



HD CZA - **COAL** OF AFRICA LIMITED - Notice of General Meeting and Explanatory Memorandum to Shareholders  
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Notice of General Meeting and Explanatory Memorandum to Shareholders

**Coal** of Africa Limited  
Incorporated and registered in Australia)  
(Registration number ABN 008 905 388)  
ISIN AU000000CZA6  
JSE/ASX/AIM share code: CZA  
( "**CoAL**" or the "**Company**" or the "Group")

ABN 98 008 905 388

#### NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting  
25 September 2014

Time of Meeting  
10 a. **m.** (London time)

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

A Proxy Form is enclosed  
Please read this Notice and Explanatory Memorandum carefully.  
If you are unable to attend the General Meeting please complete and return  
the enclosed Proxy Form  
in accordance with the specified directions.

**Coal** of Africa Limited  
Constitution means the **Company**'s constitution, as  
ABN 98 008 905 388  
amended from time to time.

NOTICE OF GENERAL MEETING  
Corporations Act means the Corporations Act 2001

( Cth ).

Notice is hereby given that a General Meeting of

Shareholders of **Coal** of Africa Limited ABN 98  
Director means a director of the **Company** from  
008 905 388 will be held at 10 a.m. (London time)  
time to time.

on 25 September 2014 at Tavistock  
Communications, 8th Floor, 131 Finsbury  
Explanatory Memorandum means the explanatory  
Pavement, London EC2A 1NT for the purpose of  
memorandum accompanying this Notice.  
transacting the following business referred to in  
this Notice of General Meeting.  
GBP means pounds sterling.

Listing Rules means the Listing

Rules of the ASX.

AGENDA

ITEMS OF BUSINESS

Notice means this Notice of General Meeting.

Resolution means a resolution contained in this  
Notice.

1. Resolution 1 - Approval of issue of  
Shares

Shares means fully paid ordinary shares in the

capital of the **Company**.

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

By order of the Board

"That, for the purpose of Listing Rule 7.1 and all other  
purposes, the **Company** approves the allotment and issue  
of up to 695,000,000 Shares at an issue price of  
GBP0.055 per Share, as more particularly described in

Tony Bevan

the Explanatory Memorandum accompanying the

**Company** Secretary

Notice."

The **Company** will disregard any votes cast on Resolution 1 by  
Dated: 26 August 2014

any person who may participate in the proposed issue and any  
person who might obtain a benefit, except a benefit solely in the  
capacity of a holder of ordinary shares if the resolution is passed,  
and any person associated with those persons.

However, the **Company** need not disregard a vote if:

- the vote is cast by a person as proxy for a person who is  
entitled to vote, in accordance with the directions on the  
proxy form; or
- 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.

OTHER BUSINESS

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

For the purposes of this Notice of General Meeting,

the following definitions apply:

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

Board means the board of Directors of the **Company**.

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

How to vote

Shareholders who return their proxy forms with a

Shareholders can vote by either:

direction how to vote but do not nominate the

identity

of their proxy will be taken to have

• attending the meeting and voting in person or by

appointed the Chairman of the meeting as their

attorney or, in the case of corporate shareholders,

proxy to vote on their behalf. If a proxy form is

by appointing a corporate representative to attend

returned

but the nominated proxy does not attend

and vote; or

the

meeting, the Chairman of the meeting will act

• appointing a proxy to attend and vote on their

in place

of the nominated proxy and vote in

behalf using the proxy form accompanying this

accordance with any instructions. Proxy

Notice and by submitting their proxy appointment

appointments in favour of the Chairman of the

and voting instructions in person, by post or by

meeting,

the secretary or any Director that do not

facsimile.

contain

a direction how to vote will be used where

possible

to support each of the resolutions

Voting in person (or by attorney)

proposed

in this Notice, provided they are entitled

Shareholders, or their attorneys, who plan to attend the

to cast

votes as a proxy under the voting exclusion

meeting are asked to arrive at the venue 15 minutes

rules

which apply to some of the proposed

prior to the time designated for the meeting, if possible,

resolutions. These rules are explained in this

so that their holding may be checked against the

Notice.

**Company**'s share register and attendance recorded.

• To be

effective, proxies must be lodged by 10 a.m.

(London

time) on 23 September 2014. Proxies

certified copy of the power of attorney under which

lodged

after this time will be invalid.

they have been authorised to attend and vote at the

• Proxies

may be lodged using any of the following

methods:

meeting.

