



Developing Multiple Power Projects in southern Africa; Company Update

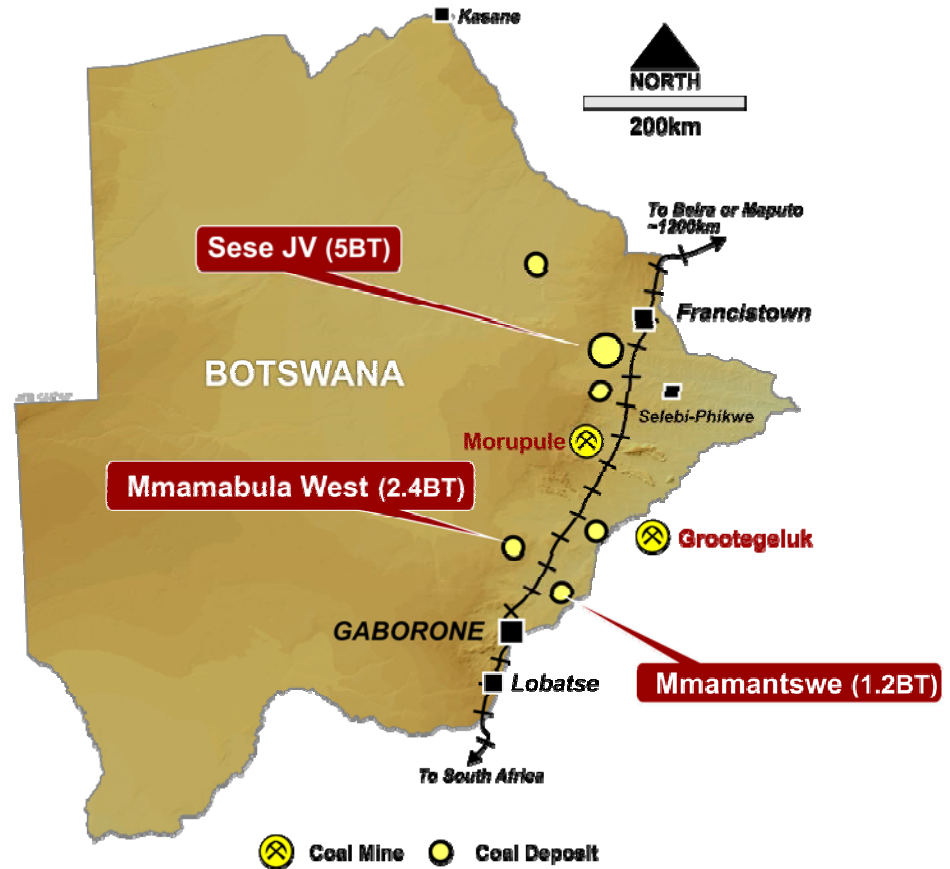
October 2016



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



Directors and Senior Management

Alasdair Cooke	Executive Chairman , >25 years experience in project development, mining and resource sector
Frazer Tabcart	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

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%

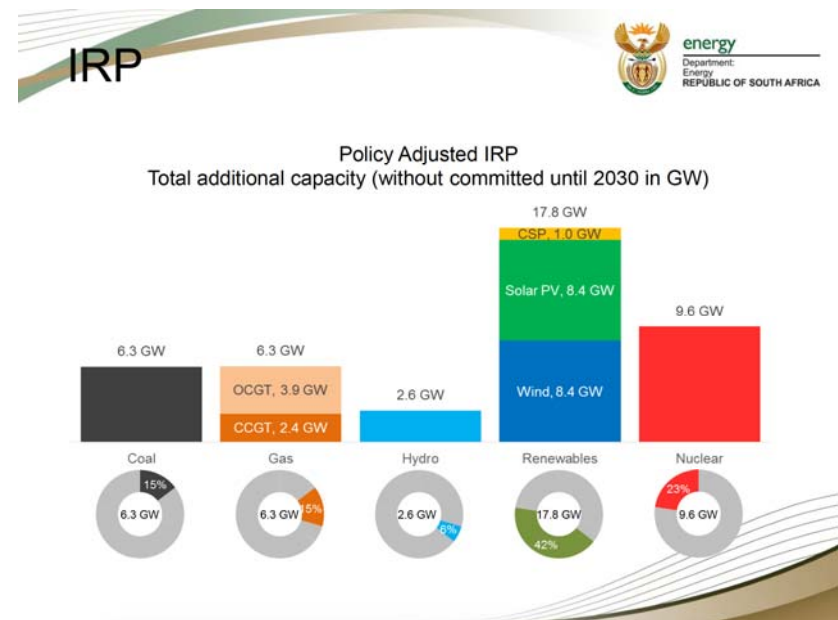
Regional power demand – strong growth forecast

- 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.

