

21st December 2015

EXECUTION OF BINDING SHARE SALE AGREEMENT FOR THE MMAMANTSWE PROJECT

African Energy Resources Ltd (the Company) advises that it has executed a binding Share Sale Agreement under which the Company's wholly owned subsidiary, Botswana Energy Solutions Ltd (the Seller), will sell the Mmamantswe Coal and Power project to TM Consulting (the Developer) for US \$20 million, subject to certain conditions being met.

The material terms and conditions of the Share Sale Agreement (SSA) are:

- The Developer will form a bid consortium which is responsible for sole funding the preparation and submission of a bid in response to a Request for Proposals in respect of South Africa's Coal Baseload Independent Power Producer Procurement Program (SAIPPPP). This must include completion of an agreed work program to keep the Mmamantswe Prospecting License in good standing. African Energy is not required to provide any funding to keep the project in good standing or make the bid submission.
- If the Developer is notified by South Africa's Department of Energy that it has achieved preferred bidder status, or if the Developer waives this condition, the Developer must, within 15 days, provide a bank guarantee for an amount of US \$20 million in favour of the Seller.
- The Developer must pay \$20 million to the Seller on completion of the sale.
- Other Conditions Precedent are:
 - The RFP being issued within 12 months of the date of the SSA (unless waived by the Seller and Buyer).
 - Financial Close being achieved within 18 months of the date of the SSA. This may be extended by 12 months if all other Conditions Precedent have been met or waived.
 - Approval for the Share Sale under the Competition Act 2009, Botswana (if required).
 - Approval for the transfer of beneficial ownership of the Prospecting License by the Minister for Minerals Energy and Water Resources, Botswana.
 - Approval for the transfer of the purchase price to the Seller by the Financial Surveillance Department of the South African Reserve Bank.

For any further information, please contact the Company directly on +618 6465 5500.

For and on behalf of the Board