

Form **603**
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To: Company Name/Scheme AFRICAN ENERGY RESOURCES LIMITED

ACN/ARSN 123 316 781

1. Details of substantial holder (1)

Name SENTIENT EXECUTIVE GP IV LIMITED

ACN/ARSN (if applicable) _____

The holder became a substantial holder on 01 MAY 2013

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Fully Paid Ordinary Shares	41,666,667	41,666,667	10.55%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
SENTIENT EXECUTIVE GP IV, LIMITED	Relevant interest under section 608(1) of the Corporations Act 2001 (Cth) (Act) as a result of being the holder of first tranche of shares issued pursuant to the terms of the Subscription Deed (Annexure A)	41,666,667 fully paid ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
SENTIENT EXECUTIVE GP IV, LIMITED	SENTIENT EXECUTIVE GP IV, LIMITED	SENTIENT EXECUTIVE GP IV, LIMITED	41,666,667 fully paid ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-Cash	
SENTIENT EXECUTIVE GP IV, LIMITED	01 MAY 2013	A\$5,000,000		41,666,667 fully paid ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association

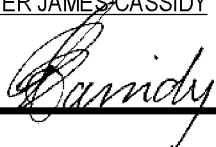
7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
SENTIENT EXECUTIVE GP IV, LIMITED	LANDMARK SQUARE, 64 EARTH CLOSE, WEST BAY BEACH SOUTH, PO BOX 10795, GRAND CAYMAN KY1-1007, CAYMAN ISLANDS

Signature

print name PETER JAMES CASSIDY capacity DIRECTOR

sign here  date 02 / 05 / 2013

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and

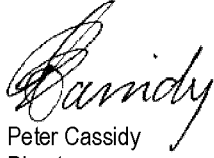
- (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of “relevant agreement” in section 9 of the Corporations Act 2001.

- (8) If the substantial holder is unable to determine the identity of the person (eg. If the relevant interest arises because of an option) write “unknown”.
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of the contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A

This is Annexure A of 20 pages and is a true copy of the Subscription Deed referred to in the Form 603 (Notice of Initial Substantial Holder) signed by me and dated 2 May 2013.

A handwritten signature in black ink, appearing to read "Cassidy", with a stylized flourish at the end.

Peter Cassidy
Director
Sentient Executive GP IV, Limited

AFRICAN ENERGY RESOURCES LIMITED
(ARBN 123 316 718)

AND

SENTIENT EXECUTIVE GP IV LIMITED

SUBSCRIPTION DEED

**Fairweather
Corporate Lawyers**

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595 Stirling Highway
Cottesloe WA 6011
Ref: AWF:10392

THIS DEED is made on the 24 day of April 2013

BETWEEN:

AFRICAN ENERGY RESOURCES LIMITED (ARBN 123 316 781) of Level 1, 8 Colin Street, West Perth, Western Australia ("**Company**");

AND

SENTIENT EXECUTIVE GP IV LIMITED, a Cayman Islands exempted company in its capacity as general partner of Sentient GP IV, L.P. acting as the general partner of the Sentient Global Resources Fund IV, L.P. of Landmark Square, 1st Floor, 64 Earth Close, West Bay Beach South, P.O. Box 10795, Grand Cayman KYI-1007, CAYMAN ISLANDS ("**Subscriber**").

RECITALS:

- A. The Company is an ASX listed company.
- B. The Parties have agreed that the Subscriber will subscribe for each of the First Tranche Shares and the Second Tranche Shares on the terms of this Deed.

THIS DEED WITNESSES that in consideration of, among other things, the mutual promises contained in this Deed, the Parties agree:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, including recitals and annexures, unless the context otherwise requires:

"**ASX**" means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires;

"**ASX Listing Rules**" means the Listing Rules published by the ASX;

"**AVA Sub Share Sale Transaction**" means the transaction by which the Company acquires all the share capital in Botswana Energy Solutions Ltd (holding the Mmamantswe coal project) from Aviva Corporation Limited;

"**Aviva**" means Aviva Corporation Limited;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Perth, Western Australia;

"**Cleansing Notice**" means a notice that complies with the requirements of section 708A(5) and (6) of the Corporations Act;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Deed**" means the Deed between the Parties constituted by this Deed, and "**this Deed**" shall have a corresponding meaning;

"**Encumbrance**" means an interest or power;

