



NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

22 June 2012

Time of Meeting

11.00 am (London time)

Place of Meeting

Tavistock Communications
8th Floor
131 Finsbury Pavement
London EC2A 1NT

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Coal of Africa Limited

ABN 98 008 905 388

Notice is hereby given that a General Meeting of Shareholders of Coal of Africa Limited ABN 98 008 905 388 (Company) will be held at Tavistock Communication, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT on 22 June 2012 at 11.00am (London Time) for the purpose of transacting the following business referred to in this Notice of General Meeting.

AGENDA

ITEMS OF BUSINESS

1. Resolution 1 – Proposed issue of Shares to Mr John Wallington

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to allot and issue 250,000 Shares for no consideration to John Wallington or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

The Company will disregard any votes cast on Resolution 1 by John Wallington and/or any associate of John Wallington. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter¹ who is appointed as a proxy will not vote on Resolution 1 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 1; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

¹ “Restricted Voter” means Key Management Personnel and their Closely Related Parties as defined in the glossary.

2. Resolution 2 – Proposed issue of Shares to Mr Wayne Koonin

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to allot and issue 175,000 Shares for no consideration to Wayne Koonin or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

The Company will disregard any votes cast on Resolution 2 by Wayne Koonin and/or any associate of Wayne Koonin. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 2 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 2; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 2. Shareholders may also choose to direct the Chair to vote against Resolution 2 or to abstain from voting.

3. Resolution 3 – Special Resolution: Approval of Financial Assistance to any Related or Inter-Related Company

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, as a general approval, the Company may, in terms of section 45(3)(a)(ii) of the Companies Act and subject to compliance with the remainder of section 45 of the Companies Act, provide any direct or indirect financial assistance (as such term is defined in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company (as such terms are defined in section 2 of the Companies Act) on the terms and conditions, in the form, nature and extent and for the amounts that the Board may determine from time to time. The Board is granted all authority that may be required in respect of the execution and implementation of this resolution.”

4. Resolution 4 – Proposed issue of Shares to Mr Simon Farrell

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby

authorised to allot and issue 1,833,150 Shares for no consideration to Simon Farrell or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will disregard any votes cast on Resolution 4 by Simon Farrell and/or any associate of Simon Farrell. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Simon Farrell or an associate of Simon Farrell.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 4; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 4. Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

5. Resolution 5 – Proposed issue of Shares to Mr Richard Linnell

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to allot and issue 916,575 Shares for no consideration to Richard Linnell or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will disregard any votes cast on Resolution 5 by Richard Linnell and/or any associate of Richard Linnell. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Richard Linnell or an associate of Richard Linnell.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 5 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 5; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 5. Shareholders may also choose to direct the Chair to vote against Resolution 5 or to abstain from voting.

6. Resolution 6 – Proposed issue of Shares to Mr Peter Cordin

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to allot and issue 458,300 Shares for no consideration to Peter Cordin or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will disregard any votes cast on Resolution 6 by Peter Cordin and/or any associate of Peter Cordin. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Peter Cordin or an associate of Peter Cordin.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 6 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 6; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 6. Shareholders may also choose to direct the Chair to vote against Resolution 6 or to abstain from voting.

7. Resolution 7 – Proposed issue of Shares to Mr Geoffrey Linnell

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to allot and issue 114,570 Shares for no consideration to Geoffrey Linnell or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

The Company will disregard any votes cast on Resolution 7 by Geoffrey Linnell and/or any associate of Geoffrey Linnell. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Geoffrey Linnell or an associate of Geoffrey Linnell.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 7 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 7; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to

exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 7. Shareholders may also choose to direct the Chair to vote against Resolution 7 or to abstain from voting.

8. Resolution 8 – Proposed issue of Shares to Mr Stephen Rowse

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 91,660 Shares for no consideration to Stephen Rowse or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

The Company will disregard any votes cast on Resolution 8 by Stephen Rowse and/or any associate of Stephen Rowse. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 8 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 8; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 8. Shareholders may also choose to direct the Chair to vote against Resolution 8 or to abstain from voting.

9. Resolution 9 – Proposed approval of termination benefits for Mr John Wallington

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rules 10.11 and 10.19 and sections 200B, 200E and 208 of the Corporations Act and for all other purposes, approval is given for the Company to provide benefits that might become payable to John Wallington under and in accordance with his employment agreement in connection with the termination of his employment with the Company, details of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

The Company will disregard any votes cast on Resolution 9 by John Wallington and/or any associate of John

Wallington. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of John Wallington or an associate of John Wallington.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 9 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 9; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 9. Shareholders may also choose to direct the Chair to vote against Resolution 9 or to abstain from voting.

10. Resolution 10 – Proposed approval of termination benefits for Mr Wayne Koonin

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rules 10.11 and 10.19 and sections 200B, 200E and 208 of the Corporations Act and for all other purposes, approval is given for the Company to provide benefits that might become payable to Wayne Koonin under and in accordance with his employment agreement in connection with the termination of his employment with the Company, details of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

The Company will disregard any votes cast on Resolution 10 by Wayne Koonin and/or any associate of Wayne Koonin. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Wayne Koonin or an associate of Wayne Koonin.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 10 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 10; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 10. Shareholders may also choose to direct the Chair to vote against Resolution 10 or to abstain from voting.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

For the purposes of these resolutions, the following definitions apply:

Accounting Standards has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company.

Closely Related Party has the meaning given to that term in the Corporations Act.

