



Sese Integrated Power Project, Eastern District, Botswana

Chamber of Mines of Namibia
2013 Mining Conference

Background



African Energy Resources

- Board & Management with extensive mining and power experience
- Dual listing on ASX (2007) and BSX (2011)
- Concept Study completed August 2011
- 15,000 tonne trial pit excavated in 2012
- Recent purchase of Mmamantswe project from Aviva (+1.5Bt)

Sese Integrated Power Project Scope

- 300MW (gross) Coal-Fired Electricity Generation Facility (260MW net)
- 1.5Mtpa captive coal mine, coal handling & processing and ash storage.
- Site Infrastructure, Sub-Stations & Transformers
- Transmission Interconnection
- Water Supply Infrastructure, including Pipeline and Treatment plant
- Total budget of US\$750 – 800M

The Opportunity

National Energy Security

- Access to strategic thermal coal reserves – 300Mt in project vicinity.
- Option to secure coal resource now to cover foreseeable future.
- Expand base-load capability as and when required.
- Extend life of Namibia's gas reserves by using for mid-merit power, not base-load.

Low-Cost Base Load Power

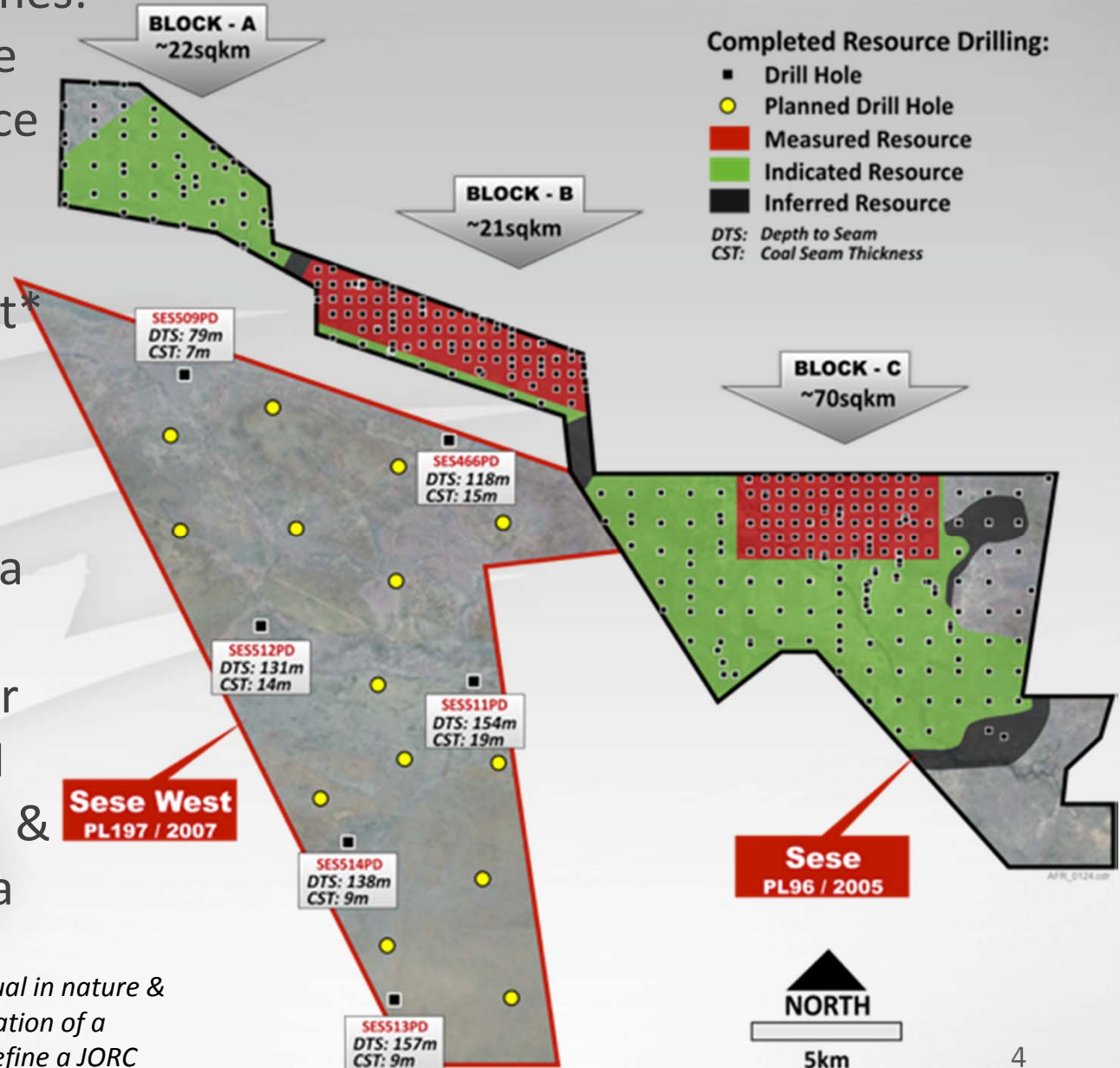
- Low mining costs lead to low power generation costs.
- Key driver for economic development, particularly new mine development.
- Ability to sell excess energy on SAPP for profit & reduce net cost.
- Ability to invest in project, gain more control and reduce net cost further.

