# R400 MILLION PRIVATE PLACEMENT





## AGENDA

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- Target assets and potential acquisitions
- Management & governance

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# OFFER SUMMARY



JSE SECTOR

- African Energy Partners Limited 0 • Share Code: AEY
- Target of 40 000 000 shares -0 discretion to issue **up to** 50 000 000
- R10 per AEP ordinary share
- Proceeds held in escrow until Viable Acquisition within 24 months

• AltX, SPAC



### Questco Corporate Advisory

Offer period: 15 May 2017 – 26 May 2017 Target listing date: Thursday, 1 June 2017

## Introduction To AEP





## FUTURE PAN-AFRICAN CLEAN ENERGY LEADER

To significantly Improve the quality of African lives by increasing access to and use of clean energy on the continent

VISION

### STRATEGIC AIM

Preferred purchaser of commissioned new capacity (built by project developers)

Preferred ownership, management and operations partner

Preferred sector investment vehicle (offering cashgenerative energy exposure in Africa)

## WHAT WE DO





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## COGENERATION



## **COGENERATION** (continued)

### COGENERATION EFFICIENCY DISTRIBUTED CO- VS CENTRAL GENERATION



AEP key focus: *inside the fence* cogeneration projects "plug the gap" for maximum efficiency in distribution

## AEP TARGET MARKET



PRIVATE, STATE,

**PROVINCIAL AND** 

MUNICIPAL

INFRA-STRUCTURES

- O Mining companies with high energy requirements in off-grid locations
- O Metals beneficiation smelters
- O Refineries/ Chemical crackers
- O Calcining industries e.g. cement
- O Drying industries e.g. wood, food processors, mining and milling
- O Curing and forming companies e.g. tyre/plastics manufacturers
- O Process boiler companies e.g. food manufacturers, brewers and distillers
- O Processed food companies that produce substantial biological waste
- O Wood, pulp and paper, agricultural processing companies that produce substantial combustible waste
- O Integrated utilities e.g. Eskom and resellers and distributors such as municipalities/regional electricity distributors
- 0 Airports
- O Hospitals
- O Shopping centres
- O Universities, schools, prisons and other dormitory institutions with high energy consumption
- O Office parks with high energy requirements

that produce significant waste heat/ waste gases

## **OUR VALUE PROPOSITION**

TO EXISTING ASSET OWNERS: Operating partnership backed by proven skill; exit opportunity; diversification of concentration risk (from single asset to portfolio); international exposure

#### TO NEW ASSET DEVELOPERS: exit & sale opportunity; customised development for secured purchaser/owner

#### TO SUPPLIERS AND SERVICE PROVIDERS : reputable partner-owner

offering expansion opportunity through cross-selling within AEP group

### TO CUSTOMERS:

African Energy

committed, focussed energy partner with aim at clean energy and cost-savings

#### TO EMPLOYEES:

broad multi- asset and discipline skills development; long-term career progression in AEP group; competitive incentives & reward

#### TO INVESTORS:

JSE vehicle offering risk-diversified exposure to cash generating energy assets and critical energy products ; Rand and US Dollar earnings; dividends in time TO GOVERNMENTS:

Solid corporate citizen with vision that is revenue generating and economically uplifting

## LNG OUR FUEL OF CHOICE

#### Reduction in emission LNG vs Heavy Fuel Oil (HFO)



### Natural Gas: Far Less Pollution (tons per year per MWatt)

Pollutant	Coal	Natural Gas
CO <sub>2</sub>	6352	2348
CO <sub>2</sub> with CCS capture	837	309
Carbon Monoxide	4.62	1.64
Nitrous Oxide (NO <sub>x</sub> )	1.85	0.15
Sulfur Dioxide (SO <sub>2</sub> )	3.08	0.02
Mercury	2.0 ounces	none

### LNG vs Coal

- O United Nations considers LNG to be cleaner fuel than Coal, HFO, Diesel, Gasoline, Kerosene, LPG etc.
- O LNG has lower particulate matter, CO2, NOx, and SO2 emissions than other fossil fuels
- O LNG can be integrated with other fossil fuel-driven systems

### LNG vs Renewables

- O LNG is globally considered as the preferred ally to renewable energy generation
- O LNG can fill the power generation gap in baseload, mid-merit or peak services when renewables are not available/sufficient



