CONTINENTAL COAL LIMITED

A.B.N.13 009 125 651

Appendix 4E – Preliminary Final Report

Year ended 30 June 2011

Results for announcement to market

Under ASX Listing Rule 4.3A

Results for Announcement to the Market

				Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
Revenue from ordinary activities	Up	4,186%	to	61,259,146	14,632
Profit/(loss) before Interest, Tax, Depreciation and Amortisation **(EBITDA)**	Up	176%	to	(26,757,428)	(15,143,711)
Profit/(loss) before Interest and Tax **(EBIT)** from ordinary activities	Up	204%	to	(31,067,174)	(15,221,141)
Net profit/(loss) for the period attributable to members (**NPAT)**	Up	152%	to	(41,737,023)	(27,461,478)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-

DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid for the year ended 30 June 2011, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

OPERATING RESULTS

The consolidated loss of the group for the financial year after providing for income tax amounted to $41,737,023 (2010: $27,461,478).

It is important to note that operations were cashflow positive with the operating loss result being attributable to start up financing costs, impairment and share based payment expenses which are considered by the Board to be one off transactions as Continental's production activities commenced. Moving forward the Company has established significant operating cashflows from its operations and, with all key items expensed this financial year, the Board believes that the platform has now been established for accelerated performance over the coming years.

ANNUAL REPORT AND ANNUAL GENERAL MEETING

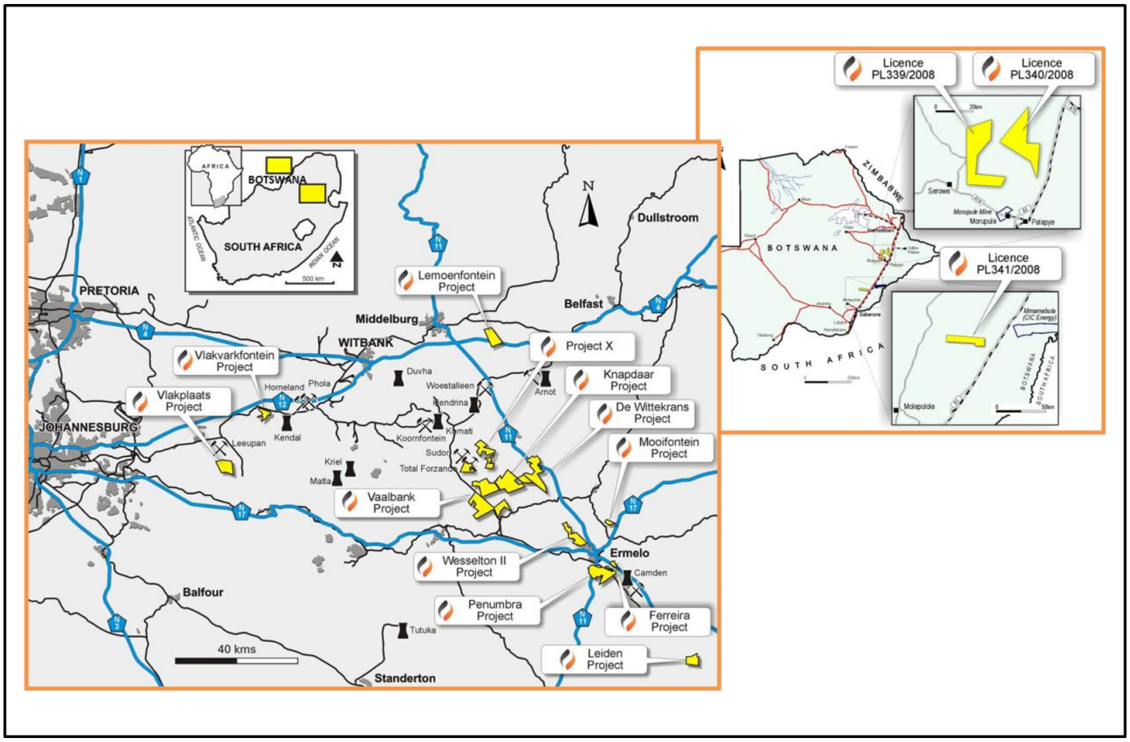
Continental expects to mail its Annual Report and Notice of Annual General Meeting to shareholders during the second week of October 2011. The Annual General Meeting is to be held during the last week of November 2011.

REVIEW OF OPERATIONS

The 2010/11 financial year was a year in which the Company made significant progress and success with its aggressive growth strategy of building a major mid-tier Southern African focused coal mining business. Key achievements during the financial year included:

- First full 12 months of thermal coal production from the Vlakvarkfontein Coal Mine
- Acquisition of an initial 64% interest in unlisted South African thermal coal mining and export coal producing company Mashala Resources (Pty) Limited
- First export thermal coal shipments from the Richards Bay Coal Terminal commenced under a thermal coal off-take agreement with EDF Trading
- Successive quarterly increases and record quarterly run-of-mine thermal coal production levels achieved at the Ferreira and Vlakvarkfontein Coal Mines
- Successive quarterly increases and record quarterly sales of export thermal coal from the Ferreira Coal Mine and Delta Processing Operations
- Initial JORC compliant coal reserves of 63.5Mt at the Ferreira and Vlakvarkfontein Coal Mines and the Penumbra and De Wittekrans Coal Projects
- Total JORC compliant measured coal resources at the Company's next two proposed mine developments, the Penumbra and De Wittekrans Coal Projects increased by 63% and 182% respectively
- Portfolio of producing, pre-development and exploration projects increased substantially over the year with the Company now holding interests in two producing coal mines and eleven pre-production and exploration projects, up from interests in five projects in the 2009/10 financial year
- Exploration and drilling program finalised for the Company's interests in two early stage and strategically located Botswana Coal Projects
- Joint venture agreement finalised with Korea Resources Corporation to fast track a bankable feasibility study on the Vlakplaats Coal Project
- Executive management team and Board strengthened with the appointment of several senior mining executives in South Africa as well the appointment of a highly experienced London based non-executive director
- Agreement reached with a highly respected and well established Broad Based Black Economic Empowerment Group to acquire the existing 26% BEE interest in the Company's South African subsidiary, and repay approx. US$20m of intercompany loans
- Thermal coal off-take agreement and associated US$20m debt funding agreement executed with EDF Trading, a leader in the international wholesale energy markets
- US$65 million of bank debt funding negotiated with ABSA Capital for the development of the Penumbra Coal Project
- Repayment and conversion of A$19.8m of secured and unsecured debt completed during the year
- Shareholders indicated strong support for the Company's business strategy in South Africa through subscription of a heavily oversubscribed Share Purchase Plan that raised A$16m.
- A$16m of convertible debt raised with institutions in Hong Kong and London and A$52m raised via private placements to select sophisticated, institutional and professional investors in Australia, Europe and Asia
- Listing completed in the United States on the OTCQX International under the symbol CGFAY and listing on London Stock Exchange's AIM Market confirmed

LOCATION OF OPERATIONS



RESERVES AND RESOURCES

During the financial year the Company's South African subsidiary increased the Reserves and Resources at the various thermal coal mines and projects that it manages in South Africa.

The updated Reserves and Resources reports were completed by independent geological consultants, Gemecs (Pty) Limited, Ukwazi Mining and CCIC Coal (Pty) Ltd.

COAL RESERVES (JANUARY 2011)					
Project	**Saleable Reserves (Mt)**				
	Proven	**Probable**	**Total**	**Sold 31 Jan to 30 June**	**Total saleable reserves[1]**
Vlakvarkfontein	14.1	-	**14.1**	**0.40**	**13.70**
Ferreira	0.82	-	**0.82**	**0.23**	**0.59**
Penumbra	1.71	3.73	**5.44**	**-**	**5.44**
De Wittekrans	16.15	27.62	**43.77**	**-**	**43.77**
TOTAL	**32.78**	**31.35**	**64.13**	**0.63**	**63.50**

[1] As at 1 June 2011

COAL RESOURCES (JANUARY 2011)				
Project	**Gross In Situ Project Resources Tonnes (Mt)**			
	Measured	**Indicated**	**Inferred**	**TOTAL**
Vlakvarkfontein	17.4	-	-	**17.4**
Ferreira	1.3	-	-	**1.3**
Penumbra	13.0	30.3	25.0	**68.3**
De Wittekrans	33.8	64.4	68.9	**167.1**
Knapdaar			46.7	**46.7**
Project - X	14.6	-	-	**14.6**
Vaalbank	-	8.8	13.9	**22.7**
Vlakplaats	-	-	187.7	**187.7**
Leiden	4.5	2.0	12.0	**18.5**
Mooifontein		-	3.1	**3.1**
Wesselton II	4.2	5.1	8.7	**18.0**
TOTAL	**88.8**	**110.6**	**366.0**	**565.4**

FINANCE

During the financial year the Company's continued development of the Vlakvarkontein Coal Mine, the acquisition of Mashala and the associated development, optimisation, exploration and feasibility and pre-feasibility studies for of the Company's expanded portfolio of thermal coal projects required new funding to be raised from both the debt and equity capital markets.

The Company raised a total of A$104m in new debt and equity funding:

- US$15m was drawn under a US$20m debt facility advanced by EDF Trading
- A$16m was drawn under an A$25m convertible note facility that was approved by Shareholders at the General Meeting on 10 September 2010
- A$22m was raised through a placement of 400 million new shares to select sophisticated, institutional and professional investors at an issue price of A$0.055 per in September 2010
- A$16m was raised through a Share Purchase Plan offered to shareholders to subscribe for additional shares at A$0.055 per share that closed oversubscribed on 7 September 2010
- A$30m was raised through a placement of 476 million new shares to select sophisticated, institutional and professional investors at an issue price of A$0.064 per in October 2010
- The Company also received an offer of finance from ABSA Capital, a division of ABSA Bank Limited. The offer of finance comprised:
  - A secured 7 year term loan facility of US$35m to be made available to fund the development of the Penumbra Coal Mine
  - A secured 3 year term loan facility of US$15m to be made available to refinance an existing debt facility advanced by EDF Trading
  - A secured annually renewable working capital facility of ZAR100m (approx. US$15m) to fund general corporate working capital requirements

ACQUISITIONS

During the financial year the Company continued to aggressively advance its South African focused coal business with the completion of a number of further key acquisitions:-

