31 August 2012

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

By e-lodgement

Preliminary Final Report

Please find attached Continental Coal Limited (ASX:CCC) Preliminary Final Report – Appendix 4E for the year ended 30 June 2012.

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.

Continental Coal Ltd

A.C.N. 009 125 651

Appendix 4E – Preliminary Final Report
For the year ended 30 June 2012

Results for announcement to market
Under ASX Listing Rule 4.3A

CORPORATE DIRECTORY

Directors

Mike KILBRIDE – appointed 23 February 2012
(Independent Non-Executive Chairman)

Don TURVEY
(Executive Director)

Jason BREWER
(Executive Director)

Peter LANDAU
(Non-Executive Director)

Maritz SMITH – appointed 9 July 2012
(Executive Director)

James LEAHY
(Non-Executive Director)

Andrew MACAULAY
(Non-Executive Director)

Connie MOLUSI – appointed 27 February 2012
(Non-Executive Director)

Johan BLOEMSMA – appointed 2 March 2012
(Non-Executive Director)

Bruce BUTHELEZI – resigned 19 September 2011
(Executive Director)

Company Secretary

Jane FLEGG

Registered Office

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Email: admin@conticoal.com
Website: www.conticoal.com

Country of Incorporation

Australia

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Telephone: (08) 6382 4600
Facsimile: (08) 6382 6401

Share Registry

Computershare Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: CCC
AIM Code: COOL
OTCQX Code: CGFAY

Results for Announcement to the Market

				Year Ended 30 June 2012 $	Year Ended 30 June 2011 $
Revenue from ordinary activities	Up	62%	to	82,105,366	50,833,865
Profit/(loss) before Interest, Tax, Depreciation and Amortisation **(EBITDA)**	Up	25%	to	(25,986,749)	(34,831,354)
Profit/(loss) before Interest and Tax **(EBIT)** from ordinary activities	Up	12%	to	(26,989,892)	(30,740,519)
Net profit/(loss) for the period attributable to members (**NPAT)**	Up	48%	to	(51,118,904)	(34,476,106)

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

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the Mining and Development of Coal Projects. During the year the Group focused on mining in South Africa at the Ferreira and Vlakvarkfontein operations, and the construction of its third mining operation at Penumbra. Continental also completed a Feasibility Study on the De Wittekrans Coal Project, and continued exploration and development on its other existing coal assets in South Africa and Botswana.

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to $48,077,581 (2011: $41,849,645).

It is important to note that the Group's mining operations were cashflow positive with the operating loss result being attributable to financing costs, share based payment expenses, impairment and other non-cash expenses which are considered by the Board to be necessary transactions as the Company's production activities are advanced. The Board believes that cashflows generated from the Group's mining operations will continue to increase in the coming financial years.

DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid for the year ended 30 June 2012 nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

REVIEW OF OPERATIONS

The 2011/12 financial year was a year in which the Group further consolidated its position in building a major mid-tier Southern African focused coal mining business. Key achievements during the financial year included:

- ROM thermal coal of 1.93Mt for FY12, up 52% on FY11 production
- Total export quality coal processed of 1.0Mt for FY12, up 55% on FY11
- Total thermal coal sales of 1.86Mt for FY12, up 94% on FY11 coal sales
- Continued development of the fully funded Penumbra Coal Mine
- Settlement of BEE transaction with SIOC-cdt and proceeds of ZAR140m (approx. AUD $17m) received in South Africa
- Up to 18 month mine-life extension at the Ferreira Coal Mine secured through acquisition of right to develop adjacent resources, subject to regulatory approval
- MOU executed with Total Coal, for a 12 month joint exploration program on the Vaalbank Coal Project
- Option negotiated for the acquisition of a 50% joint venture interest in a producing high quality coking coal mine in Colombia
- Increase from 64.1% to 86% interest in unlisted South African thermal coal mining and export coal producing company Mashala Resources (Pty) Limited
- Acquisition of the Wolvenfontein Coal Project
- A maiden JORC Compliant Coal Reserve of 43.8 Million Tonnes for the De Wittekrans Coal Project
- Completion of a Feasibility Study on the De Wittekrans Coal Project with further optimisation studies underway
- A maiden JORC Compliant Inferred Resource of 2.2 Billion Tonnes on the Kweneng Coal Project, one of the Company's three prospecting licenses in Botswana
- Exploration and feasibility budget for the 2012/13 year approved with joint venture partner KORES for the Vlakplaats Coal Project
- Admission of the Group's ordinary shares to trade on the London Stock Exchanges AIM Market on 19 September 2011 (**AIM Code:COOL**)
- Share Consolidation of every ten (10) shares consolidated into one (1) share and every ten (10) options consolidated into one (1) option as approved by shareholders on 29 June 2011 and completed on 9 September 2011
- AUD$2.5m of convertible debt and US$20m raised via private placements to sophisticated, institutional and professional investors.
- Appointments to the Board of Mike Kilbride as Independent Non-Executive Chairman, Connie Molusi and Johan Bloemsma as Non-Executive Directors and Maritz Smith as Chief Financial Officer and Executive Director