- by

returning a completed proxy form in

Voting by a corporation

person or by delivery or post using the pre-

A shareholder that is a corporation may appoint an addressed envelope provided with this individual to act as its representative and vote in Notice to:

person at the meeting. The appointment must comply of Africa Limited with the requirements of section 250D of the Suite 8, 7 The Esplanade, Corporations Act. The representative should bring to Pleasant the meeting evidence of his or her appointment,

Coal

Mt

Western Australia 6153 including any authority under which it is signed.

Australia

Voting by proxy - by faxing a completed proxy form to the

facsimile number provided on the Proxy

- A shareholder entitled to attend and vote is accompanying this Notice.

Form

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

proxy form must be signed by the shareholder

or the

shareholder's attorney. Proxies given by

- The appointment of the proxy may specify the

corporations must be executed in accordance with proportion or the number of votes that the proxy

the

Corporations Act. Where the appointment of a may exercise. Where more than one proxy is

proxy is

signed by the appointer's attorney, a

appointed and the appointment does not specify

certified copy of the power of attorney, or the

the proportion or number of the shareholder's

power

itself, must be received by the Company at

votes each proxy may exercise, the votes will be

the

above address, or by facsimile, and by 10 a.m.

divided equally among the proxies (i.e. where

(London

time) on 23 September 2014. If facsimile

there are two proxies, each proxy may exercise

transmission is used, the power of attorney must half of the votes).

be certified.

- A proxy need not be a shareholder.

- The proxy can be either an individual or a body

Shareholders

who are entitled to vote corporate.

In

accordance with Regulations 7.11.37 and 7.11.38 of

- If a proxy is not directed how to vote on an item of Corporations Regulations 2001, the Board has

the

business, the proxy may generally vote, or abstain

determined

that a person's entitlement to vote at the

from voting, as they think fit.

General

Meeting will be the entitlement of that person

- Should any resolution, other than those specified set out in the Register of Shareholders as at 10 a.m. in this Notice, be proposed at the meeting, a proxy (London time) on 23 September 2014. Changes in the register of shareholders after this time will be disregarded
  - If a proxy is instructed to abstain from voting on in determining the rights of any person to an item of business, they are directed not to vote attend and vote at the meeting.
- on the shareholder's behalf either on a show of hands or on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

**Coal** of Africa Limited  
ABN 98 008 905 388

#### EXPLANATORY MEMORANDUM

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

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

#### BACKGROUND TO RESOLUTION 1

##### Key terms of the Placement

On 26 August 2014, the **Company** announced it was proposing to undertake a private placement to raise up to approximately GBP38.225 **million** (or approximately US\$64.9 **million**) 1 through the issue of up to 695,000,000 new Shares ("Placement Shares") at an issue price of GBP0.055 per Share ("Placement"). A copy of this announcement is attached as Annexure A to this Explanatory Memorandum.

The Placement Shares are proposed to be issued in two separate stages:

- the issue of 251,000,000 Shares ("Stage 1 Placement Shares") to raise a total of approximately GBP13.805 **million**, conditional upon the fulfilment of the Stage 1 Conditions as defined below ("Stage 1 Placement"); and
- the issue of 444,000,000 Shares ("Stage 2 Placement Shares") to raise a total of approximately GBP24.420 **million**, conditional upon the fulfilment of the Stage 2 Conditions as defined below ("Stage 2 Placement").

The Placement Shares are proposed to be issued to the entities set out in the table below ("Placees"), pursuant to subscription agreements entered into between the Placees and the **Company** on or about 26 August 2014 ("Subscription Agreements"):

Total	Issue		Number of	Number of
number of	price per	Currency of	Stage 1	Stage 2
Places	Placement	Placement	Placement	Share
settlement			Shares	Shares
Shares	( GBP)			
Haohua Energy International ( Hong Kong ) Resource Co.				
		US\$, based on the		
Limited ("HEI"), a			98,000,000	117,000,000
215,000,000	0.055			
Exchange Rate				
subsidiary of Beijing Haohua				
Energy Resource Co. Limited				
TMM Holdings (Proprietary)				
		Rand, based on		
			26,000,000	189,000,000
215,000,000	0.055			
Limited ("TMM")				
the Exchange Rate				
M&G Investment				
Management Limited				
			97,000,000	88,000,000
185,000,000	0.055	GBP		
( "M&G" )				
Investec Asset Management				
		Rand, based on		
(Proprietary) Limited			30,000,000	50,000,000
80,000,000	0.055			
the Exchange Rate				
("IAM")				
Total Placement Shares to				
			251,000,000	444,000,000
695,000,000	-	-		
be issued				