- (a) reserved in or over an interest in an asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over an interest in an asset under a mortgage, charge, bill of sale, lien, pledge, trust or power,

by way of security for the payment of a debt, another monetary obligation or the performance of another obligation, and includes, but is not limited to, an agreement to grant or create any of the above;

"First Tranche Moneys" means \$5,000,000;

"First Tranche Shares" means 41,666,667 Shares at 12 cents per Share;

"Immediately Available Funds" means electronic funds transfer, bank cheque or any other form of payment that the Company and the Subscriber agree in writing;

"Party" means a party to this Deed and **"Parties"** or **"Party's"** shall have a corresponding meaning;

"Placement Fee Shares" means 3,541,667 Shares;

"Placement Shares" means, as the context requires, the First Tranche Shares and/or the Second Tranche Shares;

"Second Tranche Moneys" means \$3,500,000;

"Second Tranche Shares" means 29,166,667 Shares at 12 cents per Share;

"Share" means a fully paid ordinary share in the capital of the Company;

"Shareholder" means a shareholder of the Company; and

"Shareholders' Meeting" means the meeting of Shareholders to be held, inter alia, to ratify the issue of the First Tranche Shares.

1.2 General

In this Deed unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, trust, state or government and vice versa;
- (c) a reference to any gender includes all genders;
- (d) a reference to a recital, clause or schedule is to a recital, clause or schedule of or to this Deed;
- (e) a reference to any Deed or document is to that Deed or document (and, where applicable, any of its provisions) as amended, novated, restated or replaced from time to time;

- (f) a reference to any Party or any other document or arrangement includes that Party's executors, administrators, substitutes, successors and permitted assigns;
- (g) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (h) a reference to a body, other than a Party to this Deed (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body;is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (i) no provision of this Deed will be construed adversely to a Party solely on the ground that the Party was responsible for the preparation of this Deed or that provision;
- (j) where two or more Parties provide a covenant or if a Party comprises two or more persons, the covenants and Deeds on their part bind and shall be observed and performed by them jointly and each of them severally and may be enforced against anyone or any two or more of them;
- (k) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (l) all references to currency are references to Australian dollars; and
- (m) "**including**" and similar expressions are not and must not be treated as words of limitation.

1.3 Headings

In this Deed, headings are for convenience of reference only and do not affect interpretation.

2. CONDITION PRECEDENT TO FIRST TRANCHE

2.1 Execution of a Binding Terms Sheet with Aviva

The subscription for the First Tranche Shares is conditional upon the execution of a binding terms sheet between the Company and Aviva for the AVA Sub Share Sale Transaction on the same terms as set out in the term sheet annexed to the Schedule of this Deed (or on such other terms as are reasonably acceptable to Sentient).

2.2 End Date

If the condition in clause 2.1 is not satisfied within 3 months of the date of this Deed or such later date as the Company and the Subscriber agree in writing, the subscription for the First Tranche Shares will not proceed and the parties' rights and

obligations under this Deed shall terminate with effect from that date (without prejudice to their accrued rights).

3. FIRST TRANCHE

3.1 Subscription

Within 5 Business Days after the execution of this Deed, the Subscriber will subscribe for the First Tranche Shares by paying the First Tranche Moneys in Immediately Available Funds to the Company.

3.2 Issue

Upon the First Tranche Moneys being received as cleared funds, the Company will immediately issue the First Tranche Shares in favour of the Subscriber (and update its Shareholder register accordingly to reflect the issue of the First Tranche Shares to the Subscriber) and as soon as reasonably practicable thereafter:

- (a) procure the issue of a holding statement evidencing the issue of the First Tranche Shares to the Subscriber; and
- (b) take all other steps required to constitute and evidence the Subscriber as the holder of the First Tranche Shares.

4. CONDITIONS PRECEDENT TO SECOND TRANCHE

4.1 Conditions Precedent

The subscription for the Second Tranche Shares is conditional upon:

- (a) completion of the subscription for the First Tranche Shares; and
- (b) the Shareholders having ratified the issue of the First Tranche Shares at the Shareholders Meeting by the necessary majority; and
- (c) completion of the AVA Sub Share Sale Transaction on terms and conditions that in the reasonable opinion of the Subscriber are not materially less favourable (from the Company's perspective) than those in the term sheet annexed to the Schedule of this Deed.

