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AFRICAN DEVELOPMENT
BANK GROUP

**Presentation regarding the
Mmamabula Energy Project
("MEP")
to the
African Power Sector Convention
Dakar 2009**

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Mineral resource figures included in this presentation are estimates and no assurances can be given that the indicated levels of coal will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While CIC believes that the mineral resource estimates included in this presentation are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable.

The extent to which mineral resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of mineral reserves or resources is always influenced by economic and technological factors, which may change over time. No assurances can be given that any mineral resource estimate will ultimately be reclassified as proven or probable reserves.

If CIC’s mineral resource estimates for its coal properties are inaccurate or are reduced in the future, this could have a material adverse impact on CIC. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves as there is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

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Presentation outline

1. Introduction to the MEP
2. Overview of the MEP structure, funding and key participants
3. Advantages of the MEP
4. Progress to date
5. Key lessons learnt

Additional information included

- A. Contact information



Introduction to the MEP

Overview

- CIC Energy Corp. (“CIC”) is developing the **Mmamabula Energy Complex**
 - Aims to exploit the extensive and proven Mmamabula coalfield in Botswana
 - Is a 3 billion tonne (fully drilled out) coal deposit located in southeastern Botswana
- The **MEP** is CIC’s main focus
 - Consists of
 - A ~6.0mtpa Run-of-Mine open strip coal mine
 - Supplying a ~1,320MW power station (two 660MW (gross) units), and
 - Related new infrastructure (supporting the construction and operations)
 - Eskom and the Botswana Power Corporation (“BPC”) agreed off-takers (collectively the “Off-takers”)

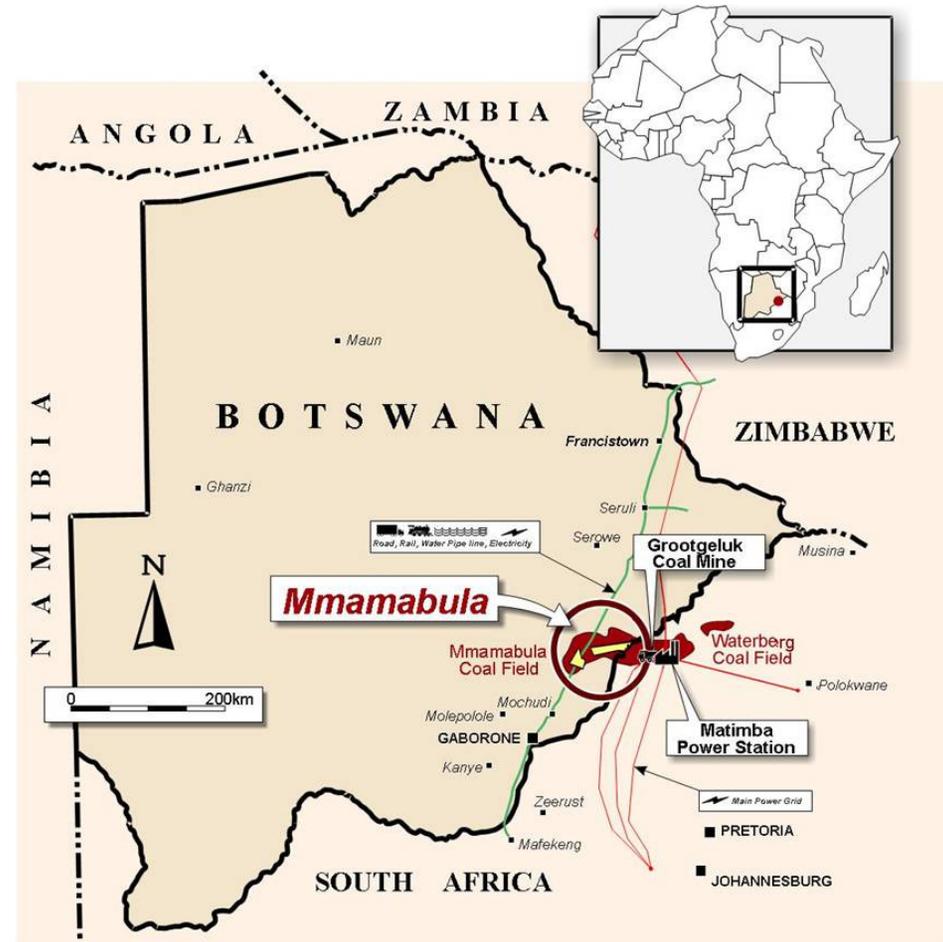
Overview (cont.)

