

12 October 2011

Mauro Piccini  
ASX Compliance Pty Limited  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

**By e-mail**

**CONTINENTAL COAL LIMITED ("the Company")**

**RE: AWARE QUERY**

I refer to your letter dated 11 October 2011 in relation to the Company's responsibilities and respond as follows in line with the number of your letter.

1. Did the Company consider the strategic acquisition of Chelmsford to be material to the Company pursuant to listing rule 3.1?

The acquisition of the Chelmsford Project whilst of a strategic nature was not considered material by the Company given that the agreement was structured on an option basis with no obligation to proceed unless the Company was satisfied with standard acquisition conditions precedent.

The Company's principal focus at the time was the acquisition and proposed development of the Vlakvarkfontein Project that subsequently commenced production on 27 May 2010, has recently achieved record coal production and sales for the Company and is one of the Company's two key operating assets.

The other material transaction that the Company was proceeding with in July 2009 was the sale of its interest in the Vanmang Iron Ore Project.

The proposed acquisition of the Chelmsford Project which was subject to a deposit of ZAR5 million, additional payments of ZAR 155 million and the transfer of the existing mining license was considered by the Company as an opportunity to acquire what is considered to be further highly prospective coal resources that were part of the Company's broader project portfolio.

2. What is the status of the strategic acquisition of Chelmsford?

The Company did not proceed with the acquisition of the Chelmsford Project in 2009.

The Company disclosed to shareholders in its Annual Report for the 12 months ending 30 June 2009 that the agreement for acquisition of the Chelmsford Project had not been concluded.

The Company impaired 100% of the ZAR5 million deposit paid and approx. ZAR1.5 million due diligence costs incurred in its review of the Chelmsford Project which was disclosed to shareholders in the Half Yearly Report for the 6 months ending 31 December 2009.

The Company has not disclosed any ownership, attributable interest or option to acquire the Chelmsford Project in any announcements, presentations or media articles for the past 20 months.

3. If the Company has determined not to proceed with the strategic acquisition of Chelmsford, when did the Company make the determination? In your response to this question please indicate the date and approximate time the Company made the determination.

The Company determined not to proceed with the acquisition of the Chelmsford Project in the December 2009 quarter given the progress and material nature of the Vlakvarkfontein Project.

4. If a determination not to proceed with the acquisition of Chelmsford has been made by the Company then please advise whether the determination not to proceed is material to the Company.

The determination not to proceed with the acquisition of the Chelmsford Project was not considered to be material to the Company given its focus on the Vlakvarkfontein Project and the other opportunities being pursued by the Company in South Africa at the time and the fact that negotiations were ongoing with the Vendors regarding either a dramatically revised deal or compensation for the deposit paid.

5. If the answer to any part of question 4 is “yes” then please advise the following:

5.1 Please advise where and when the Company made an announcement that it had determined not to proceed with the strategic acquisition of Chelmsford.

Not applicable.

5.2 If an announcement was not made, please advise why the Company did not make an announcement that it was no longer proceeding with the strategic acquisition of Chelmsford? Please comment specifically on the application of listing rule 3.1?

Not applicable.

6. If the answer to question 4 is “no”, please advise the basis on which the Company did not consider the determination not to proceed with the strategic acquisition of Chelmsford to be material.

The Chelmsford Project was one of several highly prospective coal resources that were part of the Company’s broader project portfolio in South Africa.

The other projects in the Company’s portfolio including the Vlakvarkfontein mine were considered to be of greater significance and value to the Company.

The costs associated with the Chelmsford Project that were incurred by the Company in 2009 represented less than 5% of costs incurred by the Company during the 12 months ending 30 June 2010.

7. Is the Company aware of the Final in Fill Drill Results on Chelmsford as referred to in the Company announcement of 25 September 2009?

The Company was made aware of the Final in Fill Drill Results on the Chelmsford Project by its geological consultants.

8. If the Company is aware of the Final in Fill Drill Results, when did the Company become aware of the Final in Fill Drill Results? In your response to this question please indicate the date and approximate time the Company became aware.

As disclosed in its announcement of 25 September the results were due “at the end of September”.

The Company became aware of the Final in Fill Drill Results during the first week of October 2009.

9. If the Company is aware of the Final In Fill Drill Results then please advise whether those results are or were material to the Company at the time the Company became aware of the Final in Fill Drill Results?

The Final In Fill Drill Results were not considered material by the Company at the time the Company became aware of the results due in part to the ongoing negotiations regarding the asset and associated compensation for the deposit paid.

10. If the answer to any part of question 9 is “yes” then please advise the following:

10.1 Please advise where and when the Company made an announcement regarding the Final in Fill Drill Results?

Not applicable.

10.2 If an announcement was not made, please advise why the Company did not make an announcement regarding the Final in Fill Drill Results? Please comment specifically on the application of listing rule 3.1?

Not applicable.

11. If the answer to question 9 is “no”, please advise the basis on which the Company did not consider the Final in Fill Drill Results to be material.

The Company did not consider the Final In Fill Drill Results to be material, as it was the intention of the Final In Fill Drilling to confirm previous drill data and results rather than increase the size or confidence in the underlying resources and was one of a number of conditions precedent that needed to be satisfied in order to proceed.

