



NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting
11 September 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 OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Coal of Africa Limited ABN 98 008 905 388 will be held at 11.00 am (London time) on 11 September 2012 at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT for the purpose of transacting the following business referred to in this Notice of General Meeting.

AGENDA

ITEMS OF BUSINESS

1. Resolution 1 – Ratification of issue of Shares – Investec Subscription

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the allotment and issue of 19,148,408 Shares, of which 16,850,599 Shares were issued at an issue price of GBP0.2921 each and 2,297,809 Shares were issued at an issue price of A\$0.4370 each on or about 19 July 2012 to Investec Bank Limited as more particularly described in the announcements dated 18 and 19 July 2012”

The Company will disregard any votes cast on Resolution 1 by any person who participated in the issue the subject of Resolution 1 and any person associated with those persons. 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.

2. Resolution 2 – Ratification of issue of Shares – Placement Tranche 1

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the allotment and issue of 80,570,166 Shares at an issue price of GBP0.25 (3.25 Rand) each on or about 6 August 2012 to the parties as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting”

The Company will disregard any votes cast on Resolution 2 by any person who participated in the issue the subject of Resolution 2 and any person associated with those persons. 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.

3. Resolution 3 – Proposed issue of Shares – Placement Tranche 2

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 all other purposes, the Company approves the allotment and issue of up to 34,908,632 Shares at an issue price of GBP0.25 (3.25 Rand) each as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting”.

The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares if the resolution is passed, and any person associated with those persons. 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.

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 this Notice of General Meeting, the following definitions apply:

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

A\$ means the Australian dollar.

Board means the board of Directors of the Company.

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.

GBP means Great Britain pounds.

Listing Rules means the Listing Rules of the ASX.

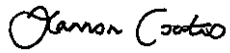
Notice means this Notice of General Meeting.

Resolution means a resolution contained in this Notice.

Rand means the South African rand.

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

By order of the Board

A handwritten signature in black ink, appearing to read "Shannon Coates". The signature is written in a cursive, flowing style.

Shannon Coates
Company Secretary

Dated: 11 August 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.
- 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 9 September 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 9 September 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 9 September 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 this Explanatory Memorandum.

BACKGROUND TO RESOLUTION 1

On 18 July 2012 the Company announced it is undertaking a private placement to raise approximately US\$8.7million through the issue of 19,148,408 new Shares, of which 16,850,599 Shares were to be issued at an issue price of of GBP0.2921 per Share and 2,297,809 Shares were to be issued at an issue price of A\$0.4370 per Share to Investec Bank Limited ("Investec") ("Investec Subscription").

BACKGROUND TO RESOLUTIONS 2 AND 3

On 6 August 2012 the Company announced it is undertaking a private placement to raise approximately US\$44.8 million (£28.9 million/South African Rand 375.5 million) (less expenses) through the issue of 115,478,798 new Shares at an issue price of GBP0.25 (equivalent of 3.25 Rand) each ("Placement"). The Placement is in two tranches:

- (a) tranche 1 – the issue of 80,570,166 Shares; and
- (b) tranche 2 – subject to the receipt of Shareholder approval, the issue of up to 34,908,632 Shares.

The Company intends to use the net proceeds of the Placement, in addition to its existing cash balance of US\$11.6 million to finance the following:

- For floatation, ultra fines and middlings plant and related design fees at the Vele Colliery – approximately US\$15 million;
- The final payment of the first tranche of \$43 million for the Chapudi acquisition as announced on 10 May 2012 – approximately US\$ 14 million
- Additional drilling, technical studies and related work to accelerate the Generaal, Voorburg and Jutland definitive feasibility studies and project management, environmental impact assessment and stakeholder engagement for the Greater Soutpansberg Project – approximately US\$11 million;
- Pre-mining right capital expenditure including land purchases, regulatory, permitting and construction of power lines, consultancy fees on detailed front-end engineering design as well as technical drilling and analysis for thermal coal and fines test work at Makhado – approximately US\$11 million; and
- General working capital – approximately US\$3.2 million.

If Resolution 3 is not passed, the Company will need to find alternative ways to obtain funding for the continuing development of its projects and to provide working capital for the Company.

Investec and Deutsche Bank, AG are acting as joint managers and bookrunners in connection with the Placement. Investec is also acting as the Johannesburg Stock Exchange Transaction Sponsor to CoAL and as the AIM Nominated Adviser to CoAL.

Resolution 2 relates to tranche 1 of the Placement and tranche 2 of the Placement is conditional on the passing of Resolution 3.

RESOLUTION 1 - RATIFICATION OF ISSUE OF SHARES - INVESTEC SUBSCRIPTION

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring shareholder approval.

Pursuant to Resolution 1, the Directors are seeking ratification under Listing Rule 7.4 of the issue of 19,148,408 Shares that was made on or about 19 July 2012 in order to restore the right of the Company to issue further securities within the 15% limit during the next 12 months.

The following information in relation to the Shares is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 19,148,408 Shares were allotted and issued;
- (b) 16,850,599 Shares were issued at an issue price of GBP0.2921 each and 2,297,809 shares were issued at an issue price of A\$0.4370 each;
- (c) the Shares issued were 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;
- (d) the Shares were issued to sophisticated and institutional investors, none of whom related parties of the Company for the purposes of section 228 of the Corporations Act; and
- (e) funds raised from the issue will be used as set out in this Explanatory Memorandum.

RESOLUTION 2 - RATIFICATION OF ISSUE OF SHARES - PLACEMENT TRANCHE 1

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring shareholder approval.

Pursuant to Resolution 2, the Directors are seeking ratification under Listing Rule 7.4 of the issue of 80,570,166 Shares that was made on or about 6 August 2012 in order to restore the right of the Company to issue further securities within the 15% limit during the next 12 months.

The following information in relation to the Shares is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 80,570,166 Shares were allotted and issued at an issue price of GBP0.25 (equivalent of 3.25 Rand) each;
- (b) the Shares issued were 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;
- (c) the Shares were issued to sophisticated and institutional investors, none of whom related parties of the Company for the purposes of section 228 of the Corporations Act; and
- (d) funds raised from the issue will be used as set out in this Explanatory Memorandum.

RESOLUTION 3 - PROPOSED ISSUE OF SHARES - PLACEMENT TRANCHE 2

Resolution 3 seeks shareholder approval to the issue of a maximum of 34,908,632 Shares at an issue price of GBP0.25 (equivalent of 3.25 Rand) each.

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 a listed company must not, without prior approval of its shareholders, issue securities if the number of securities issued, or when aggregated with the number of securities

issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

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 34,908,632;
- (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 on one date;
- (d) the Shares will be issued at GBP0.25 (equivalent of 3.25 Rand) each;
- (e) the Shares will be issued and allotted to applicants to be determined by Investec, Deutsche Bank AG and the Company. The allottees will be clients of Investec or Deutsche Bank AG. None of the allottees will be related parties of the Company for the purposes of section 228 of the Corporations Act;
- (f) upon issue, 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 will be used as set out in this Explanatory Memorandum.

GLOSSARY

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

A\$ means the Australian dollar

Board means the board of Directors of the Company.

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

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

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

Director means a director of the Company.

Listing Rules means the Listing Rules of the ASX.

Meeting means the General Meeting the subject of the Notice.

Notice means the notice of General Meeting which accompanies this Explanatory Memorandum.

Rand means the South African rand.

Resolution means a resolution proposed pursuant to the Notice.

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