De-Risk Your Electricity Supply

- No fuel supply risk – 50Mt owned by integrated Power company
- Tariff in Rand or USD – to match revenues.
- Fixed debt interest rate – predictable long-term financing costs.
- Low technology risk – use tried & tested designer, constructor & operator.
- Transmission risk bi-lateral only – no third-country wheeling.

Strategic Coal Deposit

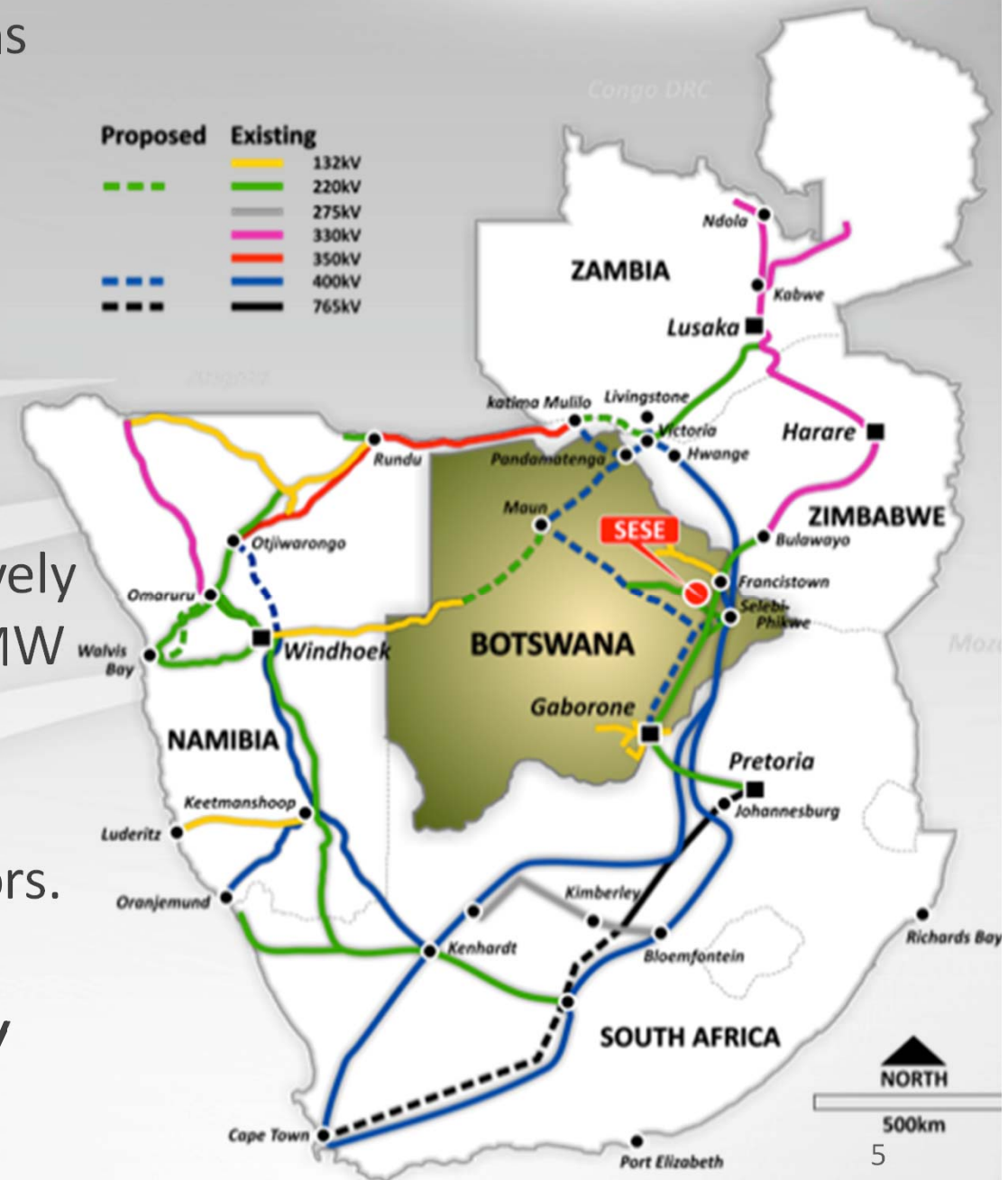
- Sese Deposit: 2.5 billion tonnes:
 - 650Mt Measured Resource
 - 1,720Mt Indicated Resource
 - 150Mt Inferred Resource
- Sese West exploration target* of 3 to 6 billion tonnes
- One of the largest of JORC-compliant resources in Africa
- Studies indicate potential for the lowest coal mining ROM operating costs in Botswana & 2nd lowest in southern Africa