Electricity consumption 2010, terawatt-hours p.a.	Consumption/capita, kilowatt-hours
United States	13,395
China	2,944
European Union	6,264
Sub-Saharan Africa 2040	989
Japan	8,394
Latin America	1,961
India	626
Canada	15,137
Brazil	2,381
Sub-Saharan Africa	514

Source: Key World Energy Statistics, Organisation for Economic Co-operation and Development and the International Energy Agency, 2013, iea.org; World Development Indicators, World Bank Group, worldbank.org



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

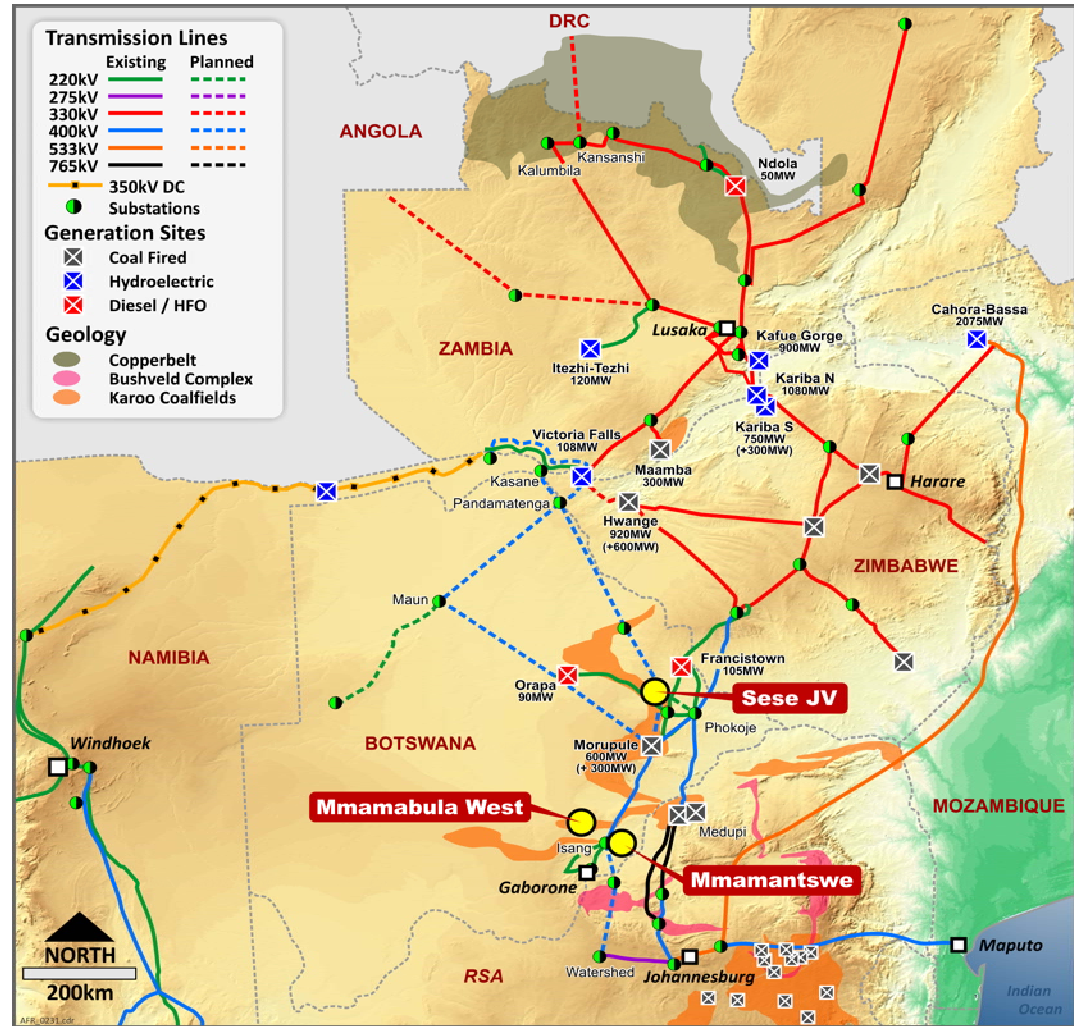
Limited competition for new base load supply:

- 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

PORTFOLIO MANAGEMENT

PROJECT MANAGEMENT



First Quantum Minerals Ltd (FQML) will invest up to A \$20M in the Sese JV

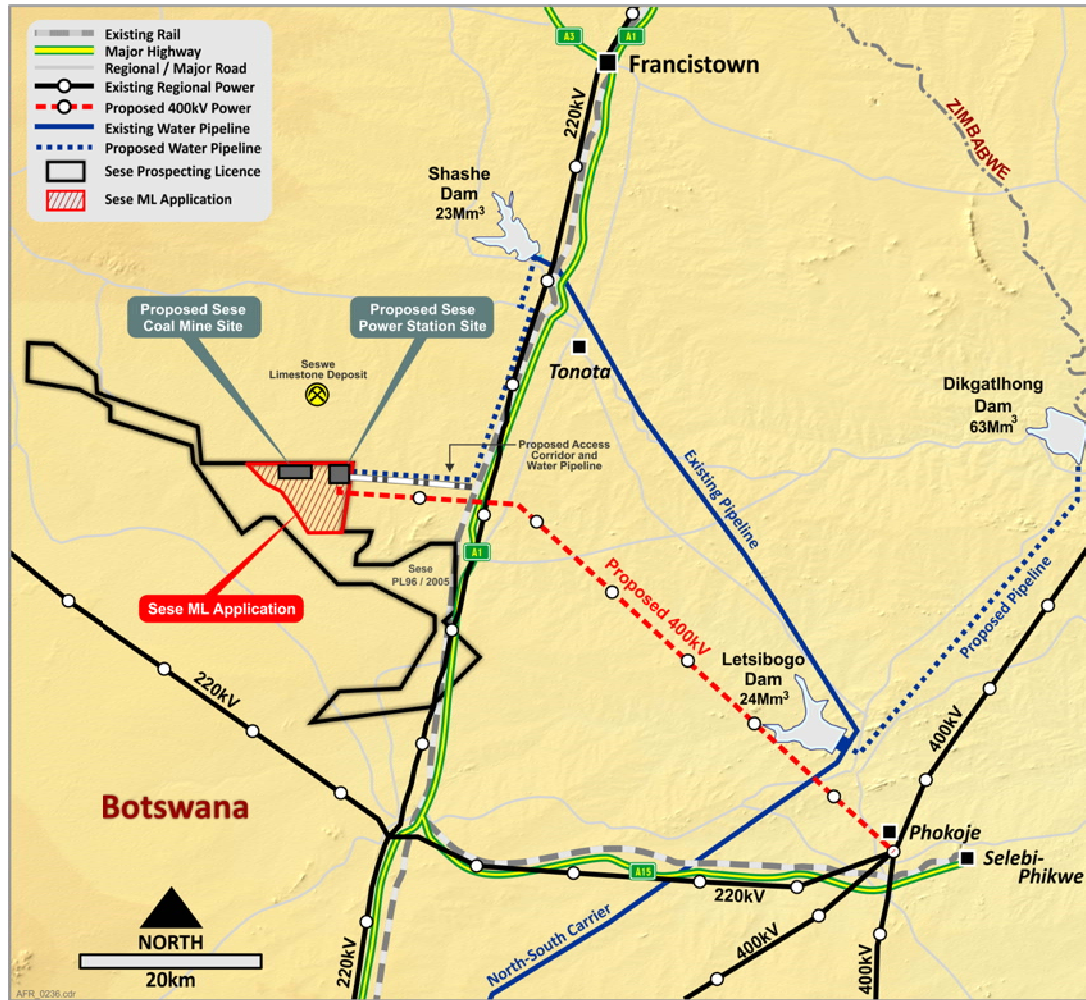
- A \$10M invested to date by FQML to take a 55% interest and management of JV
- FQML sole funding the next A \$10M to increase its interest to 75%
- Funding being used to investigate the development of a fully integrated coal mine and mine-mouth power station
- New \$3M work program commenced in August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