- On 25 August 2010 the Company's South African subsidiary, paid ZAR40m (A$6.1m) in respect to the outstanding purchase consideration for its 50% share in Ntshovelo Mining Resources (Pty) Limited and a 60% economic interest in the Vlakvarkfontein Coal Mine. Ntshovelo has now become a subsidiary of Continental Coal Limited in South Africa;
- On 1 November 2010 following receipt of all outstanding South African government approvals, including South African Reserve Bank approval and approval from the South African Department of Minerals and Resources, financial settlement of the ZAR256m (A$35m) acquisition of Mashala took place. In accordance with the terms of Share Sale Agreements executed on 15 September 2010, the Company's South African subsidiary acquired an initial 64.1% shareholding in Mashala.
- On 12 March 2011 the Company's South African subsidiary, paid ZAR25m (AUD$3.6m) in respect to the outstanding purchase consideration for its additional 25% and 20% shareholding in the Vaalbank and Project X Coal Projects.

The acquisitions are considered key to the Company's strategy of building a major mid-tier Southern African focused thermal coal mining business.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the economic entity in future financial years except as follows:-

- Successful completion of tranche 1 of a placement to Socius CG 11 of 234,962,406 new shares at an issue price of A$0.043 per share to raise US$10 million (before issue costs). The placement was completed at a premium of 12% to the closing price on 30 June 2011. In addition the Company has issued Socius with 117,481,203 unlisted 5 year warrant options. .
- Successful completion of tranche 2 of a placement to Socius CG 11 of 279,017,857 new shares at an issue price of A$0.03584 per share to raise US$10 million (before issue costs). The placement was completed at a premium of 12% to the closing price on 18 August 2011. In addition the Company has issued Socius with 139,508,928 unlisted 5 year warrant options.
- Lodgement of "Pre-admission Announcement" for the admission of the Company's ordinary shares to trade on the London Stock Exchange's AIM Market ("AIM Admission") on or about 19 September 2011.
- Share Consolidation of every ten (10) shares be consolidated into one (1) share and every ten (10) options be consolidated into one (1) option as approved by shareholders on 29 June 2011 commenced on 26 August 2011.
- Payment of AU$5.4m to minorities of Mashala Resources (Pty) Limited to increase the Company's South African Subsidiary shareholding from 64.1% to 73.3%.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

To further improve the consolidated group's profit and maximise shareholders wealth, the following developments are intended to be implemented in the near future;

(i) The Company has commenced construction of its third coal mine (Penumbra), completing a Bank Feasibility Study on the De Wittekrans Coal Project, and will continue exploration and development on its other existing coal assets;
(ii) The Company will continue to expand its coal interests in South Africa and develop these investments to production through its South African subsidiary Continental Coal Ltd; and
(iii) The Company will diversify its portfolio into other African countries. To date it has commenced an exploration program in Botswana and has submitted a tender in Kenya.

These investment opportunities, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the group's medium-term goal of investing in highly prospective coal resources in South Africa, with early cash flow to fund its ongoing financial requirements and minimum equity dilution.

Preliminary Consolidated Income Statement
For The Year Ended
30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue from continuing operations	2	50,833,866	-
Interest Income		439,277	14,632
Other income	2	9,986,004	353,016
Cost of sales	3	(47,254,999)	-
Employee benefits expense	3	(2,518,484)	(1,983,572)
Depreciation expense	3	(4,309,746)	(77,430)
Finance Costs	3	(11,109,126)	(12,254,969)
Consulting costs	3	(10,285,039)	(3,279,792)
Provision for impairment	3	(11,855,895)	(2,003,027)
Other expenses	3	(15,662,881)	(8,230,336)
Loss before income tax		**(41,737,023)**	**(27,461,478)**
Income tax expense	4	-	-
Loss from continuing operations		(41,737,023)	(27,461,478)
Loss for the year		**(41,737,023)**	**(27,461,478)**
Other Comprehensive Income/(Loss)			
Revaluation of available-for-sale financial assets		-	-
Exchange differences on translation of foreign operations		-	(37,077)
Other comprehensive income/(loss) for the year, net of tax		-	(37,077)
Total comprehensive income/(loss) for the year		**(41,737,023)**	**(27,498,555)**
Net loss is attributable to:			
Owners of Continental Coal Limited		(40,658,027)	(24,856,150)
Non-controlling interests		(1,078,996)	(2,605,328)
		(41,737,023)	**(27,461,478)**
Total comprehensive loss is attributable to:			
Owners of Continental Coal Limited		(40,658,027)	(24,883,587)
Non-controlling interests		(1,078,996)	(2,614,968)
		(41,737,023)	**(27,498,555)**
Earnings/(loss) per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share (cents per share)	6	(1.60)	(2.46)
Diluted loss per share (cents per share)	6	-	-

The accompanying notes form part of these financial statements.