ACQUISITIONS

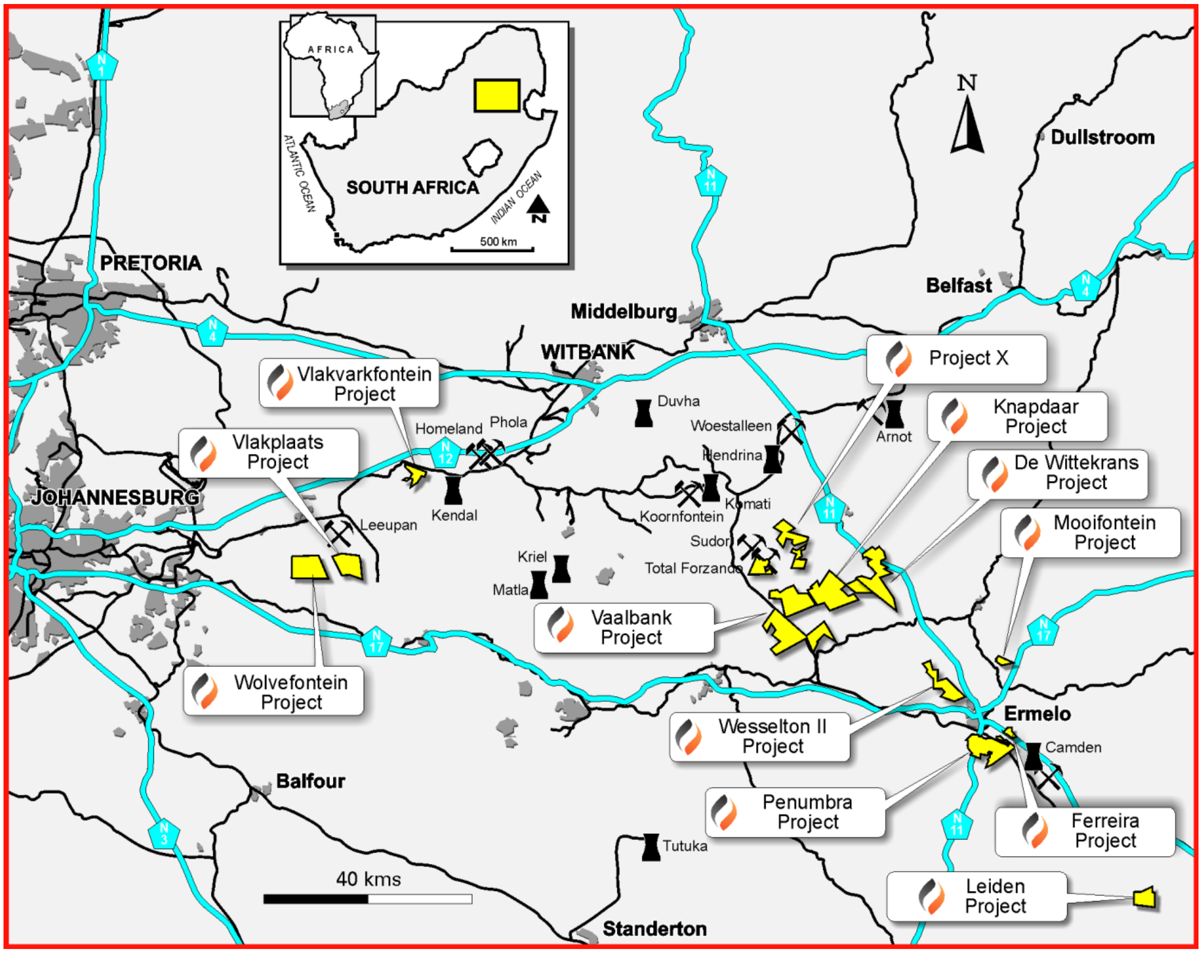
During the financial year, the Group continued to advance its South African focused coal business with the completion of a number of further key acquisitions:-

- The Company's South African subsidiary increased its interest from 64.1% to 86% shareholding in Mashala Resources (Pty) Limited with payments to minorities during the financial year totalling approximately AUD $8,600,000.
- On 21 November 2011 the group completed its 100% acquisition of the Wolvenfontein Coal Project for total consideration of ZAR10.4m (approx AU$1.3m) payable in equity with the issue of 5,414,520 shares at $0.23 each.