Companies Act means the South African Companies Act, 71 of 2008, as amended.

Company means Coal of Africa Limited ABN 98 008 905 388.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Director means a director of the Company from time to time.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

Key Management Personnel has the meaning given to that term in the Accounting Standards.

Listing Rules means the Listing Rules of the ASX.

Meeting means the general meeting the subject of the Notice.

Notice or **Notice of Meeting** means this notice of meeting.

Resolution means a resolution contained in this Notice.

Restricted Voter means Key Management Personnel and their Closely Related Parties.

Shares means fully paid ordinary shares in the capital of the Company.

By order of the Board

Shannon Coates
Company Secretary

Dated: 26 April 2012

How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

A shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

- A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf either on a show of hands or on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.

- To be effective, proxies must be lodged by 11.00am (London time) on 20 June 2012. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:

- by returning a completed proxy form in person or by delivery or post using the pre-addressed envelope provided with this Notice to:

Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000

- by faxing a completed proxy form to +61 8 9322 6778.

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 11.00am (London time) on 20 June 2012. If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (London time) on 20 June 2012. Changes in the register of shareholders after this time will be disregarded in determining the rights of any person to attend and vote at the meeting.

Coal of Africa Limited

ABN 98 008 905 388

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of Coal of Africa Limited ("CoAL" or the "Company").

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

BACKGROUND TO RESOLUTIONS 1 AND 2 - APPROVAL OF ISSUE OF SHARES TO JOHN WALLINGTON AND WAYNE KOONIN

Pursuant to their employment agreements:

- Mr Wallington is entitled to be issued 250,000 Shares on completion of 12 months service, which occurred on 15 June 2011; and
- Mr Koonin is entitled to be issued 175,000 Shares on completion of 12 months service, which occurred on 31 March 2012.

Under the terms of the employment agreements, the issue of 250,000 Shares to Mr Wallington and 175,000 Shares to Mr Koonin is subject to shareholder approval. Accordingly, Resolutions 1 and 2 seek shareholder approval for the issue of 250,000 Shares to Mr Wallington and 175,000 Shares to Mr Koonin.

Mr Wallington's employment agreement also specified certain criteria relating to the market price of the Shares. Based on an assessment of Mr Wallington's performance over the 12 month period and the subsequent resolution of operational matters relating to the Vele Colliery in a manner satisfactory to the Board, the Board has elected to waive those Share performance criteria.

The issue of Shares to Mr Koonin pursuant to his employment agreement is not subject to any criteria relating to the market price of the Shares or otherwise.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the grant of Shares to the Mr Wallington and Mr Koonin.

Additional Information

The following information in relation to the Shares to be granted pursuant to Resolutions 1 and 2 is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the Shares will be granted to Mr Wallington and Mr Koonin, or their nominees, as noted above;
- (b) the maximum number of Shares to be granted is 425,000 (being the 250,000 Shares the subject of Resolution 1 and the 175,000 shares the subject of Resolution 2);
- (c) the Shares will be allotted and granted on a date which will be no later than 1 month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) the Shares will be granted for no consideration;
- (e) no funds will be raised by the grant of the Shares; and
- (f) the rights attaching to the Shares are set out in the Company's Constitution.

If approval is given for the grant of the Shares the subject of Resolutions 1 and 2 under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting

Note that a voting exclusion applies to Resolutions 1 and 2 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

BACKGROUND TO RESOLUTION 3 - SPECIAL RESOLUTION TO APPROVE FINANCIAL ASSISTANCE

Resolution 3 is a precaution, based on legal advice, to ensure compliance with the South African companies legislation with regard to provision of financial assistance by the Company to any related company or inter-related company (for instance, in relation to an intragroup loan). The authority given pursuant to this Resolution will be valid for a period of two years from its passing. Any financial assistance provided by the Company to a related or inter-related company would still be subject to liquidity and solvency tests and would be required to be on fair and reasonable terms.

BACKGROUND TO RESOLUTIONS 4, 5, 6, AND 7 - APPROVAL OF ISSUE OF SHARES TO SIMON FARRELL, RICHARD LINNELL, PETER CORDIN AND GEOFFREY LINNELL

Simon Farrell, Richard Linnell, Peter Cordin and Geoffrey Linnell (together, the **Optionholders**) previously held certain Class A Options as set out in the table below. The Class A Options each carried the right to be issued one Share and had an exercise price of A\$0.50 per Share. The Class A Options were issued on 1 October 2006 and were exercisable for a five year period expiring on 30 September 2011.

In the ordinary course the Optionholders would have been able to exercise their Class A Options following publication of the Company's financial statements for the 2011 financial year on 19 September 2011. Prior to the Class A Option expiry date of 5.00pm Australian Western Standard Time on 30 September 2011, in accordance with the Terms and Conditions of the Class A Options, each of Simon Farrell, Richard Linnell, Peter Cordin and Geoffrey Linnell provided the Company Secretary of the Company with a validly completed Notice of Exercise of Options purporting to exercise the full number of Class A Options held by the respective Optionholder, together with payment in full for those respective Class A Options. However, as a result of the Company's intention to imminently proceed with the recently completed placing of new Shares, the Optionholders were in an extended close period and were unable to exercise their Class A Options prior to their expiry on 30 September 2011. After due consideration of the circumstances and in recognition of the long and valued service which Simon Farrell, Richard Linnell and Peter Cordin have provided to the Company, the Board (other than Simon Farrell, Richard Linnell and Peter Cordin, who were not involved in the decision) resolved to ask Shareholders to approve the issue of new Shares, for no consideration, to the Optionholders as compensation for their being unable to exercise the Class A Options.

