COAL of AFRICA LIMITED

ABN 98 008 905 388

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

Date of Meeting
29 November 2012

Time of Meeting
10.00am (GMT)

Place of Meeting

Tavistock Communications
8th Floor
131 Finsbury Pavement
London EC2A INT
United Kingdom

THE 2012 ANNUAL REPORT IS AVAILABLE ONLINE, FROM:
www.coalofafricareport.com

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on the Proxy Form.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the shareholders of CoAL of Africa Limited will be held at:

Tavistock Communications
8th Floor
131 Finsbury Pavement
London EC2A INT
United Kingdom

Commencing at
10.00am (GMT)
on 29 November 2012

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 10.00am (GMT).

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on the facsimile number provided on the Proxy Form accompanying this Notice; or

- deliver or post the Proxy Form to the principal office of the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia.

so that it is received by no later than 48 hours before the commencement of the Meeting.

Your Proxy Form is enclosed.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of CoAL of Africa Limited ABN 98 008 905 388 (the "**Company**") will be held at Tavistock Communications, 8th Floor 131 Finsbury Pavement, London EC2A INT, United Kingdom on 29 November 2012 at 10.00am (GMT), for the purpose of transacting the following business referred to in this Notice of Annual General Meeting ("**Notice**").

The Explanatory Statement that accompanies and forms part of this Notice ("**Explanatory Statement"**) describes the matters to be considered at this Meeting.

Capitalised terms used in this Notice are defined in the glossary at the end of the Explanatory Statement.

ORDINARY BUSINESS

Financial Reports

To receive and consider the Annual Financial Statements of the Company for the year ended 30 June 2012 including the Directors' Report and the Auditor's Report.

Resolution 1: Non-binding Resolution to adopt Remuneration Report

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **non-binding resolution**:

> "*To adopt the Remuneration Report as set out in the Annual Report for the year ended 30 June 2012.*"

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

***Voting Exclusion Statement**:*
In accordance with section 250R(4) of the Corporations Act, no Restricted Voter may vote on Resolution 1 (except as provided in the paragraph below). Accordingly, the Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter[1].

A Restricted Voter may vote on Resolution 1 (and the Company need not disregard a vote) if:

(a) it is cast by the Restricted Voter as a proxy appointed by writing that specifies the way the proxy is to vote on the resolution; or

(b) it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, and the appointment of the Chairman as proxy:

*(i) does not specify the way the proxy is to vote on the resolutions ("**Undirected Proxy**"); and*

(ii) expressly authorises the Chairman to exercise the Undirected Proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

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[1] "Restricted Voter" means Key Management Personnel and their Closely Related Parties as defined in the glossary.

Shareholders should note that the Chairman intends to vote any Undirected Proxies in favour of Resolution 1. Shareholders may also choose to direct the Chairman to vote against Resolution 1 or to abstain from voting.

Resolution 2: Election of Director – Mr David Brown

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

> "*That Mr David Brown, having been appointed as an additional Director of the Company on 6 August 2012, who retires in accordance with the Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."*

Resolution 3: Election of Director – Mr Bernard Pryor

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

> "*That Mr Bernard Pryor, having been appointed as an additional Director of the Company on 6 August 2012, who retires in accordance with the Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."*

Resolution 4: Re-election of Director – Mr Wayne Koonin

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

> "*That Mr Wayne Koonin, being a Director of the Company who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company*."

Resolution 5: Re-election of Director – Mr Peter Cordin

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

> "*That Mr Peter Cordin, being a Director of the Company who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company*."

Resolution 6 – Issue of Options to Director – Mr David Brown

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

> *"That, for the purposes of Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 2,500,000 Class L Options (each to subscribe for one fully paid Share in the capital of the Company at an exercise price of GBP0.25 to Mr David Brown (or his nominee), being a non-executive Director, in the manner and on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement:
For the purposes of section 224 of the Corporations Act the Company will disregard any votes cast on this Resolution by Mr David Brown and any of Mr David Brown's associates. However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the Resolution; and

(b) it is not cast of behalf of Mr David Brown or an associate of Mr David Brown.

