

19 October 2010

The Manager  
Company Announcements  
Australian Securities Exchange Limited  
Level 6, 20 Bridge Street  
Sydney NSW 2000

By e-lodgement

### **A\$61 million Convertible Note and Equity Funding Completed to Fast Track Development**

#### **Key points:**

- Continental has completed A\$61 million in funding, via a A\$10 million Convertible Note a US\$30 million oversubscribed Equity Placement to institutional investors in Europe and South East Asia and investors in Australia and a US\$20 million coal loan facility from EDF Trading,
- Funding allows completion of the Mashala Resources acquisition and funds the development costs of the Company's third export focused coal mine at the Penumbra Underground Project,
- Off-take agreement entered into with EDF Trading for export coal from the Ferreira, Penumbra and De Wittekrans mines,
- Agreement reached for advance of US\$20 million from EDF Trading facility under an existing documented facility, with US\$15 million available to be drawn on completion of the Mashala acquisition and balance on satisfaction of certain milestones,
- Successful completion of funding activities ensures Continental requires no coal hedging for and is less reliant on project financing for the development of Penumbra Coal Mine and has a suitably strengthened balance sheet to underpin its aggressive development activities.

Emerging mid-tier Southern African focussed coal producer Continental Coal Limited (**ASX: CCC**) ("Continental" or the "Company") is pleased to announcement the raising of A\$40.5 million, via a Convertible Note and an Equity Placement, to fund the acquisition, by the Company's South African subsidiary Continental Coal Limited ("CCL"), of unlisted South African thermal coal mining and export coal producing company Mashala Resources ("Mashala") and the development of the Company's third coal mine at the Penumbra Project in South Africa.

In addition to the funding successfully completed the Company is also pleased to announce the broadening of its off-take agreements with EDF Trading which now extend over its export thermal coal production from Ferreira, Penumbra and De Wittekrans. In addition agreement has been reached with EDF Trading for the advance of US\$20 million, with US\$15 million to be drawn on completion of the Mashala acquisition and balance on satisfaction of certain development milestones.

Commenting on the successful completion of the now finalised funding and the further strengthening of the relationship with EDF Trading, Continental Coal Limited Chief Executive Officer, Mr Don Turvey, said: *"We have been overwhelmed by the level of support shown by the capital markets throughout the world for not only the acquisition of Mashala, but also for our vision to aggressively grow Continental Coal into an substantial South African mid-tier coal producer,"*

*"We not only have a significant off-take partner in EDF Trading, who have again strengthened their relationship with us, but we now also have a range of significant resource focused funds and institutions that will join our share register through the Placement and Convertible Note, all of which have confirmed their intent to assist us as we execute our project development plans."*

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**Executive Director** Peter Landau

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*"We are now fully funded to complete the acquisition of Mashala Resources and meet our development plans over the next 12 months and importantly with our balance sheet suitably strengthened to meet key objectives, most notably, the Penumbra Project." Mr Turvey added.*

Continental has retained full flexibility in its financing options for its various assets moving forward, with no hedging required at Penumbra and the company significantly reducing its reliance on its previously planned project financing for the Penumbra Project.

### **Background to Mashala Acquisition**

Under the terms of Share Sale Agreements executed on 15 September 2010 by CCL and Mashala's shareholders, CCL will acquire a 64.1% shareholding in Mashala for a cash payment of US\$35 million. The balance is to be acquired on the same pro rata terms within 12 months of settlement date with the option of settling in equity at a VWAP at the time of deferred settlement.

The acquisition of Mashala provides Continental with export coal production from the Ferreira open cast mine which exported approximately 600,000 tonnes in FY 2009. In addition Mashala also has Richards Bay Coal Terminal (RBCT) allocation and Transnet Freight Rail contracts in place, enhancing the Company's key logistics capabilities.

Mashala has a 300tph wash plant operation and rail siding only 3km from the existing Ferreira open cast mine and Penumbra underground project, where Continental is looking to immediately commence works designed to develop this project into a 500,000tpa export thermal coal operation.

