

21 September 2015

### **MMAMANTSWE PROJECT SALE**

On 6 July 2015, African Energy Resources Ltd (Company) advised that it had signed a binding term sheet with an experienced South African project developer for the sale of the 100% owned Mmamantswe coal and power project (Project).

In response to a recent request for further information from the ASX, the Company advises that the project developer is TM Consulting, a South African consultancy firm that provides financial consulting, transactional advisory services and funds sourcing (Developer).

The Developer will form a bid consortium which will sole fund the preparation and submission of a bid into South Africa's coal-fired base load IPP procurement programme using the Project. African Energy will be paid an initial US\$10m if the project bid is shortlisted by South Africa's Department of Energy at which time ownership of the Project is transferred to the Developer. African Energy will receive a second payment of US\$10m if and when the project reaches financial close.

A gain will be derived by the company on net sale consideration received in excess of the current carrying value of approximately US\$3.3M.

The Company and Developer are working towards satisfying the term sheet conditions precedent by the deadline of 30 September 2015. The material conditions to be satisfied before the agreement proceeds to completion are:

- completion of due diligence by the buyer;
- delivery of a bank guarantee or the creation of an escrow account for the initial US\$10m payment; and
- completion of a share sale agreement.

No changes to the board or senior management are proposed as a consequence of the completing the sale.

For and on behalf of the Board