4.2 Shareholder Approval Obligations

- (a) The Company will call and conduct the Shareholders' Meeting to approve the matter set out in clause 4.1 after finalising notice of meeting papers and will do so as soon as reasonably practicable after the issue of the First Tranche Shares.
- (b) The Company will procure that its directors:
 - (i) recommend to Shareholders to vote in favour of the resolution at the Shareholders' Meeting; and
 - (ii) vote any Shares held by them or entities controlled by them in favour of the resolution at the Shareholders' Meeting.

4.3 End Date

If the conditions in clause 4.1 are not satisfied within 3 months of the date of this Deed, the subscription for the Second Tranche Shares will not proceed and the parties' rights and obligations under this Deed shall terminate with effect from that date (without prejudice to their accrued rights).

5. SECOND TRANCHE**5.1 Subscription**

Within 5 Business Days of the satisfaction of the conditions precedent in clause 4.1, the Subscriber will subscribe for the Second Tranche Shares by paying the Second Tranche Moneys in Immediately Available Funds to the Company.

5.2 Issue

Upon the Second Tranche Moneys being received as cleared funds, the Company will immediately issue the Second Tranche Shares in favour of the Subscriber (and update its Shareholder register accordingly to reflect the issue of the Second Tranche Shares to the Subscriber) and as soon as reasonably practicable thereafter:

- (a) procure the issue of a holding statement evidencing the issue of the Second Tranche Shares to the Subscriber; and
- (b) take all other steps required to constitute and evidence the Subscriber as the holder of the Second Tranche Shares.

6. PLACEMENT FEE SHARES**6.1 Condition Precedent**

The issue of the Placement Fee Shares is conditional upon the Shareholders having ratified the issue of the First Tranche Shares at the Shareholders Meeting by the necessary majority.

6.2 Issue of Placement Fee Shares

Upon and only in the event of satisfaction of the condition precedent in clause 6.1 and the subscription for the Second Tranche Shares being completed in accordance with clause 5, within 2 Business Days of the issue of the Second Tranche Shares, the Company will issue the Placement Fee Shares to the Subscriber for no cash consideration. The Company will take all necessary steps as set out in clause 5.2 to evidence the Subscriber as the holder of the Placement Fee Shares.

7. WARRANTIES AND OBLIGATIONS**7.1 Mutual Warranties**

Each Party, subject to the terms of this Deed, warrants to the other Party that each of the following statements is true and accurate as at the date of this Deed:

- (a) if it is a corporate entity, it is validly existing under the laws of its place of incorporation;

- (b) it has the power to enter into and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed;
- (c) it has taken all necessary action to authorise its entry into and performance of this Deed and to carry out the transactions contemplated by this Deed; and
- (d) its obligations under this Deed are valid and binding and enforceable against it in accordance with their terms.

7.2 Company's Warranties and Undertakings

The Company:

- (a) undertakes to the Subscriber that:
 - (i) the Placement Shares and the Placement Fee Shares will be issued free of Encumbrances; and
 - (ii) the Placement Shares and the Placement Fee Shares will rank equally in all respects with the other Shares in the Company; and
- (b) warrants in favour of the Subscriber that the Company has not materially breached any applicable provision of the Corporations Act requirement in the ASX Listing Rules, including ASX Listing Rule 7.1 and the continuous disclosure obligations in ASX Listing Rule 3.1 and the Corporations Act.

7.3 The Subscriber's Warranties

The Subscriber warrants in favour of the Company that:

- (a) the issue to the Subscriber of the Placement Shares and the Placement Fee Shares does not infringe section 606 of the Corporations Act; and
- (b) it agrees to be bound by the constitution of the Company in respect of the Placement Shares and the Placement Fee Shares.

7.4 Company's Obligations

- (a) Upon or immediately after the issue of each tranche of Placement Shares and the Placement Fee Shares, the Company will:
 - (i) apply for quotation of the Shares in accordance with the ASX Listing Rules; and
 - (ii) provided it is entitled to do so under section 708A of the Corporations Act, issue a Cleansing Notice to the ASX so that the Shares are freely transferable without any secondary trading restrictions in terms of the Corporations Act.
- (b) If the Company is unable for any reason to issue a Cleansing Notice in accordance with clause 7.4(a)(ii), the Company must lodge a disclosure document with ASIC for the purposes of section 708A(11) of the Corporations Act within 48 hours of the issue of the Shares.