Preliminary Consolidated Balance Sheet
As At
30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**7**	11,719,296	39,822
Trade and other receivables	**8**	8,000,303	890,877
Prepaid borrowing costs		-	1,775,644
Inventories	**9**	4,963,316	-
		24,682,915	2,706,343
Non-current assets classified as held for sale	**5**	10,066,135	9,758,024
TOTAL CURRENT ASSETS		34,749,050	12,464,367
NON-CURRENT ASSETS			
Prepaid borrowing costs		-	15,948
Available-for-sale financial assets		-	113,437
Exploration expenditure	**12**	130,317,634	47,588,978
Development expenditure	**13**	7,882,577	9,059,226
Property, plant and equipment	**14**	6,301,138	353,010
Other financial assets		-	8,835,750
TOTAL NON-CURRENT ASSETS		144,501,349	65,966,349
TOTAL ASSETS		179,250,399	78,430,716
CURRENT LIABILITIES			
Trade and other payables	**15**	35,567,261	14,014,746
Deferred revenue	**16**	193,060	1,606,500
Borrowings	**18**	-	19,794,870
Provisions		391,187	
		36,151,508	35,416,118
Accruals relating to held-for-sale assets		-	557,754
TOTAL CURRENT LIABILITIES		36,151,508	35,973,872
NON-CURRENT LIABILITIES			
Deferred revenue	**16**	14,212,160	-
Provision for rehabilitation	**17**	7,986,599	2,231,672
Borrowings	**18**	16,000,000	-
TOTAL NON-CURRENT LIABILITIES		38,198,759	2,231,672
TOTAL LIABILITIES		74,350,267	38,205,544
NET ASSETS		**104,900,132**	**40,225,172**
EQUITY			
Issued capital	**19**	200,091,586	100,829,337
Shares and options to be issued	**20**	9,322,821	90,000
Reserves		24,151,867	19,027,383
Accumulated losses		(118,843,603)	(77,106,580)
Capital and reserves attributable to owners of Continental Coal Limited		114,722,671	42,840,140
Less: Amounts attributable to non-controlling interests		(9,822,540)	(2,614,968)
TOTAL EQUITY		**104,900,132**	**40,225,172**

The accompanying notes form part of these financial statements.

Preliminary Consolidated Statement of Changes in Equity For The Year Ended 30 June 2011

	Share Capital Ordinary	Accumulated losses	Foreign Currency Translation Reserve	Option Reserve	Share Based Payment Reserve	Shares and Options to be Issued	Total	Non-Controlling Interest	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2009	**54,154,598**	**(52,250,430)**	**234,825**	**652,602**	**6,139,814**	**16,294,698**	**25,226,107**	**-**	**25,226,107**
Loss for the year	-	(24,856,150)	-	-	-	-	(24,856,150)	(2,605,328)	(27,461,478)
Exchange differences on translation of foreign operations	-	-	(27,437)	-	-	-	(27,437)	(9,640)	(37,077)
Total comprehensive income for the year	-	(24,856,150)	(27,437)	-	-	-	(24,883,587)	(2,614,968)	(27,498,555)
Transactions with owners in their capacity as owners:									
Shares issued during the year	48,450,650	-	-	-	-	-	48,450,650	-	48,450,650
Transaction costs	(1,775,911)	-	-	-	-	-	(1,775,911)	-	(1,775,911)
Un-issued shares/options	-	-	-	-	-	(16,204,698)	(16,204,698)	-	(16,204,698)
Transfers to and from reserve									
- share based payment reserve	-	-	-	-	12,027,579	-	12,027,579	-	12,027,579
Balance at 1 July 2010	**100,829,337**	**(77,106,580)**	**207,388**	**652,602**	**18,167,393**	**90,000**	**42,840,140**	**(2,614,968)**	**40,225,172**
Loss for the year	-	(40,658,027)	-	-	-	-	(40,658,027)	(1,078,996)	(41,737,023)
Exchange differences on translation of foreign operations	-	-	(3,357,005)	-	-	-	-	-	(3,357,005)
Total comprehensive income for the year	-	(40,658,027)	(3,357,005)	-	-	-	(40,658,027)	(1,078,996)	(45,094,028)
Transactions with owners in their capacity as owners:									
Shares issued during the year	106,920,794	-	-	-	-	-	106,920,794	-	106,920,794
Transaction costs	(7,658,545)	-	-	-	-	-	(7,658,545)	-	(7,658,545)
Un-issued shares/options	-	-	-	-	-	9,232,821	9,232,821	-	9,232,821
Transfers to and from reserve									
- share based payment reserve	-	-	-	-	8,481,489	-	8,481,489	-	8,481,489
Balance at 30 June 2011	**200,091,586**	**(117,761,607)**	**(3,149,617)**	**652,602**	**26,648,882**	**9,322,821**	**105,979,128**	**(1,078,996)**	**104,900,132**

The accompanying notes form part of these financial statements.

Preliminary Consolidated Cash Flow Statement
As At
30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		44,465,377	1,606,500
Interest received		439,277	14,632
Payments to suppliers and employees		(55,144,193)	(751,250)
Deferred income		12,798,720	-
Net cash (used in) operating activities		2,559,181	869,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(28,220,853)	(21,382,598)
Development costs		1,176,650	-
Deposit equity investment		-	(8,835,750)
Payment for acquisition of subsidiary net of cash acquired		(45,595,797)	-
Purchase of other non-current assets		-	(137,342)
Net cash provided by / (used in) investing activities		(72,640,000)	(30,355,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		83,425,284	19,142,980
Finance costs		(8,912,713)	(1,856,794)
Proceeds from borrowings		16,000,000	13,058,695
Repayment of borrowings		(8,752,278)	(909,120)
Net cash provided by financing activities		81,760,293	29,435,761
Net increase/(decrease) in cash held		11,679,474	(50,047)
Cash at beginning of financial year		39,822	89,869
Cash at end of financial year **(i)**		11,719,296	39,822

(i) *Subsequent to 30 June 2011 US$10m was received in tranche 2 of a placement to SOCIUS*

The accompanying notes form part of these financial statements.

