

# Unlocking potential within Botswana's coal sector



**Presented to shareholders at the Annual General Meeting, 17-11-11**

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# Executive summary



## Summary:

- Operating environment – low sovereign and commercial risk
- Experienced project development team now in place
- Quality resource – low cost and globally competitive
- Coal markets and short-term infrastructure in place
- Development plan aligned to market and long-term infrastructure development

## Sese Project:

- Very large thermal coal deposit >2.7 Billion tonnes + upside
- Amenable to open cut mining with very low ROM costs
- Can produce large tonnages of domestic and export coal

## Development Plan:

- Bankable feasibility study and EIA underway
- Exploration bulk sample: 10,000t coal for marketing/test-work
- Stage 1 – 1-2Mtpa Stage 1 production from mid-2013
- Stage 2 - ramp-up to 5Mtpa Stage 2 over 1-2 years
- Stages 3 & 4 – ultimately 20-30Mtpa via export market



# Capital structure and corporate overview



## Capital Structure

Shares on Issue	326M
Options	26.4M
Price range (52 weeks)	A\$0.25-A\$1.045
Market Cap	A\$115M
Cash (30 <sup>th</sup> Sept')	A\$14.0M
Debt	A\$4.9M
Enterprise Value	A\$105M

## Major Shareholders

Management	9.8%
Mr Stacey Radford	5.3%
Independent Asset Mgmt	4.0%
David Metford	3.8%
Geiger Counter Ltd	2.0%
Republic	1.2%
Mathews Capital	0.4%
Top 20	48.1%

## Board and Management

### Executive Directors

**ALASDAIR COOKE**, Executive Chairman  
*Geologist, founder of AFR, successful mine developer*

**FRAZER TABEART**, Managing Director  
*Geologist, 25 years global exploration experience*

**BILL FRY**, Executive Director  
*Accountant, funds management and project development*

### Non-executive Directors

**BLACKIE MAROLE**, Non-exec Chairman, Botswana  
*Economist, senior Board roles (Debswana) and Govt. roles*

**VALENTINE CHITALU**, Non-executive Director  
*Accountant, investment and development management*

**MICHAEL CURNOW**, Non-executive Director  
*Mining project development in Africa*

**PHIL CLARK**, Non-executive Director  
*Engineer, 33 years experience in global coal with BHPB*

### Senior Management

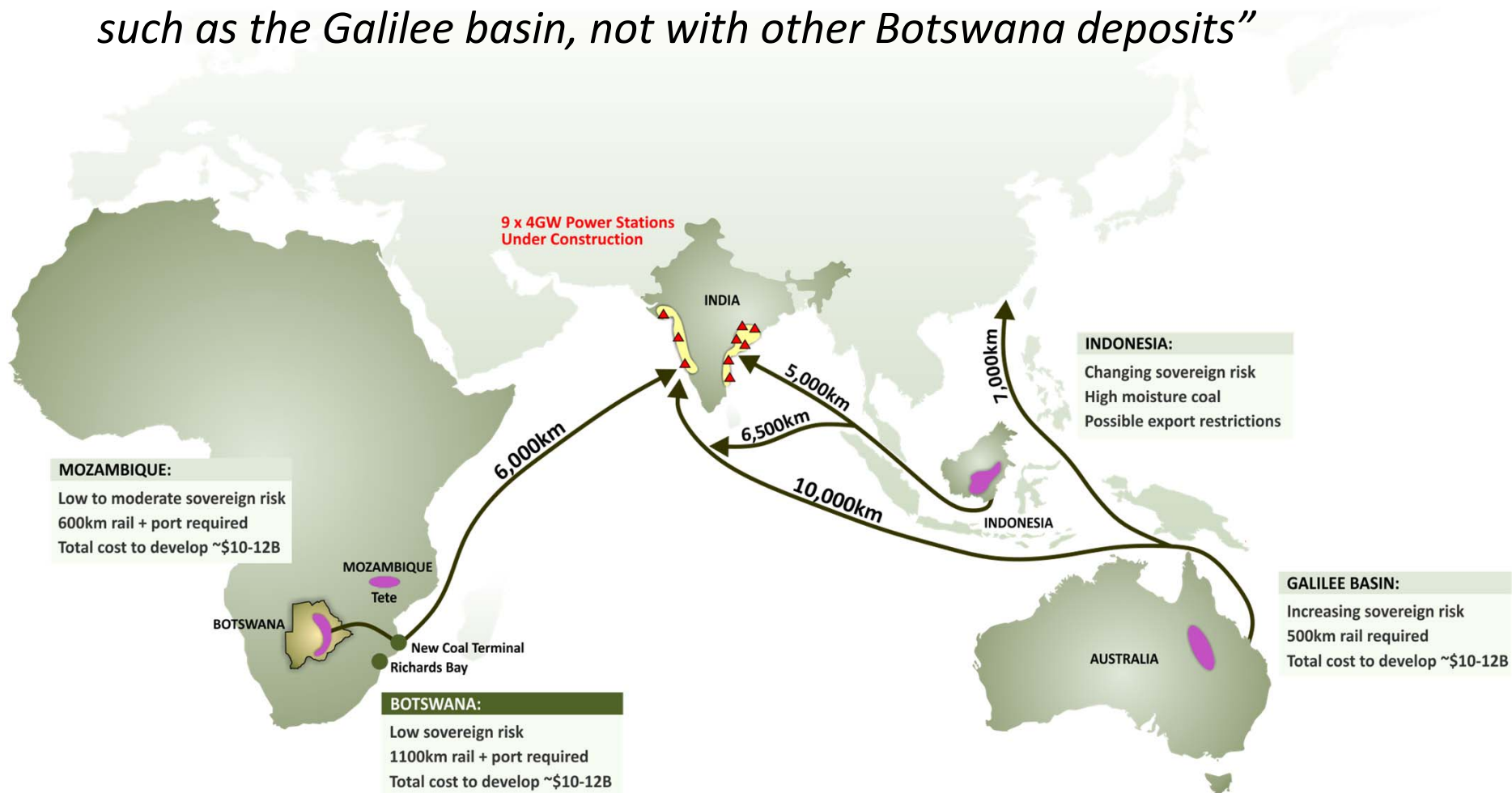
**DAVID SCOTT**, General Manager Projects  
*Engineer, coal mine development roles in Botswana*