- The **MEP is the most advanced Independent Power Producer (“IPP”) project** which has been 4 years in the making and **which can meet the urgent demand for new base load capacity in southern Africa**
 - Environmental Impact Assessment (to World Bank, IFC and Equator Principles standards) substantially complete (18+ month process)
 - Site selection, water supply, transmission solution and infrastructure design completed
 - Owner’s engineer appointed
 - EPC contractor appointed and EPC contract concluded
 - Fund raising process underway
- **Commercial operation of the first power unit is expected in early 2013**, with the second unit to follow four months later
- It is anticipated that additional power stations will be developed in subsequent phases (as brownfield expansions) in the future

Well advanced 1,320MW base load IPP with the potential for additional capacity

Location

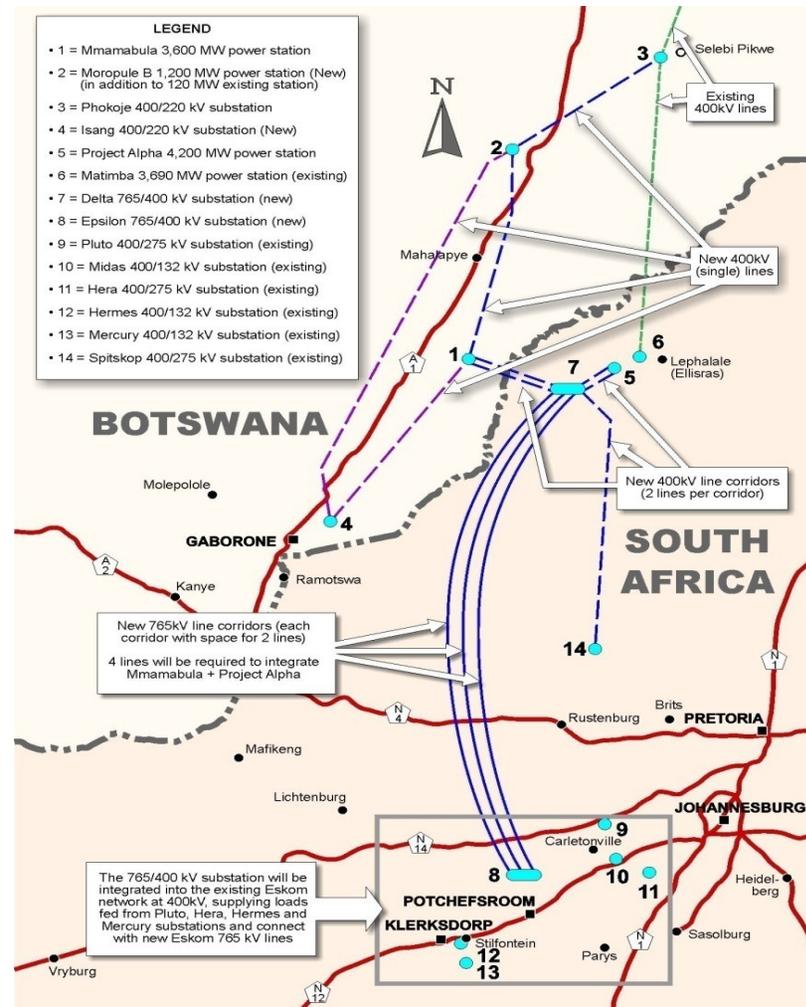
- Botswana's Mmamabula coalfield is an **extension of South Africa's Waterberg coalfield**
- The Waterberg
 - Contains in excess of 40% of South Africa's coal reserves
 - Is host to Exxaro's 19mtpa Grootegeluk coal mine and Eskom's 3,690MW (gross) Matimba power station
 - Is also host to Eskom's ~4,800MW (gross) Medupi power station currently under construction