## LNG OUR FUEL OF CHOICE (continued)



## ALIGNED TO AFRICA'S LNG PRODUCTION

LNG supply



### Net LNG exports and imports 2035 (Bcf/d)

## DIFFERENTIATORS

#### CURRENT LANDSCAPE CHALLENGES

- O Eskom has proven that building centralised power is complex and expensive
- Large Hydro experiences the same challenges as Eskom and is also susceptible to drought
- Solar PV technology is site constrained (North & South Africa), and requires storage for year-round use
- O Wind can be site constrained and may require storage for year-round use
- Utility scale projects also face significant risks from government e.g. Wind/Solar PPAs vs. Eskom

#### DIFFERENTIATORS

- O Holistic generating technologies aligned to abundant clean fuels.
- O Focus fuel is LNG
  - Easily accessible in Africa
  - Low capex fuel substitution using existing distribution channels

African Energy

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- O Most modern high efficiency engines/turbines are already dual fuel gas/diesel
- AEP clean energy technology enabled to support hybridisation with Solar PV; Wind etc.



## OUR BUSINESS MODEL

- Acquire clean energy infrastructure or services providers that are:
  - operating and cash generative OR
  - no more than 12 months from commercial operations
- Revenue visibility mix of annuity income (e.g. 15 year electricity supply PPA) and short-term contracts (e.g. 3-5 year LNG supply GSA)
- Transparent, predictable cost structure
- Generate revenues from usage of AEP's infrastructure (e.g. tolling fees) and sale of energy products (e.g. electricity)
- Mix of Rand and hard currency earnings
- Maintenance costs: long-term, contractual
- Feedstock costs: long-term, contractual, cost fluctuations born by customer
- Appropriate, ring-fenced, non-recourse project finance in project SPVs on acquisition
- Target gearing level of up to 50%
- 70% of Interest rate exposure to be hedged, depending on interest rate cycle and transacting, policy to be reviewed regularly
- Forex hedging strategy to be established at the time of acquisition of offshore asset

Long—term, contractual, inflation-hedged revenues, fuel cost risk borne by customer

## HOW WE DO IT



## **OPERATING STRUCTURE**



## KEY RISKS AND MITIGANTS

RISK	MITIGANT
Construction and development risk	<ul> <li>Ring-fenced with project developer</li> <li>Assets only acquired once substantially de-risked and cash generating or close thereto (&lt;12 months to COD )</li> </ul>
Maintenance risk	• Long-term maintenance agreements with expert third parties - primarily OEM's/ representatives.
Operational risk	<ul> <li>KPI-driven, interest-aligned external asset manager</li> <li>Strong existing executive plus strong management teams through acquisitions</li> <li>Reputable operators (OEM's/authorised partners), dedicated service providers, engineering and environmental consulting houses</li> <li>Building &amp; training AEP skills pool to move operations &amp; preventative maintenance in-house</li> <li>Board level risk-mitigation</li> </ul>
Availability of feed-stock gases	<ul> <li>Long-term supply agreements including secondary source from producers and traders</li> <li>Secure own feedstock reserves</li> <li>Contractually pass risk onto customer</li> </ul>
Offtake risk	<ul> <li>"Take or pay" agreements</li> <li>Supplying critical products/key energy need</li> <li>Primary and secondary customers</li> </ul>
Regulatory and environmental risk	<ul> <li>Full SHEQ and other compliance</li> <li>Requisite consents obtained</li> </ul>
Financial risk	<ul> <li>Customer due diligence</li> <li>Appropriate gearing and hedging</li> <li>Non-recourse project finance where appropriate</li> </ul>

## **AEP Returns**

- Anticipated total return of <20%-25% from anticipated reinvestment of free cash flows in early years
- US energy YieldCo's = best sector comparable => energy companies owning only majority shareholdings in operating assets (acquired from third party or affiliate)
- All US energy YieldCo's delivered +19% total returns since IPO
- NRG's asset mix = best comparable to AEP
- BUT AEP also offers significant uncapped upside given scale of African opportunity and largely uncontested market