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

REVIEW OF OPERATIONS (cont'd)

LOCATION OF OPERATIONS



HEALTH AND SAFETY

The Group's South African subsidiary has been successful in maintaining a strong health and safety record at its South African operations. Providing a safe working environment for all its employees is central to the Group's ongoing performance targets. Building a culture of safety awareness is key to the continuous improvements that are being achieved at all of the Group's operations in South Africa.

During the MINESAFE 2012: ZERO HARM conference held in South Africa in August 2012, Continental Coal South Africa was rewarded with significant safety achievement awards for both operating mines. Ferreira Opencast achieved 2nd place and Vlakvarkfontein 6th place. One of the reasons why these awards are so remarkable is that both Continental Coal South Africa's mines had to compete with all mining companies in the industry. A truly outstanding achievement for Continental Coal South Africa.

Ferreira Opencast was also recognised for achieving 3000 Fatality Free Production Shifts ("FFPS") during the reporting period.

Continental Coal South Africa is progressing towards the principle that Zero harm is achievable when the focus is directed collectively to reach a common injury free goal.

REVIEW OF OPERATIONS (cont'd)

RESERVES AND RESOURCES

As at the end of the period the Groups Saleable reserves are as follows:-

Project	Saleable Reserves (Mt) at 30 June 2012				
	Proven	Probable	Total	Total Sold as at 30 June 12	Total saleable reserves
Vlakvarkfontein [1]	14.1	-	**14.1**	**1.54**	**12.56**
Ferreira [2]	0.82	-	**0.82**	**0.86**	**0**
Penumbra [2]	1.71	3.73	**5.44**	**-**	**5.44**
De Wittekrans[2]	16.15	27.62	**43.77**	**-**	**43.77**
TOTAL	**32.78**	**31.35**	**64.13**	**2.40**	**61.77**

[1] CCL holds a 50% shareholding and a 60% economic interest; [2] Assumes CCL has completed the acquisition of the balance of the interest in Mashala Resources – 86% has been fully settled to date.

As at the end of the period the Group's Gross In Situ Resources are as follows:-

Project	Gross In Situ Resources (Mt) At 1 June 2011			
	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 Complex	48.4	73.2	129.5	251.1
Vlakplaats	-	-	187.5	187.5
Wolvenfontein	-	-	36.7	36.7
Ermelo Projects	9.0	7.0	24.0	40.0
Botswana*	-	-	2,159.0	2,159.0
TOTAL	**89.1**	**110.5**	**2,561.7**	**2,761.3**

August 2012

PRODUCTION AND PROCESSING

During the financial year the Group's South African subsidiary reported continual increases in coal production from its Vlakvarkfontein and Ferreira Coal Mines and export quality coal processed through the Delta Processing Operations. A summary of results is as follows:-

Tonnes	FY 2012	FY 2011	VAR%
ROM Processed	1,929,940	1,271,931	**+52%**
Raw coal bought in	283,161	252,075	**+12%**
Total coal processed	**2,213,101**	**1,524,006**	**+45%**
Overall yield	80.1%	78.8%	**+2%**
Export production	600,189	278,353	**+116%**
Domestic product	1,238,670	894,958	**+38%**
Total Coal Product	**1,838,859**	**1,173,311**	**+57%**
Export Coal Sales	581,285	330,887	**+76%**
Domestic Coal Sales	1,274,709	627,434	**+103%**
Total Sales	**1,855,994**	**958,321**	**+94%**

REVIEW OF OPERATIONS (cont'd)

ROM coal processed at the Vlakvarkfontein and Ferreira Coal Mines for FY2012 was 1.93Mt, a 52% increase on FY2011.

The Vlakvarkfontein Coal Mine ROM production for FY2012 was 1.24Mt a 38% increase on FY2011 and the mine achieved 4 successive quarters of increased ROM production over FY2011.

The Ferreira Coal Mine ROM production for FY2012 was 0.69Mt a 83% increase on FY2011.

A total of 1.0Mt of export quality coal was processed in FY2012 and was a 55% increase on FY2011. A primary yield on export coal of 60.1% was achieved during FY2012, a 5% increase on the 57.5% primary yield achieved in FY2011.

Total thermal coal sales of 1.9Mt for FY2012 were achieved representing a 94% increase on FY2011.

Export thermal coal sales of 581,285t of a high quality export thermal coal was railed and sold FOB Richards Bay Coal Terminal. Domestic thermal coal sales of 1,274,709t were achieved in this financial year, of which the majority were delivered FOT to Eskom

FERREIRA COAL MINE AND DELTA PROCESSING OPERATIONS

Ferreira Coal Mine Extension

During the year the Group's South African subsidiary entered into two agreements (comprising Portions 25, 27 and 100 of the farm Witbank 262 IT) to acquire and develop the adjacent and adjoining Prospecting Rights to the Ferreira Coal Mine. These agreements will allow the Company to extend the operating mine life and its production of high quality thermal coal by up to 18 months.