15,000t bulk sample pit excavated by AFR at the Sese project



Sese JV: Project overview

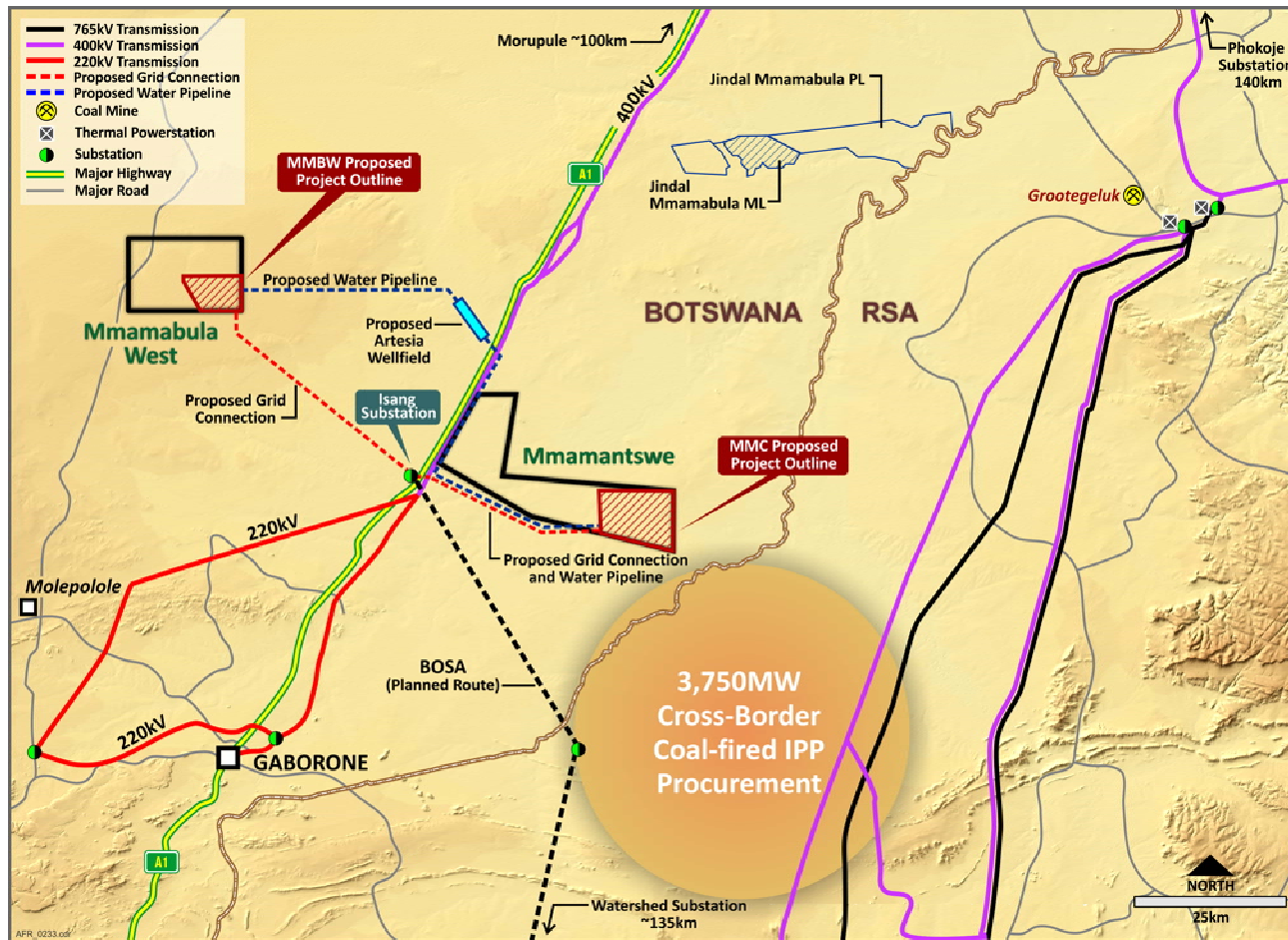


- Approved EIA for 300MW of power and associated coal mining
- Approved water allocation from Shashe Dam sufficient for 750MW
- 50-year Land Lease Agreement covering 110km² surface rights area has been signed
- Application submitted for a 51km² Mining Licence
- Enough coal in ML to fuel multiple power projects for >35 yr
- Proposed grid connection to Phokaje sub-station opens up power markets in Botswana, Zambia, South Africa, Namibia
- Transmission studies for power evacuation to Zambia completed

