



3 May 2012

Dear Shareholder

East Africa Resources Limited - Share Purchase Plan

The Directors of East Africa Resources Limited are pleased to invite Shareholders to subscribe for shares pursuant to the Company's Share Purchase Plan ("SPP").

The SPP offers an opportunity to eligible Shareholders, irrespective of the size of their shareholding, to purchase up to a maximum of \$15,000 worth of shares in the Company, without having to pay brokerage fees and other charges.

The Offer is an invitation to offer to subscribe for fully paid ordinary Shares in the Company (SPP Shares) at 8 cents per Share for either of the following:

6,250 SPP Shares at 8 cents costing \$500.00
12,500 SPP Shares at 8 cents costing \$1,000.00
31,250 SPP Shares at 8 cents costing \$2,500.00
62,500 SPP Shares at 8 cents costing \$5,000.00
125,000 SPP Shares at 8 cents costing \$10,000.00
187,500 SPP Shares at 8 cents costing \$15,000.00

You may choose not to participate in the Offer. The Offer is not renounceable, so there are no tradeable rights (i.e. you may not transfer your right to acquire a Share to anyone else).

The Offer to each eligible Shareholder is made on the same terms and conditions.

The SPP will also enable Shareholders with a small holding of shares to increase their holding without brokerage and other charges.

The Directors have determined that the Record Date for the initial offer of shares under the SPP is 5.00 pm (WST) on 30 April 2012. Accordingly, as you were registered as a shareholder on the Record Date and are otherwise an Eligible Shareholder you are eligible to participate in the offer. Shareholders whose address is in a jurisdiction where such action is contrary to law will not be eligible to participate in the SPP.

This offer under the SPP will raise up to a maximum of \$1,563,131. The issue will close on 1 June 2012. In the event that the value of applications at closing exceeds \$1,563,131



then each application will be reduced proportionately and the resultant refund will be sent to the shareholder within 5 business days of the issue date. Shares to be issued under the SPP will be allotted on 7 June 2012.

Funds raised by East Africa from the SPP will supplement working capital and fund the exploration activities on operations in Tanzania.

IMPORTANT

Please note that the Closing Date for applying for SPP Shares is 1 June 2012. If you wish to participate in the SPP you should act as a matter of priority. The directors reserve the right to close the issue earlier than 1 June 2012.

If you do not want to participate in the SPP, you are not required to take any further action.

Shareholders should be aware that the Company's endeavours are speculative in nature. The market price of its Shares may rise or fall at any time including between the date of this letter and the date when SPP Shares are issued to you. This means that the price you pay per SPP Share may vary from the market price of Shares.

Please note that the Company is not required to issue a prospectus in relation to this Offer. Accordingly, you should rely on your own knowledge of the Company and disclosures already made by it to the ASX in determining whether to apply for SPP Shares. If in doubt, you should contact your stockbroker, solicitor, accountant or other professional adviser immediately. Further information on East Africa can be obtained from the website: www.australafrica.com.au

A copy of the terms and conditions of the SPP and your personalised SPP Application Form are enclosed.

Please read this letter and the enclosed Terms and Conditions of the SPP carefully.

If you have any queries about the SPP, please contact the East Africa Resources Limited Shareholder Information Line on 1300 850 505 (for calls within Australia) or +61 3 9415 4000 (for calls outside Australia), from 8.30am to 5.00pm WST, Monday to Friday.

For and on behalf of
East Africa Resources Limited



E A Myers

Company Secretary



Terms and Conditions of the Share Purchase Plan

This sets out the terms and conditions of the offer of Shares under the Share Purchase Plan (SPP). By accepting the offer to purchase Shares under the SPP, you agree to be bound by these terms and conditions and the Constitution of the Company.

Purpose

The purpose of the SPP is to offer eligible Shareholders the opportunity to acquire additional fully paid ordinary Shares up to a maximum of \$15,000 in any 12 month period at a discount to the market price of Shares on ASX, without the need to pay stamp duty or brokerage costs and without the need for the Company to issue a prospectus.

Offer

The Offer is an invitation to offer to subscribe for fully paid ordinary Shares in the Company (SPP Shares) at 8 cents per SPP Share for any of the following:

6,250 SPP Shares at 8 cents costing \$500.00
12,500 SPP Shares at 8 cents costing \$1,000.00
31,250 SPP Shares at 8 cents costing \$2,500.00
62,500 SPP Shares at 8 cents costing \$5,000.00
125,000 SPP Shares at 8 cents costing \$10,000.00
187,500 SPP Shares at 8 cents costing \$15,000.00

You may choose not to participate in the Offer. The Offer is not renounceable, so there are no tradeable rights (i.e. you may not transfer your right to acquire SPP Shares to anyone else).

The Offer to each eligible Shareholder is made on the same terms and conditions.

Shareholders eligible to participate

All persons registered as Shareholders in Australia and New Zealand at the Record Date may participate in the SPP. Ineligible Shareholders are those whose address in the Company's register of members is a country whose laws or regulations (in the reasonable opinion of the directors of the Company) make it unlawful or impracticable for the Company to offer and issue SPP Shares to that person.