1

Based on an exchange rate as at 19 August 2014 of GBP 1: US\$1.70

Total amount to be raised	13.805	24.420	38.225
( GBP )	-	-	millionmillionmillion

Under the Subscription Agreements, the Stage 1 Placement is conditional upon the following conditions ("Stage 1 Conditions"):

- the approval by the Company's shareholders of Resolution 1 at the Meeting;
- HEI and M&G each having received confirmation from the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth) that it has no objection to the acquisition by HEI and M&G of their respective Placement Shares; and

- HEI having received all necessary regulatory approvals within the People's Republic of **China** for it to acquire its Placement Shares.

The Stage 1 Placement Shares will be issued and paid for within three Business Days of the date on which **CoAL** notifies the Placees that each of the Stage 1 Conditions has been satisfied.

If any of the Stage 1 Conditions has not been satisfied by 23 November 2014, or such later date as the **Company** and the Placees agree (not to be later than the Stage 2 Cut-Off Date, as defined below), the Subscription Agreements will automatically terminate and the Placement will not proceed.

Under the Subscription Agreements, the Stage 2 Placement is conditional upon the following conditions ("Stage 2 Conditions"):

- completion of the Stage 1 Placement having taken place ("Stage 1 Completion Condition"); and
- TMM having obtained sufficient funds to **purchase** its Stage 2 Placement Shares or the **Company** having found a substitute investor or investors to subscribe for TMM's Stage 2 Placement Shares and each such investor having entered into a subscription agreement with the **Company** in respect of some or all of TMM's Stage 2 Placement Shares on substantially similar terms to the Subscription Agreements ("TMM Condition").

The Stage 2 Placement Shares will be issued and paid for within three Business Days of the date on which **CoAL** notifies the Placees that the TMM Condition has been satisfied (unless the TMM Condition is satisfied before the Stage 1 Completion Condition has been satisfied, in which case the Stage 2 Placement Shares will be issued and paid for at the same time as the Stage 1 Placement Shares).

Under the Subscription Agreement with TMM, if TMM has not obtained sufficient funds to **purchase** its Stage 2 Placement Shares by 1 December 2014, then the **Company** has the right to terminate TMM's participation in the Stage 2 Placement. In that case, the **Company** may seek to find one or more other investors to take up TMM's Stage 2 Placement Shares at the issue price of GBP0.055 per Share and otherwise on substantially similar terms.

If the Stage 1 Completion Condition has been satisfied, but the TMM Condition has not been satisfied, by the earlier of (1) 24 December 2014 and (2) the date which is three Business Days earlier than three months after the date of the EGM (the "Stage 2 Cut-Off Date"), then the Stage 1 Placement will proceed but the Stage 2 Placement will not proceed.

The **Company** will notify ASX as and when it receives notice that a condition has been fulfilled.

**CoAL** has given certain limited warranties to the Placees under the Subscription Agreements ("Warranties"), and each Placee has the right to terminate its participation in the Placement if it becomes aware that there has been a breach of any Warranty, or any fact or circumstance has arisen which would render any of the Warranties untrue or inaccurate or misleading in any respect which, in the reasonable opinion of the relevant Placee, is material in

the context of its investment in **CoAL**, in each case as if the Warranties were repeated at all times between the date of the Subscription Agreements and completion of the relevant stage of the Placement. If a Placee terminates its Subscription Agreement before the Stage 1 Placement has completed, then each other Placee will also have the right to terminate its Subscription Agreement and the number of Placement Shares may decrease accordingly or the Placement may not proceed at all. If a Placee terminates its Subscription Agreement after the Stage 1 Placement has completed, then each other Placee will have the right to terminate its Subscription Agreement, but only insofar as it relates to their participation in the Stage 2 Placement and **CoAL** will be entitled to retain the proceeds from the Stage 1 Placement.

The **Company** has been informed by each of HEI and **M&G** that they have sought approval from the Foreign Investment Review Board ("FIRB") for the **acquisition** of their respective Placement Shares. The **Company** has also been informed by HEI that it has submitted the necessary applications for the regulatory approvals required to satisfy the Stage 1 Conditions.