8. CONFIDENTIALITY

The terms of this Deed are to remain strictly confidential to the Parties and may only be disclosed:

- (a) as is necessary to enforce a Party's respective rights and obligations under this Deed;
- (b) to their legal, accounting or financial advisers;
- (c) with the written consent of all Parties;
- (d) as required by law; or
- (e) by the Company to the ASX in order to comply with its regulatory obligations including continuous disclosure and in order to seek Shareholder approval to ratify the issue of the First Tranche Shares.

9. NOTICES

9.1 Any notice, demand, consent or other communication ("**Notice**") given or made pursuant to this Deed:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must either be delivered to the intended recipient by prepaid post, courier, by hand or, where applicable, by facsimile to the address or facsimile number specified below or the address or facsimile last notified by the intended recipient to the sender:

to the Company:
Level 1
8 Colin Street
West Perth, Western Australia, 6005
Attention: Managing Director
Facsimile: (08) 6465 5599

to the Subscriber:
Landmark Square, 1st Floor
64 Earth Close
West Bay Beach South
PO Box 10795
Grand Cayman KYI-1007
CAYMAN ISLANDS
Attention: Ms. Susan Bjuro
Facsimile: +1 (345) 946 0921

9.2 Notices shall be deemed given or made:

- (a) if personally served, at the time of service;
- (b) if mailed, on the fifth Business Day after date of mailing; and

- (c) if sent by facsimile, on the Business Day the Notice is despatched or if not despatched on a Business Day the next following Business Day.

9.3 Any Party may change its address or facsimile number by giving notice to that effect to the other Parties.

9.4 For the sake of certainty, service of a Notice by e-mail is not a valid form of service for the purpose of this Deed.

10. MISCELLANEOUS

10.1 Governing Law

This Deed shall be governed by and construed in accordance with the laws of Western Australia and the Parties submit themselves to the exclusive jurisdiction of the courts of that State.

10.2 Further Assurance

Each Party shall sign, execute and do all acts, documents and things that may be required in order to implement and give full effect to the provisions and purposes of this Deed whether before or after its execution.

10.3 Costs

- (a) Each Party will bear their own legal and other costs in respect of the negotiation, preparation, consideration and execution of this Deed.
- (b) The Subscriber will be liable for duty assessed on or in relation to this Deed.

10.4 Variation

No variation, modification or waiver of any provision of this Deed nor consent to any departure by any Party there from, shall in any event be of any force or effect unless the same shall be confirmed in writing, signed by the Parties and then such variation, modification, waiver or consent shall be effective only to the extent for which it may be made or given.

10.5 Waivers

No failure, delay, relaxation or indulgence on the part of any Party in exercising any right or power conferred upon such Party in terms of this Deed shall operate as a waiver of such power or right, nor shall any single exercise of any such power or right preclude any other future exercise thereof, or the exercise of any power or right under this Deed.

10.6 Severance

If any provision of this Deed is void, voidable by any Party, unenforceable or illegal including being contrary to the Corporations Act or the ASX Listing Rules it shall be read down as to be valid and enforceable or if it cannot be so read down, the provision (or where possible the offending words), shall be severed from this Deed in accordance with the applicable legal principles of severance.

10.7 Counterparts

This Deed may be executed in any number of counterparts and by facsimile copies, all of which taken together constitute one and the same document.

XXXXXXX

EXECUTED as a DEED.

SIGNED for and on behalf of)
AFRICAN ENERGY RESOURCES)
LIMITED (ARBN 123 316 781) Susan Bjuro for Avalon Management Limited)
by authority of its directors in accordance)
with its constituent documents)



Signature of Director

Charles Frazer Tabcart
Print Name of Director



Signature of Director/Secretary

DANIEL M DAVIS
Print Name of Director/Secretary

SIGNED for and on behalf of)
SENTIENT EXECUTIVE GP IV LIMITED)
by authority of its directors in accordance)
with its constituent documents)



Signature of Director

Gregory Link
Print Name of Director



Signature of Director/Secretary

Susan Bjuro for Avalon Management Limited
Print Name of Director/Secretary

SCHEDULE 1

AVA Sub Share Sale Transaction – Agreed Form Term Sheet

**BINDING TERMS SHEET
DATED 26 APRIL 2013**

BETWEEN

**AFRICAN ENERGY RESOURCES LIMITED (ARBN 123 316 718) of Level 1, 8 Colin
Street, West Perth, Western Australia ("AFR")**

**AVIVA CORPORATION LIMITED (ACN 009 235 956) of Level 1, 245 Churchill Avenue,
Subiaco, Western Australia ("AVA")**

This Agreement sets out the principle terms upon which AFR will acquire 100% of the AVA Sub Shares from AVA. This Agreement supersedes any and all previous correspondence, agreements or understandings between the parties.