Offers will, at the discretion of the Directors be made under the SPP once a year. The maximum amount, which any Shareholder may subscribe for in any consecutive 12 month period, is up to \$15,000. The Directors may also determine in their discretion the minimum amount for participation and the multiple of/or maximum, SPP Shares to be offered under the SPP.

All eligible holders receive the same offer, irrespective of the number of Shares which they hold on the Record Date.

The maximum value of SPP Shares which each eligible Shareholder may subscribe for is A\$15,000 (subject to scale back provisions described in the Terms of the Offer section below).

The following rules apply to participation by eligible Shareholders.

(i) Holders other than Custodians

Unless a holder is a Custodian (defined below), each holder is entitled to apply for up to a maximum amount of A\$15,000 worth of SPP Shares (irrespective of whether the holder receives multiple offer documents under the SPP, for example, due to multiple registered sole or joint holdings), subject to the holder certifying that the total of the application price for the following does not exceed A\$15,000:

- the Shares the subject of the application; and
- any other fully paid ordinary Shares applied for by the holder under the SPP or any similar arrangement in the 12 months before the application; and
- any other fully paid ordinary Shares which the holder has instructed a Custodian to acquire on their behalf under the SPP ; and
- any other fully paid ordinary Shares issued to a Custodian under an arrangement similar to the SPP in the 12 months before the application as a result of an instruction given by the holder to the Custodian or another Custodian which resulted in the holder holding beneficial interests in the Shares.

By completing and submitting the personalised Application Form which accompanies these Terms and Conditions, a holder certifies the above.

(ii) Joint holders

Unless a holder is a Custodian (defined below), if an eligible Shareholder is recorded with one or more other persons as a joint holder of East Africa Resources Shares, the joint holding is considered a single registered holding for the purpose of the SPP. A single A\$15,000 limit applies to all joint holders. A certificate given by any of the registered joint holders is taken to be a certificate given by all of them.

(iii) Custodians and nominees

Eligible holders who hold East Africa Resources Shares as custodian or nominee (as defined in ASIC class order CO 09/425) (Custodian) for one or more persons on the Record 30 April (Beneficiaries) may apply for up to a maximum amount of A\$15,000 worth of Shares in respect of each Beneficiary, subject to the Custodian certifying to East Africa Resources:

- that the Custodian is (directly or indirectly) an eligible holder of East Africa Resources Shares on behalf of one or more Beneficiaries;

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- the number of Beneficiaries instructing the Custodian (directly or indirectly) to participate;
 - the name and address of each participating Beneficiary;
 - in respect of each participating Beneficiary:
 - (a) the number of fully paid ordinary Shares that the Custodian holds (directly or indirectly) on their behalf; and
 - (b) the number or the dollar amount of Shares they instructed the Custodian to apply for on their behalf;
 - for each participating Beneficiary, that the application price for the Shares applied for on the Beneficiary's behalf, and any other ordinary fully paid Shares applied for on that Beneficiary's behalf (directly or indirectly) under a similar arrangement in the previous 12 months, does not exceed A\$15,000;
 - that a copy of this written offer document was given to each participating Beneficiary; and
 - where the Custodian holds Shares on behalf of a beneficiary indirectly, through one or more interposed Custodians, the name and address of each interposed Custodian.

By completing and submitting their personalised Application Form, a Custodian certifies the above.

Please contact the Company's Share Registry to obtain the relevant certification material and submit this together with payment and the completed personalised Application Form. If a Custodian holds Shares jointly on behalf of two or more persons, the A\$15,000 limit applies jointly in relation to those persons as if the Custodian held the Shares on behalf of a single person.

Price of SPP Shares

The Directors have determined that the price of SPP Shares will be \$0.08 per SPP Share.

How to apply for SPP Shares

The offer to participate in the SPP opens on 4 May 2012. The Company is offering eligible Shareholders the opportunity to purchase SPP Shares up to a maximum value of A\$15,000 per eligible Shareholder, subject to a minimum application of A\$500.

The offer may be accepted by an eligible Shareholder only by completing and returning the personalised Application Form, together with the appropriate payment for the amount to which the application relates, by no later than the 5.00pm (WST) on 1 June 2012, to the following address:

East Africa Resources Limited
c/- Computershare Investor Services
GPO Box 505
Melbourne VIC 3001
Australia



Applications received after 5.00 pm (WST) on 1 June 2012 will not be accepted.

Payment may be made by cheque in Australian dollars drawn on an Australian bank made payable to "East Africa Resources Limited" and crossed "Not Negotiable",

For payment via BPAY®¹, please follow the instructions on the Application Form (which includes the Biller Code and your unique Customer Reference Number). You can only make payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please note that should you choose to pay by BPAY, you do not need to return the payment slip that is attached on the Application Form.