Simon Farrell, Richard Linnell and Peter Cordin are all Directors of the Company. Geoffrey Linnell is the son of Richard Linnell and the Class A Options granted to him were part of the overall option package offered to Richard Linnell at the time of grant.

The number of new Shares proposed to be issued to each of the Optionholders is set out below.

	Number of Class A Options held	Number of Shares proposed to be issued
Simon Farrell	4,000,000	1,833,150
Richard Linnell	2,000,000	916,575
Peter Cordin	1,000,000	458,300
Geoffrey Linnell	250,000	114,570

The number of shares has been calculated as the number of shares (with rounding in each case) which the Optionholders could have acquired on 20 September 2011 (being the day after the publication of the Company's annual financial statements for the 2011 financial year and the day on which the Optionholders informed the Company of their intention to exercise the Class A Options), based on the difference between the exercise price of A\$0.50 and the average Share price on the Australian Securities Exchange of A\$0.923 on that date.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, the Directors are deemed related parties under section 228(2) of the Corporations Act. As a child of a Director, Geoffrey Linnell is a related party of the Company pursuant to section 228(3)(b) of the Corporations Act.

Resolutions 4, 5, 6, and 7 provide for the grant of Shares to the Optionholders which is a financial benefit which requires shareholder approval.

Current Holdings

Set out below are details of each of the Optionholders' relevant interest in Shares of the Company as at the date of this Notice:

Optionholder	Number of Shares
Mr Simon Farrell, or his nominee(s)	2,871,791
Mr Richard Linnell, or his nominee(s)	787,550
Mr Peter Cordin, or his nominee(s)	412,759
Mr Geoffrey Linnell, or his nominee(s)	751,550
Total	4,823,650

Set out below are details of each of the Optionholders' relevant interest in Options of the Company as at the date of this Notice:

Optionholder	Number of Options
Mr Simon Farrell, or his nominee(s)	8,000,000
Mr Richard Linnell, or his nominee(s)	2,000,000
Mr Peter Cordin, or his nominee(s)	-
Mr Geoffrey Linnell, or his nominee(s)	-
Total	10,000,000

INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given:

Subject to shareholder approval, the following maximum number of Shares will be granted to the following related parties, or their respective nominees:

Optionholder	Number of Shares
Mr Simon Farrell, or his nominee(s)	1,833,150
Mr Richard Linnell, or his nominee(s)	916,575
Mr Peter Cordin, or his nominee(s)	458,300
Mr Geoffrey Linnell	114,570
Total	3,322,595

The nature of the financial benefit

The proposed financial benefit to be given is the issue of Shares for no consideration to the Optionholders as noted above.

Directors' recommendation

All the Directors were available to make a recommendation. For the reasons noted above:

Messrs Linnell, Wallington, Nevhutanda, Bywater, Cordin, Mosehla, Torlage, Xayiya, Murray and Koonin (who have no interest in the outcome of Resolution 4) recommend that Shareholders vote in favour of Resolution 4 as they believe the granting of the 1,833,150 Shares to Mr Farrell will align his rewards with the long-term creation of value for shareholders.

Mr Farrell declines to make a recommendation about Resolution 4 as he has a material personal interest in the outcome of that particular Resolution as it relates to the issue of Shares to him.

Messrs Koonin, Farrell, Nevhutanda, Bywater, Cordin, Mosehla, Torlage, Xayiya, Murray and Wallington (who have no interest in the outcome of Resolution 5) recommend that Shareholders vote in favour of Resolution 5 as they believe the granting of the 916,575 Shares to Mr Richard Linnell will align his rewards with the long-term creation of value for shareholders.

Mr Richard Linnell declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of that particular Resolution as it relates to the issue of Shares to him.

Messrs Koonin, Farrell, Nevhutanda, Bywater, Linnell, Mosehla, Torlage, Xayiya, Murray and Wallington (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6 as they believe the granting of the 458,300 Shares to Mr Cordin will align his rewards with the long-term creation of value for shareholders.

Mr Cordin declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that particular Resolution as it relates to the issue of Shares to him.

Messrs Koonin, Farrell, Nevhutanda, Bywater, Cordin, Mosehla, Torlage, Xayiya, Murray and Wallington (who have no interest in the outcome of Resolution 7) recommend that Shareholders vote in favour of Resolution 7 as they believe the granting of the 114,570 Shares to Mr Geoffrey Linnell will align Mr Richard Linnell's rewards with the long-term creation of value for shareholders.

Mr Richard Linnell declines to make a recommendation about Resolution 7 as he has a material personal interest in the outcome of that particular Resolution as it relates to the issue of Shares to his son.

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.

The proposed ordinary Resolutions 4, 5, 6 and 7 would have the effect of giving power to the Directors to grant a total of 3,322,595 Shares on the terms and conditions as set out in this Explanatory Memorandum and as otherwise mentioned above.

