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ASX RELEASE ASX:AFR

4th March 2016

EXECUTION OF NON-BINDING TERM SHEET FOR THE MMAMABULA WEST PROJECT

African Energy Resources Ltd advises that it has executed a non-binding Term Sheet with a South African investment group (the Developer) to develop an integrated coal mine and thermal power station at its Mmamabula West power project.

The material terms and conditions of the Term Sheet are:

- African Energy has granted the Developer a 3-month exclusive period during which the parties will negotiate the terms of binding documentation for a Joint Development Agreement and such other ancillary documents as may be required;
- The Developer must complete Due Diligence to its satisfaction during the period of exclusivity, and
- The terms of the Term Sheet are confidential and must be kept confidential by both parties

The Directors of African Energy consider that execution of a Joint Development Agreement on the proposed terms would be a material transaction and have therefore suspended the current share buy-back until this transaction is completed and the details disclosed to the ASX.

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

For and on behalf of the Board