**THOMAS SCOTT-MOREY**, Power Development Manager  
*Experienced developer of power stations and their finance*

# Competition in the Indian Ocean basin



*“We’re competing with other new developing provinces such as the Galilee basin, not with other Botswana deposits”*

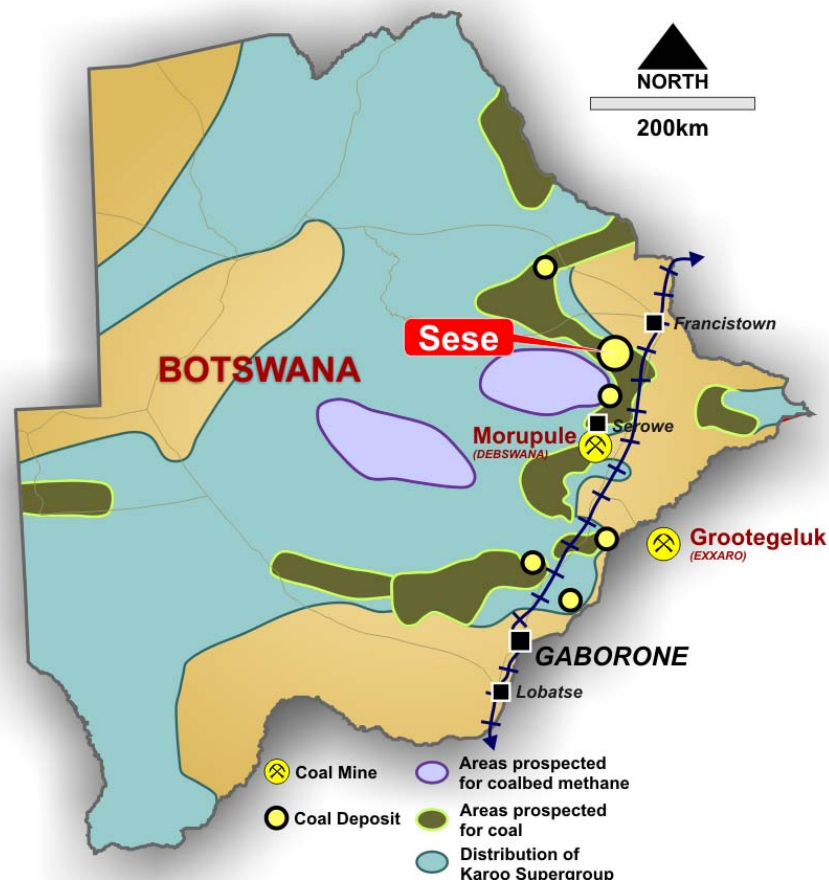


# Project location – the right place



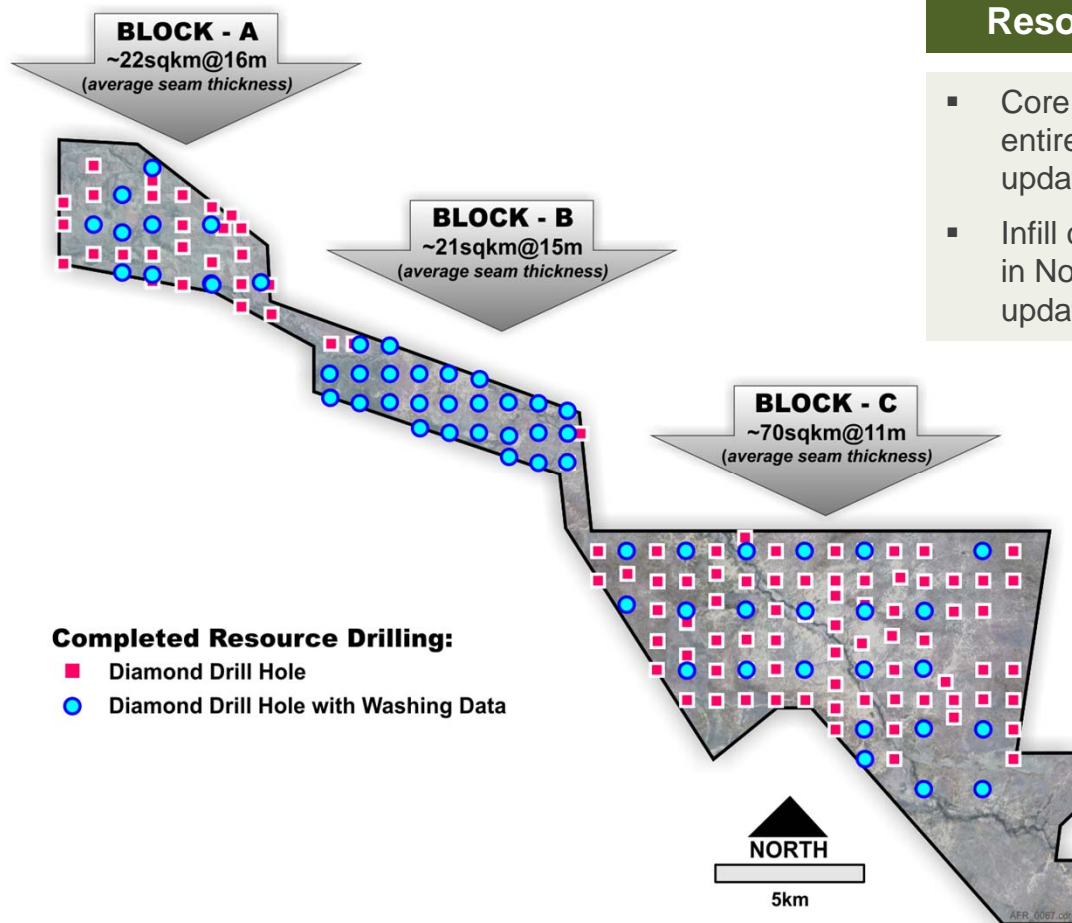
## Botswana – an emerging global coal province

- **Stable, safe and secure jurisdiction**
  - *Widely perceived as an excellent investment destination by mining companies (and more importantly by their bankers)*
  - *Scores well in Fraser Institute rankings (better than Western Australia)*
- **Transparent Mining Act and attractive fiscal regime**
  - *Prospecting Licence for 3+2+2 years, 25 year Mining Licence (extendable)*
  - *3% royalty (on mine-gate revenue)*
  - *Tax 22.5% to 55% based on profitability ratio (generally low for “bulk commodities”)*
- **Government currently developing national coal “roadmap”**
  - *Unique opportunity to enhance the economic development of Botswana for 50+ years*
  - *Coal moratorium to be lifted in January 2012*
- **Good infrastructure along eastern corridor**
  - *Existing road, rail and 220kV power line*
  - *Coal project is 25km west of this corridor*





# World class resource



## Resource upgrades in progress

- Core drilling now complete at 1km grid over entire resource – **INDICATED RESOURCE** update expected in late Q4 2011
- Infill core drilling to 500m grid will be complete in Nov' 2011 – **MEASURED RESOURCE** update expected in Q2 2012

## SESE COAL RESOURCE, May 2011

SEAM	RESOURCE CATEGORY	IN-SITU TONNES
LOWER MAIN	Indicated	295 Mt
	Inferred	1,395 Mt
	TOTAL	1,690 Mt
UPPER MAIN	Indicated	205 Mt
	Inferred	835 Mt
	TOTAL	1040 Mt
	TOTAL	2,730 Mt

