

2 May 2016

SOUTH AFRICA ISSUES DETERMINATION FOR NEW IPP PROGRAM TO PROCURE CROSS-BORDER COAL FIRED POWER

On 20 April 2016, the South African Minister of Energy gazetted a determination setting out terms for the coal baseload cross-border Independent Power Producer (IPP) procurement programme. In summary:

- 3,750 megawatts to be generated from coal shall be procured through one or more IPP procurement programmes from cross border projects. This is an increase from the initial 2,500 MW allocation proposed in December 2014;
- Allows for Department of Energy to commence direct negotiation with one or more project developers in addition to a tendering process;
- Procurement programmes shall target connection to the grid for the new generation capacity as soon as reasonably possible.

African Energy's 100% owned Mmamabula West and Mmamantswe Projects are being developed for submission into the cross border IPP programme.

At Mmamantswe, African Energy has entered an agreement where TM Consulting (TMC) will acquire the project for US\$20M, subject to achieving certain milestones, principally the financial close of a 600MW integrated power project. TM Consulting is funding all development costs on the project.

In February, African Energy signed a non-binding term sheet with an experienced South African developer, to jointly develop the Mmamabula West Project into an integrated coal mine and 600MW thermal power station for the supply of power in the southern African market.

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

For and on behalf of the Board