

CZA - Coal of Africa Limited - Notice of General Meeting

Coal of Africa Limited
(previously, "GVM Metals Limited")
(Incorporated and registered in Australia)
(Registration number ABN 008 905 388)
Share code on the JSE Limited: CZA
ISIN AU000000CZA6
Share code on the Australian Stock Exchange Limited: CZA
ISIN AU000000CZA6
('CoAL' or 'the Company')

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM (on website)

Date of Meeting
8 April 2008

Time of Meeting
10.00 am (WST)

Place of Meeting
The Park Business Centre
45 Ventnor Avenue
West Perth WA 6005

This is an important document. Please read it carefully.

If you are unable to attend the General Meeting, please complete the Proxy Form (which can be found on the CoAL website) and return it in accordance with the instructions set out on the Proxy Form.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A General Meeting of the shareholders of Coal of Africa Limited will be held at:

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 (WST).

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting (or on the CoAL website) as soon as possible and either:

- send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6778 (International: +61 8 9322 6778); 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.

The Proxy Form can be found on the Coal website.

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the shareholders of Coal of Africa Limited, ABN 98 008 905 388 ("the Company") will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on 8 April 2008 at 10.00 am (WST), for the purpose of transacting the following business referred to in this Notice of General Meeting ("Notice of Meeting").

AGENDA

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

ORDINARY BUSINESS

Resolution 1: Ratification of Issue of Shares

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

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of the ASX and all other purposes, the Company ratifies the allotment and issue of:

- (a) 8,888,888 Shares on 29 October 2007 at a deemed issue price of 30 pence each;*
- (b) 30,000,000 Shares on 28 November 2007 at an issue price of 65 pence each;*
- (c) 1,625,000 Class E Options on 28 November 2007 (each option exercisable a 65 pence each on or before 30 November 2009) for no consideration; and*
- (d) 375,000 Class F Options on 28 November 2007 (each option exercisable a \$1.50 each on or before 30 November 2009) for no consideration,*

to the parties and otherwise on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 1 by any of the persons who participated in the issues the subject of Resolution 1 and any associate of any of 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.

Resolution 2: Issue of 4,750,000 Shares as part consideration for acquisition of remaining 30% interest in Mooiplaats

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

"That, for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX and all other purposes, the Company approves the allotment and issue of 4,750,000 Shares at a deemed issue price of \$1.60 per Share to Jannie Abraham Nel (or his nominee) and on the terms and conditions set out in the Explanatory Statement that forms part of this Notice."

The Company will disregard any votes cast on Resolution 2 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 securities 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.

Resolution 3: Issue of up to 100,000,000 Shares to raise further working capital should the Company require

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

"That, for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX and all other purposes, the Company approves the allotment and issue of up to 100,000,000 Shares at an issue price of not less than 80% of the average market price of the Company's Shares on the ASX over the last 5 days on which sales of the Shares are recorded before the date of issue (or if there is a prospectus or admission document relating to the issue, over the last 5 days on which sales in the Shares are recorded before the date of the prospectus or admission document) as more particularly described in the Explanatory Statement that forms part of this Notice."

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 securities 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.

Resolution 4: Grant of Options to Blair Sergeant

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

"That, pursuant to Listing Rule 10.11 of the ASX and section 208 of the Corporations Act and all other purposes, the Directors be and are hereby authorised to grant 1,000,000 Class G Options to Blair Sergeant or his nominee/s for no consideration, exercisable on or before 30 September 2012 at an exercise price of \$1.90 each on the terms and conditions described in the Explanatory Statement that forms part of this Notice (including Annexure C to the Explanatory Statement)."

The Company will disregard any votes cast on Resolution 4 by Blair Sergeant or any associate of Blair Sergeant. 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.