# Low cost mining due to low strip ratio



## Seam Delineation

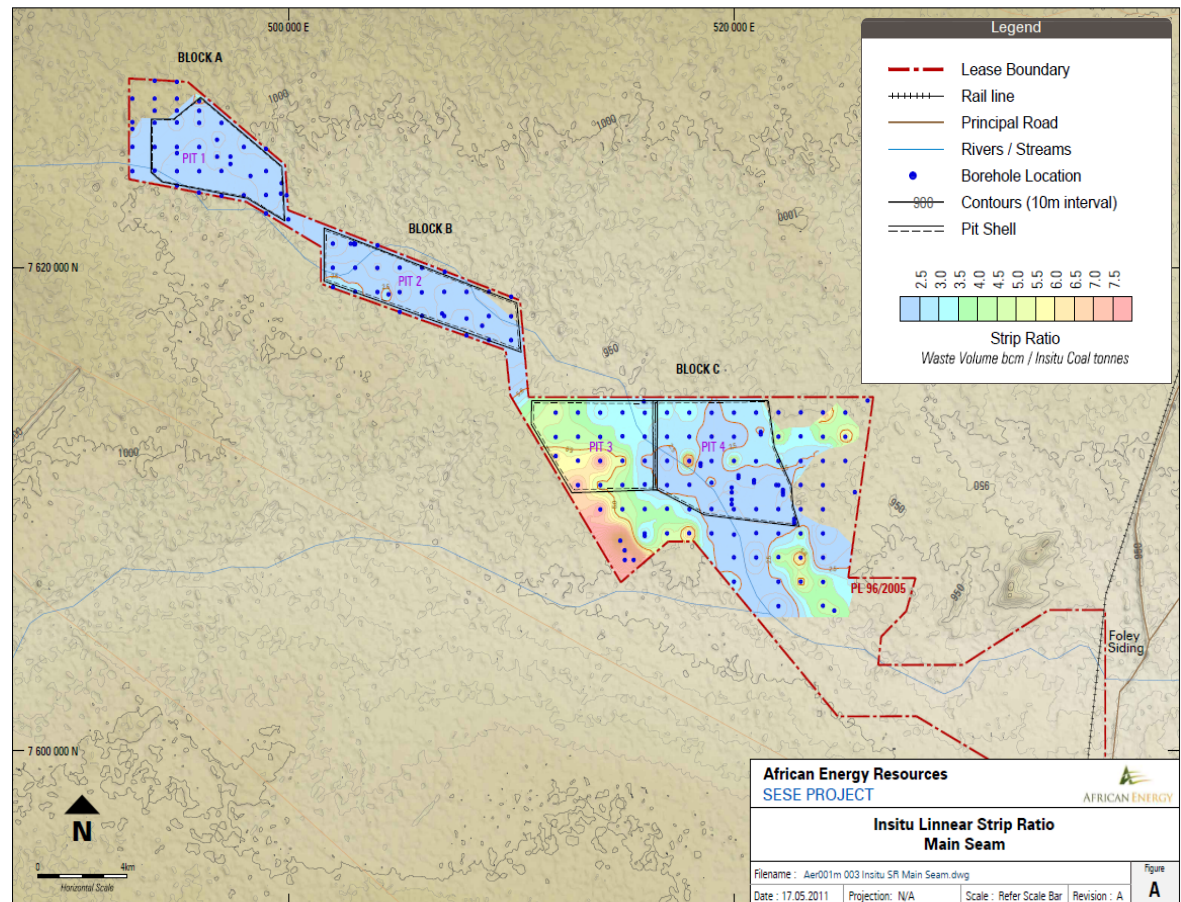
- **Thick consistent coal seam**
  - Average total Main Seam thickness 14m
  - Gently dipping to the southwest ( $0.6^\circ$ ) – simple geometry and easy mining/scheduling
- **Very shallow coal seam**
  - Life of Mine strip ratio from 1.5:1 to 3:1
  - First 25 years mining possible at strip ratios averaging 1.6:1



Low-cost (ROM=bottom quartile)

Long-life operation (>100yr)

## Low strip ratios across whole deposit





# Markets for Botswana coal



## Domestic markets

### *Growing regional markets...*

- Existing industrial customers in Botswana and nearby markets
- New customers entering market as new mines & businesses develop
- Marketing study commissioned to develop customer database

## Regional markets

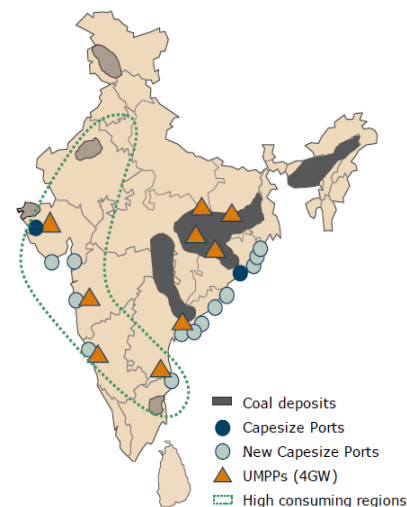
### *Southern African power crisis ...*

- Southern African Power Pool facing net regional electricity generating deficit as Eskom exports scale back
- Regional mine expansions – significant new regional electricity demand
- AFR has commenced IPP negotiations