1.	Transaction	(a) AFR is a public company listed on the ASX. (b) AVA is a public company listed on ASX and owns 100% of Botswana Energy Solutions Ltd (BVI Company Number 1387836) ("AVA Sub"). (c) Mmamantswe Coal has the right to earn a 90% joint venture interest in the Licence, and is currently seeking to acquire 100% of the interest in the Licence. AVA Sub owns 100% of Mmamantswe Coal. (d) AFR has agreed to buy from AVA all of the AVA Sub Shares at Completion free from encumbrances.
2.	Conditions precedent	(a) This Agreement and completion of the transaction contemplated by this Agreement are conditional upon the following conditions being satisfied or waived by the party entitled to the benefit of the condition: (i) Completion of due diligence by AFR within the Due Diligence Period on AVA Sub, Mmamantswe Coal, their assets and business and on the Licence to the satisfaction of AFR in its sole and absolute discretion. (ii) Completion by AFR of the capital raising required to purchase all the shares of AVA sub before the End Date (iii) Mmamantswe Coal being the registered holder of 100% of the Licence within 3 months of the date of this document or such longer period as mutually agreed in writing by the Parties. (iv) AVA and AVA Sub obtaining necessary regulatory approvals to give effect to the terms of this Agreement including AVA obtaining shareholder approval under ASX Listing Rule 11.2 to the sale transaction in this Agreement.

		(v) Execution of the Share Sale Agreement before the End Date (b) The conditions precedent in paragraphs 2(a)(i), (ii) and (iii) are for the benefit of AFR and may only be waived by AFR. The conditions precedent in paragraphs 2(a)(iv) and (v) are not capable of waiver. (c) The conditions precedent are to be satisfied or waived by 5.00pm (WST) on the End Date unless an alternative time frame is agreed. The Parties acknowledge that time is of the essence and they will use their reasonable endeavours to ensure that the conditions precedent are satisfied as soon as possible. (d) AVA will procure that its directors (other than Mr Britz): (i) recommend to the AVA shareholders to vote in favour of the resolution to approve the sale transaction for the purposes of ASX Listing Rule 11.2; and (ii) vote any shares held by them or entities controlled by them in favour of the resolution to approve the sale transaction for the purpose of ASX Listing Rule 11.2, provided always that this provision will not apply if the directors determine that recommending to the AVA shareholders to vote in favour of the resolution to approve the sale transaction would be, or would likely to be a breach of his fiduciary or statutory duties. (e) If any of the conditions precedent are not satisfied or waived by the End Date, then this Agreement will be at an end and the Parties will be released from their obligations.
3.	Due diligence material	AVA and AVA Sub will provide all reasonable and necessary assistance to AFR to conduct due diligence investigations on the AVA Sub, Mmamantswe Coal, their assets and business and on the Licence. If this Agreement is terminated before the transaction is completed, AFR must return all material obtained from AVA and AVA Sub during due diligence to AVA and destroy all copies of such material (in physical and electronic form) and confirm in writing to AVA that it has done so.
4.	Consideration	In consideration of the acquisition of 100% of the AVA Sub Shares, AFR will at Completion pay the Settlement Sum to AVA by electronic funds transfer or any other form of agreed payment.
5.	Completion	(a) Completion of the transaction will occur 5 Business