#### Shareholdings in the **Company**

As at the date of this Explanatory Memorandum, the following Placees were substantial shareholders in the **Company**:

Placee	Percentage shareholding	Number of Shares held
HEI	23.60%	247,417,579
<b>M&amp;G</b>	15.37%	161,128,850
IAM		61,951,031 5.91%

If the Placement proceeds, the shareholdings of the Placees in the **Company** are expected to be:

Placee	Percentage shareholding		Number of Shares held	
	Following Stage 1 Placement	Following Stage 1 Placement and Stage 2 Placement	Following Stage 1 Placement	Following Stage 1 Placement and Stage 2 Placement
HEI	345,417,579	462,417,579	26.58%	26.53%
<b>M&amp;G</b>	19.87%	19.85%	258,128,850	346,128,850
TMM	2.00%	12.33% 3	26,000,000	215,000,000 2
IAM	7.08%	8.14%	91,951,031	141,951,031

Use of Placement proceeds



Subject to completion, the **Company** intends to use the proceeds raised from the Placement primarily as follows:

- To settle the outstanding **acquisition** consideration of the tenements comprised in the **Company's** Greater Soutpansberg Projects;
- To implement modifications to the existing plant at the Vele Colliery;
- To resolve the current contractual exposure resulting from the take or pay provisions of the throughput agreement between the **Company**, Terminal De Carvao Da Matola Limitada and Grindrod Corridor Management Proprietary Limited;
- To settle the Investec Bank Limited working capital facility in accordance with its terms; and
- To fund the **Company's** expected working capital requirements for the next 18 months.

In addition to the Placement, the **Company** is seeking to secure funding from the planned disposal of certain non-core assets, including the Mooiplaats Colliery, within the next 18 months, and is reliant on that funding as well as the Placement proceeds to be able to achieve all of the uses stated above. While the Directors are confident of completing one or more of these planned disposals, there can be no guarantee that any of these initiatives will be successful. Further, even if successful, these planned disposals would not provide all the funding required to satisfy the **Company's** needs without the Placement.

If the Placement is not approved at the Meeting or does not proceed in whole or in part for any other reason, including as a result of any of the other Placement conditions not being satisfied, or the **Company** is not able to achieve the planned disposal of certain non-core assets including the Mooiplaats Colliery (whether at all or for the expected amount) within the next 18 months, the **Company** will need to seek funding from other sources to meet its future capital expenditure and working capital needs. While the **Company** is confident of being able to obtain substitute funding if the planned disposal of certain non-core assets including the Mooiplaats Colliery does not go ahead, it would be significantly more challenging to obtain alternative funding if the Placement proceeds are not received in full, and there can be no guarantee that such funding will be available at all or that, if available, it will be on terms which are commercially acceptable to the **Company**. It is therefore vitally important to the continued operation of the **Company** that shareholders vote in favour of Resolution 1 at the Meeting.

2

Assumes TMM subscribes for Shares under the Stage 2 Placement.

3

Assumes TMM subscribes for Shares under the Stage 2 Placement.

If Stage 2 Placement does not proceed

In the event that TMM is not able to obtain sufficient funds to **purchase** its Stage 2 Placement Shares, the

**Company** has the right to terminate TMM's participation in the Stage 2 Placement and is confident that alternative methods could be implemented to obtain the funds that would otherwise have been provided by TMM.

In particular, the **Company** has already engaged with third parties who, for timing reasons, have been unable to participate in the Placement and who could possibly absorb TMM's Stage 2 Placement Shares if needed.

Additionally, the **Company** has the ability to issue up to 15% of the **Company's** total issued share capital without requiring further shareholder approval, which could be utilised if the Stage 2 Placement does not proceed.

The Directors only intend to progress these alternative funding options if the Placement cannot proceed as currently planned. There is no current intention to obtain additional funding beyond the Placement proceeds and the proceeds of planned asset disposals as described above.

#### RESOLUTION 1 - APPROVAL OF ISSUE OF PLACEMENT SHARES

Resolution 1 seeks shareholder approval to the issue of a maximum of 695,000,000 Shares at an issue price of GBP 0.055 per Share.