## Export markets

### *Rising Demand from India/China*

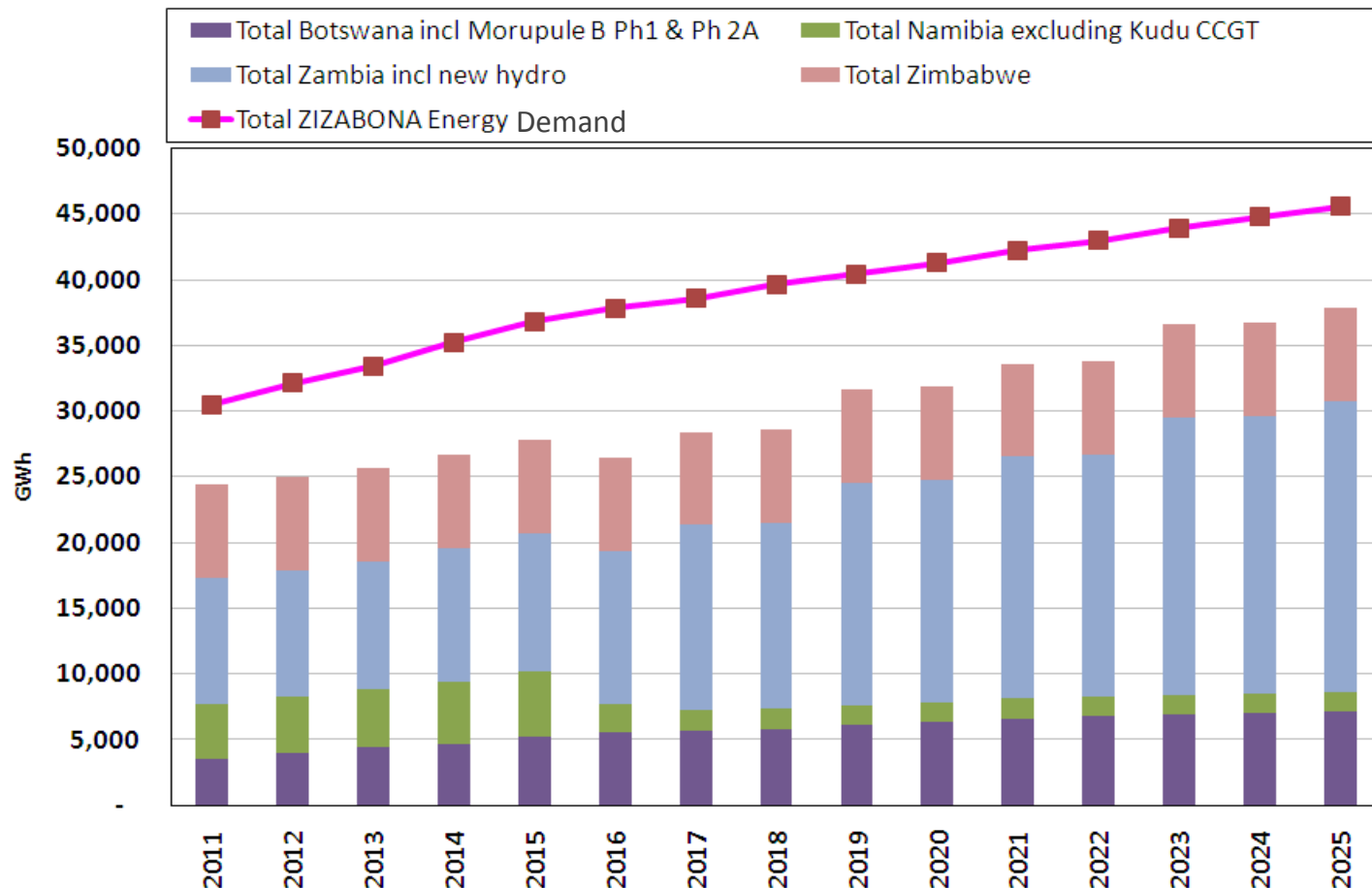
- India has large domestic demand which cannot be met internally
- Few undeveloped coal provinces capable of meeting this demand
- Competing with Galilee, Surat – each of which require \$ billions for development



# Regional electricity market is in deficit



*Current gap filled by exported power from South Africa (ESKOM), but guaranteed supply contracts expire during the next 1-2 years. This provides an opportunity for power station(s) and power export from Botswana*



Source: PB Power 2011

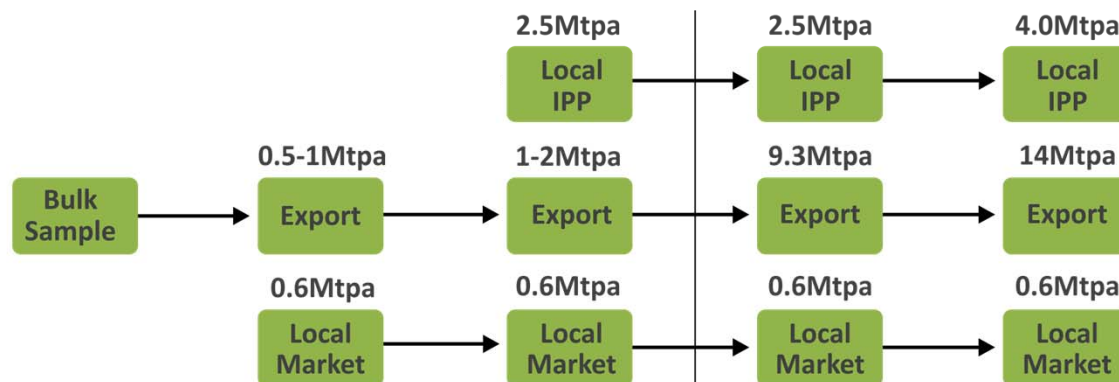
# Staged development plan (indicative)



