



NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

Date of Meeting

22 April 2010

Time of Meeting

3.00 pm (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 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

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

**The Park Business Centre
45 Ventnor Avenue, West Perth
Western Australia**

**Commencing at
3.00 pm (WST)
on 22 April 2010**

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 3.00pm (WST).

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting 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.

Your Proxy Form is enclosed.

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 22 April 2010 at 3.00 pm (WST), for the purpose of transacting the following business referred to in this Notice of 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 and the Explanatory Statement are defined in the glossary at the end of the Explanatory Statement.

ORDINARY BUSINESS

Resolution 1: Issue of up to 50,000,000 Shares to Firefly Investments 163 (Proprietary) Limited

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 and all other purposes, the Company approves the allotment and issue of up to 50,000,000 Shares at an issue price of £0.60 per Share to the parties and otherwise on the terms and conditions set out in the Explanatory Statement."

The Company will disregard any votes cast on Resolution 1 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 2: Ratification of Issue of 350,000 Shares

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

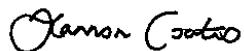
"That, for the purpose of Listing Rule 7.4 and all other purposes, the Company ratifies the allotment and issue of 350,000 Shares on 17 February 2010 at a deemed issue price of \$2.00 each to the parties and otherwise on the terms and conditions set out in the Explanatory Statement."

The Company will disregard any votes cast on Resolution 2 by any persons who participated in the issues the subject of Resolution 2 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.

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: 18 March 2010

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 is enclosed. 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 20 April 2010 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 any way that the proxy sees fit.

9. The Explanatory Statement attached to this Notice forms part of this Notice. Capitalised terms used in this Notice are defined in the Explanatory Statement.

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 Resolutions.

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

RESOLUTION 1 – ISSUE OF UP TO 50,000,000 SHARES TO FIREFLY INVESTMENTS 163 (PROPRIETARY) LIMITED

On 11 December 2009, the Company announced it had executed formal agreements with Firefly Investments 163 (Proprietary) Limited ("**Firefly**"), its Broad-Based Black Economic Empowerment partner ("**BBBEE Agreements**"), as part of CoAL's efforts to ensure compliance with South African legislative requirements for black empowered groups to hold at least a 26% participation in mining companies by 2014 and to pave the way for the Company's long term future in South Africa ("**BEE Transaction**").

The BBBEE Agreements, which were entered into by CoAL, Coal Investments Limited ("**CIL**") and Firefly, provide Firefly with the option to subscribe for a total of 50,000,000 Shares at an issue price of £0.60 each ("**BBBEE Option**") between 1 November 2010 and 1 November 2014. The BBBEE Option consists of two options, both of which may be exercised in whole or in part. The first option is in respect of 32,500,000 Shares ("**First Option**") and the second option is in respect of 17,500,000 Shares ("**Second Option**"). Firefly cannot exercise the BBBEE Option prior to 1 November 2010, except in certain limited circumstances such as a change in control of the Company. The number of Shares to be issued pursuant to the BBBEE Agreements will be adjusted if CoAL undertakes a bonus or pro rata issue of shares, as described in Annexure A.

In addition, the BBBEE Option is subject to certain regulatory approvals, including the approval of the Australian Foreign Investment Review Board, which has been granted. The 50,000,000 Shares to be issued on the exercise of the BBBEE Option represents approximately 9.53% of CoAL's current issued capital on a diluted basis.

As part of the suite of BBBEE Agreements, Firefly has also agreed to grant a call option to CIL to acquire the Second Option ("**Call Option**"). Within 5 days of the exercise of the Call Option, Firefly must transfer the Second Option to CIL or its nominee(s). If Firefly has exercised part of the Second Option into Shares prior to CIL exercising the Call Option, Firefly undertakes to take all steps necessary to transfer any Shares issued to it on the exercise of the Second Option to CIL or its nominee(s). If at any time Firefly does not comply with its obligations under the Call Option and CIL provides notice to Firefly and the Company of such non-compliance, CIL may either exercise the Second Option such that all Shares are issued to CIL or its nominee(s), or provide notice to the Company and Firefly requiring that all rights and obligations of Firefly under the Second Option are assigned and transferred to CIL.

Under the BBBEE Agreements, Firefly will have the right to nominate two persons to the Board, and has also undertaken to procure that the King of the VhaVenda from the Limpopo province, His Majesty Khosi Khulu Toni Mphephu Ramabulana (the "**King**") holds a shareholding and beneficial interest in Firefly within a period of three months from satisfaction of the conditions precedent to the BBBEE Agreements. The King represents his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups, as well as

a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

To facilitate the BEE Transaction the Company's second largest second shareholder, African Global Capital I, LP, an entity associated with Mvelaphanda Holdings (Proprietary) Limited, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently hold in aggregate 15.02% of the issued capital of the Company, have entered into an agreement with Firefly under which, amongst other things, they will cede their voting rights over their Shares in the Company to Firefly.

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. Resolution 1 seeks shareholder approval to issue up to 50,000,000 Shares at an issue price of £0.60 each pursuant to the exercise of the BBBEE Option. As the BBBEE Agreements were entered into under CoAL's existing 15% placement capacity under Listing Rule 7.1, the effect of Resolution 1 is to refresh the Company's 15% placement capacity under Listing Rule 7.1.