		Days after the satisfaction (or waiver where available by the Parties) of the conditions precedent set out in paragraph 2 or such other date as may be agreed between the Parties. (b) At Completion AFR must pay the Settlement Sum to AVA in accordance with paragraph 4 above. (c) At Completion, AVA must deliver or procure to be delivered to AFR: (i) share certificates for all of the AVA Sub Shares; (ii) instruments of transfer in registrable form for the AVA Sub Shares in favour of AFR (as transferee) duly executed by AVA (as transferor); (iii) the corporate records and other information for AVA Sub and its subsidiaries, including all information in their possession or control relating to their business and assets and the Licence; (iv) a duly completed authority for the alteration of the signatories of each bank account of AVA Sub and its subsidiaries in the manner required by AFR by written notice to AVA not less than 3 Business Days before Completion; and (v) signed resignations of each of the directors of AVA Sub and its subsidiaries with an acknowledgement by each of them that they have no claim of any kind against AVA Sub and its subsidiaries by way of compensation or entitlement for loss of office. (vi) Evidence that all loans and other liabilities between AVA Sub and AVA have been extinguished. (d) Prior to Completion, AVA must procure that a directors' meeting of AVA Sub is held to attend to the following matters (as applicable): (i) the approval of the registration of the transfer of the AVA Sub Shares and the issue of new share certificates in the name of AFR; (ii) the appointment of additional directors and company secretary of those persons nominated by AFR to AVA not less than 3 Business Days before Completion, which resolutions are to take effect on and from Completion occurring.
6.	Exclusive dealing period	(a) The Parties agree (during the Exclusivity Period) to progress the transaction contemplated by this Agreement exclusively with each other as the case may be.

		(b) During the Exclusivity Period, the Parties must not approach or solicit any proposal from any other person with regard to a matter constituting any aspect of this transaction. (c) Nothing in this clause 6 requires the Parties to undertake any action that would otherwise be prohibited by this clause where the directors of the relevant Party determine that not undertaking that act would or would likely involve a breach of the fiduciary and statutory duties owed by the directors to the relevant Party.
7.	Conduct pending Completion of AVA Sub	AVA covenants and undertakes to procure that from the date of execution of this Agreement until Completion, the AVA Sub: (a) will continue to carry on all business activities in the ordinary course. (b) other than in the ordinary course of business, will not enter into, terminate or alter any term of any material contract or commitment without the prior written consent of AFR. (c) other than in the ordinary course of business, will not acquire, dispose or encumber any material assets or authorise any material capital expenditure without the prior written consent of AFR (such consent not to be unreasonably withheld or delayed). (d) will not do or will refrain from doing anything which could, or is likely to have, a material adverse impact on AVA Sub or the value of AVA Sub Shares. (e) will not issue or agree to issue any shares, options or other securities. (f) will not declare or pay any dividend, distribute or return any capital to its members or alter or agree to alter its constituent documents. (g) will procure and ensure that Mmamantswe Coal and its other subsidiaries (if any) satisfy each covenant listed in paragraphs (a) to (f) above, except as otherwise disclosed in writing to AFR prior to the date of this document or as may otherwise be agreed between the Parties.
8.	Status of Agreement and Formal Documents	This Agreement is legally binding on the Parties and is enforceable in accordance with its terms unless and until it is replaced by the Formal Documents or is terminated in accordance with its terms. The solicitors for AFR will draft the Formal Documents and the Parties agree to seek to finalise and execute them in good faith as soon as practicable. The terms of the Formal

		Documents will be consistent with, and reflect the commercial terms set out in this Agreement. The Formal Documents will include a Share Sale Agreement in a form agreed between the Parties. It is intended that the Share Sale Agreement will be executed by AFR, AVA and AVA Sub. It will include provisions ordinarily included in such documents including warranties as contemplated in paragraph 9. Unless and until the Formal Documents are executed by the Parties, the rights and obligations of the Parties shall be governed by this Agreement. Unless the Parties agree otherwise, if the Formal Documents are not executed by the End Date this Agreement is at an end as to its future operation except for the enforcement of any right of claim which arises before this Agreement comes to an end.
9.	Warranties	Detailed warranties will be included in the Share Sale Agreement being warranties of a nature and form which are usually prepared by solicitors when acting on a share sales transaction including, without limitation, warranties by AVA and AVA Sub as to share capital, the good standing of the Licences and assets, environmental, contracts, intellectual property, corporate matters, no litigation, solvency and taxes. The warranties as to the good standing of the Licences and assets will include warranties that the holding of the interest in the Licences is in compliance with all applicable laws and regulatory requirements, the Licences are maintained in good standing and the Licences are free from any encumbrances.
10.	Confidentiality	This Agreement and all other information disclosed by the Parties to each other is confidential and each Party shall ensure that such information remains confidential in accordance with the terms of the confidentiality deed entered into between the Parties dated 12 April 2013. The Parties acknowledge that each of AFR and AVA will make an announcement to the ASX concerning the transaction following consultation with the other Parties.
11.	Further Assurance	Each Party shall sign and execute and do all deeds, acts, documents and things as may reasonably be required by the other parties to effectively carry out and give effect to the terms and intentions of this Agreement.
12.	Variation	No modification or alteration to the terms of this Agreement shall be binding unless made in writing dated subsequent to the date of this Agreement and duly executed by the Parties.
13.	Assignment	None of the Parties may assign any of the rights or obligations conferred by this agreement without the written consent of the other Parties.