Note 1: Basis Of The Preparation Of The Preliminary Final Report

The preliminary final report has been prepared in accordance with the ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

As such this preliminary final report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2010, and with any public announcements made by Continental Coal Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated.

Note 2: Revenue and other income

	Consolidated	
	2011 **$**	**2010** **$**
Revenue from Continuing operations		
- Export coal sales	39,818,414	-
- Eskom coal sales	924,263	-
- Other coal sales	10,091,189	-
Total revenue from continuing operations	50,833,866	-
Other income		
- Foreign exchange gain on revaluation of USD and ZAR loans	485,258	353,016
- Net gain on sale of assets	18,563	-
- Net gain on fair value of acquisition of subsidiary	8,466,299	-
- Share based payment reversal	225,477	
- Recovery of costs	790,407	
Total other income	9,986,004	353,016

Notes to the Preliminary Consolidated Financial Statements
For The Year Ended
30 June 2011

Note 3: Profit/(loss) for the year

	Consolidated 2011 $	Consolidated 2010 $
(a) Loss before income tax includes the following specific expenses:		
Cost of sales		
- Mining	23,578,645	-
- Processing	4,694,475	-
- Materials handling	2,042,997	-
- Indirect costs	1,004,357	-
- Export costs	5,673,161	-
- Bought in coal	11,822,792	-
- Administration costs	625,139	-
- Mining Royalties	147,328	-
- Stock on hand movement	(2,333,895)	-
Total cost of sales	47,254,999	-
Finance costs		
- Interest and finance charges	2,717,518	3,744,717
- Options issued in respect of EDFT coal loan	4,288,880	-
- Unwinding of prepaid borrowing costs	3,499,031	8,403,982
- Other borrowing costs	603,697	106,270
Total finance costs	11,109,126	12,254,969
Impairment		
- Impairment of available-for-sale investments - unrealised	-	78,751
- Write off exploration expenses from continuing operations ***(i)***	-	1,924,276
- Impairment of acquisition costs of Project X, Vaalbank and Lemoenfontein ***(ii)***	11,855,895	-
Total impairment	11,855,895	2,003,027
Depreciation	4,309,746	77,430
Other Expenses:		
- Employee related costs	2,518,484	1,983,572
- Directors fees ***(iii)***	6,422,372	277,215
- Pre feasibility costs in relation to South African projects	3,404,469	879,240
- Consultants (including share based payments) facilitation & capital raising	10,285,039	3,279,792
- Legal fees	481,351	691363
- Finders fees	-	1,256,609
- Occupancy	343,337	268,392
- Other expenses	5,011,352	4,857,517
Total other expenses	28,466,404	13,493,700

Note 3: Profit/(loss) for the year (cont'd)

(i) Impairment from 30 June 2010 Financial Year - Witbank, Uitkomst, Canyon Springs and Loskop created an impairment charge of $1,924,276

(ii) During the 2011 financial year the updated JORC compliant Coal Resource statement and assessment, review and audit of the Company's South African thermal coal projects resulted in a reduction in total resources and measured resources for both the Vaalbank and Project X Coal Projects. The Company is concerned with the discrepancies from earlier independent resource statements and is completing a review of the previous work undertaken by the Company's geological consultants. As a result of these discrepancies the Company has adopted a prudent approach to its valuation of its Coal Projects resulting in an impairment charge of $11,885,995 (Project X $10,955,583, Vaalbank $771,275 and Lemoenfontein $129,037)

(iii) Includes an amount of $3,544,064 for the issue of 100,000 Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013 as approved by shareholders at the Company's Annual General Meeting on 19 November 2010.

Note 4: Income Tax Expense

As the Groups accounts are currently under review no tax asset or tax liability has been booked as at the date of this report.

Note 5: Non-current assets classified as held-for-sale

Investment in Vanmag	10,066,135	9,758,024
	10,066,135	9,758,024
Liabilities directly associated with Vanmag	-	557,754
	-	557,754

During the 2010 financial year, the Group negotiated and entered into a sales agreement in respect of the disposal of its interest in the Vanmag Iron Ore Project in South Africa for net proceeds of US$10 million. Financial settlement of the sale is subject to consent from the South African Department of Mineral Resources for the transfer of the interest which is expected mid September 2011.