The Company is a production focused coal mining company and has never released drill results from the confirmatory drilling programs completed by the Company on its portfolio of coal projects in South Africa.

12. Please confirm that the Company is in compliance with listing rule 3.1

The Company is in compliance with listing rule 3.1.

Ends

Regards



Jason Brewer  
Executive Director

For further information please contact:

**Investors/ shareholders**

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**About Continental Coal Limited**

Continental Coal Limited (ASX:CCC : US-OTCQX:CGFAY) is a South African thermal coal producer with a portfolio of producing and advanced coal projects located in South Africa's major coal fields. Continental currently has two operating mines, Vlakvarkfontein and Ferreira, producing 2Mtpa of thermal coal for the export and domestic markets. Continental commenced development of the Penumbra Coal Mine in September 2011 and completed a

Bankable Feasibility Study on the De Wittekrans Coal Project. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production and signed a joint development agreement with KORES, Korea Resources Corporation.

#### **Forward Looking Statement**

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the coal mining industry, expectations regarding coal prices, production, cash costs and other operating results, growth prospects and the outlook of Continental's operations including the likely commencement of commercial operations of the Penumbra and De Wittekrans, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding Company's development and exploration operations, economic performance and financial condition. Although Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in coal prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to the Company's most recent annual report and half year report. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.



**Continental Coal Ltd**



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11 October 2011

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

By Email: [jane@okapventures.com](mailto:jane@okapventures.com)

Dear Jane,

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

We refer to the following;

- The announcement released by the Company at 13.16pm (EST) on 14 July 2009 titled "*Strategic Acquisition and Vanmag Sale*" regarding the fact that the Company entered into an agreement to acquire a 100% interest in the Chelmsford Coal Asset ("Chelmsford"), and that the Company had already put in place plans to have Chelmsford in production by October 2009.
- The announcement released by the Company at 09.08am (EST) on 27 July 2009 titled "*Logistics Secured / Appendix 3B*".
- The announcement released by the Company at 08:41am (EST) on 25 September 2009 titled "*Company Update*" stating that the final in fill drilling programme had been completed with all results due at the end of September 2009 ("Final In Fill Drill Results") and that production at Chelmsford is scheduled to commence in December 2009
- The announcement released by the Company at 18.34pm (EST) on 22 October 2009 titled "*Annual Report and Notice of Annual General Meeting*" ("Annual Report").
- The announcement released by the Company at 08:32am (EST) on 1 March 2010 titled "*Half Yearly Report and Accounts*" ("Half Year Report") in particular Note 10 and the impairment of the Chelmsford deposit and costs to date.

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

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

Further, we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A. Please note that for disclosure not to be required under this listing rule all of the exceptions must apply.

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

1. Did the Company consider the strategic acquisition of Chelmsford to be material to the Company pursuant to listing rule 3.1?
2. What is the status of the strategic acquisition of Chelmsford?
3. If the Company has determined not to proceed with the strategic acquisition of Chelmsford, when did the Company make the determination? In your response to this question please indicate the date and approximate time the Company made the determination.
4. If a determination not to proceed with the acquisition of Chelmsford has been made by the Company then please advise whether the determination not to proceed is material to the Company.
5. If the answer to any part of question 4 is "yes" then please advise the following:
  - 5.1. Please advise where and when the Company made an announcement that it had determined not to proceed with the strategic acquisition of Chelmsford.
  - 5.2. If an announcement was not made, please advise why the Company did not make an announcement that it was no longer proceeding with the strategic acquisition Chelmsford? Please comment specifically on the application of listing rule 3.1?
6. If the answer to question 4 is "no", please advise the basis on which the Company did not consider the determination not to proceed with the strategic acquisition of Chelmsford to be material.
7. Is the Company aware of the Final In Fill Drill Results on Chelmsford as referred to in the Company announcement of 25 September 2009?
8. If the Company is aware of the Final In Fill Drill Results, when did the Company become aware of the Final In Fill Drill Results? In your response to this question please indicate the date and approximate time the Company became aware.
9. If the Company is aware of the Final In Fill Drill Results then please advise whether those results are or were material to the Company at the time the Company became aware of the Final In Fill Drill Results?
10. If the answer to any part of question 9 is "yes" then please advise the following:
  - 10.1. Please advise where and when the Company made an announcement regarding the Final In Fill Drill Results?
  - 10.2. If an announcement was not made, please advise why the Company did not make an announcement regarding the Final In Fill Drill Results? Please comment specifically on the application of listing rule 3.1?
11. If the answer to question 9 is "no", please advise the basis on which the Company did not consider the Final In Fill Drill Results to be material.
12. Please confirm that the Company is in compliance with listing rule 3.1.

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



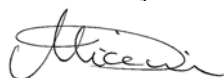
Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **6.30 am (WST) on Thursday 13 October 2011**.

Your response should be sent to ASX by email to [mauro.piccini@asx.com.au](mailto:mauro.piccini@asx.com.au) or by facsimile on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0015.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mauro Piccini', written in a cursive style.

Mauro Piccini

**Adviser, Listings (Perth)**