In accordance with Listing Rule 10.11 and 14.11 the Company will disregard any votes cast on this Resolution by Mr David Brown and any of Mr David Brown's associates. However, the Company need not disregard a vote if:

(a) it 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

(b) it 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, in accordance with section 250BD of the Corporations Act, no Restricted Voter[2] may, who is appointed as a proxy, vote on this Resolution if the proxy is an Undirected Proxy. However, in accordance with the Corporations Act, a Restricted Voter may vote on this Resolution if it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, and the appointment of the Chairman as proxy expressly authorises the Chairman to exercise the Undirected Proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Shareholders should note that the Chairman intends to vote any Undirected Proxies in favour of Resolution 6. Shareholders may also choose to direct the Chairman to vote against Resolution 6 or to abstain from voting.

Resolution 7 – Issue of Options to Director – Mr Bernard Pryor

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

> *"That, for the purposes of Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Class L Options (each to subscribe for one fully paid Share in the capital of the Company at an exercise price of GBP0.25 to Mr Bernard Pryor (or his nominee), being a non-executive Director, in the manner and on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement:
For the purposes of section 224 of the Corporations Act the Company will disregard any votes cast on this Resolution by Mr Bernard Pryor and any of Mr Bernard Pryor's associates. However, the Company need not disregard a vote if:

(c) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the Resolution; and

(d) it is not cast of behalf of Mr Bernard Pryor or an associate of Mr Bernard Pryor.

In accordance with Listing Rule 10.11 and 14.11 the Company will disregard any votes cast on this Resolution by Mr Bernard Pryor and any of Mr Bernard Pryor's associates. However, the Company need not disregard a vote if:

(a) it 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

(b) it 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] "Restricted Voter" means Key Management Personnel and their Closely Related Parties as defined in the glossary.

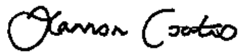
Further, in accordance with section 250BD of the Corporations Act, no Restricted Voter[3] may, who is appointed as a proxy, vote on this Resolution if the proxy is an Undirected Proxy. However, in accordance with the Corporations Act, a Restricted Voter may vote on this Resolution if it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, and the appointment of the Chairman as proxy expressly authorises the Chairman to exercise the Undirected Proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Shareholders should note that the Chairman intends to vote any Undirected Proxies in favour of Resolution 7. Shareholders may also choose to direct the Chairman to vote against Resolution 7 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.

BY ORDER OF THE BOARD



Shannon Coates
Company Secretary
Dated: 11 October 2012

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

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 of Meeting 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, and is not directed on how to vote, the proxy may only vote on Resolutions 1, 6 and 7 if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the relevant 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 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 10.00am (GMT) on 27 November 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 to Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000; or

  - by faxing a completed proxy form to or by facsimile to the facsimile number provided on the Proxy Form accompanying this Notice.

  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 10.00am (GMT) on 27 November 2012 (ie: 48 hours before the Meeting). 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 Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (GMT) on 27 November 2012.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the preceding Notice of Annual General Meeting of the Company.

The Explanatory Statement and all attachments are important documents. They should be read carefully. The Directors recommend shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Capitalised terms used in this Explanatory Statement are defined in the glossary at the end of this Explanatory Statement.

FINANCIAL STATEMENTS

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated Annual Financial Report of the Company for the financial year ended 30 June 2012 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the Auditor in relation to the conduct of the audit.

RESOLUTION 1 – REMUNERATION REPORT

The Directors' Report for the year ended 30 June 2012 contains a Remuneration Report which sets out the policy for the remuneration of Directors and executives of the Company. Section 250R(3) of the Corporations Act expressly provides that the vote on the resolution is advisory only and does not bind the Directors or the Company.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 Annual General Meeting, and then again at the 2013 Annual General Meeting, the Company will be required to put a resolution to the 2013 Annual General Meeting, to approve calling an extraordinary general meeting ("**spill resolution**"). If more than 50% of

Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting ("**spill meeting**") within 90 days of the 2013 Annual General Meeting. All of the Directors who were in office when the 2013 Directors' Report was approved, other than the Managing Director, will need to stand for re-election at the spill meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any share based compensation.

Voting

Note that a voting exclusion applies to Resolution 1 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 Resolution.

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

RESOLUTION 2 – ELECTION OF DIRECTOR – MR DAVID BROWN

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election.

Mr Brown was appointed to the Board on 6 August 2012 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Brown now seeks election as a Director at this Annual General Meeting.

Mr David Brown
BCom, CTA CA(SA)

Mr Brown, until recently, served as the Chief Executive Officer of Impala Platinum Holdings Limited (September 2006 to June 2012). He joined the Implats Group in January 1999 and served as Chief Financial Officer from that date until August 2006.