The Company currently has 662,484,573 listed Shares and the following unlisted Options on issue:

Number	Exercise Price	Expiry Date
250,000	A\$2.05	1 May 2012
7,000,000	A\$1.25	30 September 2012
1,000,000	A\$1.90	30 September 2012
600,000	A\$1.25	1 May 2012
1,650,000	A\$3.25	31 July 2012
5,000,000	A\$2.74	30 November 2014
818,500	A\$1.90	30 June 2014
2,500,000	A\$1.20	9 November 2015
1,441,061	A\$1.40	30 September 2015
2	60 pence	1 November 2014

1. The two options have been granted over a total of 50 million Shares.

If all Shares are granted as proposed above, assuming all existing Options on issue have been exercised, the effect would be to dilute the share holding of existing shareholders by 10.605%.

The Optionholders' fees per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of the Shares the subject of Resolutions 4, 5, 6 and 7 are as follows:

	Salary p.a. (A\$)	Value of the Shares (A\$)	Total Financial Benefit (A\$)
Mr Simon Farrell	550,000.00	1,604,006.25	2,154,006.25
Mr Richard Linnell	120,000.00	802,003.13	922,003.13
Mr Peter Cordin	118,809.60	401,012.50	519,822.10
Mr Geoffrey Linnell ¹	N/A	100,248.75	100,248.75

1. Mr Geoffrey Linnell is not employed by the Company.

Valuation of Financial Benefit

The Shares are listed on ASX. The market value of the Shares may increase or decrease in the future. The Company has valued the Shares on the basis of the market price of A\$0.875 per Share on the date of this Notice.

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 24 April 2012:

Highest Price (A\$) / Date	Lowest Price (A\$) / Date	Latest Price (A\$) / Date
A\$1.795 on 14 January 2011	A\$0.705 on 7 October 2011 and 14 October 2011	A\$0.875 on 24 April 2012

Other Information

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Shares in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Shares pursuant to Resolutions 4, 5, 6 and 7.

Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the grant of Shares to the Optionholders.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Additional Information

The following information in relation to the Shares to be granted pursuant to Resolutions 4, 5, 6 and 7 is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the Shares will be granted to the Optionholders, or their nominees, as noted above;
- (b) the maximum number of Shares to be granted is 3,322,595 (divided between the Optionholders as set out in the table above);
- (c) the Shares will be allotted and granted on a date which will be no later than 1 month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) the Shares will be granted for no consideration;
- (e) no funds will be raised by the grant of the Shares; and
- (f) the rights attaching to the Shares are set out in the Company's Constitution.

Voting

Note that a voting exclusion applies to Resolutions 4, 5, 6 and 7 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

BACKGROUND TO RESOLUTION 8 - APPROVAL OF ISSUE OF SHARES TO STEPHEN ROWSE

Resolution 8 seeks shareholder approval to the issue of a maximum of 91,660 Shares for no consideration to Stephen Rowse. As noted above, Stephen Rowse previously held 200,000 Class A Options with an exercise price of A\$0.50 each expiring on 30 September 2011. Mr Rowse's options were in an extended close period and, accordingly, he was unable to exercise his options before they expired. Resolution 8 seeks shareholder approval for the issue of 91,660 new Shares, for no consideration, to Mr Rowse as compensation for his being unable to exercise his options. Stephen Rowse is a long standing member of the Company's senior management team but is not a related party of the Company.

Listing Rule 7.1 requires shareholder approval for the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The following information in relation to the Shares to be issued is provided to shareholders for the purposes of Listing Rule 7.3:

- a) the maximum number of Shares the Company can issue is 91,660;
- b) the Company will allot and issue the Shares no later than 3 months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- c) the shares will be allotted and issued on one date;
- d) the Shares will be issued for no consideration;
- e) the Shares will be issued and allotted to Stephen Rowse who is not a related party of the Company;
- f) the Shares will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary shares on issue; and
- g) the purpose of the issue is to compensate Mr Rowse for not being able to exercise his options prior to their expiry date.

Voting

Note that a voting exclusion applies to Resolution 8 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

BACKGROUND TO RESOLUTIONS 9 AND 10 - APPROVAL OF NEW TERMINATION BENEFITS FOR JOHN WALLINGTON AND WAYNE KOONIN

Resolutions 9 and 10 are proposed to seek shareholder approval for certain termination benefits to be provided to Mr Wallington and Mr Koonin under proposed amendments to their employment agreements, details of which are provided below. Unless otherwise noted, these termination benefits are proposed to be provided *in addition* to their existing statutory and contractual entitlements.

Listing Rule 10.19

Listing Rule 10.19 provides that a listed company must ensure that, unless shareholder approval is obtained, no officer of the company may be entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the company as set out in the latest accounts given to ASX under the listing rules.

The equity interests of the Company as set out in the latest accounts given to ASX under the listing rules were US\$442,317,000. The total value of the termination benefits proposed to be approved under Resolutions 9 and 10 cannot be ascertained in advance for the reasons set out the section of this Explanatory Memorandum headed 'Information Required to be Disclosed Regarding the Termination Benefits'. Based on the closing share price of

the Company's Shares and Mr Wallington's and Mr Koonin's base remuneration as at 24 April 2012 the maximum total value of the proposed termination benefits is estimated to be GBP 3,178,548.74² (see table below for further details).

The Directors are of the opinion that although the termination benefits contemplated in Mr Wallington's and Mr Koonin's employment agreements should, when aggregated with any other termination benefits payable to officers of the Company, fall within 5% of the Company's equity interests as required by Listing Rule 10.19, it would be prudent to obtain shareholder approval to ensure that the Company does not breach Listing Rule 10.19 if the employment agreements are terminated in circumstances triggering the payment of termination benefits. If shareholder approval is obtained pursuant to Resolutions 9 and 10, it will enable the Company to make any such termination payments without having to seek shareholder approval at the time of any such termination.

