

22 January 2014

Dear Shareholder

OFFER OF NEW EAST AFRICA RESOURCES LIMITED SHARES UNDER A NON RENOUNCEABLE ONE FOR THREE ENTITLEMENT ISSUE

Pursuant to East Africa Resources Limited's ("East Africa") announcement made on 8 January 2014 about East Africa's intention to invite Shareholders of East Africa as at 4:00pm AWST on the Record Date of 17 January 2014 (the "**Record Date**") to participate in East Africa's one (1) for three (3) non renounceable entitlement issue, the Directors of East Africa are pleased to offer ("**Entitlement Issue**") you as an East Africa shareholder (an "**Eligible Shareholder**") on the Record Date to subscribe for one (1) new ordinary fully paid share ("**New Share**") in the capital of East Africa for every three (3) existing ordinary fully paid shares in the capital of East Africa held by you on the Record Date at the issue price of \$0.01 (1 cent) per New Share to raise up to \$758,025 before expenses of the Entitlement Issue.

Each New Share will rank equally with the existing shares in the capital of East Africa. The Entitlement Issue allows Eligible Shareholders to acquire the New Shares without brokerage or other costs that would apply to an on-market purchase of shares.

Purpose of the Offer

The purpose of the Entitlement Issue is to raise up to \$758,025 for expenditure on the Company's exploration activities in Africa and working capital.

Entitlements and Acceptance

The Entitlement of Eligible Shareholders to participate in the Entitlement Issue is determined on the Record Date. Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this letter.

Acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form), although you may accept a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

No Rights Trading

The rights to New Shares under this offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the offer to any other party. If you do not take up your Entitlement to New Shares by the Closing Date, the Offer to you will lapse.

Shortfall

If you do not wish to take up any part of your Entitlement, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. The Directors of the Company reserve the right to issue the Shortfall at their discretion.

Opening and Closing Dates

The Offer opens on the Opening Date, being 22 January 2014. The Company will accept Entitlement and Acceptance Forms until 5:00pm AWST on the Closing Date being 11 February 2014 or such other date as the Directors in their absolute discretion shall determine, subject to compliance with the Listing Rules.

Issue and Despatch

The expected date for issue of New Shares offered by this Offer and despatch is expected to occur on the dates specified in the Indicative Timetable set out below.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

ASX Listing

Application for official quotation by the ASX of the New Shares offered pursuant to this Offer has been made. If approval is not obtained from the ASX before the expiration of three (3) months after the date of this Offer (or such period as varied by the ASIC) the Company will not issue any New Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest as if this letter was a prospectus, which it is not.

The fact that the ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered under this Entitlement Issue.

Holding Statements

The Company will not be issuing certificates to Eligible Shareholders. Instead, Eligible Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Overseas Eligible Shareholders

This offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of the New Shares these Shareholders would be offered and the cost of complying with regulatory requirements on each relevant jurisdiction. Accordingly, the Offer is not being extended and New Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand.

New Shares to which any Eligible Shareholders who are not resident in Australia and New Zealand, would otherwise be entitled, will form part of the Shortfall.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

In accordance with the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ), a person who, on the Record Date was registered as a holder of Shares with a New Zealand address but who, as at the time of this Offer no longer holds Shares is not eligible to participate in this Offer.

Taxation Implications

The Directors do not consider it appropriate to give Eligible Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to Eligible Shareholders.

Eligible Shareholders should consult their professional adviser in connection with subscribing for New Shares under this Offer.

Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are, without limitation, risks associated with economic conditions, the ability of the Company to continue to raise funds to satisfy its obligations, exploration success, operating risks, commodity price volatility, exchange rates, Government policy, native title, environmental matters and share market conditions.

The Offer

The Company intends to raise up to approximately \$758,025 via a non-renounceable pro-rata Entitlement Issue, on the basis of one (1) New Share for three (3) Shares (**Offer**), held as at 4:00pm AWST on 17 January 2014 (**Record Date**) to eligible Shareholders with a registered address in Australia and New Zealand (**Entitlement Issue**).

Shares under the Entitlement Issue will be offered at \$0.01 per New Share. Based on the current capital structure (and assuming no Options or warrants to acquire Shares are exercised prior to the Record Date) a total of an additional 75,802,547 New Shares will be issued.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

Shortfall Priority Offer

Shareholders who hold less than 20,000 Shares will be offered priority to apply for any Shortfall of New Shares available under the Entitlement Issue (**Shortfall Priority Offer**). Those Shareholders eligible to participate will receive, upon request, a customised Shortfall Priority Application Form which sets out the maximum number of Shortfall Shares for which their application will be considered. If the aggregate number of Shortfall Shares is insufficient to meet all of the Shortfall Priority Applications, directors will allocate these applications on the basis of fulfilling applications from the smallest Shareholders first.

Use of funds

Completion of the Offer will result in an increase in cash on hand of up to approximately \$758,025 (before the payment of costs associated with the Offer).

The Company intends to apply the funds raised from the Offer as set out below.

Exploration on Eastern Rift, Madaba and new ventures	\$532,336
Working capital	\$193,195
Costs of the offer	\$32,494
Total	\$758,025

The above table is a statement of current intentions as of this Offer Document. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Enquiries Concerning Offer

Enquiries concerning the Entitlement and Acceptance Form can be obtained by calling 08 9227 3270 (within Australia) and 61 8 9227 3270 (outside Australia).

ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

How to accept the Offer

Your acceptance of the Offer must be made on the personalised Entitlement and Acceptance Form accompanying this Offer. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) If you wish to accept your Entitlement in full, complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and follow the payment instructions set out in that form; or
- (b) If you only wish to accept part of your Entitlement:
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) following the payment instructions set out in that form; or
- (c) If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **"East Africa Resources Limited"** and crossed **"Not Negotiable"**. Please note that payment via BPAY must be made by no later than 2:00pm AWST on the Closing Date namely, 11 February 2014. Applicants should be aware that their own financial institution may implement earlier cut off times with regard to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay by BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return that form to the Company's Share Registry.

Your completed Entitlement and Acceptance Form and money must be forwarded to the Company's Share Registry, Computershare Investor Services Pty Limited, so that they are received no later than

5:00pm AWST on the Closing Date being 11 February 2014. Entitlement and Acceptance Forms with cheques can be delivered as follows:

By Post: Computershare Investor Services Pty Limited
 GPO Box 505,
 Melbourne VIC 3001

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of his/her/its Entitlement.

CAPITAL STRUCTURE

The capital structure of the Company immediately following the completion of the Offer, assuming all available rights are taken up is expected to be as follows:

Shares	Number
Shares on issue at date of this Offer	227,407,640
New Shares now offered	75,802,547
Total Shares on issue at completion of the Offer	303,210,187

CAPITAL STRUCTURE FOLLOWING ENTITLEMENT ISSUE

The capital structure of the Company following the completion of the Entitlement Issue is summarised below:

Description	Number of Shares	Amount Raised \$
Shares on Issue	227,407,640	
New Shares the subject of the Offer	75,802,547	758,025
	303,210,187	

DIRECTORS

The Directors of the Company will be taking up their full entitlement under the Entitlement Issue.

At the date of this document the Directors have the following relevant interests in Shares:

NAME	NUMBER OF SHARES
P L Munachen	6,599,966
K M Law	1,307,677
H D Kennedy	49,074,458
R E Kirtlan	2,970,000
M R Griffiths	884,333
E A Myers (alternate for PL Munachen)	1,133,914

INDICATIVE TIMETABLE

The Indicative Timetable for the Entitlement Issue is as follows:

Announcement of Entitlement Issue and Application for Quotation of New Shares (Appendix 3B)	Wednesday, 8 January 2014
Letter to Shareholders advising of Entitlement Issue	Friday, 10 January 2014
Ex-Date: Shares Quoted ex-Entitlement	Monday, 13 January 2014
Record Date	Friday, 17 January 2014
Issue Cleansing Notice in accordance with Section 708AA of Corporations Act	Wednesday, 22 January 2014
Despatch offer of Entitlement Issue to Eligible Shareholders	Wednesday, 22 January 2014
Closing Date	Tuesday, 11 February 2014
Securities quoted on a deferred settlement basis	Wednesday, 12 February 2014
Notification of under subscriptions	Friday, 14 February 2014
Despatch of Holding Statements and deferred settlement ends	Wednesday, 19 February 2014

GLOSSARY

In this document the following words and phrases have the following meanings:

Applicant	refers to a person who submits an Entitlement and Acceptance Form.
Application	refers to the submission of an Entitlement and Acceptance Form.
ASIC	means Australian Securities & Investments Commission.
ASX	means ASX Limited (ACN: 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.
ASX Listing Rules	means Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Board	means the Board of Directors of the Company as constituted from time to time.
CHESS	means ASX Clearing House Electronic Subregistry System.
Closing Date	means the date on which this Offer closes, being 5:00pm AWST, 11 February 2014.
Corporations Act	means the Corporations Act 2001 (Cwth).
Company	means East Africa Resources Limited (ABN: 36 060 774 227)
Dollar or \$	means Australian dollar unless otherwise stated.
Eligible Shareholder	means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date.
Entitlement	means the entitlement to subscribe for one (1) New Share for every three (3) Shares held by an Eligible Shareholder on the Record Date and Entitlements have a corresponding meaning.
Entitlement and Acceptance Form	means the personalised Entitlement and Acceptance Form accompanying this Offer in respect of the Entitlement Issue.
New Share	means a New Share proposed to be issued pursuant to this Offer.
Offer	means the non-renounceable pro rata offer of New Shares at an issue price of \$0.01 (1 cent) each on the basis of one (1) New Share for every three (3) Shares held on the Record Date pursuant to this Offer.
Offer Period	means the period commencing on the Opening Date and ending on the Closing Date.
Opening Date	means 22 January 2014.
Option	means an option to acquire a Share.

Quotation	means quotation of the New Shares on ASX.
Record Date	means 17 January 2014.
Rights Issue	means the Offer.
Section	means a section of this Offer.
Share	means an ordinary fully paid share in the capital of the Company.
Shareholder	means a holder of Shares.
Shortfall	means the number of New Shares comprising the difference between 75,802,547 and the number of the New Shares for which valid Applications have been received and accepted by the Company by the Closing Date from the Eligible Shareholders.
AWST	means Australian Western Standard Time.

Please contact East Africa by calling 08 9227 3270 (within Australia) and 61 8 9227 3270 (outside Australia) if you have any queries in relation to this Offer or how to accept it.

Yours sincerely

Katina Law
Executive Director & Chief Executive Officer