Note 6: Earnings/(loss) per Share

	Consolidated 2011 $	Consolidated 2010 $
(a) Reconciliation of loss used in calculating loss per share		
Loss for the year	(41,737,023)	(27,461,478)
Loss used to calculate basic EPS	(41,737,023)	(27,461,478)
Loss used in the calculation of dilutive EPS	(41,737,023)	(27,461,478)
	No.	**No.**
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	2,602,602,320	1,022,863,292
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	2,602,602,320	1,022,863,292

Note 6: Earnings/(loss) per Share (cont'd)

		No.	No.
(c)	The Group's potential ordinary shares were not considered dilutive, and as a result, diluted EPS is the same as basic EPS.		
(d)	Potential ordinary shares that could dilute EPS in the future		
	Weighted average number of ordinary shares (basic)	2,602,602,320	1,022,863,292
	Effect of share options on issue	985,626,918	772,735,998
	Effect of consultants shares issued post year end	-	2,759,871
	Effect of conversion of debt to equity shares issued post year end	20,000,000	-
	Effect of placement shares issued post year end	279,017,857	-
	Weighted average number of ordinary shares (diluted) at 30 June	3,887,247,095	1,798,359,161

Note 7: Cash and Cash Equivalents

	Consolidated	
	2011 **$**	**2010** **$**
Cash at bank and in hand ***(i)***	11,719,296	39,822
Short-term bank deposits	-	-
	11,719,296	39,822
The weighted interest rate on Maxi Direct High Interest Account was 2.5% (2010: 2.50%); these funds are on call.		
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents ***(ii)***	11,719,296	39,822
	11,719,296	39,822

(i) *Includes cash restricted under guarantees in the amount of* 4,812,087 *(30 June 1010:nil)*
(ii) *Subsequent to 30 June 2011 US$10m was received in tranche 2 of a placement to SOCIUS*

Note 8: Trade and Other Receivables

CURRENT		
Trade receivables	7,158,896	-
	7,158,896	-
Other receivables (a)	841,407	890,887
	841,407	890,887

(a) The majority of other receivables relates to VAT recoverable by the South African subsidiary.

Note 9: Inventories

	Consolidated	
	2011 $	2010 $
CURRENT		
Coal stockpiles – at cost	4,963,316	-
Total coal stockpiles	4,963,316	-

Note 10: Business Combination

1 (a) Summary of Acquisition – Ntshovelo Mining Resources

On 25 August 2010 the group's subsidiary, Continental Coal Limited in South Africa completed the acquisition of their 50% share in Ntshovelo Mining Resources (Pty) Limited and a 60% economic interest in the Vlakvarkfontein Coal Mine. Ntshovelo has now become a subsidiary of Continental Coal Limited in South Africa. The purchase consideration for the acquisition is cash payments totalling Rand 56m (AUD $8,590,960). This amount was paid in two instalments, a deposit of $2,470,960 prior to 30 June 2010 and the balance of $6,120,000 on 25 August 2010.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer to (b) below)	
Cash paid for the acquisition of a 50% share and 60% economic interest	8,590,960
Total purchase consideration	8,590,960

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Acquired net assets	-
Mining Rights	19,886,538
Deferred tax on Mining Rights	(5,568,169)
Fair Value of intangible assets acquired	**14,318,216**
Total fair value of tangible and intangible assets acquired	**14,318,216**
Less: Non-controlling interest	**(5,727,256)**
Acquirer's interest	8,590,960
Purchase Price	**8,590,960**
Goodwill	**-**

The acquired business contributed revenues of $9,589,463 and (net loss) of ($1,606,768) to the group from 25 August 2010 to 30 June 2011.

Note 10: Business Combination (cont'd)

1 (b) Purchase consideration – cash outflow

	2011	2010
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	8,590,960	-
Outflow of cash – investing activities	8,590,960	-

2 (a) Summary of Acquisition – Mashala Resources

On 1 November 2010 following receipt of all outstanding South African government approvals, including South African Reserve Bank approval and approval from the South African Department of Minerals and Resources, financial settlement of the acquisition of Mashala took place. In accordance with the terms of Share Sale Agreements executed on 15 September 2010 by the group's subsidiary, Continental Coal Limited in South Africa, and Mashala's shareholders, Continental Coal Limited in South Africa acquired a 64.1% shareholding in Mashala for a cash payment of US$35 million. Mashala has now become a subsidiary of Continental Coal Limited in South Africa.

The Group has the option to purchase the remaining 35.9% within a 12 month period for a combination of cash and shares. The Group has also granted a put option over the 35.9% to the non-controlling shareholders which can be settled in cash or shares. Subsequent to reporting date the Group increased its interest to 73.8% by making a cash payment of AUD $5.4m.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer to (b) below)	
Cash paid for the acquisition of a 64.1% majority interest	45,595,797
Total purchase consideration	45,595,797

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash	541,103
Trade and other receivables	1,729,532
Inventories	681,443
Plant and equipment	11,547,554
Exploration	760,341
Trade and other payables	(4,525,403)
Rehab provision	(6,949,824)
Borrowings	(6,324,919)
Net identifiable assets acquired	**(2,540,173)**

Note 10: Business Combination (cont'd)

	Fair value
Net asset value per consolidated Balance Sheet	(2,540,173)
Less: Mining rights, authorisation and surface lease	(1,302,117)
Less: Exploration costs (intangible)	(746,472)
Acquired tangible net assets	**(4,542,680)**
Mining Rights - Ferreira	3,698,111
Deferred tax on Mining Rights (Ferreira)	(1,035,541)
Mining Rights - Penumbra	56,360,925
Deferred tax on Mining Rights (Penumbra)	(15,781,111)
Mineral Rights (De Wittekrans, Leiden, Wesselton 2, Mooifontein)	54,987,701
Deferred tax on Mineral Rights	(15,396,556)
Contracts - EDF	(16,359,249)
Deferred tax on EDF Contract	4,580,555
Fair Value of intangible assets acquired	**71,054,979**
Total fair value of tangible and intangible assets acquired	**66,512,299**
Less: Non-controlling interest	**-**
Acquirer's interest	66,512,299
Purchase Price	**58,046,000**
Goodwill	**(8,466,299)**

The acquired business contributed revenues of $38,716,983 and profit of $5,147,699 to the group from 1 November 2010 to 31 December 2010.