Ideally located in close proximity to the South African power grid within short distance of major transport and communications infrastructure

Transmission solution

- Transmission solution created in partnership with Eskom and BPC
- **Tight integration with Eskom and BPC networks in South Africa and Botswana**
- BPC responsible for integration of Mmamabula plant into BPC system
 - Connection to BPC by tie-in of 400kV line from Morupule B to Isang
- Eskom responsible for all transmission infrastructure in South Africa
 - 2 x 400kV lines from the MEP to the Botswana/South Africa border
- Long-term solution catering for significant future expansions

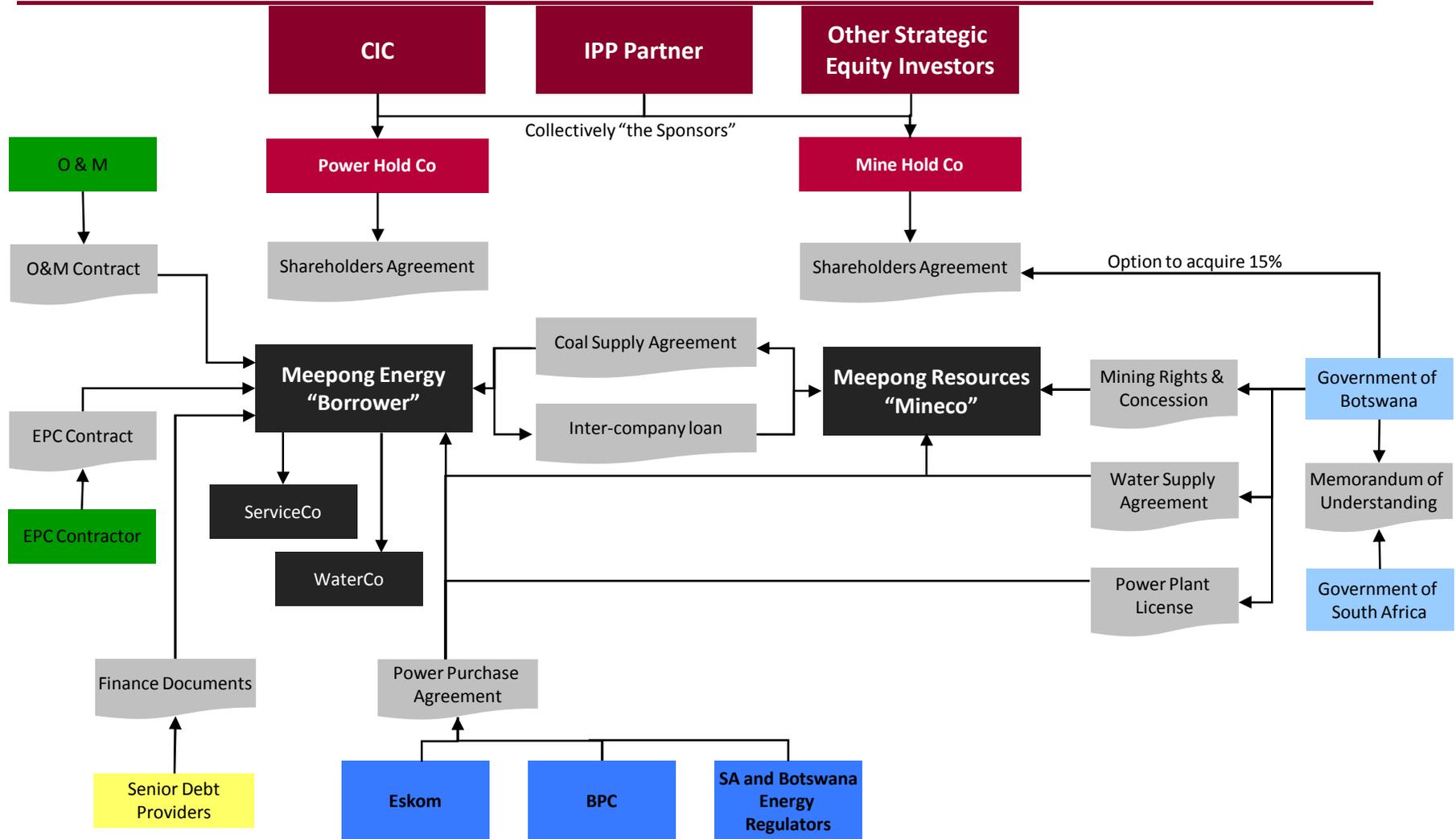


Well advanced transmission solution developed in partnership with off-takers