Continental is forecast to achieve its first export thermal coal sales from the Ferreira open cast mine in the first weeks of November 2010 and is forecasting almost 2 full months of export coal sales for the December 2010 quarter.

All conditions precedent in relation to this transaction have now been met and the Company is now fully funded to allow settlement to occur in October 2010.

### **Convertible Note**

Continental has finalised a A\$10 million Convertible Note facility with a range of Asian and European based financial institutions. The Convertible Note facility has been completed on the same terms as those previously approved by Shareholders. It will have a three (3) year term, a 10% coupon rate and is to be convertible into fully paid ordinary shares at A\$0.08 per share.

### **Equity Placement**

Continental is pleased to announce it has successfully completed a Placement of 475,950,000 new shares at an issue price of A\$0.064 per share to raise US\$30 million (before issue costs). The Company received very strong support for the placement which was oversubscribed. The placement shares will be issued in two tranches:

- 200,000,000 immediately under the Company's existing 15% capacity; and
- 275,950,000 upon shareholder approval at the Company's general meeting to be held on 19 November 2010

The majority of the shares have been placed with institutional investors and a number of resource focused funds in Europe and South East Asia and the remainder of the shares have been placed with investors in Australia.

Renaissance Capital has acted as sole-bookrunner for the Placement to investors outside Australia only.

Renaissance Capital ([rencap.com](http://rencap.com)) is a leading investment bank focused on the emerging markets of Russia, Eastern Europe, Central Asia and sub-Saharan Africa. The Firm also offers its clients access to these markets through financial centers such as London, New York and Hong Kong. Renaissance Capital has market-leading positions in each of its core businesses – M&A, equity and debt capital markets, securities sales and trading, research, and derivatives. The Firm is building market-leading practices across emerging markets globally in metals & mining, oil & gas and agriculture. Renaissance Capital is part of the Renaissance Group.

Renaissance Capital, also won the 2010 Investment Bank of the Year award from African Banker magazine on 13 October 2010. The second industry accolade Renaissance Capital has received in Africa in recent weeks following its receipt of the 2010 Best Africa Investment Bank award from Africa Investor magazine (Ai) in September 2010. With offices in South Africa, Nigeria, Kenya, Zambia and Ghana and over 100 professionals working on the continent, Renaissance Capital is one of the most active dealmakers in Africa. Renaissance Capital also has one of the largest and diversified research teams in Africa.

#### **Off-take agreement with EDF Trading and agreement for US\$20 million draw-down**

EDF Trading is a leader in the international wholesale energy markets and a wholly owned subsidiary of EDF S.A., a leading player in the energy industry.

On 22 July 2010 Continental and EDF Trading entered into a US\$20 million financing facility and off-take agreements Project X, Vaalbank and Vlakvarkfontein mines for a period of 20 years, at the internationally recognised benchmark price for coal exported out of South Africa's Richards Bay Coal Terminal – API4.

As a further strengthening of the relationship with EDF Trading, Continental has entered into, on the same terms as previous agreements, off-take agreements relating to its production of export thermal coal from the Ferreira, Penumbra and De Wittekrans coal mines. Sales of export thermal coal under this off-take agreement from the Ferreira mine are to commence immediately.

In addition, Continental has reached agreement with EDF Trading for the advance of US\$20 million from the already documented facility, with US\$15 million to be drawn on completion of the Mashala acquisition and balance on satisfaction of certain milestones. Drawdown is expected to occur prior to 31 October 2010.

Ends

For further information please contact:

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## **About Continental Coal Limited**

Continental Coal Limited (ASX: CCC) is an established South African thermal coal producer. Continental has a portfolio of producing and advanced coal projects located in South Africa's major coal fields. Following the commencement of production at the Vlakvarkfontein coal mine in May 2010, and its acquisition of Mashala Resources in October 2010, Continental is targeting production from its portfolio of predominantly export thermal coal mines of 10Mtpa ROM by 2015. Continental was formed to take advantage of the robust domestic and global demand for coal, with particular focus on Southern Africa.