td>
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#### Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis) AFR 100%

<table>
<thead>
<tr>
<th>Resource Zone</th>
<th>In-Situ Tonnes*</th>
<th>CV (MJ/kg)</th>
<th>CV (kcal/kg)</th>
<th>Ash %</th>
<th>IM %</th>
<th>VM %</th>
<th>FC %</th>
<th>S %</th>
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</thead>
<tbody>
<tr>
<td>MEASURED</td>
<td>978 Mt</td>
<td>9.5</td>
<td>2,270</td>
<td>56.5</td>
<td>3.9</td>
<td>15.8</td>
<td>21.8</td>
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<td>INDICATED</td>
<td>265 Mt</td>
<td>7.9</td>
<td>1,890</td>
<td>62.3</td>
<td>3.3</td>
<td>14.2</td>
<td>18.1</td>
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<tr>
<td>INFERRED</td>
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<tr>
<td><strong>TOTAL</strong></td>
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</tr>
<tr>
<td></td>
<td><strong>1,243 Mt</strong></td>
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</tr>
</tbody>
</table>

*In-Situ tonnes have been derived by removing volumes for modelled intrusions, burnt coal and weathered coal and then applying geological loss factors to the remaining Gross In-Situ Tonnes.*