It is your responsibility to ensure that your BPAY payment is received by no later than 5.00 pm (WST) on 1 June 2012. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Please make sure to use the specific Biller Code and unique Customer Reference Number on your Application Form. If you received more than one Application Form, you will need to complete individual BPAY transactions using the Customer Reference Number specific to the relevant individual Application Form. If you inadvertently use the same Customer Reference Number for more than one of your applications, you will be deemed to have applied only for your application to which that Customer Reference Number applies and any excess amount will be refunded.

If one or more Application Forms are received from a registered holder in relation to SPP Shares with a value greater than A\$15,000, the holder will be issued with the maximum number of SPP Shares permitted under the Offer. The difference between the subscription moneys received from such holder, and the number of SPP Shares allocated to the holder multiplied by the issue price, will be refunded to the holder, without payment of any interest, as soon as practicable following completion of the offer.

If you have any queries about how to apply for SPP Shares, your Application Form or the Offer, please contact the East Africa Resources Limited Shareholder Information Line on 1300 850 505 (for calls within Australia) or +61 3 9415 4000 (for calls outside Australia), from 8.30am to 5.00pm WST, Monday to Friday.

Issue of East Africa Resources Shares

SPP Shares will be issued on 7 June 2012.

Shareholding statements will be issued in respect of all SPP Shares, and mailed to all successful applicants on 8 June 2012. The Company will, promptly after issue of SPP Shares make application for those SPP Shares to be admitted to quotation on the official list of ASX.

¹ ®Registered to BPAY Pty Limited ABN 69 079 137 518





Costs of Participation

No brokerage, commission, stamp duty or other transaction costs will be payable by participants in respect of the application for, and issue of, SPP Shares.

Terms of the Offer

Participation in the SPP is entirely at your option. The offer is also non-renounceable, which means that you cannot transfer your right to purchase SPP Shares under the offer to anyone else.

The maximum amount you may apply for is \$15,000 and the minimum subscription is \$500.

The Offer is limited to a maximum issue of 19,539,134 SPP Shares and will close on 1 June 2012 subject to the director's discretion to close the Offer earlier. In the event that applications at the closing exceed 19,539,134 shares, then applications will be reduced proportionately and refunds sent to shareholders within 5 days of the issue date.

SPP Shares will rank equally in all respects with all other fully paid ordinary Shares as from the date of allotment and will carry the same voting rights, dividend rights and other entitlements. The Company reserves the right to reject any application for SPP Shares to the extent it believes this term or any other term of the SPP has not been complied with.

If the correct amount is not tendered in a cheque or by Bpay with your Application Form, the Company reserves the right to either return your Application Form and cheque to you and not allot any SPP Shares to you or to allot a lesser number of SPP Shares than that applied for.

The SPP offer does not take into account the individual investment objectives, financial situation or particular needs of any person. Accordingly, you are encouraged to seek your own financial advice in relation to this Offer and your participation under the SPP.

Please note that you must not apply for over \$15,000 worth of SPP Shares in any 12 month period under the SPP or any other similar offer or purchase plan made by the Company. This excludes offers made under a Prospectus.

Modification and termination of the SPP

The Company may modify or terminate the SPP at any time.

The Company will notify the ASX of any modification to, or termination of, the SPP. The omission to give notice of any modification to, or termination of, the SPP or the failure of the ASX to receive such notice will not invalidate the modification or termination.





Without limiting the above, the Company may issue to any person fewer SPP Shares than the person applied for under the SPP if the issue of the SPP Shares applied for would contravene any applicable law or the Listing Rules of the ASX.

Dispute resolution

The Company may settle in any manner it thinks fit any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant, application, or SPP Shares and the decision of the Company will be conclusive and binding on all shareholders and other persons to whom that determination relates.

The Company reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of the Company under these Terms and Conditions may be exercised by the directors of the Company or any delegate of the directors of the Company.

Defined Terms

In this document, the accompanying letter and the Application Form the following words and phrases have the meanings stated:

Applicant means an applicant for the SPP Shares comprised in the Offer.

Application Form means the Application Form for SPP Shares that accompanies this document.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closing Date means 1 June 2012 unless extended by the Company.

Company means East Africa Resources Limited (ACN 060 774 227).

Constitution means the Company's Constitution.

Directors means the directors of the Company.

Dollar or **\$** means Australian dollars.

Eligible Shareholder means a shareholder on the Record Date with a registered address in Australia or another jurisdiction in which it is lawful for the Company to offer Shares under the SPP.

Issue means the issue of the Shares comprised in the Offer.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Share means a fully paid ordinary share in the Company.





Shareholder means a shareholder in the Company.

Share Registry means Computershare Investor Services Pty Limited (ABN 48 078 279 277)

SPP or **Share Purchase Plan** means the share purchase plan announced on 1 May 2012.

SPP Share means a Share offered for subscription on the basis and under the terms of the SPP.

Offer means the offer of SPP Shares pursuant to the SPP.

Record Date means 5.00 pm WST 30 April 2012

WST means Western Standard Time.