Name	IPO Date	Current Asset Size	Asset Mix	Dividend Yield (IPO/current)	Total return since IPO	Average Contract Length
NRG Yield	7/16/13	4.2 GW	35% conventional 33% renewable 32% thermal	5.45/2.70%	140%	16 years
TransAlta Renewable	8/09/13	1.3 GW	92% wind 8% hydro	7.50/6.55%	24%	16 years
Pattern Energy Group	9/26/13	1.4 GW	100% wind	5.68/3.90%	54%	17 years
Abengoa Yield	6/12/14	1 GW & transmission	70% renewable 30% conventional	3.59/2.59%	38%	26 years
Nextera Energy Partners LP	6/27/14	1 GW	70% wind 30% solar	3.00/2.17%	38%	23 years
Terraform	7/18/14	0.807 GW	100% solar	3.61/3.61%	N/A	18 years
S&P 500	As of 7/16/13	N/A	N/A	1.9% (current)	19%	N/A

Note: Current dividend yield and total return since IPO are both calculated from close on 7/17. Dividend yield calculations for stocks that have not yet issued dividends are based upon expected dividend distributions. Size, asset mix and average contract length are sourced from company websites or Form S-1 filings with the SEC.

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## Energy in Africa





## DARK AFRICA

Most of the people with no access to electricity live in Africa

- Africa =16% of the world's population ; 53% of Africa's people have no access to grid electricity
- O c.80% of African households rely on biomass (e.g. wood) for cooking and emergency diesel for primary electricity generation
- O c. 600,000 Africans p.a. (women and children) die from indoor air pollution from cooking with firewood
- O 48 countries in sub-Saharan Africa (800 million people) generate same power as Spain (45 million people)
- O Power consumption per capita in sub-Saharan Africa =613 kWh p.a. vs. 6,500 kWh in Europe; 13,000 kWh in USA
- O Africa needs US\$70 billion investment p.a. in electricity infrastructure
- O 30 African countries experience power outages daily = annual losses of 2% 5% GDP



# NEW DEAL FOR ENERGY IN AFRICA

- o 2016 AfDB initiative aimed at universal access to energy across Africa by 2025
- Intends to bring about an energy revolution leveraging Africa's vast energy resources
- Massive impact expected from increased access to stable electricity supply on growth, productivity, economic development

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## LIGHTING THE CONTINENT

African Energy

Universal access to energy by 2025 means connecting ~200Mn households, nearly doubling grid generation capacity and tripling use of clean cooking solutions

		From Current Energy Situation In Africa		To Universal Access In 2025	
	Population, M	1 174	X 1.3	1 499	
	GDP, \$ bn	2 175	X 1.7	3 742	
	Electrification rate, %	43%	X 2.3	97%	
power	Households Connected, M	87	X 3.6	292	+130 M new on grid
	Grid	83	X 2.6	213	Connections
	Off-grid	4	X 20	79	+75 M new on grid connections
	Grid capacity, GW	170	X 1.9	332	+160 GW of new
	Consumption kWh/capita	613	X 1.5	941	capacity
an king	Penetration rate, %	31%	X 3.3	100%	+150 M of clean cooking solutions
Cool	Household using clean cooking, M	70	X 3.1	220	

1. Assuming 100% urban electrification and 95% rural electrification

2. Out of 234m households in 2015 and 300m households in 2025

SOURCE: WEO 2014. Brighter Africa report, World Bank

## UNCONTESTED FUEL SOURCE IN AFRICA



- O LNG can be moved & stored using proven existing fuel logistics infrastructure
- O Low capex substitution
- O Not yet done in Africa
- O AEP will offer first-time gas (LNG) sync capability in Africa backwards along the value chain (from offtake facility)

## **AFRICA'S RETURNS CONTRIBUTION**

- Africa offers technology leap-frog opportunity could deliver returns above <20-25% range based on MTN and Vodacom performances</li>
- Vodacom and Standard Bank, also persuade AEP to will retain a significant presence in South Africa
- South Africa's Gas/LNG-to-Power represents a strong domestic return driver for AEP
- AEP'S LNG storage and power and regasification infrastructure (defensible, long-term, cash generating) = underpin to future dividends

