

21 February 2011

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

By e-lodgement

Secondary Sale Cleansing Prospectus

Please find attached a secondary sale cleansing prospectus that is being issued in relation to the conversion of the final outstanding amount under the LinQ Debt Facility dated 13 January 2009.

For and on behalf of the Board

Regards



Peter Landau
Executive Director

Ends

For further information please contact:

Investors/ shareholders

Peter Landau/Jason Brewer
Executive Directors
T: +61 8 9488 5220

Don Turvey
Chief Executive Officer
T: +27 11 881 1420

E: admin@conticoal.com
W: www.conticoal.com

Media

David Tasker
Professional Public Relations
T: +61 8 9388 0944

E: david.tasker@ppr.com.au

Continental Coal Limited (ASX:CCC : US-OTC:CGFAY) is a new Junior South African 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.

CONTINENTAL COAL LIMITED

ACN 009 125 651

PROSPECTUS

For the offer of 100 Shares in the capital of the Company at a price of \$0.07 per Share to raise up to \$7.00 (**Offer**).

This Prospectus has been prepared for the purpose of Section 708A (11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

TABLE OF CONTENTS

1.	SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES	1
2.	CORPORATE DIRECTORY	3
3.	DETAILS OF THE OFFER.....	4
4.	UPDATE ON ACTIVITIES AND PURPOSE AND EFFECT OF THE OFFER.....	8
5.	RIGHTS AND LIABILITIES ATTACHING TO SHARES	10
6.	RISK FACTORS	12
7.	ADDITIONAL INFORMATION	17
8.	DIRECTORS' AUTHORISATION	23
9.	DEFINITIONS	24

1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES

Lodgement of Prospectus with the ASIC and ASX	21 February 2011
Opening Date	21 February 2011
Closing Date	21 February 2011

*The Company reserves the right to extend the Closing Date or close the Offer early without notice.

IMPORTANT NOTICE

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 21 February 2011 and a copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Expiry Date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

PARTICIPATION IN THE OFFER

The offer of Shares under this Prospectus is made only to those investors nominated by the Company. These investors have been sent an Application Form by the Company together with this Prospectus.

RESTRICTIONS ON THE DISTRIBUTION OF PROSPECTUS

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Risks that investors should consider include (but are not limited to) the following:

- **South African Operations** - The Company's exploration activities, development projects and any future mining operations are subject to laws and regulations in South Africa governing the acquisition and retention of title to mineral rights, mine development, health and worker safety, employment standards, waste disposal, protection of the environment, and protection of endangered and protected species and other matters. It is possible that future changes in applicable laws, regulations and agreements, or changes in their enforcement, regulatory interpretation or application could result in changes to legal or practical requirements or the terms of existing permits, rights and agreements applicable to the Company or its projects, which could have a material and adverse impact on the Company's current exploration activities, planned development projects or future mining operations, including by requiring the Company to cease, materially delay or restrict exploration, development or mining operations.
- **Business Operations** - Factors that will determine the Company's future profitability are its ability to manage its costs, its ability to execute its development and growth strategies and the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.
- **Future Capital Needs** - The Company may require further funding in the future and there can be no assurance that further funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

For further information in relation to the risk factors of the Company please refer to Section 6 of this Prospectus.

2. CORPORATE DIRECTORY

Directors

Mr Andrew Macaulay

Mr Peter Landau

Mr Bruce Buthelezi

Mr Jason Brewer

Mr Manuel Lamboley

Chief Executive Officer

Mr Lodewyk 'Don' Turvey

Share Registry*

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: 1300 850 505
Facsimile: +61 8 9323 2033

Company Secretaries

Mr Anthony Eastman

Ms Jane Flegg

Solicitors to the Company

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Registered Office

Ground Floor
1 Havelock Street
WEST PERTH WA 6005

Telephone: +61 8 9488 5220
Facsimile: +61 8 9324 2400

Website: www.conticoal.com

ASX Code

CCC

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company invites investors identified by the Directors to apply for a total of 100 Shares at an issue price of \$0.07 per Share payable in full on application to raise \$7.00.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

3.2 Objectives

The Company is seeking to raise only a nominal amount of \$7.00 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company prior to the Closing Date.

Relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) either:
 - (A) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (B) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.3 Opening and Closing Dates of the Offer

The Opening Date of the Offer will be 21 February 2011 at 9:00am WST and the Closing Date will be 21 February 2011 at 5:00pm WST. The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

3.4 Application for Shares

Applications for Shares offered under this Prospectus should only be made by investors nominated by the Company and must be made using the Application Form which will accompany this Prospectus sent to those specific investors.

A completed and lodged Application Form, together with payment for the number of Shares applied for, cannot be withdrawn and constitutes a binding

application for, and acceptance of, the number of Shares specified in the Application Form on the terms set out in this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.07 per Share.

Completed Application Forms and accompanying cheques must be mailed or delivered to:

Ground Floor
1 Havelock Street
West Perth
Western Australia 6005

Cheques should be made payable to “**Continental Coal Limited - Share Offer Account**” and crossed “**Not Negotiable**”. Completed Application Forms must reach the address set out above by no later than the Closing Date.

3.5 Minimum Subscription

There is no minimum subscription to be raised pursuant to this Prospectus.

3.6 Allotment of Shares

Allotment of Shares will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each Applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on monies refunded.

3.7 Underwriter

The Offer is not underwritten.

3.8 Australian Securities Exchange Listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.9 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

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 Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.10 Withdrawal

The Company reserves the right, in its absolute discretion, not to proceed with the Offer at any time before the issue of Shares to Applicants. If the Offer does not proceed, all application moneys received under this Prospectus will be refunded (without interest) within 21 days of the date of withdrawal of the Offer.

3.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company is a participant in CHES for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.12 Taxation Implications

The Directors consider that it is not appropriate to give investors advice regarding the taxation consequences of subscribing for Shares under this Prospectus. The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences. As a result, investors should consult their own professional tax advisers in connection with subscribing for Shares under this Prospectus.

3.13 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and will use that information to assess your application,

service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.14 Enquiries

Any questions concerning the Offer should be directed to either of the Company Secretaries (Anthony Eastman or Jane Flegg) on (08) 9488 5220.

4. UPDATE ON ACTIVITIES AND PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

The proceeds of the Offer will be applied towards meeting the expenses of the Offer. The balance of the expenses of the Offer will be funded from existing cash reserves of the Company.

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Maximum Subscription (Number)
Shares currently on issue	2,993,049,255
Shares to be issued under Debt Facility Agreement ¹	80,000,000
Shares offered pursuant to the Offer	100
Total Shares on issue after the Closing Date	3,073,049,355

Note 1 – Shares to be issued pursuant to Debt Facility Agreement

Options

The Company currently has on issue:

- (a) 602,161,301 listed Options exercisable at 5 cents each on or before 13 February 2013;
- (b) 60,000,000 Class One Facilitation Options exercisable at 15 cents on or before 19 October 2011;
- (c) 60,000,000 Class Two Facilitation Options exercisable at 20 cents on or before 19 October 2011;
- (d) 100,000,000 Director Options (7.5 cents, 31 December 2013);
- (e) 40,000,000 EDF Options exercisable at 5 cents each on or before 16 July 2016;
- (f) 40,000,000 EDF Options exercisable at 10 cents each on or before 16 July 2016; and
- (g) 16,275,486 Warrant Options exercisable at 6.4 cents each on or before 31 October 2015.

4.2 Financial effect

After expenses of the Offer of approximately \$15,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$7.00) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position, being receipt of funds of \$7.00 less costs of preparing the Prospectus of \$15,000.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) **Issue of Shares**

Subject to the Corporations Act and the ASX Listing Rules, Shares in the Company are under the control of the Directors who may allot or dispose of all or any of the same to such person, at such times, at such price and on such terms and conditions, and having attached to them such preferred, deferred or other special rights or such restrictions whether with regard to dividend, voting, return of capital or otherwise as the Directors think fit.

(b) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(c) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(d) **Dividend rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(e) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6. RISK FACTORS

6.1 Introduction

The Shares offered under this Prospectus should be considered speculative.

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

6.2 General Risks

Share Market

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance.

Share market conditions are affected by many factors including but not limited to the following:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital;
- (f) terrorism or other hostilities; and
- (g) other factors beyond the control of the Company.