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

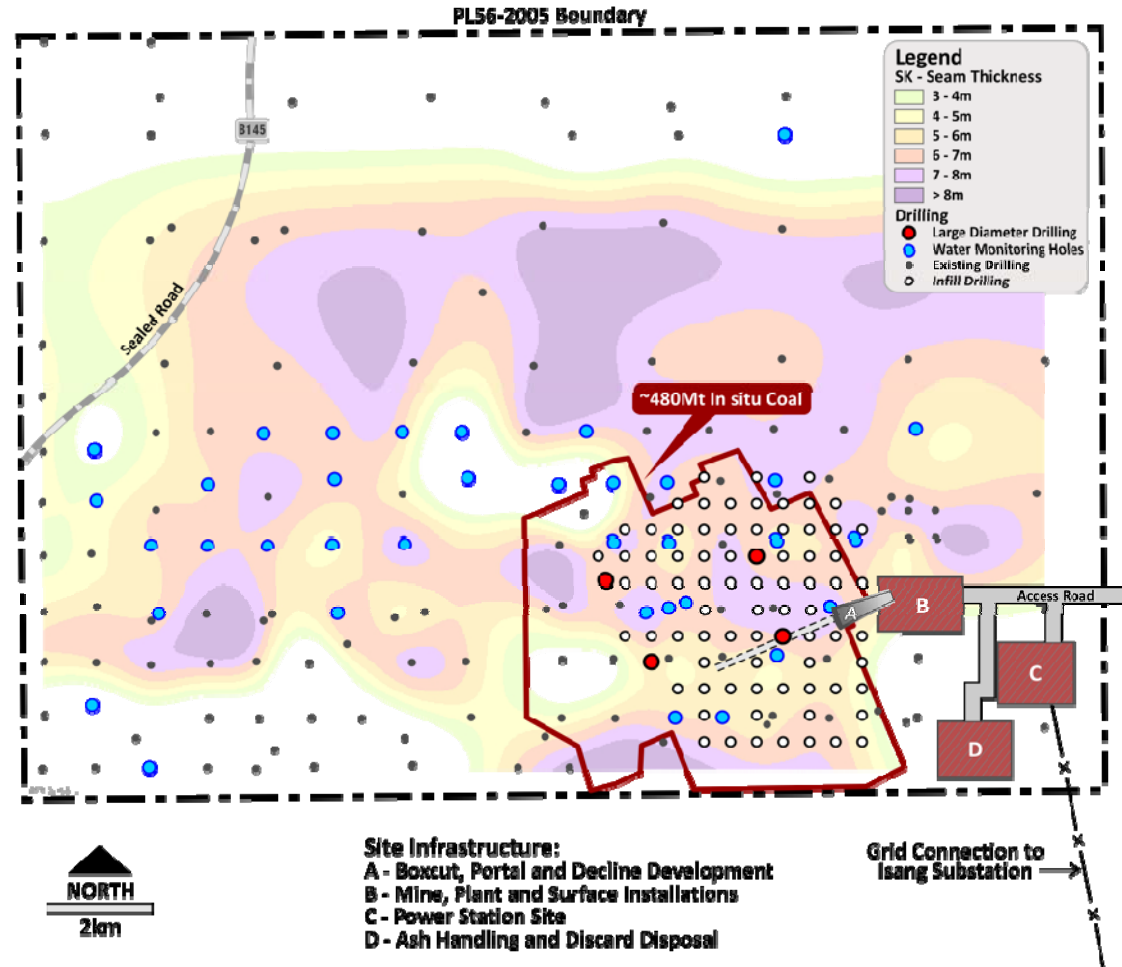
Projects in Botswana may account for a significant component of this procurement program due to limited competition from other countries

Mmamabula West and Mmamantswe are both close to Isang sub-station, and close to main demand centers in the northern Bushveld

Mmamabula West: 600MW development opportunity



- 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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Appendix 1: Global AFR Coal Resource Statement



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%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED (Block-C)	333 Mt	17.6	4,200	30.2	7.9	20.6	41.4	2.1
MEASURED (Block-B)	318 Mt	16.0	3,820	34.8	7.4	20.4	37.4	1.7
INDICATED	1,714 Mt	15.3	3,650	38.9	6.6	18.7	35.8	2.0
INFERRED	152 Mt	15.0	3,600	39.1	6.4	19.5	34.9	2.2
TOTAL	2,517 Mt							

Sese West Project: Resource Summary (Raw coal on an air-dried basis) FQML 55%, AFR 45%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
INFERRED	2,501Mt	14.6	3,500	40.2	6.1	19.8	31.9	2.0
TOTAL	2,501Mt							

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

Mmamantswe Project: Resource Summary (Raw coal on an air-dried basis) AFR 100%								
Resource Zone	In-Situ Tonnes*	CV (MJ/kg)	CV (kcal/kg)	Ash %	IM%	VM%	FC%	S %
MEASURED	978 Mt	9.5	2,270	56.5	3.9	15.8	21.8	2.0
INDICATED	265 Mt	7.9	1,890	62.3	3.3	14.2	18.1	2.1
INFERRED	N/A							
TOTAL	1,243 Mt							

* 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