He was Chairman of Impala Platinum Limited, the major operating subsidiary of Impala Platinum Holdings Limited and was also a non-executive director of Zimplats Holdings Limited, an ASX listed Platinum producer and served as Chairman from March 2010 to June 2012. In addition he served on the boards of Mimosa Mines Pvt and Two Rivers Platinum a joint venture company with African Rainbow Minerals Limited.

Prior to joining Impala Platinum Holdings Limited he worked in the information technology sector for four years and almost five years for Exxon Mobil in Europe.

Mr Brown is currently an independent non-executive director of Vodacom Group Limited. He has in the past served as a non-executive director of Simmer & Jack Limited. He is a

Chartered Accountant (SA) and completed his articles with Ernst &Young. He graduated from the University of Cape Town, South Africa.

Directors' Recommendation

The Board (other than Mr Brown) recommends shareholders vote in favour of Resolution 2.

RESOLUTION 3 – ELECTION OF DIRECTOR – MR BERNARD PRYOR

Clause 3.3 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election.

Mr Pryor was appointed to the Board on 6 August 2012 to act as non-executive Director. In accordance with clause 3.3 of the Constitution, Mr Pryor now seeks election as a Director at this Annual General Meeting.

Mr Bernard Pryor
BSc. Eng. ARSM

Mr Pryor was, until recently, Chief Executive of Q Resources plc and is a non-executive director of African Minerals Limited. Between 2006 and 2010 Mr Pryor held senior executive positions within Anglo American plc as Head of Business Development, and Chief Executive Officer of Anglo Ferrous Brazil Inc. From 2000 to 2006 he was director and Chief Operating Officer of Adastra Minerals Inc., developing the Kolwezi tailings deposit in the Democratic Republic of Congo. Prior to that, Mr Pryor held several global minerals consulting positions. Mr. Pryor is a graduate of Imperial College, London, from where he received a BSc (Hons) in Metallurgical Engineering.

Directors' Recommendation

The Board (other than Mr Pryor) recommends shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR WAYNE KOONIN

Mr Wayne Koonin retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

Mr Wayne Koonin
BCom (Accounting), BAcc (Hons), CA(SA)

Over the past 12 years, Mr Koonin has gained extensive international experience working in senior financial roles for Canadian, South African, British and Swiss based exploration, development and operating mining companies, covering a variety of commodities, including coal. As a result, he has had exposure to various international accounting standards, taxation and regulatory environments, as well as responsibility for entities listed on the JSE, ASX, AIM and NASDAQ.

In addition to his extensive financial and management experience on an international level, his successes include managing the turnaround of various mining businesses, implementing various financial and operational systems, capital raising and debt financing exercises, multiple corporate finance transactions and a JSE listing. Mr Koonin has most recently been the Chief Financial Officer of Platmin Limited, a platinum mining company previously listed on the TSX, AIM and JSE.

Directors' Recommendation

The Board (other than Mr Koonin) recommends shareholders vote in favour of Resolution 4.

RESOLUTION 5 – RE-ELECTION OF DIRECTOR – MR PETER CORDIN

Mr Peter Cordin retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

Mr Peter Cordin
CPEng; BE; MIEAust; FAusIMM (CP);

Mr Cordin has been a director of the Company since December 1997. He is a civil engineer with over 39 years experience in the evaluation, development and operation of resource projects within Australia and overseas.

Mr Cordin is also non-executive director of Dragon Mining Limited and non-executive director of Vital Metals Limited.

Directors' Recommendation

The Board (other than Mr Cordin) recommends shareholders vote in favour of Resolution 5.

RESOLUTIONS 6 AND 7 – ISSUE OF OPTIONS TO DIRECTORS – MR DAVID BROWN AND MR BERNARD PRYOR

Background

As announced on 6 August 2012 and pursuant to ASX Listing Rule 10.11 and section 208 of the Corporations Act, the Company seeks shareholder approval to allot and issue 2,500,000 unlisted options to Mr David Brown (or his nominee) and 1,000,000 unlisted options to Mr Bernard Pryor (or his nominee) (**Related Parties**) exercisable at GBP0.25 at any time on or before the date that is three years after issue date (the issue date is expected to be on or around 30 November 2012) and on the terms and conditions set out in Schedule 1 ("**Class L Options**").