Overview of the MEP structure, funding and key participants

Overview of the MEP Project Finance structure



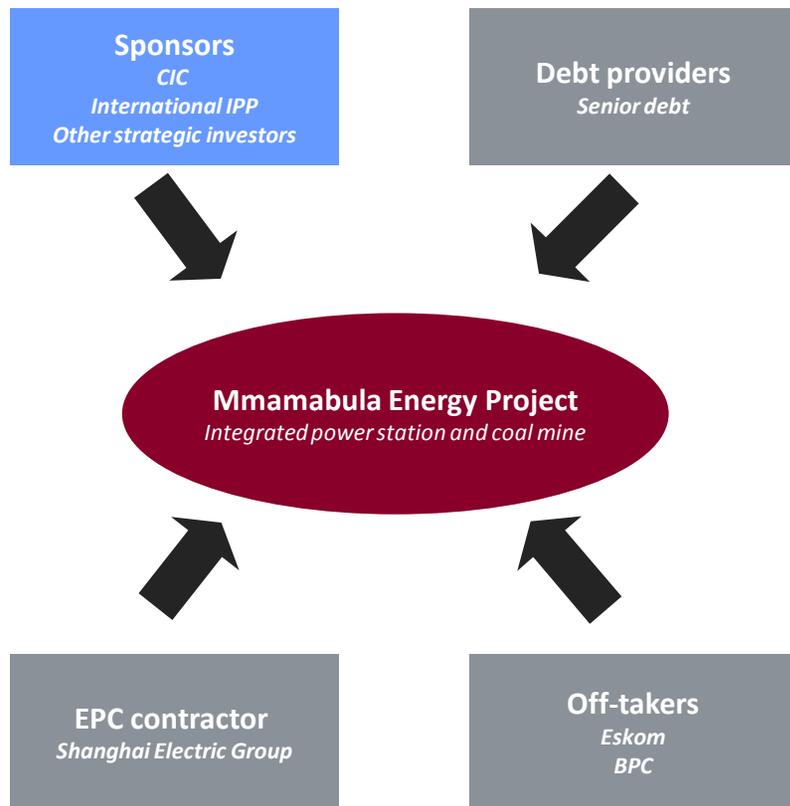
The MEP structure is designed to enable funders to evaluate the mine and power station as a combined economic unit

Overview of the MEP funding structure

- **Proposed debt:equity ratio** of c.80:20 is **capped for the life of the PPA**
- Higher gearing favoured to reduce tariff
- Higher debt levels for IPP project finance possible as a result of
 - Cashflow stability
 - Off-taker credit worthiness
 - Sound regulatory frameworks
 - Host country support and stability
 - Cost recovery mechanisms in Power Purchase Agreements (“PPAs”)
 - Sound security package with step-in rights
 - Default protections