2 (b) Purchase consideration – cash outflow

	2011	2010
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration for 64.1%	46,136,900	-
Less: Balances acquired		
Cash	(541,103)	-
Outflow of cash – investing activities	45,595,797	-

Note 11: Controlled Entities

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries.

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		31 December 2010	**30 June 2010**
Subsidiaries of Continental Coal Limited:			
Continental Coal Ltd	South Africa	74	74
Subsidiaries of Continental Coal Ltd			
Tsimpilo Trading 45 (Pty) Limited	South Africa	100	100
Taboo Trading 137 (Pty) Ltd	South Africa	100	100
Idada Trading 310 (Pty) Ltd	South Africa	70	-
Kebragen (Pty) Ltd	South Africa	75	-
Ntshovelo Mining Resources (Pty) Ltd *(i)*	South Africa	50	-
Ultimatum Challenge Trading (Pty) Ltd	South Africa	50	-
Mashala Resources (Pty) Ltd	South Africa	64.1	-
Subsidiaries of Mashala Resources (Pty) Ltd			
Namib Drilling (Pty) Ltd	South Africa	64.1	-
Wessleton opencast (Pty) Ltd	South Africa	64.1	-
BW Mining (Pty) Ltd	South Africa	64.1	-
Copper Sunset Trading 148 (Pty) Ltd	South Africa	64.1	-
Mandla Coal Resources (Pty) Ltd	South Africa	64.1	-
Penumbra Coal Mining (Pty) Ltd	South Africa	64.1	-

** Percentage of voting power is in proportion to ownership*

(i) Ntshovelo – 60% economic interest even though 50% equity interest.

Note 12: Exploration Expenditure

	Consolidated	
	2011 $	**2010 $**
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	116,847,793	28,645,092
- Exploration and evaluation phases – in direct (i)	13,469,841	18,943,886
Total exploration expenditure	130,317,634	47,588,978

Mineral rights held by South African subsidiary

Project name	Prospecting or mining right reference	Current holder of mining or prospecting right	Holder of mining right once transaction is completed
Vlakvarkfontein	MP 300 MR	Ntshovelo Mining Resources (Pty) Ltd	Ntshovelo Mining Resources (Pty) Ltd
Vaalbank	MP 1689 PR	Misty Sea Trading 262 (Pty) Ltd	Kebragen (Pty) Ltd
Project X	MP 1640 PR	Misty Sea Trading 262 (Pty) Ltd	Idada Trading 310 (Pty) Ltd
Vlakplaats	MP 1520 PR	Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd
Lemoenfontein	MP 1442 PR	Xivono Mining (Pty) Ltd	City Square Trading 437 (Pty) Ltd
Ferreira	MP 345 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Knapdaar	MP 1494 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Leiden	MP 401 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Mooifontein Ptn 13	MP 713 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Mooifontein Ptn 16	MP 353 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Wesselton II	MP 231 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd
Penumbra	MP 247 MR	Penumbra Coal Mining (Pty) Ltd	Penumbra Coal Mining (Pty) Ltd
De Wittekrans	MP 97 PR MP 365 MR	Mashala Hendrina Coal (Pty) Ltd	Mashala Hendrina Coal (Pty) Ltd

(i) Exploration and Evaluation phases indirectly held through 49% holding in Misty Sea 262 (Pty) Ltd

Consolidated

Name of company	Listed/ Unlisted	Country of Incorporation	30 June 2011 Percentage owned	30 June 2010	30 June 2011 Carrying amount	30 June 2010
			%	%	$	$
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa		49	13,469,825	18,943,870
Kebragen (Pty) Ltd	Unlisted	South Africa		75	8	8
Idada Trading 310 (Pty) Limited	Unlisted	South Africa		70	8	8
					13,469,841	18,943,886

Note 13: Development Expenditure

	Consolidated 2011	2010
	$	$
NON-CURRENT		
- Development expenditure at cost	7,882,577	9,059,226
Total development expenditure	7,882,577	9,059,226

The Development expenditure relates mainly to mining infrastructure assets under construction and the environmental assets for closure costs.

Note 14: Property, Plant & Equipment

NON-CURRENT		
- Property, Plant & Equipment at cost	8,608,965	9,488,012
- Accumulated Depreciation	(2,307,827)	(75,776)
Total Property, Plant & Equipment	6,301,138	9,412,236

Note 15: Trade and Other Payables

CURRENT		
Unsecured liabilities		
Trade payables	13,694,430	4,762,409
Option Fee – Lemoenfontein (i)	-	9,298
Sundry payables and accrued expenses	1,663,654	2,268,010
Deferred purchase liability –(ii)	19,804,355	6,120,000
Accrued interest	404,822	855,029
	35,567,261	14,014,746
Accruals relating to held for sale assets	-	557,754
	35,567,261	14,572,500

(i) In the 2009, the Group has granted an option to United Expansion Company Limited where they have the option to elect a 5% equity holding in City Square Trading 437 (Pty) Ltd or cash for services rendered in respect of the day to day trading of prospecting and development and submission of the mining license and general project management in respect of the Lemoenfontein prospecting right.