Sections 200B and 200E of the Corporations Act

Sections 200B and 200E of the Corporations Act prohibit the Company from giving a person who has held a managerial or executive office in the Company a benefit in connection with that person's retirement from office or position of employment that exceeds their average annual base salary, unless shareholder approval is given or the benefit is exempt from the need for shareholder approval.

The changes proposed to both Mr Wallington's and Mr Koonin's employment agreements with the Company provide for termination benefits that exceed their average annual base salary. Shareholder approval is being sought pursuant to Resolutions 9 and 10 to enable the Company to pay the proposed termination benefits (detailed in the table below) to Mr Wallington and Mr Koonin without having to seek shareholder approval at the time of any such termination of their employment with the Company.

Section 200E requires that the following information be provided to shareholders when seeking an approval for the purposes of section 200B:

- (a) if the proposed benefit consists of a monetary payment, the amount of the payment or, if the amount cannot be ascertained at the time of disclosure, the manner in which that amount is to be calculated and any matter, event or circumstance that will or is likely to affect the calculation; and
- (b) if the proposed benefit is not a payment, the monetary value of the proposed benefit or, if the value cannot be ascertained at the time of disclosure, the manner in which that value is to be calculated and any matter, event or circumstance that will or is likely to affect the calculation.

The information required to be provided by section 200E is set out below.

Related Party Transactions under the Corporations Act

For the purposes of Chapter 2E of the Corporations Act, the Directors are related parties of the Company under section 228(2) of the Corporations Act.

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

If:

- (a) the giving of the financial benefit is required by contract; and
- (b) the making of the contract was approved by shareholders; and
- (c) the contract was made:
 - (i) within 15 months after that approval; or
 - (ii) before that approval, if the contract was conditional on approval being obtained,

member approval for the giving of the financial benefit is taken to have been given and the benefit need not be given within the 15 months.

Resolutions 9 and 10 provide for the grant of additional termination benefits to John Wallington and Wayne Koonin under their employment agreements, which will be financial benefits requiring shareholder approval under Chapter 2E. If shareholder approval is obtained pursuant to Resolutions 9 and 10, it will enable the

² Based on an exchange rate of 1 AUD: 0.637012 GBP as at 24 April 2012.

Company to make any such termination payments without having to seek shareholder approval at the time of any such termination.

Section 219 requires that the following information be provided to shareholders when seeking an approval for the purposes of Chapter 2E:

- (a) the related parties to whom the proposed resolutions would permit financial benefits to be given;
- (b) the nature of the financial benefits;
- (c) each director's recommendations about the proposed resolutions and reasons for such recommendations or, if no recommendations are made or a director is unavailable, the reasons why;
- (d) whether each director has an interest in the outcome of the proposed resolutions and if so, such interest; and
- (e) all other information known to the company or any of its directors that is reasonably required by shareholders to decide whether the proposed resolutions are in the company's interests.

The information required to be provided by section 219 is set out below.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the grant to Mr Wallington and Mr Koonin under their employment agreements of certain proposed long term incentive entitlements which may be triggered on termination of their employment agreements.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Information Required to be Disclosed Regarding the Termination Benefits

Shareholder approval is being sought in respect of the benefits set out in the table below. These benefits are in addition to the statutory and contractual entitlements that may be provided to Mr Wallington and Mr Koonin without the need for shareholder approval under the Corporations Act and which may or may not be linked to termination of their employment.

The termination benefits set out in the table below are proposed to be provided to each of Mr Wallington and Mr Koonin under the following circumstances (each, a **Termination Event**):

- the Company terminating the employment of the relevant executive without cause;
- the relevant executive or the Company terminating the executive's employment following a change in circumstances under which the relevant executive remains employed by the Company but ceases to hold his current management role; or
- the scope of his powers, duties or responsibilities is materially diminished without his consent, which will be deemed to be termination of the executive's employment by the Company without cause.

The actual value of the total termination benefits that may become payable to Mr Wallington and Mr Koonin on termination of employment cannot be ascertained in advance as various events and circumstances will or are likely to affect the calculation of the value. In particular, the following factors may affect the value of the termination benefits for which approval is sought:

- the circumstances of cessation of employment;
- the period of service at the time of cessation of employment;
- his base remuneration at the time of termination;
- the proportion of the relevant contractual year served by him as at the date his employment ceases; and
- the market price of the Company's Shares on ASX at the relevant time.

Component	Details of Financial Benefit	Value
Base remuneration termination payment	Entitlement under existing employment agreements: both Mr Wallington and Mr Koonin are currently entitled under their existing employment agreements to three months remuneration in lieu of notice.	An amount equal to 1.75 times the annual base remuneration of the relevant executive at the time of the Termination Event.
	Proposed new termination benefit: the Company will pay an amount equal to 1.75	The value of this payment based on the current base remuneration is: • Mr Wallington: GBP 763,000; and