Mine planning work has commenced on the Prospecting Rights to incorporate them into the existing mine plan. Development of the Prospecting Rights will commence once relevant approvals have been obtained. A Section 102 Application with the Department of Minerals and Resources has been lodged.

Mining activities at the Ferreira Opencast Coal Mine

REVIEW OF OPERATIONS (cont'd)

During the year run-of-mine ("**ROM**") coal production at the Ferreira Coal Mine of 691,270t was achieved, a 83% increase. Although the majority of the coal currently mined is from the C-Lower Seam which averages 1.65m in thickness, a small amount of coal is also exploited from the C-Upper and B-Lower Seams which average 0.66m and 0.77m in thickness respectively.

Ferreira Production Performance			
	FY 2011/12	FY 2010/11	Variance (%)
ROM Processed - own coal	691 270	376 993	83%
ROM Processed - raw coal bought in	283 161	252 075	12%
ROM Processed - total	974 431	629 068	55%
Yield achieved	60.1%	57.5%	5%
Saleable tonnes produced	600 189	278 353	116%
Tonnes sold - Export	581 285	330 887	76%

Delta Processing Operations

Coal Processing and Screening Operations at Delta

During the year the coal processing plant at the Delta Processing Operations washed a total of 1.0Mt. Feed to the coal processing plant increased quarter on quarter throughout the financial year. The plant feed tonnes comprised both ROM production from the Ferreira Coal Mine and coal purchased from nearby operations, which is blended with the Group's South African subsidiary's own production of ROM coal.

The Delta Processing Operations achieved production of 600,189t of a primary export thermal coal product during the financial year, an increase of 116%.

REVIEW OF OPERATIONS (cont'd)

Delta Processing Operations (cont'd)

During the financial year the Group's South African subsidiary railed to RBCT a total of 581,285t of export thermal coal from its Anthra Rail siding located adjacent to the coal processing plant at the Delta Processing Operations.

Crushing and screening operations

Mining operations

VLAKVARKFONTEIN COAL MINE

During the year the Group's Vlakvarkfontein Coal Mine executed a Coal Supply Agreement with South Africa's state utility company, Eskom. The agreement is for the supply of 720,000 tpa of thermal coal of quality suitable for some of Eskom's power stations, over an initial 3 year period commencing 1 March 2012.

The Coal Supply Agreement with Eskom, one of the top 20 utilities in the world by power generation capacity and who generate approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa, is a major step forward for the Vlakvarkfontein Coal Mine, which now becomes one of only 25 direct suppliers of coal to Eskom in South Africa.

Vlakvarkfontein Production Performance			
	FY 2011/12	FY 2010/11	Variance (%)
ROM Processed	1 238 670	894 958	38%
Yield achieved	100.0%	100.0%	0%
Saleable tonnes produced	1 238 670	894 958	38%
Tonnes sold - Domestic	1 274 709	627 434	103%

The Vlakvarkfontein mine experienced a solid year from a production perspective. Saleable tonnes produced for delivery to Eskom increased by 38% to 1,2MT. The Company is forecasting a slight increase in volumes during FY2013 and margins are expected to remain robust.

REVIEW OF OPERATIONS (cont'd)

PENUMBRA COAL PROJECT

The development activities for the construction of the Group's third and flagship thermal coal mining operation in South Africa, Penumbra Coal Project commenced in September 2011 with the commencement of the initial site civil works and then followed by the box-cut excavation. Decline development work started in February 2012.

The Penumbra Coal Mine is set to produce 750,000tpa of ROM coal that will be beneficiated through the adjacent Delta Processing Operations and available for export from existing rail siding to Richards Bay Coal Terminal.

First mine production coal from Penumbra is expected early in Q4 CY2012 with the coal immediately washed through the existing Delta Processing Operations.

Of the total forecast cost to complete of ZAR328m (approx. A$38.5m), ZAR84m was spent during the 2011/12 financial year with the remaining ZAR244m balance of mine development costs fully funded from cash and a secured project finance debt facility from ABSA Capital (ZAR253 million (approx AU$30m)). The ABSA Capital facility includes a cost over-run facility of ZAR17,5 million (approx. AU$2.1m). The Company is required to fund the first ZAR100 million (approx. AU$12.5m) together with a further contingency amount of ZAR17,5 million (approx. AU$2.1m) prior to drawing on the ABSA Capital facility.