Listing Rule 7.1 requires shareholder approval for the proposed Placement. Listing Rule 7.1 broadly provides, subject to certain exceptions, that a listed **company** must not, without prior approval of its shareholders, issue securities if the number of securities issued, or when aggregated with the number of securities issued by the **company** during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Given the issue of the Placement Shares under the Placement will exceed this 15% threshold and none of the exceptions in Listing Rule 7.2 apply, shareholder approval is required in accordance with Listing Rule 7.1.

The effect of Resolution 1 will be to allow the **Company** to issue the Placement Shares during the period of 3 months after the date of the Meeting (or a longer period if allowed by ASX), without using the **Company's** 15% annual placement capacity, if the other Placement conditions are satisfied or waived (if applicable).

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

- (a) the maximum number of Shares the **Company** will issue is 695,000,000;
- (b) the **Company** will allot and issue the Stage 1 Placement Shares three Business Days after the date on which **CoAL** is notified that all of the Stage 1 Conditions have been fulfilled and no later than three months after the date of the Meeting unless otherwise extended by ASX granting a waiver to the Listing Rules;
- (c) the **Company** will allot and issue the Stage 2 Placement Shares three Business Days after the date on which **CoAL** is notified that the TMM Condition has been fulfilled (unless the TMM Condition is satisfied before the Stage 1 Completion Condition has been satisfied, in which case the Stage 2 Placement Shares will be

issued and paid for at the same time as the Stage 1 Placement Shares) and no later than three months after the date of the Meeting unless otherwise extended by ASX granting a waiver to the Listing Rules;

(d) the issue price of the Placement Shares is GBP0.055 per Share;

(e) the Placement Shares will be issued to the Placees as set out in the section entitled "Key terms of the Placement" in this Explanatory Memorandum;

(f) upon issue, the Placement Shares will be fully paid ordinary shares in the capital of the **Company** and rank equally in all respects with the existing fully paid ordinary shares on issue;

(g) the intended use of the Placement funds raised is as set out in the section entitled "Use of Placement proceeds" in this Explanatory Memorandum; and

(h) a voting exclusion statement has been included in the Notice.

#### BOARD'S RECOMMENDATION

The Board unanimously recommends that shareholders of the **Company** support the issue of the Placement Shares and vote in favour of Resolution 1 at the Meeting and those Directors who hold Shares intend to vote their Shares in favour of Resolution 1.

#### GLOSSARY

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**.

Business Day means any day that banks are open for business in London, United Kingdom, and Johannesburg, Republic of South Africa.

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

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

Corporations Act means the Corporations Act 2001 (Cth).

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

Exchange Rate means the GBP - Rand or the GBP - US\$ (as applicable) midpoint currency spot exchange rate published by Bloomberg at 17:00 (South African time) on (1) in the case of the first stage of the Placement, the Business Day immediately preceding the completion date for the issue of the first stage Placement Shares, and (2) in the case of the second stage of the Placement, the Business Day immediately preceding the completion date for the issue of the second stage Placement Shares.

FIRB has the meaning given in this Explanatory Memorandum.

GBP means pounds sterling.

Listing Rules means the Listing Rules of the ASX.

Meeting means the General Meeting the subject of the Notice.

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

Placees has the meaning given in this Explanatory Memorandum.

Placement has the meaning given in this Explanatory Memorandum.

Placement Shares has the meaning given in this Explanatory Memorandum.

Rand means the South African rand.

Resolution means a resolution proposed pursuant to the Notice.

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

Stage 1 Placement has the meaning given in this Explanatory Memorandum.

Stage 1 Completion Condition has the meaning given in this Explanatory Memorandum.

Stage 1 Conditions has the meaning given in this Explanatory Memorandum.

Stage 1 Placement Shares means the Shares proposed to be issued under the Stage 1 Placement.

Stage 2 Placement has the meaning given in this Explanatory Memorandum.

Stage 2 Conditions has the meaning given in this Explanatory Memorandum.

Stage 2 Cut-Off Date has the meaning given in this Explanatory Memorandum.

Stage 2 Placement Shares means the Shares proposed to be issued under the Stage 2 Placement.

Subscription Agreements has the meaning given in this Explanatory Memorandum.

TMM Condition has the meaning given in this Explanatory Memorandum.

US\$ means United States dollars.

Warranties has the meaning given in this Explanatory Memorandum.

Date: 26/08/2014 03:13:00 Produced by the JSE SENS Department

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