

17 May 2012

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

**By e-lodgement**

## **EXCLUSIVE OPTION SECURED OVER OPERATING COLOMBIAN COKING COAL PROJECT**

### **Key points:**

- Continental has entered into an exclusive option for the potential acquisition of a 50% joint venture interest in a producing hard coking coal mine in Colombia
- Acquisition aligned with Continental's strategic objective to diversify its coal mining operations geographically and into the higher margin coking coal market
- New limited recourse debt and commodity linked facility to fund the approx. US\$15m potential acquisition
- Continental to assist in funding and developing existing operational mine with existing management to increase production and to accelerate near mine exploration
- Due diligence being finalised with Golder Associates, BDO, Brigard & Urrutia and with Continental's management
- A\$5 million convertible note facility finalised with Bergen Global Opportunity Fund LP

Continental Coal Limited (ASX: CCC/ AIM: COOL) ("**Continental**" or the "**Company**") the South African thermal coal production, development and exploration company, is pleased to announce that it has entered into an exclusive agreement to acquire a 50% joint venture interest in an operating hard coking coal mine located in Colombia.

The acquisition of this well established and high quality hard coking coal mining operation will complement the Company's existing thermal coal mining, development and exploration projects in South Africa. The acquisition will further diversify its production base geographically into another of the world's leading coal producing and export nations from a product base into the hard coking coal market.

Subject to completion of satisfactory due diligence it is proposed that Continental will acquire a 50% joint venture in five mining concessions/contracts covering over 1,500 hectares and including the existing underground mine that has been in operation for 24 years and adjacent exploration ground.

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9th Floor Fredman Towers, 13 Fredman Drive, Sandton 2196	Ground Floor, 1 Havelock Street, West Perth, WA 6005
PO Box 787646, Sandton 2146	PO Box 684, West Perth WA 6872

**Independent Non-Executive Chairman** Mike Kilbride **Chief Executive Officer** Don Turvey **Executive Director** Jason Brewer **Executive Director** Peter Landau  
**Non-Executive Director** Connie Molusi **Non-Executive Director** Johan Bloemsmas **Non-Executive Director** Andy Macaulay **Non-Executive Director** James Leahy

## Mine Background

The mine, located in the east of Colombia, is an established hard coking coal producer with a workforce of more than 140 employees. Current underground production and access is through a series of declines to mine 2 seams with a total economic thickness of 1.7m. Mining is by a modified room and pillar mining method and given the high quality nature of the coal, no wash plant is currently required. Sales of hard coking coal are made at mine gate with current margins of approx. 75%. Sales directly to the export market are planned in 2013. The mine has a current mine plan in excess of 50 years, although currently has no JORC compliant reserves or resources.

An independent technical review in 2010 determined that mine production can be increased significantly from its current levels through the introduction of mechanisation, improvements to the mine infrastructure, a modified mine layout and an additional production shift. Based on historic reports and its current due diligence, the Company believes annual production of 500,000t can be achieved in the medium term.

The coal is considered a very high quality, high volatile metallurgical coking coal. The following table lists the analytical results obtained from an independent analysis completed in 2010.

SPECIFICATION	VALUE
Gross calorific value (Air Dried, Btu)	15,024
Moisture (%max)	7.0
Ash (% max) (Air Dried, AD)	3.4
Volatile matter (VM) (%) (Air Dried, AD)	36.5
Fixed carbon (FC) (%) (Air Dried, AD)	60.1
Total sulphur (TS) (% max) (Air Dried, AD)	0.6
Free swelling index (FSI)	7.5
Fluidity (ddpm)	30,000
Ash fusion temperature (AFT) (Celsius)	1,482
HGI	71
Sizing (mm)	51

## Exclusive Option Agreement Terms

The Company has signed an exclusive option agreement to acquire a 50% interest in the existing underground mining operation and five mining concessions/contracts.

Under the terms of the agreement, the Company has the option to acquire a 50% share in the joint venture company to operate, develop and expand the existing operation and carry out an initial exploration program on the adjacent and near-mine exploration ground. The Company will further assist the joint venture in funding and developing the existing operation. The mine has committed to a staged production expansion using minimal capital expenditure and predominantly involving mechanisation of the existing operations.

The Company has engaged independent legal, technical and financial consultants to complete a detailed due diligence review, that is currently on-going and is forecast to be completed in the current quarter.