It is proposed that, at a future date, shareholder approval will also be sought for a further grant of 2,500,000 unlisted options to Mr David Brown (or his nominee) and 1,000,000 unlisted options to Mr Bernard Pryor (or his nominee), exercisable at GBP0.375 on or before the date that is three years after the issue date, to be issued on the third anniversary of their appointment, being 6 August 2015, and on other terms and conditions to be disclosed).

The grant of the Class L Options is designed to encourage the Related Parties to have greater involvement in achieving the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances, the Directors consider that the incentives to the Related Parties noted above, represented by the issue of the Class L Options, are a cost effective and efficient way to incentivise, as opposed to alternative forms of incentives, such as the payment of cash compensation.

Mr Brown and Mr Pryor are non-executive Directors of the Company. The Company acknowledges that the issue of the Class L Options to non-executive directors is contrary to recommendation 8.2 of the ASX's Corporate Governance Principles and Recommendations (2nd Edition). However the Directors are of the view that at this stage of the Company's development it is preferable for non-executive Directors of the Company to be compensated by way of securities in the Company, rather than by way of cash.

The number of Class L Options to be issued to Mr Brown and Mr Pryor respectively has been determined based on a number of factors including:

(i) consistency with options previously held by the other non-executive Directors of the Company; and

(ii) alignment of interests. The Directors consider that it is in the interests of shareholders to align the interests of Directors and shareholders by encouraging Directors, subject to appropriate milestones, to have an equity holding in the Company. However, the Directors consider that similarly to other shareholders, this interest should arise through direct investment by the Directors in the Company. In this regard, if all of the Class L Options issued under Resolution 6 are exercised, Mr Brown will be investing GBP625,000 into the Company. If all of the Class L Options issued under Resolution 7 are exercised, Mr Pryor will be investing GPB250,000 into the Company.

Corporations Act and ASX Listing Rules

Section 208 of the Corporations Act

Under section 208 of the Corporations Act, a public company cannot give a "financial benefit" (including an issue of shares and options) to a "related party" of the Company, unless one of the exceptions set out in section 210 to 216 of the Corporations Act apply, or the Company's members approve the giving of the financial benefit to the related party in the manner set out in Sections 217 to 227 of the Corporations Act. Section 208 requires that the benefit be given within 15 months of obtaining member approval.

Mr Brown and Mr Pryor are related parties of the Company within the meaning specified under section 228 of the Corporations Act by virtue of being Directors of the Company and the grant of Class L Options to Mr Brown and Mr Pryor constitutes the giving of a financial benefit. Accordingly, shareholder approval is sought under section 208 of the Corporations Act to permit the issue of the Class L Options.

ASX Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue equity securities to a "related party" without the approval of holders of ordinary securities, unless an exception in ASX Listing Rule 10.12 applies.

As Directors, Mr Brown and Mr Pryor are related parties of the Company within the definition in Listing Rule 19.12. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, shareholder approval is pursuant to ASX Listing Rule 10.11 for the grant of Class L Options to the Related Parties.

Listing Rule 7.2 (Exception 14) states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

The issue of the Class L Options under Resolution 6 and 7 will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1, as those Class L Options will be excluded from the calculations under Listing Rule 7.1.

Information Required by the Corporations Act and Listing Rules

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Class L Options:

(i) Related parties to whom the proposed Resolution 6 and 7 would permit financial benefits

A. Mr David Brown or his nominee; and
B. Mr Bernard Pryor or his nominee.

(ii) Nature of financial benefits

If Resolutions 6 and 7 are passed, Mr Brown and Mr Pryor will receive the following Class L Options:

	Mr Brown	**Mr Pryor**
Options	2,500,000 Class L Options	1,000,000 Class L Options
Expiry Date	30 November 2015	30 November 2015
Exercise Price	GBP0.25	GBP0.25
Vesting Criteria	The Options will vest on the date of issue.	The Options will vest on the date of issue.

(iii) Terms and Conditions

The terms and conditions of the Class L Options are set out in Schedule 1.

(iv) The date of allotment and issue of the securities

The Class L Options will be issued as soon as practicable after the Meeting and in any event, no later than 1 month after the Meeting (or such later date to the extent permitted by any ASX waiver of the Listing Rules).