Surface infrastructure

Decline development

DE WITTEKRANS COAL PROJECT

During the year the Group announced a maiden JORC compliant Coal Reserve of approx. 44 Mt at its South African subsidiary's De Wittekrans Coal Project. The JORC compliant saleable coal reserves for the De Wittekrans Coal Project comprises 16.2 Mt of proven reserves and 27.6 Mt of possible coal reserves.

DE WITTEKRANS COAL PROJECT - COAL RESERVES			
Project	**Saleable Reserves (Mt)**		
	Proven	**Probable**	**TOTAL**
De Wittekrans Open Cast	6.75	5.22	**11.97**
De Wittekrans Underground	9.40	22.40	**31.80**
TOTAL	**16.15**	**27.62**	**43.77**

REVIEW OF OPERATIONS (cont'd)

De Wittekrans Coal Project (cont'd)

The initial JORC compliant saleable coal reserves for the De Wittekrans Coal Project was prepared as part of the Feasibility Study that was completed during the year by TWP Projects and also as part of the Competent Persons Report that was completed by international mining consultants SRK Consulting for the Company's listing on the London Stock Exchange's AIM Market in September 2011.

During the year the Company completed its review of the draft of the Feasibility Study on the De Wittekrans Coal Project from study managers TWP Projects. The study demonstrated that the De Wittekrans Coal Project is both a technically and economically viable project and has the potential to generate significant returns for shareholders.

Under the draft Feasibility Report, the De Wittekrans Coal Project is proposed to be developed as a conventional opencast and underground mine. Opencast mining is proposed initially at a rate of 100,000 tonnes per month over a five (5) year period. Underground development is proposed to commence in the second production year with access from a highwall.

Underground mining is proposed to utilise six continuous miner sections with production forecast to continue for 31 years. Planned processing of the 3.6Mtpa ROM production will be through a new 600t/hour dense medium separation wash plant.
Production of approx. 1.7Mtpa of a 20MJ/kg thermal coal product to be sold to the domestic market is forecast. A further 0.8Mt of a 27.5MJ/kg of a RB1 specification high quality export thermal coal product is forecast to be railed from a new rail siding and sold FOB at the Richards Bay Coal Terminal.

The key findings of the draft Feasibility Study Results are summarised below:-

DE WITTEKRANS COAL PROJECT PRELIMINARY RESULTS OF THE FEASIBILITY STUDY (July 2011 terms)	
Reserves and Mine Life	
Mine Life	33 years
Saleable Reserves	43.8Mt
Gross In Situ Resources	167.0 Mt
Run of Mine (ROM) Production	
Annual ROM Production	3.6 Mt
Total Open Pit ROM Production	6.1 Mt
Total Underground ROM Production	110.0 Mt
Coal Sales	
Annual Domestic Coal Sales	1.7 Mt (20.0MJ/kg Eskom Product)
Annual Export Coal Sales	0.8 Mt (27.5MJ/kg RB1 Export Product)

The initial review of the draft of the Feasibility Study by the Company has identified the opportunity to potentially enhance the project returns through utilisation of existing coal wash plants and rail sidings in the vicinity of the De Wittekrans Coal Project to both reduce up-front capital commitments by approx. ZAR468m (approx US$60m) and accelerate project development and first coal production.

The Group believes that the results of the draft Feasibility Study confirms that the De Wittekrans Coal Project, scheduled to be the Group's fourth operating coal mine, is a significant asset of the Group and the preliminary results confirm that it has the potential to lead to a significant increase in both export and domestic production.

EXPLORATION

Vlakplaats Coal Project

During the year, the Groups South African subsidiary and its joint venture partner KORES approved the exploration and feasibility budget for the 2012/13 year.

Drilling activities during the year were focused on the north-west portion of the project, in what is considered the first potential opencast mining area. Further negotiations with landowners continued during the year in respect to the start of drilling on other

REVIEW OF OPERATIONS (cont'd)

Vlakplaats Coal Project (cont'd)

areas of the project area. The awarding of the baseline environmental study work was completed and further exploration drilling and resource modelling work is planned. An application to renew the Prospecting Right for a further 5 years has been lodged.