Economic and Government Risks

The future viability of the Company is dependent on a number of other factors which may affect the performance of all industries, including, but not limited to, the following:

- (a) general economic conditions in Australia and its major trading partners;
- (b) changes in Government policies, taxation and other laws;
- (c) the strength of the equity and share markets in Australia and throughout the world;
- (d) movement in, or outlook on, interest rates and inflation rates; and
- (e) natural disasters, social upheaval or war in Australia or overseas.

Future Capital Needs

Further funding of projects and potential acquisitions may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

The only potential sources of funding currently available to the Company are through the issue of additional equity and/or debt capital or through bringing in a partner to fund the exploration and development costs on investments it may acquire. There is no assurance that the Company will be successful in raising sufficient funds or attracting a suitable partner to enable it to meet its obligations under its agreements.

Insurance Risks

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with the information technology industry is not always available and where available the costs can be prohibitive.

Competition Risk

The industry in which the Company is involved is subject to domestic and global competition. Whilst the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

Environmental Risks

The operations and proposed activities of the Company will be subject to relevant laws and regulations concerning the environment in the countries in which the Company operates. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all relevant environmental laws. Nevertheless, there are certain risks inherent in the Company's activities which could subject the Company to extensive liability.

Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or assets. Any such transactions would be accompanied by the risks inherent in making acquisitions of companies and assets.

Commodity Price Volatility and Exchange Rate Risk

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the

Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency. This exposes the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Security Investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

6.3 Risks Associated with Current Operations

International Operations

Any potential future South African operations of the Company's are subject to a number of risks, including:

- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (b) potential difficulties in protecting rights and interest in assets;
- (c) increases in costs for transportation and shipping; and
- (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

South Africa experiences economic, social and political volatility. As a result, the Company's future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

Title

The acquisition and retention of title to mineral rights in South Africa is a detailed and time-consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Although the Company believes it has taken and is taking reasonable measures to secure title to its projects, there is no guarantee that title to its projects will be granted, that prospecting rights will be converted into mining rights or that title will not be challenged or impaired.

Any successful challenges to the title of the Company's projects could stop, materially delay or restrict the Company from proceeding with exploration activities, any development, or future mining operations.

Certain of the Company's mining rights and prospecting rights may from time to time have technical defects, errors or breaches, have not been registered with the applicable authority or may have consents or approvals outstanding. These include, for instance, outstanding consents (**Section 11 Consents**) in terms of section 11 of the Mineral and Petroleum Resources Development Act, 2002 (**MPRDA**) and/or outstanding registration of Section 11 Consents at the Mining and Petroleum Titles Registration Office established in terms of the Mining Titles Registration Act 1967, and/or discrepancies in related documentation.

Exploration Success

The mineral tenements in which the Company has an interest are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of the tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in

alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

Government Actions

The Company's exploration activities, development projects and any future mining operations are subject to laws and regulations in South Africa governing the acquisition and retention of title to mineral rights, mine development, health and worker safety, employment standards, waste disposal, protection of the environment, and protection of endangered and protected species and other matters. It is possible that future changes in applicable laws, regulations and agreements, or changes in their enforcement, regulatory interpretation or application could result in changes to legal or practical requirements or the terms of existing permits, rights and agreements applicable to the Company or its projects, which could have a material and adverse impact on the Company's current exploration activities, planned development projects or future mining operations, including by requiring the Company to cease, materially delay or restrict exploration, development or mining operations.

Occupational Health and Safety Risk

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems.

6.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred

to in sub-paragraph (i) and before the lodgement of this Prospectus with the ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in sub-paragraph (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements on 1 October 2010:

Date	Description of Announcement
15/02/2011	Updated Company Presentation
31/01/2011	Quarterly Report
27/01/2011	Continental in Kenya
20/01/2011	First Coal Shipped from Richards Bay
20/01/2011	Old Park Lane Capital Research Report Released
19/01/2011	Ceasing to be a substantial holder
18/01/2011	Company Presentation
29/12/2010	Company Securities Trading Policy
23/12/2010	Export Coal Sales - December Quarter Update
22/12/2010	Appendix 3Y - Jason Brewer
29/12/2010	Company Securities Trading Policy
23/12/2010	Export Coal Sales - December Quarter Update
22/12/2010	Appendix 3Y - Jason Brewer
21/12/2010	Bank Feasibility Study Commences at De Wittekrans Project
20/12/2010	Penumbra Mine Development Commences
16/12/2010	MiningMaven Video Released
08/12/2010	Becoming a substantial holder
08/12/2010	Edison Investment Research Report Released
02/12/2010	GMP Updated Research Report following KORES JV

29/11/2010	Kores and CCC JV to fast track Vlakplaats Coal Project
25/11/2010	Second Tranche Equity Raising Completed
22/11/2010	Results of AGM and Company Presentation
18/11/2010	First Export Coal Sales to EDF Trading Completed
17/11/2010	Boardroom Radio Interview
16/11/2010	Continental Becomes South African Export Coal Producer
05/11/2010	Executive Management Team Strengthened
01/11/2010	Quarterly Activities Report
27/10/2010	Leading Investment Bank Initiates Research Coverage
26/10/2010	LRF: LinQ Announces Part Settlement of Loan Facility
26/10/2010	Tranche 1 Equity Raising Completed
21/10/2010	Annual Report and Notice of Annual General Meeting
19/10/2010	Reinstatement to Official Quotation
19/10/2010	Continental completes A\$61m Funding to Fast Track Development
18/10/2010	Suspension from Official Quotation
15/10/2010	Response to ASX Query Letter
14/10/2010	Trading Halt
13/10/2010	Final Government approval received for Mashala acquisition
12/10/2010	ASX Announcement - Company Presentation
4/10/2010	SARB Approval Obtained for Mashala Acquisition

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.continentalcoal.com.au.

7.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in

connection with its formation or promotion or the Offer pursuant to this Prospectus; or

(c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors' relevant interests in securities of the Company at the date of this Prospectus, total remuneration for the previous financial year and expected remuneration for the current financial year is as follows:

Name	Shares	Options	Annual Remuneration (\$)
Andrew Macaulay	Nil	Nil	380,835
Bruce Buthelezi	Nil	Nil	375,916
Peter Landau	Nil	50,000,000	163,500
Jason Brewer	500,000	50,000,000	50,000
Manuel Lamboley	Nil	Nil	70,000

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The maximum aggregate remuneration for non-executive Directors has been set at \$250,000.

The Company paid to the Directors a total of \$1,071,316 the year ended 30 June 2010 and \$630,323 for the year ended 30 June 2009. These amounts are inclusive of salary, superannuation and associated benefits.

In addition to the above, the Directors have been paid fees totalling \$154,250 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.3 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those

persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Steinepreis Paganin have acted as solicitors to the Company in respect of this Prospectus. Steinepreis Paganin will be paid approximately \$10,000 (excluding GST) for services in relation to this Prospectus.

7.4 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. Steinepreis Paganin does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

7.5 Litigation

At the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.6 Estimated Expenses of Offer

The total expenses of the issue are estimated to be approximately \$15,000 comprising legal costs, printing and other administrative expenses, including ASIC fees.

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: 9.2 cents per Share on 24 January 2011.

Lowest: 6.5 cents per Share on 16 December 2011.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 7.6 cents on 18 February 2011.

7.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on (08) 9488 5220 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 21 February 2011.

A handwritten signature in black ink, appearing to be 'JB' followed by a stylized flourish.

**Jason Brewer
Director
Signed for and on behalf of
CONTINENTAL COAL LIMITED**

9. **DEFINITIONS**

\$ means Australian dollars.

Applicant means a Shareholder who applies for Shares pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

Board means the board of Directors unless the context indicates otherwise.

Closing Date means the closing date of the Offer, being 17:00 (WST) on 21 February 2011 (unless extended).

Company means Continental Coal Limited (ABN 13 009 125 651).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001*(Cth).

Directors means the directors of the Company at the date of this Prospectus.

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

Offer means the offer of Shares referred to in the "Details of the Offer" section of this Prospectus.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Securities means Shares and/or Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Share Registry means Computershare Investor Services Pty Ltd.

WST means Western Standard Time as observed in Perth, Western Australia.