BY ORDER OF THE BOARD

Shannon Coates
Company Secretary
Dated: 25 February 2008

PROXIES

1. Votes at the general meeting may be given personally or by proxy, attorney or representative.
2. A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on behalf of the member. A proxy need not be a member of the Company, but must be a natural person (not a corporation). A proxy may also be appointed by reference to an office held by the proxy (eg "the Company Secretary").
3. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the member's voting rights. If no such proportion is specified, each proxy may exercise half of the member's votes.
4. A proxy form can be found on the CoAl website. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at Level 1, 173 Mounts Bay Road, Perth, Western Australia or by fax to (61-8) 9322 6778. Alternatively, you may photocopy the enclosed form.
5. A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, not less than 48 hours before the time for commencement of the meeting. Please send by post to Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000 or by fax to (61 8) 9322 6778.
6. The Company will accept proxy appointments by a corporate member executed in accordance with either section 127(1) (not under seal) or section 127(2) (under seal) of the Corporations Act.
7. For the purposes of section 1074E(2) of the Corporations Act 2001 and regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary shares at the close of business on Sunday 6 April 2008 will be entitled to attend and vote at the General Meeting.
8. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way; and

- (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in anyway that the proxy sees fit.

9. The Explanatory Statement attached to this Notice forms part of this Notice.

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 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 resolution.

THE RESOLUTIONS

1. RESOLUTION 1 - RATIFICATION OF THE ISSUE OF SHARES AND OPTIONS

As announced previously, the Directors of the Company issued the following without shareholder approval:

1. 8,888,888 Shares at a deemed issue price of 30 pence each on 29 October 2007 in part consideration for the acquisition of 70% of CSA, the owner of the Mooiplaats Coal Project;
2. 30,000,000 Shares at an issue price of 65 pence each on 28 November 2007 to fund the acquisition and development of Mooiplaats and Baobab coal Projects, exploration and general working capital;
3. 1,625,000 Class E Options on 28 November 2007 at a nil issue price, each exercisable at 65 pence on or before 30 November 2009 and otherwise subject to the terms and conditions outlined in Annexure A in lieu of professional fees in relation to the placements that occurred on 28 November 2007;
4. 375,000 Class F Options on 28 November 2007 at a nil issue price, each exercisable at \$1.50 on or before 30 November 2009 and otherwise subject to the terms and conditions outlined in Annexure B in lieu of professional fees in relation to the placements that occurred on 28 November 2007.

Resolution 1 seeks that shareholders ratify the issues of those Shares and Options pursuant to ASX Listing Rule 7.4. Listing Rule 7.4 enables the shareholders of a company to ratify an issue of securities provided that the issue does not fall within one of the exceptions of Listing Rule 7.1 and does not breach the 15% restriction contained in Listing Rule 7.1.

If the issues are ratified by this resolution then the Company will be entitled to issue further securities in accordance with the terms and restrictions of ASX Listing Rule 7.1.

For the purpose of Listing Rule 7.5 the following information is provided:

(a) Issue of 8,888,888 Shares on 29 October 2007:

1. a total of 8,888,888 Shares were issued;
2. the Shares were issued at a deemed issue price of 30 pence each;
3. the Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. the Shares were issued to Roy Nominees Limited in part consideration for the acquisition of 70% of CSA; and
5. no funds were raised from the issue.

(b) Issue of 30,000,000 Shares on 28 November 2007:

1. a total of 30,000,000 Shares were issued;
2. the Shares were issued at an issue price of 65 pence each;
3. the Shares issued were ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
4. the Shares were issued to various sophisticated and professional investor clients of Mirabaud Securities Limited; and
5. £19,500,000 was raised from the issue to fund the acquisition and development of the Mooiplaats Coal Project and Baobab Coal Project, exploration and general working capital.

(c) Issue of 1,625,000 Class E Options on 28 November 2007:

1. a total of 1,625,000 Class E Options were issued;
2. the Class E Options were issued for nil consideration, in lieu of professional fees;

3. the Class E Options are exercisable at 65 pence each on or before 30 November 2009 and otherwise subject to the terms and conditions outlined in Annexure A;
4. the Class E Options were issued to the following parties:

Allottee	Number of Options
Mirabaud Securities Limited	1,247,942
Blue Oar Securities plc	297,570
Bell Potter Nominees Limited <BB Nominees A/C>	79,488

5. no funds were raised from the issue.