## STAGED DEVELOPMENT APPROACH

	STAGE 1	STAGE 2	STAGE 3	STAGE 4
Mining and Processing	Contract	Contract	Owner Operated	Owner Operated
ROM	2.0	5.0	20.0	30.0
Product	1.5	4.0	12.4	18.6

2011 → 2013 → 2014-5 → 2017-8 → 2020



EXISTING INFRASTRUCTURE

NEW INFRASTRUCTURE

Progressively lower execution risk





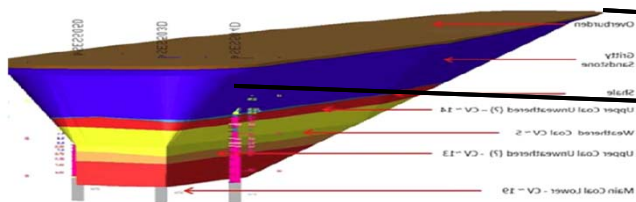
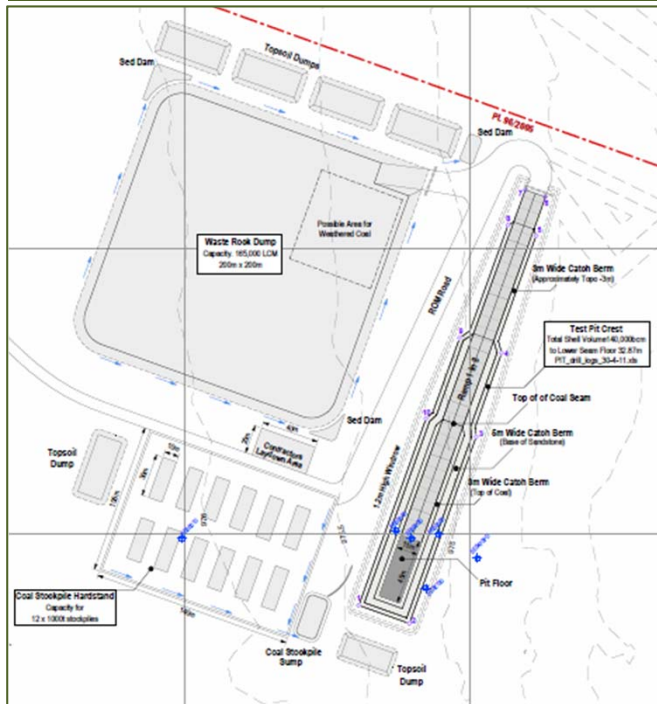
# Initial work – 10,000t bulk sample extraction



# Bulk sample = pre-development for Stage 1



## Bulk-sample layout plan



## Mining methods for production stages

- Entire deposit amenable to open-cut strip mining
- Low risk and very low cost
- Mining blocks 500m long x 200m across
- Layout of exploration box-cut for the bulk sample has been designed to be the first access ramp for Stage 1 coal-mine
- Reduces development timeframe for Stage 1 project construction



Rolleston Mine, Queensland – example of an 8Mtpa dragline operation similar to that under consideration for Sese Stage 3