	times the annual base remuneration following a Termination Event. This base remuneration termination payment is <i>in addition to</i> any payment in lieu of notice to which Mr Wallington or Mr Koonin may be entitled under their existing employment agreements. The annual base remuneration under their respective existing employment agreements is currently GBP 436,000 for Mr Wallington and GBP 300,000 for Mr Koonin. This base remuneration amount is reviewed on an annual basis.	Mr Koonin: GBP 525,000.
Bonus termination payment	Entitlement under existing employment agreements: Mr Wallington is currently entitled under his existing employment agreement at the end of each 12 month period of service to such bonuses as the Board may decide in its absolute discretion, to a maximum of 75% of his annual base remuneration per annum. The amount of such bonuses is determined having regard to agreed key performance indicators. Mr Koonin is also currently entitled to such bonuses as the Board may decide from time to time, to a maximum of 75% of his annual base remuneration per annum. This maximum percentage bonus may be renegotiated upwards should there be a material change in the Company's value and size. Proposed new termination benefit: following a Termination Event the Company will pay an amount equal to 75% of the annual base remuneration pro rated: (i) In the case of Mr Wallington, for the period from the beginning of the relevant 12 month period of service until the date on which he ceases to be employed by the Company. For example, if a Termination Event occurs, and Mr Wallington's last day of service is at the end of three months into a particular twelve month period of service, Mr Wallington's bonus termination payment will be calculated as $3/12 \times 75\% \times$ annual base remuneration. (ii) In the case of Mr Koonin, for the period from the beginning of the relevant financial year of the Company until the date on which he ceases to be employed by the Company. For example, if a Termination Event occurs, and Mr Koonin's last day of service is at the end of four months into a particular financial	The maximum value of the bonus termination payment for each of Mr Wallington and Mr Koonin will be an amount equal to 0.75 times the annual base remuneration of the relevant executive at the time of the Termination Event. This amount will depend on the date of the termination of the relevant executive and will be reduced pro rata as described in the previous column. The current value of this payment based on the current base remuneration and assuming a bonus termination payment for a full year is: - Mr Wallington: GBP 327,000; and - Mr Koonin: GBP 225,000.

	year, Mr Koonin's bonus termination payment will be calculated as $4/12 \times 75\% \times$ annual base remuneration. The bonus termination payment is not subject to meeting any key performance indicators.	
Long Term Incentive Options	Entitlement under existing employment agreements: Mr Wallington is currently entitled to the issue of the following tranches of securities under his existing employment agreement³ subject to meeting certain Share price performance conditions: • up to 500,000 Shares following 24 months service (Tranche 1 JW Shares); and • up to 500,000 Shares following 36 months service (Tranche 2 JW Shares). Mr Koonin is currently entitled to the issue of the following tranches of securities under his existing employment agreement⁴ subject to meeting certain Share price performance conditions: • up to 350,000 Shares following 24 months service (Tranche 1 WK Shares); • up to 350,000 Shares following 36 months service (Tranche 2 WK Shares); • up to 350,000 Shares following 48 months service (Tranche 3 WK Shares); and • up to 350,000 Shares following 60 months service (Tranche 4 WK Shares). Proposed new termination benefit: the Company proposes to issue 1,000,000 Long Term Incentive Options to Mr Wallington and 1,400,000 Long Term Incentive Options to Mr Koonin within one month of the date of the Meeting for no consideration. The Long Term Incentive Options are exercisable within 6 months of the occurrence of a Termination Event and expire on different expiry dates. Each Long Term Incentive Option will, on exercise, entitle the holder to the issue of one fully paid Share in the Company. Upon exercise of any Long Term Incentive Option, the Company may at its absolute discretion elect to pay the holder cash in lieu of and in full satisfaction of issuing Shares under the Long Term Incentive Option. The key terms of the Long Term Incentive Options are set out below under the heading	The value of Mr Wallington's and Mr Koonin's Long Term Incentive Options will depend on the number of Long Term Incentive Options ultimately exercisable and exercised following a Termination Event and the price of each Share in the Company at the time the Long Term Incentive Options are exercised, or if the Company elects to pay cash in lieu of issuing Shares under the Long Term Incentive Options, the price payable for each Share as calculated in accordance with the terms of the Long Term Incentive Options. Based on the closing Share price on ASX of A\$0.875 per Share as at 24 April 2012 and assuming all the Long Term Incentive Options are validly exercised immediately after their issue, the estimated current value of the Long Term Incentive Options is: • Mr Wallington: A\$875,000; and • Mr Koonin: A\$1,225,000.

³ Note Mr Wallington's employment contract also provides for the issue of 250,000 Shares on completion of 12 months service, which occurred on 15 June 2011. Approval for the issue of these shares is sought under Resolution 1.

⁴ Note Mr Koonin's employment contract also provides for the issue of 175,000 Shares on completion of 12 months service, which occurred on 31 March 2012. Approval for the issue of these shares is sought under Resolution 2.

	'Long Term Incentive Option Terms'.	
TOTAL ESTIMATED CURRENT VALUE⁵		• Mr Wallington: GBP 1,647,773.98; and • Mr Koonin: GBP 1,530,774.76.

The following additional information is provided in relation to the Long Term Incentive Options to be granted in accordance with Listing Rule 10.13:

- (a) the persons to whom the Long Term Incentive Options will be issued are Mr John Wallington and Mr Wayne Koonin;
- (b) the maximum number of Long Term Incentive Options to be granted is 2,400,000 (divided between Mr Wallington and Mr Koonin as set out in the table above);
- (c) the Long Term Incentive Options will be issued on a date which will be no later than one month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) the Long Term Incentive Options will be granted for no consideration and the terms of the Long Term Incentive Options are set out in the table below; and
- (e) no funds will be raised by the grant of the Long Term Incentive Options or any issue of Shares upon exercise of the Long Term Incentive Options.