(d) Issue of 375,000 Class F Options on 28 November 2007:

1. a total of 375,000 Class F Options were issued;
2. the Class F Options were issued for nil consideration, in lieu of professional fees;
3. the Class F Options are exercisable at \$1.50 each on or before 30 November 2009 and otherwise subject to the terms and conditions outlined in Annexure B;
4. the Class F Options were issued to Zero Nominees Pty Ltd; and
5. no funds were raised from the issue.

4. RESOLUTION 2 - ISSUE OF 4,750,000 SHARES AS PART CONSIDERATION FOR ACQUISITION OF REMAINING 30% OF CSA

As announced on 18 February 2008, the Company has contracted to purchase the remaining 30% of the issued share capital of CSA. CSA is the South African company that owns the Mooiplaats Coal Project and surrounding New Order prospecting rights and of which the Company currently owns 70%. The properties owned by CSA are located within 2 kilometres of the Camden Power Station near Ermelo and are beside the main rail line to the Richards Bay export coal terminal. Consideration payable for the acquisition of the remaining interest in CSA is ZAR130,000,000 in cash and 4,750,000 Shares.

The Shares issued as a result of approval of Resolution 2 will be applied as part consideration for the acquisition of the remaining 30% of the issued share capital of CSA.

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. Shareholder approval is therefore sought pursuant to Resolution 2.

For the purpose of ASX Listing Rule 7.3, the following information is provided:

1. the total number of Shares to be issued under Resolution 2 is 4,750,000;
2. the deemed issue price of the Shares to be issued under Resolution 2 is \$1.60 per Share;
3. the allottee of the Shares will be Jannie Abraham Nel (or his nominee). The allottee is not a related party of the Company;
4. the Shares are ordinary fully paid shares in the capital of the Company and will rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
5. no funds will be raised from the issue; and
6. the Shares will be issued and allotted on a date no later than 3 months from the date of this General Meeting, or such later date as approved by ASX.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 2.

5. RESOLUTION 3 - ISSUE OF 100,000,000 SHARES

The Company now has 4 Coal projects it is developing, namely Mooiplaats, Baobab, Thuli and Holfontien. As previously announced, the combined JORC compliant resource of these properties is currently in excess of \$1.45 billion tonnes. It is the Company's intention to bring Mooiplaats into production this calendar year, followed by both Baobab and Thuli next calendar year. The manner in which these projects will be funded largely depends on the ability of the Company to secure debt funding for the various projects, the amount of debt secured and therefore the amount of equity the Company will be required to invest. At this point in time, the amount of debt and/or equity required has not yet been determined.

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.

Shareholder approval is therefore sought pursuant to

Resolution 3.

For the purpose of ASX Listing Rule 7.3, the following information is provided:

1. the maximum number of Shares to be issued under Resolution 3 is 100,000,000;
2. the issue price of the Shares to be issued under Resolution 3 is not less than 80% of the average market price of the Company's Shares on the ASX over the last 5 days on which sales of the Shares are recorded before the date of issue (or if there is a prospectus or admission document relating to the issue, over the last 5 days on which sales in the Shares are recorded before the date of the prospectus or admission document);
3. the allottees of the Shares will be certain sophisticated and professional investors but are as yet unknown. None of the allottees will be related parties of the Company;
4. the Shares are ordinary fully paid shares in the capital of the Company and will rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
5. the funds raised will be applied towards funding the Company's various Coal Projects and general working capital, as noted above; and
6. the Shares will be issued and allotted on a date no later than 3 months from the date of this General Meeting, or such later date as approved by ASX.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – GRANT OF OPTIONS TO BLAIR SERGEANT

As announced on 14 December 2007, Blair Sergeant was appointed to the executive position of Finance Director, effective 1 January 2008. His appointment was driven by the Board's strategy and determination to bring several of the Company's coal projects into production simultaneously and in the near term. The remuneration package for Mr Sergeant's appointment included, subject to shareholder approval, the issue of 1,000,000 Class G Options, exercisable at \$1.90 (being 125% of the market value of the Company's shares at the time negotiations commenced) on or before 30 September 2012 .