United Expansion has the option to decide within two years from date of signature of the option agreement if they would choose the option of equity or cash. For the 2009 financial year, R30 385 (AUD $4,810) was therefore classified as current and the balance as non-current.

In 2010 as the option had not been exercised the balance was been reclassified to current.

The fair value of the option has been reassessed and Management has assessed that the fair value has changed from the previous period.

(ii) Relates to the balance of the acquisition cost of the Vlakvakfontein Coal mine in 2010 and the balance of the Mashala acquisition in 2011

Note 16: Deferred Revenue

Deferred revenue relates to:-

30 June 2011 – the prepayment by EDF Trading of a Coal Supply Agreement (secured over the Company's South African Mining interests) relating to the Ferreira Coal Mine. US $15m of the contracted US$20m has been received to 30 June 2011.
30 June 2010 - the prepayment of the sale of the first 100,000 tonnes of run-of-mine coal from the Vlakvarkfontein coal mine.

	Consolidated	
	2011	2010
	$	$
Deferred income - current	193,060	1,606,500
Deferred income – non-current	14,212,160	-
Total Deferred income	14,405,220	1,606,500

Note 17: Provision for Rehabilitation

Relates to environmental liability for the Vlakvarkfontein and Ferreira Coal Mines. South African mining companies are required by law to undertake rehabilitation work as part of their ongoing operations. The expected timing of the cash outflows in respect of the provision is on the closure of the mining operations. Management has assessed that no environmental liability exists for the other projects as only exploration activities have been performed and rehabilitation has taken place as damages were incurred.

Mining rehabilitation fund	7,986,599	2,231,672
	7,986,599	2,231,672

Note 18: Borrowings

CURRENT		
Secured loans from related parties	-	915,000
Unsecured loans other	-	3,121,176
Secured loan other	-	2,558,696
Debt facility - secured	-	13,200,000
	-	19,794,872
NON -CURRENT		
Convertible Note - Unsecured	16,000,000	-
	16,000,000	-

Note 19: Issued capital

	Consolidated 2011 $	Consolidated 2010 $
3,192,640,409 (2010: 1,376,191,741) fully paid ordinary shares	200,091,586	100,829,337
	200,091,586	100,829,337

(a) **Ordinary Shares**	**2011 No.**	**2010 No.**
At the beginning of the period	1,376,191,741	446,285,001
Shares issued during year	1,816,448,668	929,906,740
At reporting date	3,192,640,409	1,376,191,741

Note 20: Shares to be issued

The following shares were issued post year end and contracted to be issued prior to year end. As a result, this has been treated as an adjusting post balance date event and so the balances have been taken up in the 30 June 2011 accounts even though they had not been issued at 30 June 2011. The amounts have been classified as equity at 30 June 2011 in accordance with AASB 139*, Financial Instruments: Recognitions and Measurements*.

	Consolidated 2011 $	Consolidated 2010 $
234,962,406 (2010: 2,759,871) fully paid ordinary shares	9,322,821	90,000
	9,322,821	90,000

Note 21: Segment Reporting

(a) Description of segments

Management has determined that the operating segments are based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors are as disclosed in the Directors Report.

The Board of Directors considers the business from both a commodity type and geographical perspective and has identified three reportable segments.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2010 is as follows:-

2011	**Coal SA**	**Vanadium & Magnetite SA**	**Corporate Costs**	**Consolidated**
	$	**$**	**$**	**$**
Total segment revenue	60,657,175	-	601,971	61,259,146
EBITDA	(15,459,610)	-	(11,297,818)	(26,757,428)
Total segment assets as at 30 June 2011	162,118,254	10,066,135	7,066,010	179,250,399
Total segment liabilities as at 30 June 2011	55,791,097	-	18,559,170	74,350,267

Note 20: Segment Reporting (cont'd)

2010	Coal SA	Vanadium & Magnetite SA	Corporate Costs	Consolidated
	$	$	$	$
Total segment revenue	1,188,283	-	(820,635)	367,648
EBITDA	(8,253,632)	-	(6,890,079)	(15,143,711)
Total segment assets as at 30 June 2010	46,922,578	9,758,024	21,750,114	78,430,716
Total segment liabilities as at 30 June 2010	15,820,027	557,754	21,827,763	38,205,544

Accounting Policies
Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment and exploration and development expenditure. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arms length. These transfers are eliminated on consolidation.

(ii) Adjusted EBITDA

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/ (losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the consolidated entity.

The reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Consolidated	
	2011	2010
	$	$
Adjusted EBITDA	(26,757,428)	(15,143,711)
Interest revenue	439,277	14,632
Finance costs	(11,109,126)	(12,254,969)
Depreciation	(4,309,746)	(77,430)
Loss before income tax from continuing operations	(41,737,023)	(27,461,478)

Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

☐	The financial statements have been audited.	☐	The financial statements have been supplied to review.
☒	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.

JASON BREWER
Executive Director

Date: 31 August 2011