## A\$5 Million Convertible Note Facility

The Company is also pleased to announce that it has finalised a convertible note facility with US based Bergen Global Opportunity Fund LP for up to A\$5 million.

Bergen Global Opportunity Fund, LP is a New York-based investment fund that invests in high growth public and private companies around the world.

The A\$5 million facility will be made available to the Company in three tranches, with the first tranche of A\$2.5 million already drawn (under its existing 15% capacity) and two subsequent tranches each of A\$1.25 million after 30 and 60 days. The convertible securities are interest free and secured against 6,800,000 shares of the Company. The convertible securities are convertible into the Company's ordinary shares at 90% of the average of five daily volume-weighted average prices of the Company's ordinary shares during a specified period prior to the date of their conversion, and with up to A\$1.5 million at a conversion price equal to 130% of the average of the daily VWAPs per Share during the 20 trading days immediately prior to the execution date of the agreement. The facility is subject to a floor price of A\$0.15, whereby the Company may elect not to issue the convertible notes and to terminate the facility at no cost if the market price of its shares is below the floor price. A facility fee has been paid by way of the issuance of shares of the Company. The Company has issued 12,500,000 options with an exercise price of \$0.2216 and with an expiry date of 16 May 2015 to the investor.

The facility will be used by the Company for general corporate purposes and working capital and to assist in the evaluation of advanced and producing opportunities both in and outside of South Africa.

Please find attached an updated Appendix 3B and Cleansing Notice issued under Section 708A(5)(e) Corporations Act.

Regards

For and on behalf of the Board.



Don Turvey  
Chief Executive Officer

For further information please contact:

**Investors/ shareholders**

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**About Continental Coal Limited**

Continental Coal Limited (ASX:CCC/AIM: COOL/US-OTCQX:CGFAY) is a South African thermal coal producer with a portfolio of projects located in South Africa's major coal fields including two operating mines, the Vlakvarkfontein and Ferreira Coal Mines, producing 2Mtpa of thermal coal for the export and domestic markets. A third mine, the Penumbra Coal Mine, commenced development in September 2011 and a Bankable Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project. Run of mine production rate of 7Mtpa is targeted in 2013. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production, signed a joint development agreement with KORES, Korea Resources Corporation and secured debt funding from ABSA Capital to fund its growth.

**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 the 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.

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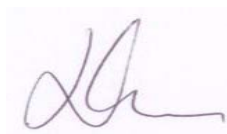
**Notice under Section 708A(5)(e) *Corporations Act***

On 17 May 2012, Continental Coal Limited (the "Company") issued 9,723,977 fully paid ordinary shares in accordance with the terms of its Convertible Securities Agreement with Bergen Global Opportunity Fund, LP, which was announced to the market on 16 May 2012.

Accordingly the Company gives notice under section 708A(5)(e) of the *Corporations Act 2001* (Cth) (the "Corporations Act") that:

1. abovementioned ordinary shares were issued without disclosure to investors under Part 6D.2 of the *Corporations Act*;
2. at the date of this notice the Company has complied with:
  - (a) the provisions of Chapter 2M *Corporations Act* as they apply to the Company; and
  - (b) section 674 *Corporations Act*; and
3. at the date of this notice there is no "excluded information" (as defined in subsection 708A(7) of the *Corporations Act*) which is required to be disclosed by the Company.

Regards  
For and on behalf of the Board.



Don Turvey  
Chief Executive Officer

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Although the 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.

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

CONTINENTAL COAL LIMITED

ABN

13 009 125 651

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

1 +Class of +securities issued or to be issued

Ordinary Fully Paid Shares

Convertible Security upon the terms set out below

Unlisted Options

2 Number of +securities issued or to be issued (if known) or maximum number which may be issued

Convertible Security with a face value of A\$2,500,000

9,723,977 Ordinary Fully Paid Shares

12,500,000 Unlisted Options

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+ See chapter 19 for defined terms.