# Operating cost estimates



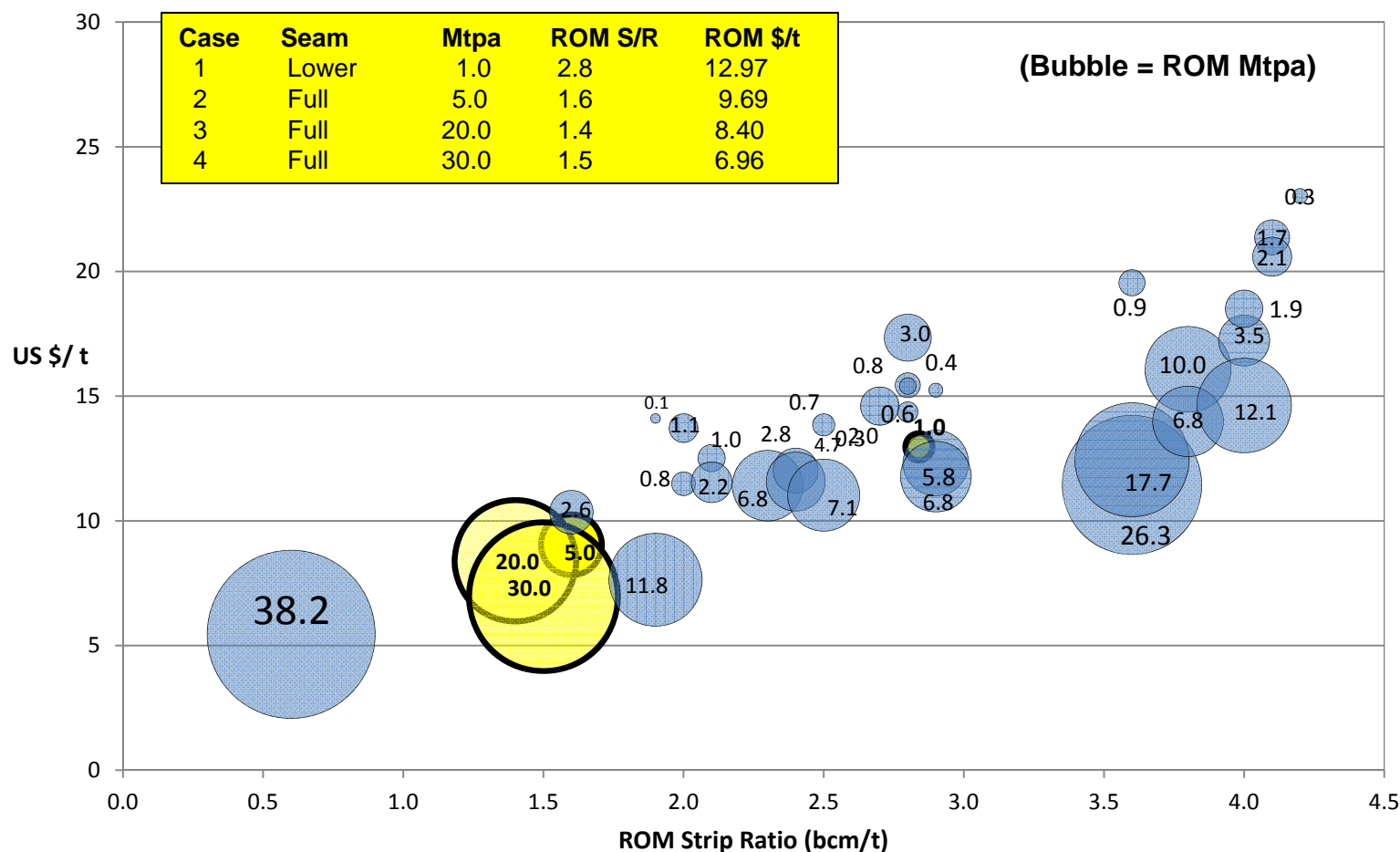
Estimated Operating Costs (+/-35%)		Stage 1 1 Mtpa Contractor Based	Stage 2 5 Mtpa Contractor Based	Stage 3 20 Mtpa Owner Operated	Stage 4 >30 Mtpa Owner Operated
<b>ROM coal costs</b>					
Strip Ratio		2.84*	1.60	1.40	1.50
Drill and Blast	US\$/bcm	0.90	0.90	0.90	0.90
Waste Mining	US\$/bcm	2.50	2.87	1.95	1.95
Coal Mining	US\$/ROM t	1.42	1.42	1.12	1.12
Rejects Removal	US\$/t	1.01	1.00	0.89	0.89
Support Services	US\$/ROM t	1.00	1.00	1.00	1.00
Local ROM to ROM Haulage Cost	US\$/ROM t	-	0.65	1.30	1.30
<b>ROM Unit Costs</b>	<b>US\$/ROM t</b>	<b>12.97</b>	<b>9.69</b>	<b>8.40</b>	<b>6.96</b>
<b>Additional costs related to washing and loading</b>					
Washing Cost (incl. Power)	US\$/ROM t	3.54	3.54	2.90	2.90
Product Haul / Conveyor to Siding	US\$/PROD t	-	-	3.54	3.54
Train Load (excl. Bypass Tonnes)	US\$/PROD t	-	-	1.75	1.75
Corporate Overheads and Marketing	US\$/PROD t	0.50	0.50	0.50	0.50

\* Lower seam only for Stage 1, other Stages based on full seam mining

# ROM operating cost benchmarking



Sese ROM costs (yellow bubbles) benchmarked against published data for all South African open pit coal mines



