

15 October 2010

Matthew Foy  
Senior Advisor, Issuers (Perth)  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

By e-mail

Dear Matthew

**Reference: ASX Query**

With reference to your letter dated 14 October 2010 we wish to give you some background on the company's activities leading up to the ASX Announcement entitled "Final Government Approval obtained for acquisition of Mashala Resources".

The Company's aggressive acquisition of producing and near producing coal assets has intensified during this year and has caught the attention of a number of independent resource analysts and share investment newsletters.

We are aware of one such report recommending Continental Coal as a highly attractive investment opportunity that was published after market on 14 July 2010. Immediately following the release of this report and in the absence of any material announcements by the Company, there was a significant increase in both the share price and trading volumes and also a noticeable increase in shareholder enquiries on the 15 July 2010 and 16 July 2010.

Since announcing the proposed acquisition of Mashala Resources on 4 August 2010, the Company has at all times kept the market fully informed with the progress of this transaction with progress updates and announcements of the receipt of key approvals on 16 September 2010, 4 October 2010 and 13 October 2010.

We are aware of an update share investment report and investment recommendation released after market on Friday 8 October 2010 by one such share investment newsletter that could have attributed to the increased trading volumes and share price increases on 11 October 2010 and 12 October 2010. Furthermore, the Company was a presenter at an investment forum "Coal and Developments Hotspots Conference" in Brisbane on 11 October 2010.

The Company believes that the appreciation in the share price and increase in trading volumes is attributable to the Company's broader marketing campaign and the success it is achieving in South Africa in its existing coal mining operations and acquisition of Mashala Resources and not just one announcement as referred to in your letter.

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**Executive Chairman** Andy Macaulay

**CEO** Don Turvey

**Executive Director** Peter Landau

**Executive Director** Bruce Buthelezi

Please find below the Company's response to your specific questions in line with the numbering of your letter:-

1. The Company does consider the Transfer of Rights Information (or any part of it) contained in the Final Government Approval Announcement to be material to the Company.
2. The Company became aware of the Transfer of Rights Information contained in the Final Government Approval Announcement upon receipt of a copy of the Section 11 approval from our South African based CEO at 9.42pm WST Tuesday night 12 October 2010.
- 3.& 4. The Company released the Transfer of Rights information pre-market on 13 October 2010.
5. The Company confirms that it is compliance with listing rule 3.1.

Yours faithfully



**Peter Landau**  
**Executive Director**



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14 October 2010

Ms. Jane Flegg  
Company Secretary  
Continental Coal Limited  
Ground Floor, 1 Havelock Street  
WEST PERTH WA 6005

By email

Dear Jane,

**Continental Coal Limited (the "Company")**

We refer to the following:

1. The Company's announcement released to ASX at 9:36AM EDST on 13 October 2010 entitled "Final Government Approval Obtained for Acquisition of Mashala Resources" (the "Final Government Approval Announcement"). The Government Approval Announcement included amongst other things, the following:

*"Emerging mid-tier Southern African focussed coal producer Continental Coal Limited (ASX: CCC) ("Continental" or the "Company") is pleased to announce that the Company's South African subsidiary Continental Coal Limited ("CCL") received confirmation that it had received the final necessary approval from the South African Department of Minerals and Resources (transfer of the mining rights) for it to complete the acquisition of unlisted South African thermal coal mining and export coal producing company Mashala Resources ("Mashala").*

*With the Government approval obtained Continental can now move to complete the Mashala acquisition over the coming weeks."*

(the "Transfer of Rights Information")

2. An increase in the price and volume traded in the Company's securities from a low of 6.2 cents on 8 October 2010 and 22,430,232 shares traded, to an intra day high of 7.2 cents and 98,847,663 shares traded on 12 October 2010 prior to the Company releasing the Final Government Approval Announcement.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

*"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".*

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- 3.1A.1 A reasonable person would not expect the information to be disclosed.
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.
- 3.1A.3 One or more of the following applies.
  - It would be a breach of a law to disclose the information.
  - The information concerns an incomplete proposal or negotiation.
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
  - The information is generated for the internal management purposes of the entity.
  - The information is a trade secret."

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"Confidential' in this context has the sense of 'secret'..." and loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the Final Government Approval Announcement, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company consider the Transfer of Rights Information (or any part of it) contained in the Final Government Approval Announcement to be material to the Company?
2. When did the Company become aware of the Transfer of Rights Information contained in the Final Government Approval Announcement? Please include details of the relevant time and circumstances of the Company becoming aware of the Transfer of Rights Information.
3. If the answer to any part of question 1 is "yes" and the Company became aware of the Transfer of Rights Information (or any part of it) referred to in the Final Government Approval Announcement, prior to the time the Company released the Final Government Approval Announcement, please advise the following:
  - 3.1 Please advise why the Company did not make an announcement at an earlier time or request a trading halt earlier.
  - 3.2 Why was the Transfer of Rights Information not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1?
4. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Transfer of Rights Information (or any part of it) contained in the Final Government Approval Announcement to be material.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Friday, 15 October 2010**.

Your response should be sent to ASX by e-mail or facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0000.

Yours sincerely,



Matthew Foy  
Senior Adviser, Issuers (Perth)