The Company now seeks approval to issue 1,000,000 Class G Options to Blair Sergeant or his nominee/s.

The terms of the Class G Options are set out in Annexure C to this Explanatory Statement.

The grant of Class G Options is designed to encourage Mr Sergeant to have a greater involvement in the achievement of 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 represented by the grant of these Class G Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Class G Options to be granted to Mr Sergeant, and their exercise price and expiry date, has been determined based upon the Directors' wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon performance hurdles. The Directors have generally reviewed a selection of comparable companies to determine market conditions generally and consider the proposed number of Class G Options to be granted will ensure that Mr Sergeant's overall remuneration is in line with market standards.

In the event all Class G Options are exercised, \$1,900,000 will need to be paid to the Company by Mr Sergeant.

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 benefit 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, Mr Sergeant is considered to be a related party of the Company.

Resolution 4 provides for the grant of Class G Options to Mr Sergeant, or his nominee(s), which is a financial benefit which requires shareholder approval.

Current Holdings

As at the date of this Notice, Mr Sergeant has a relevant interest in 1,000,000 Options (exercisable at 50 cents each on or before 30 September 2011) of the Company.

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, 1,000,000 Class G Options will be granted to Mr Sergeant, or his nominee(s).

The nature of the financial benefit

The proposed financial benefit to be given is the grant of Class G Options for no consideration to Mr Sergeant as noted above. The terms and conditions of the Class G Options to be granted to Mr Sergeant are set out in Annexure C to this Explanatory Statement.

Directors' recommendation

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

Messrs Richard Linnell, Simon Farrell, Peter Cordin, and Stephen Bywater (who have no interest in the outcome of Resolution 4) recommend that Shareholders vote in favour of Resolution 4. Mr Sergeant 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 proposed grant of Class G Options to him or his nominee(s).

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 Resolution 4 would have the effect of giving power to the Directors to grant a total of 1,000,000 Class G Options on the terms and conditions as set out in Annexure C to this Explanatory Statement and as otherwise mentioned above.

The Company currently has 301,873,917 listed Shares on issue. The Company also has the following unlisted Options on issue:

Number	Exercise Price	Expiry Date
13,500,000	50 cents each	30 September 2011
555,575	54 pence each	31 May 2009
196,688	34 pence each	17 May 2009
7,000,000	\$1.25 each	30 September 2012
1,625,000	65 pence each	30 November 2009
375,000	\$1.50 each	30 November 2009

If all Class G Options granted as proposed above are exercised, and assuming the maximum number of shares are issued pursuant to Resolutions 2 and 3 and all existing Options on issue have been exercised, the effect would be to dilute the share holding of existing Shareholders by 0.232%. The market price of the Company's Shares during the period of the Class G Options will normally determine whether or not Mr Sergeant exercises the Class G Options. At the time any Class G Options are exercised and Shares are issued pursuant to the exercise of the Class G Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Class G Options.

Mr Sergeant's fees per annum and the total financial benefit to be received by him in this current period as a result of the grant of the Class G Options the subject of Resolution 4 are as follows:

Director	Fees p.a. (\$)	Value of Class G Options (\$)	Total Financial Benefit (\$)
Blair Sergeant	250,000	826,800	1,076,800

Valuation of Class G Options

The Company's advisers have valued the Class G Options to be granted to Mr Sergeant using the Binomial Model. The value of an option calculated by the Binomial Model is a function of a number of variables. The valuation of the Class G Options has been prepared using the following assumptions:

Variable	Input
Share price	\$1.81
Exercise price	\$1.90
Risk Free Interest Rate	6.75%
Volatility	75%
Time (years to expiry)	30 September 2012

For the purposes of this valuation the Company's advisers have assumed 15 April 2008 as the issue date of the Class G Options. For the share price, the closing price of the Company's Shares on the ASX as at 21 February 2008 has been used. The Company's advisers have also assumed a volatility level of 75% given the industry in which the Company operates, its financial position and the volatility of listed shares of other companies comparable to the Company.

