Developing Power Projects in Southern Africa

London 121 Presentation
April 2016
Company Highlights

Key highlights:

- **Sese JV**: Technical, commercial and permitting programs have progressed under the management of First Quantum Minerals.

- **Mmamabula West**: Term sheet executed with a South African developer to enter into a Joint Development Agreement and rapidly progress this 600MW power project.

- **Mmamantswe**: Share Sale Agreement executed to sell project to South African developer for USD $20M at financial close.

- All projects to be funded by development partners, no cash required from AFR.

- Strong AFR cash position ~AUD $6M*.

---

*For details on capital structure refer to Appendix 1.
Regional demand for new power projects is strong

Surrounded by robust demand: every country in SADC is chronically short of reliable base-load power, particularly South African and Zambia. Power tariffs are increasing to stimulate new supply from IPP's

Regional hub: AFR’s projects are centrally located and close to the core Southern African Power Pool (SAPP) transmission grid

Limited competition for new supply: Zambia hydro schemes struggling in drought, very limited alternative fuel. South Africa seeking cross border supply due to internal funding and permitting constraints

Stable business environment: Botswana provides a secure and stable fiscal and political jurisdiction for base load projects
AFR’s Power Generation Development Portfolio

**Sese JV**
- Advanced JV project
- Measured resource *
- First Quantum Minerals earning up to 75% interest
- AFR’s 25% interest loan carried to commercial operation of power station
- Approved EIA for 300MW
- Mining License application submitted

**Mmamabula West**
- Potential for low-cost ROM coal from underground mine **
- EIA being amended to include 600MW power generation
- Project being developed for submission in RSA coal-fired IPP procurement program
- Term sheet executed for a Joint Development Agreement
- Planned project proposal to be submitted by end 2016

**Mmamantswe**
- Measured resource *
- Approved EIA for up to 10Mtpa mining and 2,000MW power
- Project consortium to submit bid into South Africa’s coal-fired IPP procurement program
- AFR has agreed to sell project for US$20M to the consortium if project bid is shortlisted and/or project is taken to financial close
- No further project costs to AFR

* Refer to resource table in Appendix 2
** From Prefeasibility Study results announced to ASX in May 2014
The Sese JV: Summary

First Quantum Minerals Limited (FQM) will invest up to $20M in the Sese JV

- AUD $9.8M invested to date by FQM to take a 53% interest and management of JV
- FQM sole funding the next AUD $10.2M to increase interest to 75%
- Funding being used to investigate the development of a fully integrated coal mine and mine-mouth power station
- FQM responsible for sourcing all additional funding beyond the initial $20M
- AFR’s 25% share of additional funding will be loaned to it by FQM, and carried to commercial production
- Technical, permitting and commercial programs making good progress e.g. mining license submitted, land lease agreement executed, EIA approved

15,000t bulk sample pit excavated by AFR at the Sese project
### The Sese JV: Project Development Plan

#### Sese JV - project development tasks underway

**TECHNICAL**
- Transmission study on existing options between Botswana and Zambia completed.
- Confirmation of critical power plant (boiler) technology, unit size and layout.
- Combustion testing to finalise fuel specification.

**PERMITTING**
- Land Lease Agreement executed, providing surface rights for 50 years.
- Complete and execute Water Supply Agreement (2.8 GL p.a. water allocation approved).
- Coal Supply Agreement executed.
- Mining License application submitted.

**COMMERCIAL**
- Manufacturing Development Approval Order to be prepared and submitted.
- Confirm design and cost estimate for fully integrated power project.
South Africa: the biggest regional market for power sales

South Africa seeking >2500MW of new coal-fired base load power

Cross border projects in Botswana may account for a significant component of this new generation capacity

Mmamabula and Mmamantswe suited to South Africa’s IPP procurement program, both close to grid connection infrastructure

Both projects also close to main demand centers in the northern Bushveld platinum/chromium mining district
Mmamabula West: Power Development Opportunity

- PFS for an underground coal mine completed in 2014 – potential for low cost ROM coal for use in power station
- Term sheet executed to enter into a Joint Development Agreement with an experienced South African developer
- EIA being amended to include 600MW power generation plus associated grid connection
- Detailed work program* underway to complete all required technical studies and permitting activities for mining and power generation to support late 2016 submission to South Africa

* Refer Appendix 3
Summary – Strong Project Pipeline

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

**Mmamabula**
- Multiple power project potential with future coal export potential
- AFR negotiating Joint Development Agreement 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 bid success
Disclaimer

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 2012 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.
### Appendix 1: Corporate Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASX Code</strong></td>
<td>AFR</td>
</tr>
<tr>
<td><strong>Shares on issue</strong></td>
<td>608 million</td>
</tr>
<tr>
<td><strong>Market Cap (@ $0.047)</strong></td>
<td>AUD $28M</td>
</tr>
<tr>
<td><strong>Cash (31 March 2016)</strong></td>
<td>AUD $5.9M</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td>Nil</td>
</tr>
</tbody>
</table>

#### Major Shareholders

- **The Sentient Group**: 23%
- **First Quantum Minerals**: 11%
- **Management**: 10%
- **Top 20**: 62%
# Appendix 2: Global AFR Coal Resource Table

## Global Coal Resources for AFR Limited Coal Projects in Botswana

### Sese Coal & Power Project: Resource Summary (Raw coal on an air-dried basis), FQM 53%, AFR 47%

<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>SC%</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>
</tr>
<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>
<td>1.7</td>
</tr>
<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>
<td>2.0</td>
</tr>
<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>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,517 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sese West Project: Resource Summary (Raw coal on an air-dried basis) FQM 53%, AFR 47%

<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>SC%</th>
</tr>
</thead>
<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>
<td>2.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,501 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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>SC%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEASURED</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</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>
</tr>
<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>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,433 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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>SC%</th>
</tr>
</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>
<td>2.0</td>
</tr>
<tr>
<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>
<td>2.1</td>
</tr>
<tr>
<td>INFERRED</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,243 Mt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</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
## Appendix 3: Mmamabula West: Indicative Development Plan

<table>
<thead>
<tr>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>500m infill drilling for mine reserves</td>
<td></td>
<td></td>
<td>Coal quality analyses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Geotech drilling and reporting</td>
<td></td>
<td></td>
<td>Mine Bankable Feasibility Study</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Coal Supply Agreement</td>
<td>Environmental Approval Process</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Amend ESIA/EMP to include 600MW power + 5Mtpa ROM coal mining</td>
<td></td>
<td>Negotiate and Secure Surface Rights</td>
<td>ML Application</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ML review process at MMEWR</td>
<td></td>
</tr>
<tr>
<td>Hydrogeological drilling</td>
<td>Pump testing</td>
<td>Aquifer Modelling</td>
<td>Secure Water Rights and Negotiate Water Supply Agreement</td>
<td>Detailed grid connection and integration study</td>
<td></td>
<td>Apply for Generation and Export Licence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finalization of preliminary fuel specification</td>
<td></td>
<td>Power station preliminary design and indicative EPC/O&amp;M pricing</td>
<td></td>
<td></td>
<td>Development Approval Order negotiations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>