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

Sese Power– Business Model

- Series of separate power stations with ‘captive’ coal mines & associated infrastructure.
- Electricity can be delivered to Namibia, Botswana, Zambia, South Africa.
- Potential to generate competitively priced power for region: 2,400MW for >30 years.
- Lower marginal fuel costs than other regional thermal generators.
- ***Botswana IPP tenders will be released in 2013 for 2 x 300MW projects***



300MW Project - Status

- Concept Study completed mid 2011
- Pre-Feasibility Study Completed November 2012
- Water extraction rights approved
- Land Application advanced
- ESIA mostly completed
- BFS scoped and ready to commence.
- Negotiating with Operating partner to join development team.
- Mining Licence and Generation Licence subject to review of BFS
- Financial Close in 12 to 18 months.
- Construction 24 to 30 months.
- First generation available in 2017.

300MW Project – Risk Matrix



Risk	Mitigation
Fuel Supply	50Mt owned coal resource - captive mining operations
Currency	Match debt and tariff to customer currency exposure
Power Price	Tariff profile established upfront for life of PPA to avoid market spikes
Interest Rate	Seek long-term fixed rate loans 10+ year term
Capital Cost	Negotiate fixed-price EPC contract covering total project scope
Construction	Utilise experienced EPC contractor with prior local experience
Delay	Incorporate LDs into EPC contract to offset cost of delay. Substantial focus on initial design to avoid V.O.s.
Transmission	Develop dedicated transmission solution with project. N -2 (north or south) backup in case of disruptions.
Technical	Use well-proven technology suitable for local conditions.
Operations	Long-term contract with proven operator with incentive/penalty system to match rewards with performance.
Sovereign	Project located in stable democracy in centre of growing region.

Next Steps

With Off-Taker:

- Negotiate draft PPA terms
- Integrate into resource plans

Other Commercial:

- Water, Land & other permits
- Mining & Generation Licences
- Project Financing
- Integrated Project EPC
- Power Plant O&M
- Mining Operations

Development:

- Complete Bankable Feasibility Study
- Finalise project consortium

Transmission Connection:

- Establish feasibility
- Scope, plan, estimate
- Arrange finance

THANK YOU FOR YOUR TIME AND ATTENTION

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