3	Principal terms of the <sup>+</sup> securities (eg, if options, exercise price and expiry date; if partly paid <sup>+</sup> securities, the amount outstanding and due dates for payment; if <sup>+</sup> convertible securities, the conversion price and dates for conversion)	<p><u>Ordinary Shares</u> Ordinary Shares will rank pari passu with existing Ordinary Shares.</p> <p><u>Options</u> The Options will be exercisable at \$0.2216 per Option into Ordinary Shares on or before 16 May 2015</p> <p><u>Convertible Security</u> The face value of the Convertible Security is A\$2,500,000 (the <b>Principal Amount</b>). The Convertible Security does not bear interest and is unsecured. The Convertible Security shall be convertible into new Ordinary Shares of the Company determined by dividing the Principal Amount to be converted by one of the following, at the Investor's election: 1. 90% of the average of five daily VWAPs per Share during a specified period prior to the conversion date of the Convertible Security into minimum floor price for conversion and no shorting obligations; and 2. 130% of the average of the daily VWAPs per share during the 20 trading days prior to 15 May 2015. The Convertible Security does not carry any voting rights at meetings of shareholders of the Company, and has no rights of participation in any rights issue undertaken by the Company prior to conversion of the Convertible Security.</p>
4	<p>Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>The Ordinary Shares rank pari passu with existing Ordinary Shares.</p> <p>The Options will not be quoted. On exercise of the Options, the Ordinary Shares will rank pari passu with existing Ordinary Shares.</p> <p>On conversion of the Convertible Security, the Ordinary Shares issued will rank pari passu with existing Ordinary Shares.</p>
5	Issue price or consideration	\$2,500,000 for the Convertible Security
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>The Ordinary Shares and Options were issued to secure the Convertible Security investment, details of which were announced to the market on 17 May 2012.</p> <p>The purpose of the Convertible Security is to secure funds for general corporate and working capital purposes.</p>
7	Dates of entering <sup>+</sup> securities into uncertificated holdings or despatch of certificates	17 May 2012

Number	<sup>+</sup> Class
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8	Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX (including the securities in clause 2 if applicable)	430,741,548	Ordinary fully paid shares
		76,853,740	Options (\$0.50, 13 February 2013)
9	Number and <sup>+</sup> class of all <sup>+</sup> securities not quoted on ASX (including the securities in clause 2 if applicable)	12,500,000	Options exercisable at \$0.2216 before 15 May 2015
		8,000,000	EDF Options (\$0.20, 16 July 2016)
		1,627,549	Warrant Options (\$0.64, 31 October 2015)
		13,950,893	Warrant Options (\$0.368, 23 August 2016)
		11,000,000	Director Options (\$0.75, 31 December 2013)
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the <sup>+</sup> securities will be offered	N/A
14	<sup>+</sup> Class of <sup>+</sup> securities to which the offer relates	N/A
15	<sup>+</sup> Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has <sup>+</sup> security holders who will not be sent new issue documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	N/A

+ See chapter 19 for defined terms.

19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of <sup>+</sup> security holders	N/A
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do <sup>+</sup> security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do <sup>+</sup> security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do <sup>+</sup> security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	<sup>+</sup> Despatch date	N/A

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

## Entities that have ticked box 34(a)

### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
  - 1,001 - 5,000
  - 5,001 - 10,000
  - 10,001 - 100,000
  - 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

## Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought 

N/A
-----
- 39 Class of +securities for which quotation is sought 

N/A
-----
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? 

N/A
-----
- If the additional securities do not rank equally, please state:
- the date from which they do
  - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
  - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- 41 Reason for request for quotation now  
Example: In the case of restricted securities, end of restriction period  
  
(if issued upon conversion of another security, clearly identify that other security)
- |     |
|-----|
| N/A |
|-----|
- 
- | Number | +Class |
|--------|--------|
| N/A    | N/A    |

### Quotation agreement

+ See chapter 19 for defined terms.

- 1      <sup>+</sup>Quotation of our additional <sup>+</sup>securities is in ASX's absolute discretion. ASX may quote the <sup>+</sup>securities on any conditions it decides.
- 2      We warrant the following to ASX.
- The issue of the <sup>+</sup>securities to be quoted complies with the law and is not for an illegal purpose.
  - There is no reason why those <sup>+</sup>securities should not be granted <sup>+</sup>quotation.
  - An offer of the <sup>+</sup>securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
- Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any <sup>+</sup>securities to be quoted and that no-one has any right to return any <sup>+</sup>securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the <sup>+</sup>securities be quoted.
  - We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the <sup>+</sup>securities to be quoted, it has been provided at the time that we request that the <sup>+</sup>securities be quoted.
  - If we are a trust, we warrant that no person has the right to return the <sup>+</sup>securities to be quoted under section 1019B of the Corporations Act at the time that we request that the <sup>+</sup>securities be quoted.
- 3      We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4      We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before <sup>+</sup>quotation of the <sup>+</sup>securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 17 May 2012

Print name:      Jane Flegg, Company Secretary

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