Key project characteristics support the proposed funding structure

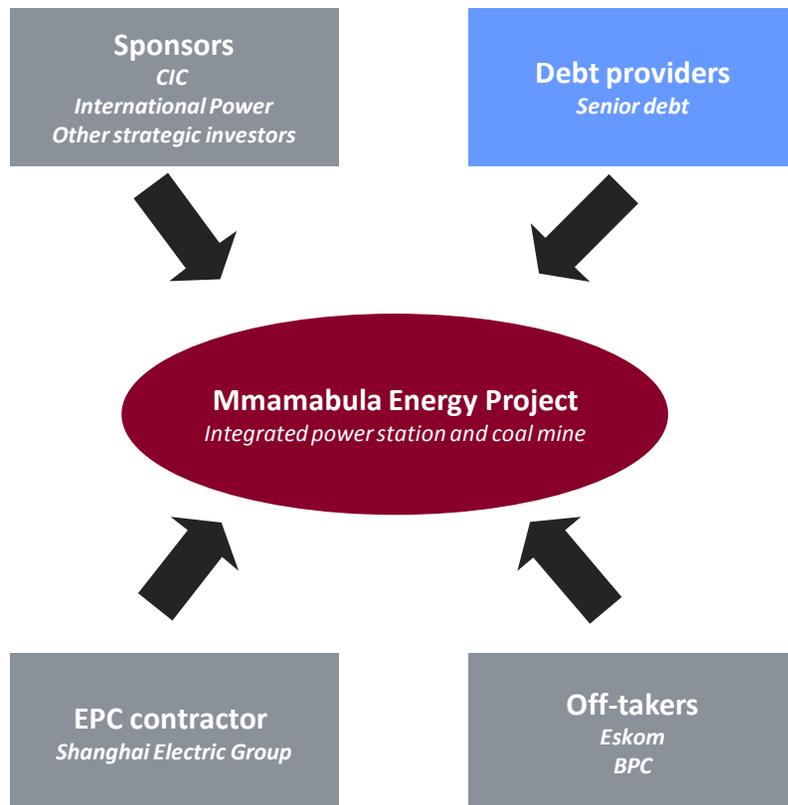
Key participants: The Sponsors



- **CIC** was founded by Tau Capital Corp. and listed on the Toronto Stock Exchange and Botswana Stock Exchange in 2006
- **An International IPP** - a leading independent electricity generating company
 - Will be the operator of the power station for the duration of the PPAs
 - Negotiations advancing (due diligences commenced)
- Other potential **Strategic Investors**:
 - Negotiations advancing (due diligences commenced)

Sponsors have capacity and credibility to bring the MEP on line as planned

Key participants: Senior debt providers



➤ **Export Credit Agency backed funding:**

- China Exim (with Sinosure credit guarantee cover assumed)
- Export Credit Insurance Corporation of South Africa to support roughly \$1bn South African goods and services to the MEP