### MTN vs Vodacom share price performance

### Standard vs Nedbank share price performance



## Target Assets and potential acquisitions









PROJECT TYPE	KEY CHARACTERISTICS
Traditional power generation	Central grid driven, national utility / Government power generation
Mid- to down-stream gas (incl. infrastructure)	Gas processing, transmission & distribution, storage, liquefaction & re-gasification, sales
Operations and preventative maintenance	People, processes & systems to operate and maintain energy facilities in partnership with OEM's
Battery energy storage, cogeneration and	Distributed generation on-site or close to customer-centric generation, often with thermal energy recovery & usage.
OURIE	Large battery solutions for flexible generation & storage
Trading and finance	Trading of physical product (primary energy) supply, electricity and accrued CERC's as and when accrue monetary value

## STRONG ACQUISITION PIPELINE

CUSTOMER	DESCRIPTION	STATUS	estimated cost
A	Operating 200MW dual-fueled power plant with medium-term PPA	Under negotiations	R3 billion
В	Operating 80MW dual-fueled power plant with medium term PPA	Under negotiations	R1.3 billion
С	Operating 15MW gas-fired power plant with long-term PPA, and Operating 30MW CHP plants	Under negotiations	R250 million + R450 million
D	Operating 17MW gas-fired power plant with long-term PPA (redevelopment)	Under negotiations	R200 million
E	3 separate gas-fired plants of 28MW, 250MW, and 450MW, in development by developers for sale to AEP	In development	R9 billion

## STRONG PIPELINE (continued)

CUSTOMER	DESCRIPTION	STATUS	estimated cost
F	2 separate CCHP plants of 8MW and 2MW in development by developers for sale to AEP	In development	R420 million
G	5 to 10-year LNG supply contract, including infrastructure, for at 250,000 TPA	Under negotiations	US\$100 million p.a.
Н	Going concern acquisitions of medium-term gas supply agreements/businesses to industrial gas consumers, including LPG and industrial gases	Under negotiations	R400 million
I	2 Gas producing fields with gas processing facilities and compression/ small-scale liquefaction customers in power and processing industries	Under negotiations	R500 million and US\$50 million
J	RSA IRP allocates 35GW of new gas power, and possible 10MTPA of gas; EIUG consumes est 20GW of SA power, which they require security, reliability and cost-competitively	Under negotiations	N/A

## Management & Governance





## DEEP DIRECTOR SKILLS POOL

- O 62 years collective energy industry experience
- O Power generation & utility, gas & power, oil & gas, project development, risk management
- O Energy consulting (private and public sector)
- O Energy transmission & distribution
- O Refining & process engineering
- O Operations management
- O Corporate, structured and project finance
- O Intimate understanding of dominant (South) African energy players i.e. Sasol, Eskom, Engen, BP
- O Multi-country experience across Africa
- O Proven track record of realising investment value

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# STRONG FOCUS ON BEE

- O BEE partner is the black- owned and -managed Management Company, Destiny Corporation Management Services
  - O Destiny Level 2
  - O Thesele Level 3
- O BEE equity earned through internalisation mechanism
- O Will solicit direct Black ownership through the private placement
- O Significant number of Black, women and differently-abled directors
- O Focus on EE as AEP/MANCO's staff complements grow
- O Maximise other scorecard areas

Clear alignment with shareholders as Economic Empowerment grows in proportion to AEP growth and performance

## **BOARD OF DIRECTORS**

DAVID WRIGHT: Independent Non-executive Chairman BSc. Chemical Engineering (University of Natal), Certificate Programme for Finance and Accounting (Wits Business School). David's professional affiliations include, inter alia, member of Ministerial Advisory Council for Energy since 2015, SA Institute of Chemicals since 1974, Institute of Directors (IoD) since 2014 and Secretary General of SA National Energy Association (SANEA - SA Member Committee of World Energy Council).

David began his career in 1974 as a Mettalurgist for Anglo American before moving to, amongst others, Engen in 1991 where he spent 23 years. Towards the end of his tenure as a long-serving member of the senior management team, he acted as Special Advisor to the MD and CEO. Since August 2014 David has pursued industry consulting for clients including the Central Energy Fund, Phembani and Sasol Mining.