14.	Notices	Each notice authorised or required to be given to a Party shall be in writing and may be delivered personally or sent by properly addressed prepaid mail or by facsimile and in each case addressed to the Party at its address set out in below: In the case of AFR: Level 1 8 Colin Street West Perth WA 6005 Facsimile: +61 8 6465 5599 Attention: Managing Director In the case of AVA and AVA Sub: Unit 1 245 Churchill Avenue Subiaco WA 6008 Facsimile: +61 8 9388 2355 Attention: Chief Executive Officer
15.	Severance	If any provision of this Agreement is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.
16.	Entire agreement	This Agreement is the entire agreement of the Parties on the subject matter. The only enforceable obligations and liabilities of the Parties in relation to the subject matter are those that arise out of the provisions contained in this Agreement. All representations, communications and prior Agreements in relation to the subject matter are merged in and superseded by this Agreement.
17.	Costs of Agreement	Each Party shall bear their own legal costs of and incidental to the preparation, negotiation and execution of this Agreement.
18.	Governing Law	The agreement constituted by this Agreement shall be governed by and construed in accordance with the law from time to time in Western Australia. The Parties agree to submit to the non-exclusive jurisdiction of the Courts of Western Australia and the Courts which hear appeals from those Courts.
19.	Counterparts	This Agreement may be executed in any number of counterpart copies, each of which when executed and delivered to the other parties shall constitute an original, but all counterparts together shall constitute one and the same agreement.
20.	Definitions	Agreement means this terms sheet. ASX means ASX Limited (ABN 98 008 624 691) or the financial market operated by it as the context requires.

		ASX Listing Rules mean the listing rules published by ASX. AVA Sub Shares means the fully paid ordinary shares in the capital of AVA Sub. Business Day means a day that is not a Saturday, Sunday or public holiday in Western Australia. Completion means completion of the sale and purchase of the AVA Sub Shares as contemplated by this Agreement. Corporations Act means the Corporations Act 2001 (Cth). Due Diligence Period means the period ending on 3 May 2013 or such longer period mutually agreed in writing by the Parties. End Date means the date that is 3 months after the date of this document, or such other date as mutually agreed in writing by the Parties. Exclusivity Period means the period ending on the End Date (or the termination of this document if sooner than the End Date) or such longer period as mutually agreed in writing by the Parties. Formal Documents means the Share Sale Agreement and such other documents as required to give effect to the transaction contemplated by this Agreement. Licence means licence number PL-069/2007 located in Mmamantswe, Botswana, Africa. Mmamantswe Coal means Mmamantswe Coal (Proprietary) Limited (Company Number CO2008/2072), a company incorporated in Botswana, Africa and a 100% subsidiary of AVA Sub. Party means a party to this Agreement and Parties means all of them. Settlement Sum means the sum of A\$3,500,000. Share Sale Agreement means a share sale agreement for the sale and purchase of the AVA Sub Shares as contemplated by this Agreement. WST means Western Standard Time, as observed in Perth, Western Australia.
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EXECUTED by the Parties as an Agreement.

SIGNED for and on behalf of)
AFRICAN ENERGY RESOURCES)
LIMITED (ARBN 123 316 718))
by authority of its directors in)
accordance with its constituent)
documents)

Signature of Director

Signature of Director/Secretary

Print Name of Director

Print Name of Director/Secretary

SIGNED for and on behalf of)
AVIVA CORPORATION LIMITED)
(ACN 009 235 956))
by authority of its directors in)
accordance with section 127(1) of the)
Corporations Act)

Signature of Director

Signature of Director/Secretary

Print Name of Director

Print Name of Director/Secretary