➤ **DFIs:**

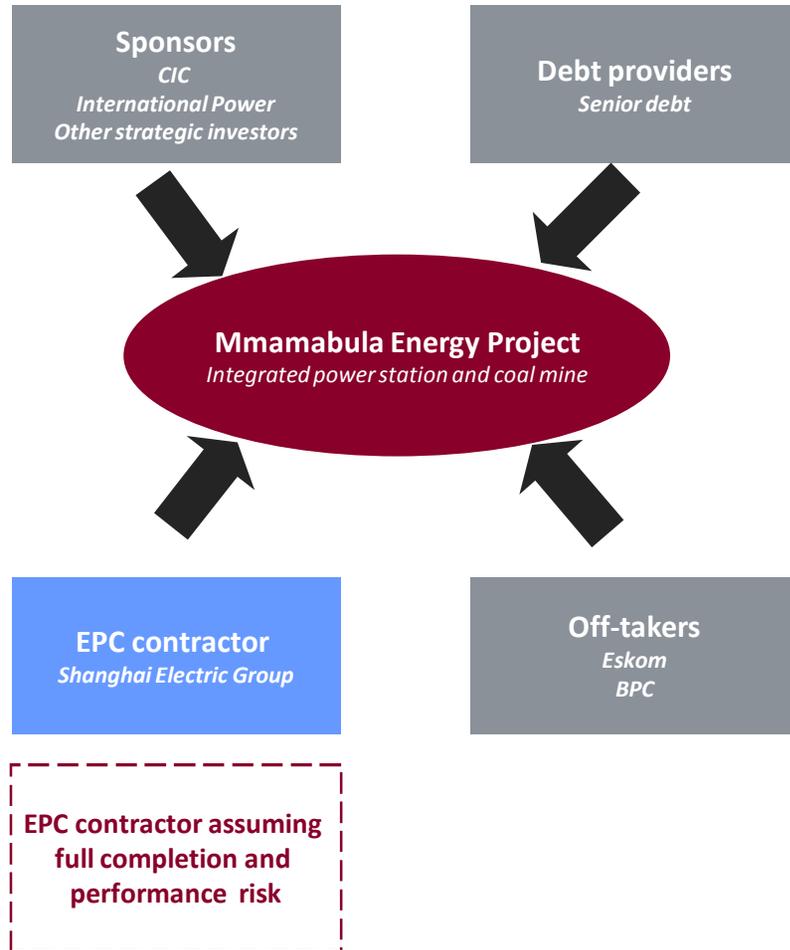
- African Development Bank
- International Finance Corporation
- Development Bank of South Africa
- Industrial Development Corporation
- Others

➤ **SA commercial tranche**

- Joint Mandated Lead Arranger role for ABSA Capital and Standard Bank
- Will potentially include Chinese Banks such as ICBC, Bank of China and China Construction Bank

Despite the current credit crisis development finance is still available for projects that contribute to the meaningful development of the region