Long Term Incentive Option Terms

Term	Description
Long Term Incentive Options	Each Long Term Incentive Option will, on exercise, entitle the holder to the issue of one fully paid Share in the Company. All Shares allotted upon exercise of the Long Term Incentive Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the holders of Shares to participate fully in: (i) dividends declared by the Company after the date of allotment; and (ii) all issues of securities made or offered pro rata to holders of Shares.
Exercise period	The Long Term Incentive Options may be exercised by a Long Term Incentive Option holder at any time during the six month period following a Termination Event relating to that holder. Long Term Incentive Options not validly exercised during the Exercise Period will automatically lapse.
Expiry date	All Long Term Incentive Options issued to a holder lapse and are of no further force or effect if a Termination Event has not occurred by the expiry dates set out below. In relation to Mr John Wallington's Long Term Incentive Options: • 500,000 Long Term Incentive Options will lapse if a Termination Event has not occurred within 24 months of service or upon the issue of any Tranche 1 JW Shares, whichever is earlier; and • 500,000 Long Term Incentive Options will lapse if a Termination Event has not occurred within 36 months of service or upon the issue of any Tranche 2 JW Shares, whichever is earlier. In relation to Mr Wayne Koonin's Long Term Incentive Options: • 350,000 Long Term Incentive Options will lapse if a Termination Event has not occurred within 24 months of service or upon the issue of any Tranche 1 WK Shares, whichever is earlier; • 350,000 shares Long Term Incentive Options will lapse if a Termination Event has not occurred within 36 months service or upon the issue of any

⁵ Based on an exchange rate of 1 AUD: 0.637012 GBP as at 24 April 2012.

Term	Description
	Tranche 2 WK Shares, whichever is earlier; • 350,000 Long Term Incentive Options will lapse if a Termination Event has not occurred within 48 months service or upon the issue of any Tranche 3 WK Shares, whichever is earlier; and • 350,000 Long Term Incentive Options will lapse if a Termination Event has not occurred within 60 months service or upon the issue of any Tranche 4 WK Shares, whichever is earlier.
Exercise price	No amount is payable by a Long Term Incentive Option holder on exercise of a Long Term Incentive Option.
Exercise of options	The Long Term Incentive Options may be exercised by notice in writing by the holder delivered to the registered office of the Company. Within 10 Business Days after the notice of exercise is received, the Company must allot and issue the number of Shares to be issued in the respect of the Long Term Incentive Options to be exercised, or if the Company has elected to pay cash in lieu of the issue of Shares, the Company must make this payment to a bank account nominated by the holder.
Transferability	The Long Term Incentive Options are not transferable.
Performance conditions	There are no performance conditions attached to the exercise of any Long Term Incentive Option.
New issues	(a) Long Term Incentive Option holders are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless: (i) they have become entitled to exercise their Long Term Incentive Options; and (ii) they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares. (b) The Company must give Long Term Incentive Option holders, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.
Reorganisation of capital	If, prior to the expiry of any Long Term Incentive Options, there is a reorganisation of the issued capital of the Company, then the rights of a Long Term Incentive Option holder (including the number of Long Term Incentive Options to which each holder is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
Pro rata and bonus issues	There will be no change to the number of Shares over which the Long Term Incentive Options are exercisable in the event of the Company making a pro rata issue or a bonus issue to holders of Shares.

Term	Description
Cash payment in lieu of Share issue	Upon exercise of any Long Term Incentive Option, the Company may at its absolute discretion elect to pay the holder cash in lieu of and in full satisfaction of its obligation to issue Shares under the Long Term Incentive Option. The cash amount payable for each Long Term Incentive Option will be calculated as follows: (a) if the Company is listed on ASX, the last closing price at which each Share traded is on ASX prior to the exercise date; or (b) if the Company has been removed from the official list of ASX: (i) in connection with a compromise or arrangement under section 411 of the Corporations Act, the consideration for each Share (or monetary equivalent in the case of non cash consideration) under the compromise or arrangement; (ii) in connection with a takeover bid under Chapter 6 of the Corporations Act, including as a result of a compulsory acquisition or a buyout of bid class securities under Part 6A.1 of the Corporations Act, the consideration for each Share (or monetary equivalent in the case of non cash consideration) under the takeover bid; (iii) in connection with a general compulsory acquisition or buyout under Part 6A.2 of the Corporations Act, the consideration paid for each Share under Part 6A.2; (c) as a result of any other event, or series of events, the closing price of each Share on the last day that the Shares traded on ASX.

Directors' recommendation and disclosure of interests

All the Directors were available to make a recommendation. For the reasons noted above:

Messrs Linnell, Farrell, Nevhutanda, Bywater, Cordin, Mosehla, Torlage, Xayiya, Murray and Koonin (who have no interest in the outcome of Resolution 9) recommend that Shareholders vote in favour of Resolution 9 as they believe that Mr Wallington's proposed termination benefits are reasonable and fair in all the circumstances.

Mr Wallington declines to make a recommendation about Resolution 9 as he has a material personal interest in the outcome of that particular Resolution as it relates to the grant of termination benefits to him.

Messrs Linnell, Farrell, Nevhutanda, Bywater, Cordin, Mosehla, Torlage, Xayiya, Murray and Wallington (who have no interest in the outcome of Resolution 10) recommend that Shareholders vote in favour of Resolution 10 as they believe that Mr Koonin's proposed termination benefits are reasonable and fair in all the circumstances.