Based on the assumptions, it is considered that the estimated value of the Class G Options to be granted to Mr Sergeant is \$0.8268 per Class G Option.

Any change in the variables applied in the Binomial calculation between the date of the valuation and the date the Class G Options are granted would have an impact on their value.

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on ASX in the last three months:

Security	Highest Price (\$)	Date of highest price	Lowest Price (\$)	Date of lowest price	Latest Price on 22 February 2008 (\$)
Ordinary Shares	2.10	7 January 2008	1.45	25 January 2008	1.90

Other Information

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Class G Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, 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 Class G Options pursuant to Resolution 4.

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 Resolution.

Listing Rule 10.11

Listing Rule 10.11 requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires shareholders to approve the issue of Class G Options to Mr Sergeant as Finance Director.

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

1. the Class G Options will be granted to Blair Sergeant or his nominee/s;
2. the maximum number of Class G Options to be granted is 1,000,000;
3. the Class G Options will be granted on a date which will be no later than 1 month after the date of this meeting;
4. the Class G Options will be granted for no consideration;
5. no funds will be raised by the grant of the Class G Options; and
6. the terms and conditions of the Class G Options are set out in Annexure C to this Explanatory Statement.

If approval is given for the issue of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

GLOSSARY

For the purposes of Resolutions 1 - 4 and the Explanatory Statement, 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;

"Baobab Coal Project" means the prospecting and exploitation of the metallurgical and bituminous coal resource on the Farms Albert 686 MS, Ancaster 501 MS, Bekaf 650 MS, Castle Koppies 653 MS, Cavan 508 MS, Chase 576 MS, Cohen 591 MS, Enfield 521 MS, Fanie 578 MS, Fripp 645 MS, Joffre 584 MS, Jutland 563 MS, Kleinenberg 636 MS and Voorburg 503 MS);

"CSA" means Coal of Africa Limited, registration number 1999/009537/06, a limited liability company duly incorporated in the Republic of South Africa;

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

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

"Directors" means the directors of the Company;

"Hofontein Coal Project" means the Prospecting Rights on Farms Hofontein 138 IS and Wildebeesfontein 122 IS

"Listing Rules" means the Listing Rules of ASX;

"Mooiplaats Coal Project" means the Mining Right on Farm Mooiplaats 290 IT and the Prospectus Rights on Farms Adrianople 296 IT, Welgelegen 322 IT, Klipbank 295 IT, Weltevreden 289 IT, Buhrmansvallei 297 IT, Mooiplaats 290 IT (Ext), Buhrmansklipkrans 331 IT, Klipfontein 442 IS, Uitkomst 292 IT and Mooiplaats 529 IT;

"Notice" or **"Notice of Meeting"** means the notice of meeting which accompanies this Explanatory Statement (including Annexures A, B and C);

"Shares" means fully paid ordinary shares in the Company;

"Thuli Coal Project" means the prospecting and exploitation of the metallurgical and bituminous coal resource on the Farms Over Vlakte 125 MS, Bergen Op Zoom 124 MS, Simple 155 MS and Voerspoed 836 MS; and

"WST" means Australian Western Standard Time.

ANNEXURE A

TERMS AND CONDITIONS OF CLASS E 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 2009. 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 65 pence 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 Listing Rules of the ASX.
- (f) The Company will generally comply with the requirements of the 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 Listing Rules of the ASX, the timetable outlined in the 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 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 Listing Rules of the ASX) 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.

TERMS AND CONDITIONS OF CLASS F 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 2009. 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 \$1.50 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 Listing Rules of the ASX.
- (f) The Company will generally comply with the requirements of the 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 Listing Rules of the ASX, the timetable outlined in the 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 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 Listing Rules of the ASX) 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.

TERMS AND CONDITIONS OF CLASS G 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 September 2012. 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 \$1.90 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

- (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 Listing Rules of the ASX.
- (f) The Company will generally comply with the requirements of the 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 Listing Rules of the ASX, the timetable outlined in the 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 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 Listing Rules of the ASX) 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.

7 March 2008

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