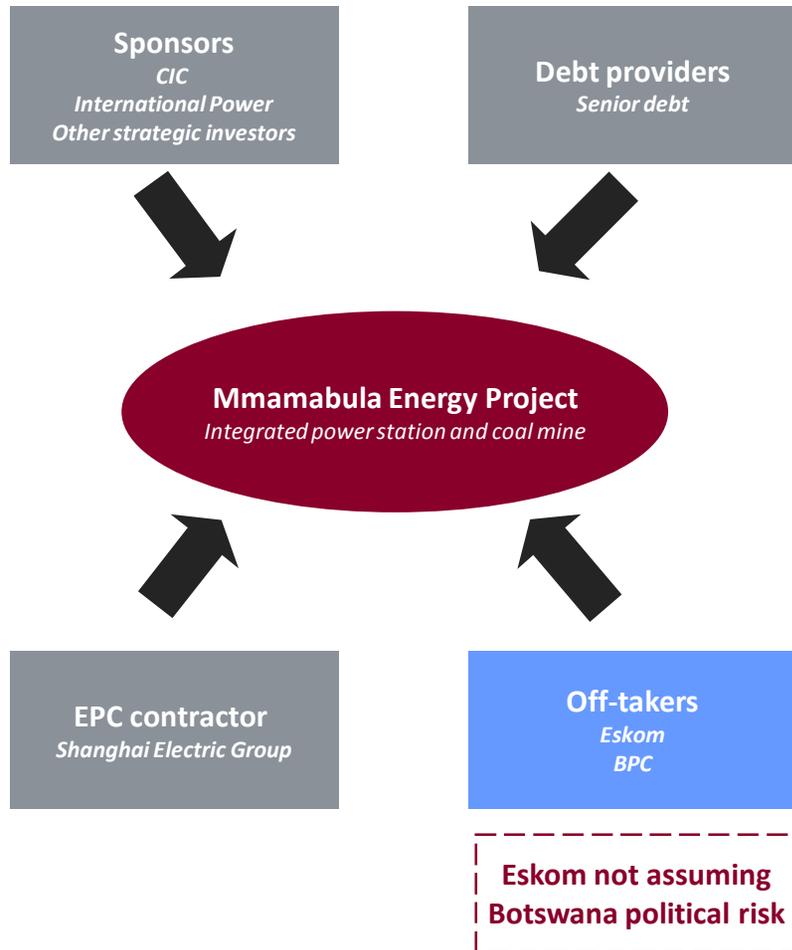
Key participants: EPC contractor



- **Shanghai Electric Group** (“SEC”) selected as EPC contractor - contracts signed
- **SEC ranks among largest manufacturer of power plants in the world** (30 GW in 2007, comprising units of between 300MW and 1,000MW each)
- **Fixed price, lump sum turn-key EPC** contract for the power station
- Confirmed construction period - Commercial Operation Date for Unit #1 at latest by end month 46
- EPC contract includes traditional EPC performance and risk mitigating measures

A fixed price turn key contract secured with an experienced and established EPC contractor which is assuming key risks

Key participants: Off-takers



- The MEP is designed around **30 year PPAs** with the Off-takers
 - **Eskom** - 75% of capacity
 - **BPC** - 25 % of capacity
- Both PPAs with Eskom and BPC have substantially similar terms
 - **Only pay for available capacity**
- **Rand based tariff** with two components
 - Fixed tariff (debt service, fixed operating costs and fixed fuel charges) - based on power station's tested capacity and payable regardless of level of dispatch
 - Variable tariff (variable operating costs and variable fuel costs) - monthly energy payment based on delivered energy (indexed)

PPAs close to finalisation, final offers submitted to Off-takers



Advantages of the MEP

Advantages of the MEP

Own and control primary energy source

- Coal qualities and volumes proven and detailed mine plans developed
- Security of supply

Project at an advanced stage

- Water resource proven and agreement in place with the Government of Botswana (“GOB”) on the allocation of the drawing rights
- Site selected and geotechnical work substantially complete
- Environmental Impact Assessments substantially complete
- Infrastructure packages designed and issued for tender
- MEP debt financing process already underway with well-known DFIs, ECAs and others
- Commercial operation of first unit expected in early 2013 with second unit coming on-line four months later

Proximity to South African border

- Transmission solution being implemented
- Proximity to Eskom’s transmission system for Matimba / Medupi

Advantages of the MEP (cont.)

World class development team

- In-house CIC mining and power generation and transmission expertise
 - Agreement with SEC as EPC contractor
 - Term sheets concluded with International Power as IPP partner
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Appropriate allocation of risk

- Fixed price, lump-sum turn-key EPC contract
 - Limited recourse project finance
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Host country support