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

1. the maximum number of Shares to be issued under Resolution 1 is 50,000,000;
2. subject to the conditions of the BBBEE Agreements being met, the Shares will be issued and allotted no later than 5 November 2014, as approved by ASX by way of ASX granting a waiver from Listing Rule 7.3.2 on 16 March 2010;
3. the Shares will be allotted progressively on exercise of the BBBEE Option;
4. the Shares will be issued at an issue price of £0.60 each;
5. the Shares to be issued will be ordinary fully paid shares and rank equally in all respects with the existing ordinary fully paid shares issued in the capital of the Company;
6. the Shares in respect of the First Option (being 32,500,000 Shares) will be issued to Firefly or its nominee(s). The Shares in respect of the Second Option (being 17,500,000 Shares) will be allotted to Firefly or its nominee(s) or CIL or its nominee(s) depending on whether CIL decides to exercise the Call Option as described above. The allottees will not be a related party of the Company; and
5. funds raised from the issue of the Shares will be used for working capital purposes.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 1.

RESOLUTION 2 – RATIFICATION OF ISSUE OF 350,000 SHARES

As previously announced, the Company issued 350,000 Shares at a deemed issue price of \$2.00 in part consideration for professional services rendered in relation to the Company's Mooiplaats Colliery. This issue of Shares was made without shareholder approval under the Company's 15% placement capacity under Listing Rule 7.1.

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 under 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 350,000 Shares that was made on 17 February 2010 in order to restore the right of the Company to issue further Shares within the 15% limit during the next 12 months.

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

1. a total of 350,000 Shares were issued;
2. the Shares were issued at a deemed issue price of \$2.00 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 Gravitas Limited. The allottee is not a related party of the Company; and
5. the Shares were issued in part consideration for professional services rendered in relation to the Mooiplaats Coal Project. No funds were raised from the issue.

Directors' Recommendation

The Board recommends shareholders vote in favour of Resolution 2.

GLOSSARY

FOR THE PURPOSES OF RESOLUTIONS 1 AND 2 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;

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

"**Company**" or "**CoAL**" 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;

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

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

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

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

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

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

"**WST**" means Western Standard Time.

ANNEXURE A

Adjustment to number of Shares to be issued pursuant to Resolution 1 (please refer to page 1 of the Explanatory Statement)

Bonus Issues

- 1.1** If the Company makes a bonus issue of Shares or other securities pro rata to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and not all of the BBEE Option Shares have been allotted in respect of the BBEE Option before the record date for determining entitlements to the bonus issue then the rights attaching to the BBEE Option will be altered as follows:

- 1.1.1** the number of BBEE Option Shares (S) is determined by the formula:

$$S = N + (N \times R)$$

- 1.1.2** the BBEE Option Price is the greater of the par value (if any) of the Share and the sum (EP) determined by the formula:

$$EP = \frac{N \times OP}{N + (N \times R)}$$

(fractions are to be rounded up to the nearest penny)
where:

N = The Outstanding BBEE Option Shares on the record date to determine Firefly's entitlements to the bonus issue.

R = The number of Shares (including fractions) offered under the bonus issue for each Share held.

OP = The BBEE Option Price which applies on the record date to determine entitlements to the bonus issue.

Pro rata issue

- 1.2** If the Company makes an offer of Shares pro rata to all or substantially all holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price and not all of the BBEE Option Shares have been allotted in respect of the BBEE Option before the record date for determining entitlements to the rights issue then the BBEE Option Price will be reduced according to the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

(fractions are to be rounded up to the nearest penny)
where:

O' = The new BBEE Option Price.

O = The old BBEE Option Price.

E = 1

P = The weighted average market price of fully paid Shares sold in the ordinary course of trading on ASX during the five trading days ending on the day before the ex rights or ex entitlements date.

S = The subscription price of new Shares issued under the pro rata issue.

D = Any dividends due but not yet paid on existing Shares which will not be payable in respect of new Shares issued under the pro rata issue.

N = The number of Shares with rights or entitlements that must be held to receive a right to one new Share.
The number of Option Shares will not change.

Reconstruction

1.3 If, at any time there is a reconstruction of the capital of the Company ("**Reconstruction**"), the BBEE Option under the BBEE Agreements, to the extent it has not been exercised, will be reconstructed in the manner specified below:

- 1.3.1** in a consolidation of capital, the number of BBEE Option Shares must be consolidated in the same ratio as the Shares and the BBEE Option Price must be amended in inverse proportion to that ratio;
- 1.3.2** in a sub-division of capital, the number of BBEE Option Shares must be sub-divided in the same ratio as the Shares and the BBEE Option Price must be amended in inverse proportion to that ratio;
- 1.3.3** in a return of capital or other distribution (whether in cash or in specie), the number of BBEE Option Shares must remain the same, and the BBEE Option Price must be reduced by the same amount as the amount returned or the amount of the distribution in relation to each ordinary security;
- 1.3.4** in a reduction of capital by cancellation of capital paid up on Shares that is lost or not represented by available assets where no Shares are cancelled, the number of BBEE Option Shares and the BBEE Option Price of the BBEE Option must remain unaltered;
- 1.3.5** in a pro rata cancellation of Shares, the number of BBEE Option Shares must be reduced in the same ratio as the Shares and the BBEE Option Price of the Option must be amended in inverse proportion to that ratio; and
- 1.3.6** in any other case, the number of BBEE Option Shares, or the BBEE Option Price, or both, must be reorganised so that Firefly does not receive a benefit that holders of Shares do not receive.

Nothing in sub-clause 1.3.6 prevents a rounding up of the number of BBEE Option Shares to be received on exercise of the BBEE Option if the rounding up is approved at the shareholders' meeting that approves the Reconstruction, and the terms of the BBEE Option will be construed accordingly.