Vaalbank Project

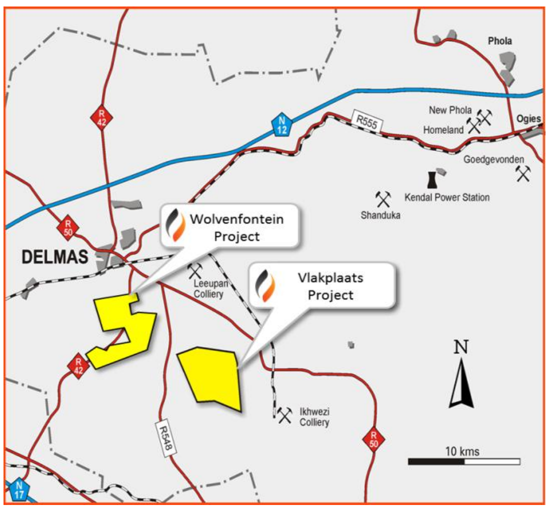
The Company signed an MOU with Total Coal SA to jointly explore the Vaalbank resource. Exploration is currently being planned with drilling to commence in late 2012.

Wolvenfontein Coal Project

During the year, the Groups South African subsidiary completed the acquisition of a 100% interest in the Wolvenfontein Coal Project for total consideration of ZAR10.4m (approximately A$1.3m) payable in equity with the issue of 5,414,520 shares at $0.23 each. The Wolvenfontein Coal project has a JORC compliant inferred resource of 36.7Mt.

The Wolvenfontein Coal Project is located less than 5km to the west of the Group's Vlakplaats Coal Project and at the western extent of the Witbank Coal Field. The acquisition of the Wolvenfontein Coal Project further consolidates the Group's position in the Delmas area and around the Vlakplaats Coal Project, where the Group in joint venture with KORES, is looking to develop a significant low cost and initially open cast mining operation.

The Wolvenfontein Coal Project has a valid Prospecting Right and in addition to its proximity to infrastructure, it is bordered by four operating collieries and a number of advanced coal projects.



CCIC Coal (Pty) Ltd, an independent geological consultant, was retained by the Group to complete an updated resource assessment of the Wolvenfontein Coal Project within the southernmost portion, Portion 6.

A summary of the JORC compliant inferred resource as determined by CCIC is provided below.-

Seam	Cut-Off Parameters[1]	Avg. Seam Thickness (m)	Tonnage (GTIS)[2]
No. 4 Seam - Central *No. 2 Seam -West* *No. 2 Seam - Central* *No. 2 Seam - East*	*Thickness>0.5m, DAFVOL>24%, Excludes Wetland Areas*	*0.55* *8.20* *9.40* *5.72*	
TOTAL 2 SEAM **TOTAL 2+4 SEAM**			**36,560,884** **36,725,119**

[1]Cut offs applied included seam thicknesses less than 0.5m and/or dray ash-free volatile matter (DAFVOL) of less than 24%. In addition wetlands areas on the Wolvenfontein Coal Project were also excluded. For the tonnage calculations the average raw relative densities were used. [2]Global tonnes in situ

REVIEW OF OPERATIONS (cont'd)

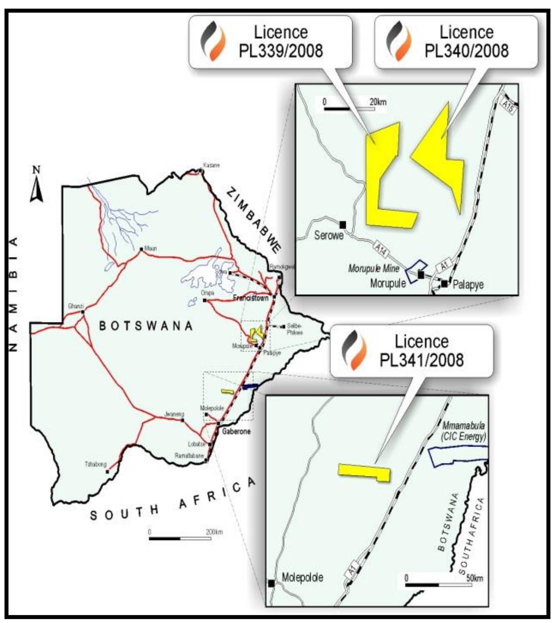
Wolvenfontein Coal Project (cont'd)

The raw coal qualities are summarised in the table below:-

WOLVENFOTEIN COAL PROJECT – AVERAGE RAW COAL QUALITIES							
Seam	**RD (g/cm³)**	**IM (%**	**AS (%)**	**VM (%)**	**FC (%)**	**TS (%)**	**CV (MJ/kg)**
No. 4 Seam - Central	1.50	1.16	21.68	19.31	57.85	5.02	26.33
No. 2 Seam -West	1.78	3.35	39.51	18.59	38.55	0.66	16.32
No. 2 Seam - Central	1.77	3.28	40.22	17.94	38.56	0.89	16.19
No. 2 Seam - East	1.70	3.98	35.27	21.34	39.40	1.33	17.78

Botswana

The Group through its Botswana subsidiary, Weldon Investment (Pty) Ltd, holds three prospecting licenses that covered an area of 964km² in Botswana (note 50% relinquished under the first renewal application). The licenses, PL339/2008 and PL340/2008 are together known as the Serowe Project, whilst PL341/2008 is known as the Kweneng Project.