- Legal framework for IPPs now developed in Botswana, subject to implementation
 - Botswana Implementation Agreement substantially complete
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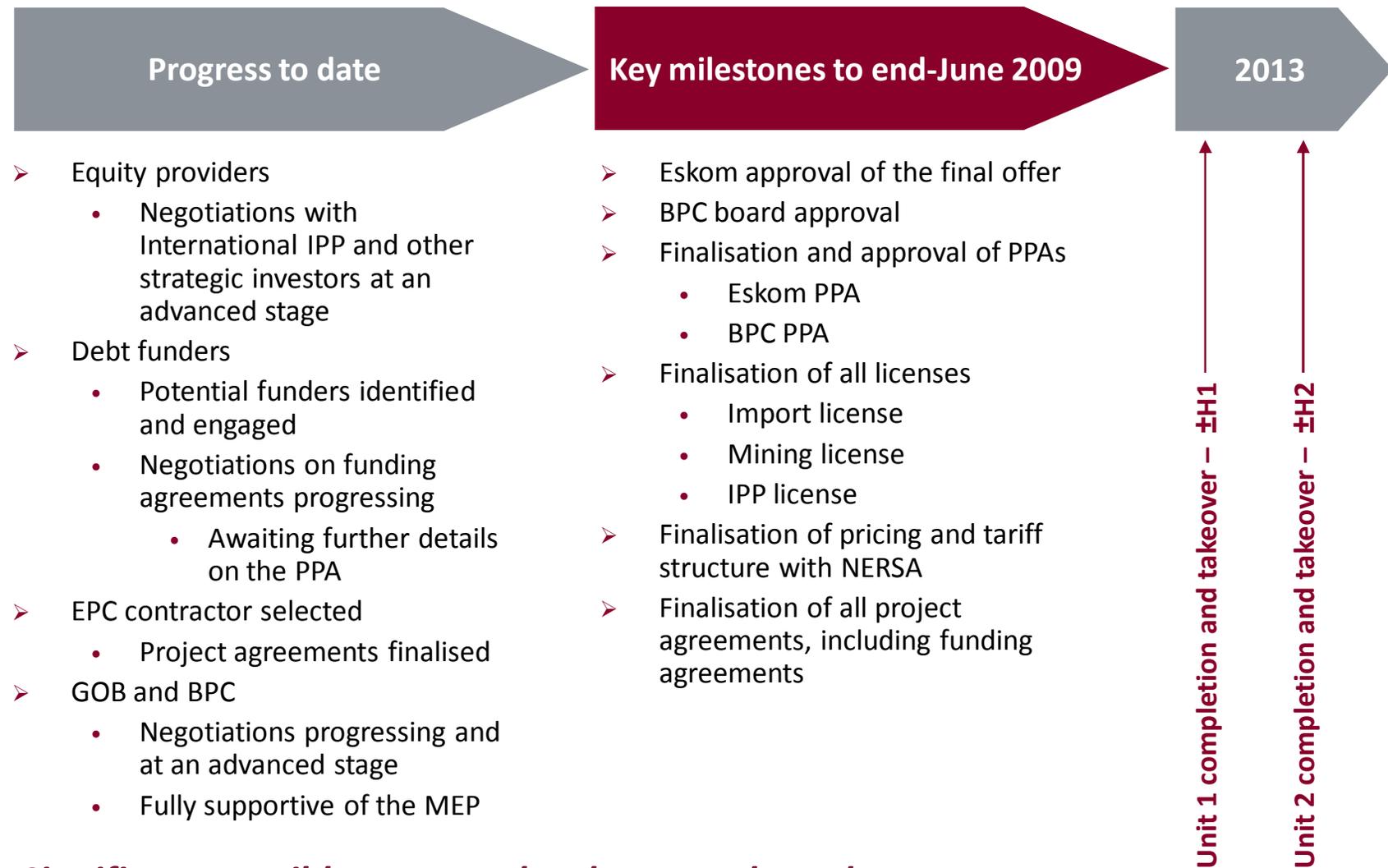
Inter-governmental support

- Memorandum of Understanding signed between the governments of South Africa and Botswana
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Progress to date

Summary of MEP progress and key milestones



Significant tangible progress has been made to date



Key lessons learnt

Key lessons learnt

- IPP's require **host government support** in order to establish a proper IPP regulatory framework
- Host country energy intensity often too low to justify economies of scale therefore **large scale IPP's need to be able to sell energy cross-border**
- Sizeable base load IPP's in Southern Africa need a framework to be able to **sell power directly into the Southern African Power Pool (SAPP) grid**
- Difficulty with negotiating PPA's with the domestic utility as the "**single-buyer**"
- IPP Tariffs need to be evaluated based on an **independent and informed analysis** between an IPP's new build costs and a utility's new build costs especially to ensure **a like-for-like comparison** is made, also taking into account relative risk allocations.
- **Independent guidance and / or assessment** of new build costs required (which has now been recognised in National Energy Regulator of South Africa draft rules)



Contact Information



A: Contact information

Queries should be directed to

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