(v) Directors' recommendation for Resolution 6

The Directors (other than Mr Brown) recommend that shareholders approve the grant of Class L Options under Resolution 6 to Mr Brown (or his nominee) as they consider the grant of Class L Options:

A. will incentivise Mr Brown for the reasons and factors set out above;
B. is a fair and reasonable alternative to additional cash payment of directors' fees;
C. is in consideration and recognition of the services provided or to be provided by Mr Brown to the Company and the number of Class L Options proposed to be issued is fair and reasonable and reflective of the contribution he has or will make to the Company; and
D. is necessary to reflect remuneration benefits to non-executive directors by companies operating in the Company's industry.

Mr Brown declines to make a recommendation to shareholders in respect of Resolution 6 as he has a material personal interest in the outcome of Resolution 6.

In forming their recommendations, each Director considered the experience of Mr Brown, the current market price of Shares, the current market practices when determining the number of Class L Options to be granted as well as the exercise price and expiry date of those Class L Options.

The Board is not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 6.

(vi) Directors' recommendation for Resolution 7

The Directors (other than Mr Pryor) recommend that shareholders approve the grant of Class L Options under Resolution 7 to Mr Pryor (or his nominee) as they consider the grant of Class L Options:

A. will incentivise Mr Pryor for the reasons and factors set out above;
B. is a fair and reasonable alternative to additional cash payment of directors' fees;
C. is in consideration and recognition of the services provided or to be provided by Mr Pryor to the Company and the number of Class L Options proposed to be issued is fair and reasonable and reflective of the contribution he has or will make to the Company; and
D. is necessary to reflect remuneration benefits to non-executive directors by companies operating in the Company's industry.

Mr Pryor declines to make a recommendation to shareholders in respect of Resolution 7 as he has a material personal interest in the outcome of Resolution 7.

In forming their recommendations, each Director considered the experience of Mr Pryor, the current market price of Shares, the current market practices when determining the number of Class L Options to be granted as well as the exercise price and expiry date of those Class L Options.

The Board is not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 7.

Other than Mr Brown and Mr Pryor, the remaining Directors have no interest in the outcome of Resolution 6 and 7.

(vii) Current Capital Structure

The capital structure of the Company (assuming all Class L Options pursuant to this Notice of Meeting are issued and no Options are exercised between the date of this Notice and the Meeting) is as follows:

Shares	Number
Shares currently on issue	800,951,034

Options	Number
Options currently on issue: Class J Options exercisable at $2.74 on or before 30 November 2014	5,000,000
Class K Options exercisable at $1.90 on or before 30 June 2014	818,500
Class C Options exercisable at $1.20 on or before 9 November 2015	2,500,000
ESOP Options exercisable at $1.40 on or before 30 September 2015	1,441,061
ESOP Options exercisable at ZAR7.60 on or before 14 February 2017	2,670,111
Option to subscribe for 50 million ordinary shares for 60 pence each between 1 November 2010 and 1 November 2014, as approved by shareholders on 22 April 2010	1
Class L Options offered pursuant to Resolution 6 and 7 (exercisable at GBP0.25 on or before 30 November 2015	3,500,000

(viii) Current Remuneration and Relevant Interest

The remuneration and emoluments from the Company to the Related Parties in their capacity as Directors for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Previous Financial Year	Current Financial Year
Mr Brown	N/A[1]	GBP100,000[3]
Mr Pryor	N/A[2]	GBP50,000[3]

(1) Mr Brown was appointed as a Director on 6 August 2012.
(2) Mr Pryor was appointed as a Director on 6 August 2012.
(3) Pro rata from date of appointment on 6 August 2012.

The relevant interests of the Related Parties in securities of the Company prior to any securities being issued pursuant to Resolutions 6 and 7 are set out below:

Related Party	Shares	Options
Mr Brown	Nil	Nil
Mr Pryor	Nil	Nil

(ix) Dilution

If all the Class L Options granted to the Related Parties are exercised, a total of 3,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 800,951,034 to 804,451,034 (assuming that no other Options are exercised and no further shares are issued) with the effect that the shareholding of existing shareholders would be diluted by an aggregate of 0.44%, comprising 0.31% by Mr Brown and 0.12% by Mr Pryor.

(x) Exercise

Once vested, the Class L Options may be exercised at any time up until their expiry. The market price for Shares during the period of the Class L Options will normally determine whether or not the Class L Options are exercised. If, at any time any of the Class L Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Class L Options, there may be a perceived cost to the Company.

(xi) Trading History

At the date of this Notice, the closing price of the Shares on the ASX was 22.5 cents, on 10 October 2012. In the previous year, the highest closing price of the Shares on ASX was $1.06 which occurred on 29 February 2012 and the lowest closing price of the Shares on the ASX was 22 cents, which occurred on 9 October 2012.