During the financial year the Group completed a Phase 1 Diamond Drilling Program and subsequent to financial year end announced a maiden inferred coal resource of 2.2 billion tonnes at its Kweneng Coal Project in Botswana.

In addition to the JORC resource, given the wide spaced nature of the Phase 1 drilling completed in 2011 and 2012, the Groups's independent geological consultants have determined a further 5 billion tonne Exploration Target at the Kweneng Coal Project and a further 4 billion tonne Exploration Target at the Serowe Coal Project.

It should be noted the Exploration Target at the Serowe and Kweneng Projects is conceptual in nature as there has been insufficient exploration to define a Resource and that it is uncertain if further exploration will result in the determination of a Resource. To delineate a resource that is JORC Compliant will require significant more levels of drilling.

The area of the Kweneng Coal Project that is covered by a drilling grid of less than 4,000m apart, is classified as an Inferred Resource according to the JORC code guidelines.

REVIEW OF OPERATIONS (cont'd)

Botswana (cont'd)

KWENENG COAL PROJECT – JORC COAL RESOURCES – AUGUST 2012				
Project	**Gross In Situ Project Resources Tonnes (Mt)**			
	Measured	**Indicated**	**Inferred**	**Total**
Kweneng (PL341)	-	-	2,159	**2,159**

Gross in situ tonnages for the JORC compliant inferred Resources and Exploration Target are summarised below:-

KWENENG COAL PROJECT – GROSS IN SITU TONNAGES - AUGUST 2012					
Coal Sub-Zone	**Classification**	**Resource Area (Ha)**	**Ave Zone Thickness (m)**	**Gross In Situ Tonnes (Mt)**	**Ave Depth (m)**
D3U	Inferred	13,601	1.87	136	197
D3U	Exploration Target	13,601	1.82	306	177
D3	Inferred	13,601	2.58	165	207
D3	Exploration Target	13,601	2.71	420	185
J	Inferred	13,601	2.99	199	213
J	Exploration Target	13,601	2.76	425	193
D2	Inferred	13,601	12.87	923	302
D2	Exploration Target	13,601	12.09	2,073	275
D1	Inferred	13,601	6.08	415	317
D1	Exploration Target	13,601	6.13	981	289
M2	Inferred	13,601	3.60	246	350
M2	Exploration Target	13,601	3.45	552	325
M1	Inferred	13,601	1.23	75	373
M1	Exploration Target	13,601	1.51	235	350
TOTAL COAL				**7,151**	
Total	**Inferred Resource**			**2,159**	
Total	**Exploration Target**			**4,992**	

Competent Persons Statement

The information in this report that relates to the Coal Resources and Reserves has been prepared in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee (JORC Code). The Australasian Joint Ore Reserves Committee (JORC) and the JORC Code requires that Competent Persons must belong to the Australasian Institute of Mining and Metallurgy (AusIMM), or the Australian Institute of Geoscientists (AIG), or a Recognized Overseas Professional Organisation (ROPO). ROPOs are professional organisations that the ASX, acting on advice from JORC and its parent organisations, accepts as bodies to which Competent Persons may belong to for the purpose of preparing documentation on Exploration Results and Mineral Resources, on which reports to the ASX are based. The South African Council for Natural Scientific Professions (SACNASP) as well as the Geological Society of South Africa are considered as ROPOs by JORC.

The information in this report that relates to Exploration Results and Coal Resources is based on data and coal resource estimates completed by Mr. Nico Denner, a full time employee of Gemecs (Pty) Ltd. Mr. Denner is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400060/98) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 15 years' experience in the South African Coal and Minerals industries. Mr. Denner has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore reserves. Within the constraints mentioned above, all work undertaken by Mr. Denner and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Mr. Denner consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.

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 Group in future financial years except as follows:-

- On 2 July 2012, the Group issued 6,038,647 ordinary fully paid shares on the conversion of $500,000 of debt to equity;
- On 9 July 2012, the Group issued 9,113,001 ordinary fully paid shares on the conversion of $750,000 of debt to equity; and
- On 9 July 2012, the Group announced the appointment of Mr Maritz Smith, CFO, to the Board of Directors.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

(i) The Group expects commissioning and first coal from its third coal mine (Penumbra) in Q4 of 2012, has completed a Feasibility Study on the De Wittekrans Coal Project and is in the process of completing additional optimisation studies;
(ii) The Group’s vision is to continue to expand its coal interests in South Africa and develop these investments to production through its South African subsidiary Continental Coal Ltd;
(iii) The Group will consider diversifying its portfolio into other African countries. To date it has received a maiden inferred JORC resource of 2.2 billion tonnes at its Botswana project; and
(iv) The Group will pursue the sale of non-core assets and evaluate a potential strategic investment into the South African and Botswana businesses by an established business partner.