### EDWIN KIKONYOGO: CEO

BA (University of London), MBA (Rutgers University,) Lemberg Programme in Economics and Finance (Brandeis University) Edwin is a co-founder and executive director of Destiny Group, which held diverse investments in the Property, Services, Industrial Gases and Pharmaceuticals industries. Since 2012, Edwin has been leading Destiny's energy project development teams, currently involved in developing cogeneration projects and Battery Energy Storage projects, LNG conversion to power and LNG supply projects, an acquisition of natural gas producing fields, electricity agreements and signing distributor and licensing partnerships with international leaders on the energy value chain.

African Energy

Between 1994 and 2005 Edwin worked at Citibank CIB, Deutsche Bank and as Head: African Corporate Finance and Debt Capital Markets for Barclays Capital. He has deep experience in structuring and financing corporate lending, investment banking and corporate, structured and project finance in the mining, oil and gas), telecoms and infrastructure sectors across Africa.

NKOSI-YAWO GUGUSHE: COO BCom (University of Kwazulu-Natal) Nkosi is a co-founder and chief executive officer of Destiny Group, which held diverse investments in the Property, Services, Industrial Gases and Pharmaceuticals industries. Since 2012, Nkosi has been leading Destiny's energy project development teams, currently involved in developing cogeneration projects and Battery Energy Storage projects, LNG conversion to power and LNG supply projects, an acauisition of natural aas producing fields, electricity agreements and signing distributor and licensing partnerships with international leaders on the energy value chain.

Between 1996 and 2005, Nkosi worked at Accenture Consulting and then as Head: Corporate Finance and Debt Capital Markets for Vunani Capital (then African Harvest Capital). He has deep experience and expertise in operations management across the energy, financial services & transport industries, investment banking and structured and project finance in the resources, telecoms and infrastructure sectors.

### KEVIN SIMONS: CFO BCom (RAU) Hons. (Accounting) (University of South Africa), CA(SA)

Kevin was formerly Financial Manager for Sasol Group, which included Sasol Group Services, Sasol Energy, Sasol Oil, Sasol Chemicals, a number of international group holding and finance companies, as well as special projects such as Sasol's gas processing & pipeline facilities in Mozambique and SA, and the proposed GTL in Louisiana, USA. His role included project pre-feasibility, budgeting, accounting, taxation, reporting, aovernance & reporting, stakeholder relations, compliance, financial management & team leadership. He initially began his career after articles as Senior Manager: Finance at Nambiti Consulting, He then consulted independently for LPC Manhatten Moela (now Arcay Moela) and EOH. In March 2009 he founded Simons and Maggs Consulting, which provided financial management and corporate finance services to inter alia. Government, Abacus, SAB&T and MTN, before joining Sasol in 2012.

SILVANUS DAVID: Independent Non-executive Director Post graduate and Advanced Diplomas in Project Management, currently studying towards a Masters (Commerce – Project Management) (Cranefield College of Management) Silvanus beaun his career in 1989 in manufacturing with Pakco, and thereafter moved into a financial role at the Durban City Council. After later serving at Santam as a project leader, Silvanus joined SITA in October 2000 where he is still currently employed as Programme Manager. Silvanus has over two decades of experience in financial risk management, procurement oversight and management, quality control and technology and systems risk management and brings a wealth of expertise in the field of project management. Silvanus is also a sought-after and frequent speaker on project and risk management on the international professional speaking circuit.

ERICA JOHNSON: Independent Non-executive Director BSc, MSc degree (Electrical Engineering) (University of Cape Town), MBA (Wits), ACE (MIT Sloan School of Business)

Erica initially joined Eskom in 1994 as an operations engineer in the Distributor Division before moving to the Systems Operations Department as National Control Manager. In 2002 she was promoted to Head: Systems Operations and in 2006 took top honours in the Eskom Exec of the Year awards for her leadership and managerial skills during the power outages in the Western Cape. She was subsequently promoted to Senior General Manager (Transmission) and later to Managing Director (System Operations and Planning). After major power system failures in January 2008, Erica was assigned the responsibility of Recovery Program Manager for Eskom and finally served as Chief Officer: Customer Network Business. During her two decades at Eskom, she built up an enviable understanding of and track record within utilities systems and operations management, IT, risk, planning, legal, stakeholder & compliance management. She has deep relationships with the energy regulator, NERSA, and a network of working relationships with members of the SAPP and other African utilities. Since leaving Eskom, Erica has spend the last two years advising Government, including corporates such as Vodacom and Standard Bank on their energy strategy.