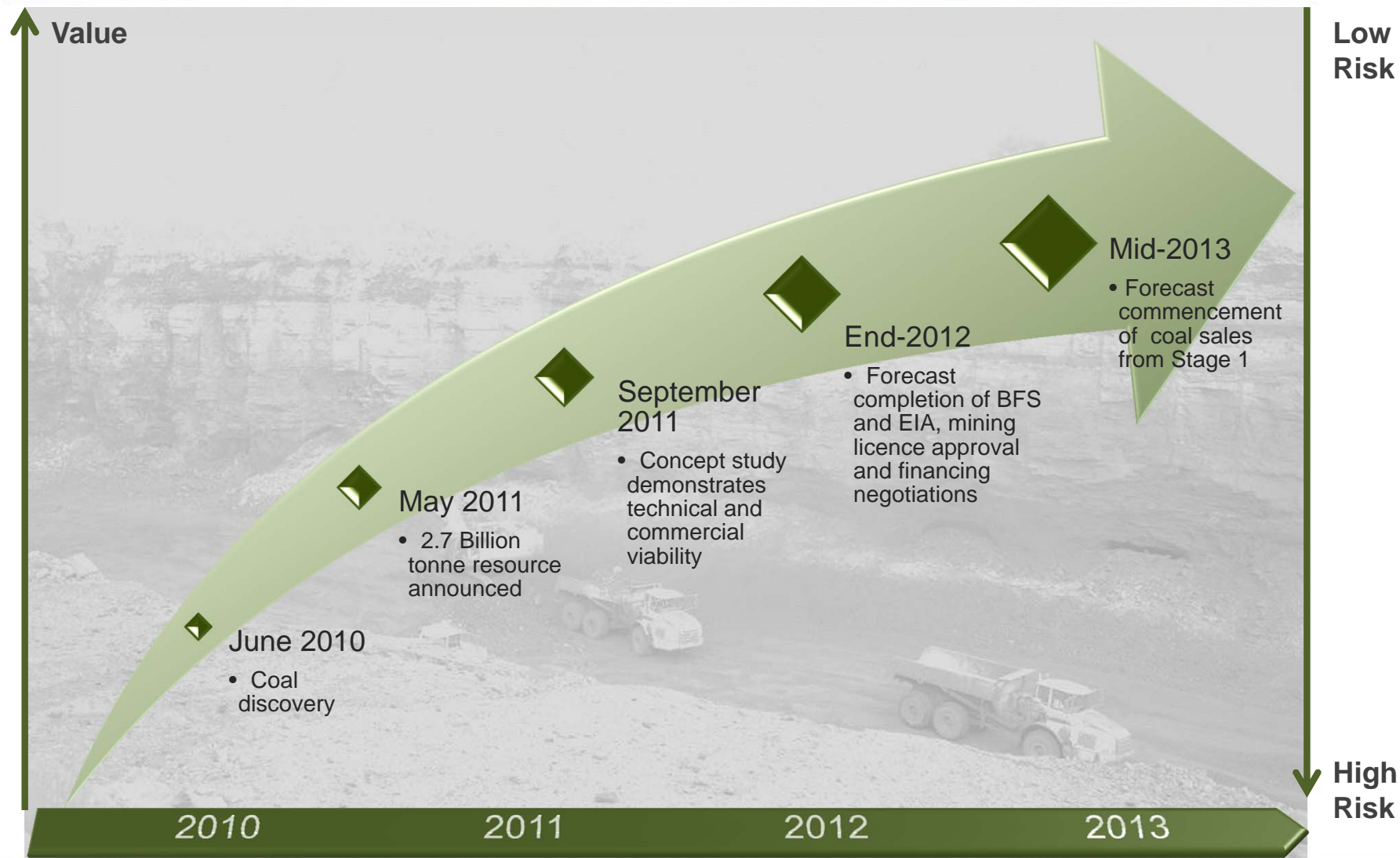
Source: Wood Mackenzie Coal Supply Series South Africa 2011, and Sese Concept Study

# Capital cost estimates



Capital Cost Estimate – Mine Establishment (+/- 35%) All costs in US \$ (million)		Stage 1 1 Mtpa Contractor Based	Stage 2 5 Mtpa Contractor Based	Stage 3 20 Mtpa Owner Operated	Stage 4 >30 Mtpa Owner Operated
Mining Equipment, Support Plant	US\$M real	3	6	168	254
Onsite Infrastructure	US\$M real	6	19	25	25
Onsite Transport Infrastructure	US\$M real	7	15	82	82
Offsite Transport Infrastructure	US\$M real	5	5	5	5
Coal Handling and Preparation Plant	US\$M real	18	18	349	508
Tailings and Reject Disposal	US\$M real	-	19	25	40
Design and Construction Management	US\$M real	7	23	76	99
<b>Total</b>	US\$M real	<b>\$46m</b>	<b>\$104m</b>	<b>\$730m</b>	<b>\$1,013m</b>

# Project can deliver quickly due to simplicity



# Summary



- ✓ 2.7 billion tonne resource in attractive jurisdiction, very large upside potential
- ✓ Team of experienced mine developers with significant coal expertise
- ✓ Thermal coal suitable for both export and domestic markets
- ✓ Exploration bulk sample underway to establish credibility and develop markets
- ✓ Staged project development offers early cash flow and lowers execution risk
- ✓ Initial 1-2Mtpa Stage 1 operation in 2013, ramping up to 4-5Mtpa for Stage 2
- ✓ Ultimate project may exceed 30Mtpa for >100yr – strategically important asset