Mr Koonin declines to make a recommendation about Resolution 10 as he has a material personal interest in the outcome of that particular Resolution as it relates to the grant of termination benefits to him.

Other information known to the Company or any of its Directors that is reasonably required by shareholders to make a decision

The proposed ordinary Resolutions 9 and 10 would have the effect of giving power to the Directors to grant a maximum of 2,400,000 Long Term Incentive Options on the terms and conditions as set out in this Explanatory Memorandum and as otherwise mentioned above.

The Company currently has 662,484,573 listed Shares. If all Long Term Incentive Options are granted as proposed above and exercised, the effect would be to dilute the share holding of existing shareholders by 0.362% (note this calculation does not take into consideration any dilution that may occur as a result of the proposed issue of Shares under Resolutions 1, 2, 4, 5, 6, 7 and 8).

Mr Wallington's and Mr Koonin's fees per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the Termination Benefits proposed to be granted which are the subject of Resolutions 9 and 10 are as follows:

	Salary p.a.	Value of the Termination Benefits (A\$) ⁶	Total Financial Benefit (A\$)
Mr John Wallington	GBP 436,000 (A\$683,967.06)	2,585,200.55	3,269,167.61
Mr Wayne Koonin	GBP 300,000 (A\$470,579.36)	2,401,597.59	2,872,176.95

Under the Australian Equivalent to IFRS, the Company is required to expense the value of the Long Term Incentive Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Long Term Incentive Options.

As Mr Wallington and Mr Koonin are both tax resident in South Africa, the grant and subsequent exercise of the Long Term Incentive Options may result in the creation of a tax event which is subject to personal income tax and payable to the South African Revenue Service. If such an event occurs, the Company will be obliged to deduct and remit such taxes as employees' tax from the gross proceeds arising out of the disposal of Long Term Incentive Options.

Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Shares pursuant to Resolutions 9 and 10.

Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

Voting

Note that a voting exclusion applies to Resolutions 9 and 10 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

⁶ This calculation is subject to the assumptions set out in the table on page 14 and assumes an exchange rate of 1 AUD: 0.637012 GBP as at 24 April 2012.

GLOSSARY

A\$, \$ or AUD means Australian dollars.

Accounting Standards has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company.

Class A Options means the class A options issued by the Company on 1 October 2006.

Closely Related Party has the meaning given to that term in the Corporations Act.

Companies Act means the South African Companies Act, 71 of 2008, as amended.

Company means Coal of Africa Limited ABN 98 008 905 388.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Director means a director of the Company from time to time.

Explanatory Memorandum means this explanatory memorandum accompanying the Notice.

GBP means Great British pounds.

Key Management Personnel has the meaning given to that term in the Accounting Standards.

Listing Rules means the Listing Rules of the ASX.

Long Term Incentive Options means the options proposed to be issued to Mr John Wallington and Mr Wayne Koonin in Resolutions 9 and 10 the terms of which are described in the Explanatory Memorandum under the heading 'Long Term Incentive Option Terms'.

Meeting means the general meeting the subject of the Notice.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Memorandum.

Optionholders means Simon Farrell, Richard Linnell, Peter Cordin and Geoffrey Linnell.

Resolution means a resolution proposed by the Company in the Notice accompanying this Explanatory Memorandum.

Restricted Voter means Key Management Personnel and their Closely Related Parties.

Shares means fully paid ordinary shares in the capital of the Company.

Tranche 1 JW Shares and **Tranche 2 JW Shares** have the meaning set out in the table under 'Information Required to be Disclosed Regarding the Termination Benefits' in the 'Background to Resolutions 9 and 10'.

Tranche 1 WK Shares, Tranche 2 WK Shares, Tranche 3 WK Shares and **Tranche 4 WK Shares** have the meaning set out in the table under 'Information Required to be Disclosed Regarding the Termination Benefits' in the 'Background to Resolutions 9 and 10'.

US\$ means United States dollars.



COAL of AFRICA LIMITED
ABN 98 008 905 388

Lodge your vote:



By Mail:

Coal of Africa Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000

Alternatively you can fax your form to
+61 8 9322 6778

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 6:00pm (AWST) Wednesday 20 June 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☒ **Review your securityholding**

☒ **Update your securityholding**

Your secure access information is:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Coal of Africa Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Coal of Africa Limited to be held at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT on Friday, 22 June 2012 at 11.00 am (London time) and at any adjournment of that meeting.

Important for Resolutions 1, 2 and 4 - 10: If the Chairman of the Meeting is your proxy and you have not directed him how to vote on Resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10 and your votes will not be counted in computing the required majority if a poll is called on these resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10.

☐

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1. Proposed issue of Shares to Mr John Wallington	☐	☐	☐
2. Proposed issue of Shares to Mr Wayne Koonin	☐	☐	☐
3. Special Resolution: Approval of Financial Assistance to any Related or Inter-Related Company	☐	☐	☐
4. Proposed issue of Shares to Mr Simon Farrell	☐	☐	☐
5. Proposed issue of Shares to Mr Richard Linnell	☐	☐	☐
6. Proposed issue of Shares to Mr Peter Cordin	☐	☐	☐
7. Proposed issue of Shares to Mr Geoffrey Linnell	☐	☐	☐
8. Proposed issue of Shares to Mr Stephen Rowse	☐	☐	☐
9. Proposed approval of termination benefits for Mr John Wallington	☐	☐	☐
10. Proposed approval of termination benefits for Mr Wayne Koonin	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

C Z A

1 4 8 5 9 2 A

Computershare +