CARLA CLOETE: Independent Non-executive director LLB, LLM (University of Kwa-Zulu Natal) Carla completed her articles at Bowman Gilfillan and practiced as an associate for four years in the M&A and Capital Markets teams. She was lead legal counsel on a number of matters for a variety of clients, including Tongaat Hulett, Barclays, Netcare, Steinhoff, GoldFields, Anglo American, UBS, Morgan Stanley, AngloGold Ashanti and Goldman Sachs.

Carla has spent the last eight years at RMB as legal advisor in the Global Market division, which covers all market facing transactions. She advises, structures, negotiates and executes the legal aspects including risk management, legal agreements, commodities trading and pricing and derivatives structuring and execution. MERIAM KEKANA: Independent Non-executive director BCompt Hons (Accounting) (University of Johannesburg), CA(SA)

Meriam completed her articles with Ernst & Young in 2004 and continued as an auditor until she became a senior manager: servicing a number of large listed and private corporations. Her responsibilities also included IFRS, US SEC & US GAAP compliance, as well as internal audit mandates. In 2013 she joined international energy group, BP, where she serves until today as Assurance, Risk and Controls Manager with specific responsibilities for financial management and business controls, risk management, ethics & compliance and governance & reporting. In these roles, she has designed and implemented selfassurance and interventionist process for BP's Southern African businesses, reporting directly to the Group CFO.

SIFISO SIBIYA: Independent Non-executive director BCom Hons (Accounting) (University of Natal), CA(SA), Certificates in Geology, Debt Restructuring and Mezzanine Finance Sifiso completed his articles and was appointed an internal audit manager at KPMG, where he stayed until 2005. He then joined RMB as a credit analyst, where he managed a portfolio holding over R100 billion in facilities covering the metals & mining sectors and was also involved in BEE capital raises of over R50 billion. By 2008, Sifiso was coteam leader and the runner-up in RMB's Analyst of the Year 2008 competition. He subsequently left RMB and founded Sotobe Chartered Accountants, a risk & corporate advisory as well as private equity investment firm. Sifiso serves currently on the boards of some investee companies.



## AEP SHAREHOLDING STRUCTURE ON LISTING

Founding Directors – Gugushe and Kikonyogo **(via SPV**, **Trodera (Pty) Ltd)** 



Institutional and public investors



## **OWNERSHIP AND MANAGEMENT STRUCTURE**



## EXTERNAL ASSET MANAGEMENT

ASSET MANAGER	DESTINY CORPORATION MANAGEMENT SERVICES
Term	<ul> <li>Automatic internalisation at end of 10 years</li> </ul>
Services	<ul> <li>Originating, evaluating and directing appropriate investment opportunities and exit strategies</li> <li>Advising AEP regarding structuring, managing and monitoring of investments</li> <li>Supervising transaction negotiations incl. documentation required for acquisitions/realisation of investments;</li> <li>Day-to-day operational oversight and management of AEP's assets and facilities</li> <li>Monitoring the performance of investments</li> <li>Appointing professional consultants required by AEP</li> </ul>
Management fee	<ul> <li>35 bps of Enterprise Value while SPAC</li> <li>Stepped scale: 90 bps - 35 bps of Enterprise Value, as Enterprise Value grows</li> <li>1% of the price of any disposals</li> </ul>
Evaluation	<ul> <li>Performance of Manco subject to annual evaluation by AEP's Independent Board</li> </ul>
Automatic internalisation	<ul> <li>At end of year-10</li> <li>Pre-determined formula for value transfer with objectively measurable inputs</li> <li>Quantum of value transfer aligned with shareholder value created to date</li> <li>Based on Manco profitability and market rating of AEP at date of internalisation (Manco PAT x AEP P:E multiple)</li> <li>Annually determinable and recognised in AEP's AFS</li> </ul>
Termination	<ul> <li>No consideration payable if termination due to breach by Manco</li> <li>Early termination: value transfer in terms of internalisation formula plus shareholder approval</li> </ul>

## Annexures





# **ANNEXURE 1:** EXAMPLE OF AN INTEGRATED HEATING & COOLING PLANT



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## **ANNEXURE 2:** DESTINY'S DEVELOPMENT PIPELINE

