SESE MINING LICENCE APPLICATION AND PROJECT UPDATE

Highlights:

- An application for a mining licence for the first 300MW Sese Integrated Power Project has been submitted to the Department of Mines in Botswana.
- The mining licence application covers enough coal to fuel a 300MW power station for 35 years and enough land to locate the mine, power station and all necessary infrastructure.
- An Environmental and Social Impact Assessment (ESIA) and Environmental Management Plan (EMP) were submitted for the first 300MW Sese Integrated Power Project in June.
- An application for surface rights over a large portion of Sese Block-C and a multi-functional access corridor to the main highway has been approved. This provides unimpeded access to enough coal and land for the development of multiple 300MW integrated power projects.
- The Company has also been granted permission to locate a water pipeline in the rail easement parallel to the A1 highway which links Shashe Dam to the Sese access corridor.
- A bidders workshop for the 300MW Brownfield tender was held in Gaborone on 14th August with the Request for Proposals (RFP) to be released shortly. A similar workshop and RFP release for Greenfield bidders is expected after the Brownfield RFP.

1. BACKGROUND

African Energy Resources Limited (‘African Energy’ or ‘the Company’) owns four prospecting licences for coal in Botswana (Diagram 1). The Company is currently developing a series of power station projects at the Sese and Mmamantswe projects:

1. An integrated power project at Sese (with ACWA Power), which is being developed for the Botswana government’s 300MW Greenfield tender.
2. An additional 300MW integrated power project at Sese is being developed as a potential source of power for Zambia’s state utility ZESCO.
3. African Energy and ACWA Power have also registered a 300MW integrated power project at Sese into South Africa’s coal baseload IPP procurement programme.
4. Three 600MW integrated power projects at Mmamantswe have been registered into South Africa’s coal baseload IPP procurement programme.
2. MINING LICENCE APPLICATION

An application for a mining licence covering 12.8km² has been submitted to the Department of Mines (refer Diagrams 2 and 3) at the Ministry of Minerals Energy and Water Resources in Botswana. This licence area has been determined to contain enough suitable coal to fuel a 300MW power station for 35 years (25 years plus a 40% margin), along with enough land to the east of the coal deposit for the location of the 300MW power station and all associated infrastructure (Diagram 3).

The area selection was based on an energy schedule derived from the recently completed first phase of a definitive feasibility study (‘DFS’). The DFS covers the mining component of a fully integrated 300MW power station and coal mine. An area suitable for another mining licence application for a second 300MW power station and mine complex can be added to the south in due course (see Diagram 3). In both cases the power station footings can be constructed on bedrock that does not contain coal.

3. ENVIRONMENTAL PERMITS

An environmental and social impact assessment (‘ESIA’) and environmental management plan (‘EMP’) for a 300MW power station and captive coal mine has been submitted to the Department of Environmental Affairs (DEA). DEA have distributed copies for comment to all relevant stakeholders. Feedback from stakeholders is expected shortly, and will be used to modify the ESIA and EMP for final submission.

4. OTHER PERMITS

1. The Tonota Sub Land Board has approved the Company’s application for a 142km² surface rights lease. This lease covers the portion of the Sese Block-C coal deposit to the east of the Motloutse River, an area of basement rocks to the east of Block-C (which shows potential for quarrying for the provision of construction materials), and an access corridor to the main A1 highway (see Diagram 2). The surface right lease area covers enough energy in coal to fuel 5 x 300MW integrated power projects.

2. The Company has also been granted access to the railway easement owned by Botswana Railways that runs along the A1 highway between Shashe Dam (the water source for the project) and the access corridor. The Company has been given permission to bury a water pipeline in the rail easement, connecting Shashe Dam with the project access corridor. Approval for the extraction of up to 2.8GL water per year from Shashe Dam has been granted to the Company. Each 300MW integrated power project requires 1.0 to 1.4 GL water per year.

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

For and on behalf of the board.
Diagram 1. Map showing the location of the Sese Project and the Company’s other coal deposits in Botswana.
Diagram 2. Regional layout of key elements of the Sese integrated power project showing the outline of the prospecting licence, ML application area for SIPP 1, proposed water pipeline location and surface rights area.
Diagram 3. Outline of the SIPP 1 Mining Licence showing schematic layout of the key infrastructure elements for the 300MW integrated power project. A second 300MW integrated project can be located in the adjacent SIPP 2 ML application area to the south (application not yet submitted).