(xii) Opportunity costs to the Company

The primary purpose of the grant of the Class L Options is to provide an incentive and reward to the Directors. Given this purpose, the Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the Class L Options.

To the extent that taxation arises on the exercise of the Class L Options at some future date, the relevant amount of tax to be deducted will be determined at that time and paid over to the appropriate tax authority. There is no tax consequence on issuance of the Class L Options.

(xiii) Accounting

The Company's adoption of Australian equivalents to International Financial Reporting Standards for reporting periods means that, under AASB2 Share-based Payment, equity-based compensation (such as the Class L Options under Resolutions 6 and 7) will be recognised as an expense in respect of the services received.

(xiv) Value of the Options

The value of the Class L Options and the pricing methodology is set out in Schedule 2.

(xv) The intended use of the funds

No funds will be raised from the issue of the Class L Options. The funds raised on exercise of the Class L Options, if exercised, will be applied to working capital requirements of the Company at that stage. However there is no guarantee that any of the Class L Options will be exercised.

(xvi) Other relevant information

Other than as set out in this Explanatory Statement, neither the Board, not the Company is aware of any further information which the shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolution 6 and 7.

GLOSSARY

FOR THE PURPOSES OF THE NOTICE AND THE EXPLANATORY STATEMENT, THE FOLLOWING DEFINITIONS APPLY:

"**Accounting Standards**" has the meaning given to that term in the Corporations Act;

"**Annual General Meeting"** or **"Meeting**" means the annual general meeting convened by the Notice;

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

"**ASX Listing Rules**" means the Listing Rules of ASX;

"**Board**" means the Board of Directors of the Company;

"**Closely Related Party**" has the meaning given to that term in the Corporations Act;

"**Company**" or "**CZA**" means CoAL of Africa Limited, ABN 98 008 905 388, a limited liability company duly incorporated in Australia;

"**Constitution**" means the Constitution of the Company in effect as at the date of this Notice;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company;

"**GBP**" means Great British Pound;

"**GMT**" means Greenwich Mean Time;

"**Key Management Personnel**" has the meaning given to that term in the Accounting Standards;

"**Notice**" or "**Notice of Meeting**" means the notice of Meeting which accompanies this Explanatory Statement;

"**Option**" means an option to acquire a Share;

"**Resolution**" means a resolution proposed pursuant to the Notice;

"**Restricted Voter**" means the Key Management Personnel and their Closely Related Parties; and

"**Shares**" means fully paid ordinary shares in the Company.

SCHEDULE 1

TERMS AND CONDITIONS OF CLASS L OPTIONS

1. Each Option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 30 November 2015. Subject to Clause 6 hereof, options may be exercised at any time prior to the expiry date and options not so exercised shall automatically expire on the expiry date.
3. Each ordinary share allotted as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("**Option Holder**") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.
6. Method of Exercise of Options
   (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("**Notice of Exercise of Options**"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of Options must be a multiple of 2,500 if only part of the Option Holder's total options are exercised, or if the total number of Options held by an Option Holder is less than 2,500, then the total of all Options held by that Option Holder must be exercised.
   (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of GBP0.25 per share.
   (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
   (d) Within 14 days from the date the Option Holder properly exercises Options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
   (e) If the Company is listed on the ASX, the Company will within three (3) business days from the date of issue and allotment of shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such shares, in accordance with the Corporations Act and the ASX Listing Rules.
   (f) The Company will generally comply with the requirements of the ASX Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the ASX Listing Rules , the timetable outlined in the ASX Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the ASX Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.
9. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.

SCHEDULE 2

The Class L Options to be issued to Mr Brown and Mr Pryor pursuant to Resolutions 6 and 7 have been independently valued.

Using the Black & Scholes option model and based on the assumptions set out below, the Class L Options were ascribed the following value:

Assumptions:	
Valuation date	11 October 2012
Market price of Shares	22.5 cents
Exercise price	GBP0.25
Expiry date (length of time from issue)	30 November 2015
Risk free interest rate	2.76%
Volatility	75%
Discount	20%
Indicative value per Class L Option	GBP0.448
Total value of Class L Options	D Brown: GBP 1,120,000
	B Pryor: GBP 448,000

Note: The valuation noted above is not necessarily the market price that the Class L Options could be traded at and is not automatically the market price for taxation purposes.