PROJECT / ASSET	DESCRIPTION & STATUS	DCF NPV or Valuation
Leading Transport S.O.C. trigeneration	<ul> <li>8MW piped natural gas fueled CCHP generating power, heating and cooling for its main operations centre (1 of 3 possible) - R270m capex</li> <li>15-year Award, subject to feasibility. Technical feasibility done; bankable due end July. National Treasury PPP status application in process</li> <li>Gas secured, EPC in competitive bidding, Caterpiller bidding to be OEM, Standard Bank and IDC interested in debt and equity funding, EPC &amp; international IPP interested in Operations</li> <li>Signature of PPA and Land lease expected by Sept. 2017, Financial Close by November 2017, and plant COD by December 2018</li> <li>Can be replicated at other facilities owned by SOC, and similar energy use facilities</li> </ul>	P R708m (or R438m after capex deb reduction)
Industrial Park cogeneration	<ul> <li>Initial 28MW piped natural gas CHP generating power and steam in KZN for on-site customer and SA Power Pool ("SAPP") client.</li> <li>Stage 1 is acquisition of existing site and redevelopment of up to 28MW power &amp; 35tons/hr steam for on-site clients. Stage 2 is increase to 70MW and up to 150 tons/hr steam. Stage 3 is potential expansion to maximum site capacity (c200MW plus steam) for Gas to Power IPP program</li> <li>Deferred payment Sale &amp; Purchase agreement signed, PPA negotiations in progress with SAPP off-taker, OEM's keen to provide equipment and invest equity</li> <li>IDC, as senior lender, conditionally interested in continued &amp; expansion funding</li> </ul>	R450m re-development, with long term attractively priced PPA prospect
Mooinooi Ferro waste gas recovery to power	<ul> <li>Initial 16MW piped smelter off-gas power generating plant, in North-West for Mining major's mining and smelting operations. Mining company will offtake some power, but RSA Government's Cogeneration PPP program has selected the plant as a preferred (&amp; only) supplier</li> <li>Stage 1 is acquisition existing plant for up to R100m (asset value), redevelop plant to improve operating &amp; process efficiencies. Stage 2 is expand plant to capture all the smelter off-gas (additional 40%) to increase plant capacity to 25MW</li> <li>Mining major needs up to 150MW on site, and a further 500MW at a second site</li> </ul>	<ul> <li>NPV of R406m (or R220m after cape) debt reduction)</li> </ul>



## **ANNEXURE 2:** DESTINY'S DEVELOPMENT PIPELINE (continued)

PROJECT / ASSET	DESCRIPTION & STATUS	DCF NPV or Valuation
Multi-country FMCG cogeneration	<ul> <li>Initial 10MWth and 1.5MWe biomass Combined Heat and Power plant Uganda located facility, a subsidiary with 40% market share in the local market, with a +60 year history in the country.</li> <li>The project has a capital cost of US\$8 million. It can be replicated at 2 additional facilities belonging to competitors in-country.</li> <li>The Biomass CHP will replace HFO as the primary energy fuel for the operation, providing steam and electricity for production, cooling and plant operations.</li> <li>Destiny will sell steam to the brewery on a take-or pay basis for a minimum offtake of 7 tons/hour over a 15 -25 year project term.</li> <li>Electricity will be provided as a by-product, but priced into the steam cost.</li> <li>Electricity will be provided by means of an multi-stage extraction steam turbine, whereby high pressure steam will pass through the first stage of the turbine and produce a minimum of 300KW of electricity, before lower pressure steam is extracted for production process.</li> <li>The steam will be produced in a biomass boiler. Biomass fuel has been secured on an exclusive basis, from a 30,000 hectare pine and eucalyptus sustainable forest owned and managed by a UK Carbon Credit funded company.</li> </ul>	• Equity NPV of US\$ 9 million
Steam production and related services provider	<ul> <li>Acquire a 75% interest of a leading thermal energy company specializing in heat, steam, boiler manufacturing, repairs and servicing, statutory services, as well water, steam, gas &amp; compressed air pipework</li> <li>Agreed price, subject to profit warranties and continued management involvement. Business turnover is cR50m, and PAT is cR5m</li> <li>Sale &amp; Purchase agreement under negotiation, with financiers</li> <li>New business opportunities through new Black shareholding, as well as Destiny's clean energy projects &amp; AEP operating assets</li> </ul>	Transaction is just under a 3 PE ratio
Second waste gas to power ecovery	<ul> <li>14MW piped smelter off-gas power generating plant in North-West. New development similar to Mooinooi Ferro re-development</li> <li>Awarded, Heads of Terms signed, BFS complete, negotiations on 15-year PPA and final agreements.</li> <li>Up to R600m capex</li> <li>Destiny has 50% share with co-developer in this project</li> <li>Shareholders would support project with funding and guarantees</li> </ul>	Not yet valued in monetary terms



## **ANNEXURE 2:** DESTINY'S DEVELOPMENT PIPELINE (continued)

PROJECT / ASSET	DESCRIPTION & STATUS	DCF NPV or Valuation
GPG Hospitals CHP	<ul> <li>Destiny is one of 5 shortlisted service providers to provide, on a closed tender basis, CHP plants to the Gauteng Provincial Government's large provincial hospitals. A Treasury backed PPP process is envisaged, which is intended to dove-tail with the introduction of piped natural gas as fuel to the hospital's thermal heat systems, replacing coal. The procurement process for the first of these, Chris Hani Baragwanath Academic Hospital has begun.</li> </ul>	<ul> <li>Not yet valued in monetary terms</li> </ul>
Indian Ocean LNG	<ul> <li>Destiny and Grupo TSK have convinced the State Owned Companies of a High Credit-worthiness neighbouring nation, that LNG to power is achievable in their country.</li> <li>Their electricity utility is in the process of constructing a 120MW CCGT plant specifically for firing with gas, with Grupo TSK shortlisted amongst 4 bidders for the EPCM of this plant. Utility has earmarked an additional 80MW of gas engines to be converted from HFO to gas, at developers cost.</li> <li>Utility has earmarked land and a jetty proximate to 120MW CCGT &amp; 80 MW gas engines, and the jetty, for LNG imports, storage and regasification.</li> <li>Destiny and partners have demonstrated capacity to construct a small scale LNG storage and regasification terminal, secure and deliver fuel supplies and operate terminal</li> </ul>	<ul> <li>Not yet fully valued in monetary terms, but trading margins are expected to start at around US\$2/ m m B t u, e q u i v a l e n t t o approximately US\$5 million/year</li> </ul>
RSA Gas to Power	<ul> <li>Destiny is leading the development of an LNG and redistribution hub in Richards Bay South Africa that is at once complimentary to DOE IPP Gas-to-Power, but can also be independent of the program if it is delayed.</li> <li>Destiny has access to a small scale 26,000M3 FSRU capable of sending 256 million gigajoules of gas into existing pipeline network. This is the only one of its kind and capability in the world, that is available for immediate deployment.</li> <li>Destiny has also signed initial agreements with service providers for small scale shipping capable of also unloading liquid LNG into trucks, which is highly desirable for Transnet SOC Limited.</li> <li>Destiny and its partners have demonstrated capacity to construct a small scale LNG storage and regasification terminal, secure gas supplies, and operate such a terminal, which together with small scale FSRU and shipping would be capable of servicing all of the ports in South Africa inclusive of Coega, Saldahna, Cape Town etc.</li> <li>Together with Indian Ocean LNG and the consumption for a 400MW gas to power that Destiny is developing outside South Africa, Destiny is looking to trade an initial 1 MTPA of LNG, outside of the RSA Gas to Power program.</li> </ul>	• Not yet valued in monetary terms

# CONTACTS



### AEP

CEO: Edwin Kikonyogo Mobile: 082 924 0414 Email: edwinkikonyogo@aep.co.za COO: Nkosi-Yawo Gugushe Mobile: 060 926 1184 Email: nkosigugushe@aep.co.za

Corporate Advisor
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### **Investor Relations**

Questco Proprietary LimitedSMandy RamsdenJmobile:082 550 7537rEmail:mandy.ramsden@questco.co.zaE

Singular IR Jacques de Bie mobile: 082 691 5384 Email: jdebie@singular.co.za

# QUESTIONS?