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.

FINANCIAL POSITION

The Group does need to raise additional capital to meet certain current liability commitments (approx. $15m) such as the completion of the Mashala acquisition (86% to 100%). The Group is currently proceeding with a number of financing and re-financing options (eg sale of assets and interests in projects) in order to meet these obligations. Should the Group not realise the proceeds from the current financing options it clearly may not be able to continue as a going concern without restructuring certain liability commitments.

PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 $	30 JUNE 2011 $
Operating sales revenue	2	82,105,366	50,833,865
Cost of sales	3	(69,200,482)	(47,254,999)
Gross profit		**12,904,884**	**3,578,866**
Other income	2	8,604,305	10,425,281
Administration expenses		(13,702,898)	(18,927,066)
Finance expenses	3	(21,618,653)	(11,109,126)
Impairment expenses	3	(19,775,325)	(11,855,895)
Marketing expenses		(1,689,724)	(740,670)
Other expenses		(13,323,025)	(13,221,035)
Loss before income tax		**(48,600,436)**	**(41,849,645)**
Income tax benefit	4	522,855	-
Loss from continuing operations		(48,077,581)	(41,849,645)
Loss for the year		**(48,077,581)**	**(41,849,645)**
Other Comprehensive Income/(Loss)			
Exchange differences on translation of foreign operations		(21,782,830)	(9,082,715)
Other comprehensive income/(loss) for the year, net of tax		(21,782,830)	(9,082,715)
Total comprehensive income/(loss) for the year		**(69,860,411)**	**(50,932,360)**
Net profit/(loss) is attributable to:			
Owners of Continental Coal Limited		(51,118,904)	(34,476,106)
Non-controlling interests		3,041,323	(7,373,539)
		(48,077,581)	**(41,849,645)**
Total comprehensive income/(loss) is attributable to:			
Owners of Continental Coal Limited		(67,713,193)	(43,408,044)
Non-controlling interests		(2,147,218)	(7,524,316)
		(69,860,411)	**(50,932,360)**
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)	5	(12.91)	(8.36)
Diluted loss per share (cents per share)		-	-

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated	
		30 June 2012 $	30 June 2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		14,594,938	12,050,227
Trade and other receivables	6	8,828,945	7,969,914
Prepayments		132,771	-
Inventories		4,160,709	4,963,316
		27,717,363	24,983,457
Non-current assets classified as held for sale		9,843,559	10,066,136
TOTAL CURRENT ASSETS		37,560,922	35,049,593
NON-CURRENT ASSETS			
Trade and other receivables	6	4,183,866	-
Exploration expenditure	8	84,602,211	121,732,226
Development expenditure	9	72,360,638	16,498,373
Property, plant and equipment		7,937,318	6,301,138
Deferred tax assets		1,022,473	-
TOTAL NON-CURRENT ASSETS		170,106,506	144,531,737
TOTAL ASSETS		207,667,428	179,581,330
CURRENT LIABILITIES			
Trade and other payables	10	27,076,530	34,890,904
Deferred revenue	11	5,552,248	193,060
Income tax payable		524,608	-
Provision for employee benefits		400,588	391,188
Borrowings	12	7,072,790	-
Derivative financial instruments	13	1,546,602	-
Other financial liabilities	14	4,667,881	-
TOTAL CURRENT LIABILITIES		46,841,247	35,475,152
NON-CURRENT LIABILITIES			
Deferred revenue	11	9,299,888	14,212,160
Deferred tax liability		26,920,061	-
Borrowings	12	39,197,368	16,000,000
Derivative financial instruments	13	29,663	-
Other financial liabilities	14	5,767,250	-
Provision for rehabilitation	15	12,284,829	7,986,599
TOTAL NON-CURRENT LIABILITIES		93,499,059	38,198,759
TOTAL LIABILITIES		140,340,306	73,673,910
NET ASSETS		**67,327,122**	**105,907,420**
EQUITY			
Issued capital	16	220,015,360	190,068,112
Shares and options to be issued		-	14,380,121
Reserves		5,479,561	23,074,635
Accumulated losses		(161,149,779)	(111,476,164)
Capital and reserves attributable to owners of Continental Coal Ltd		64,345,142	116,046,704
Amounts attributable to non-controlling interests		2,981,980	(10,139,284)
TOTAL EQUITY		**67,327,122**	**105,907,420**

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	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 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	-	(34,476,106)	-	-	-	-	(34,476,106)	(7,373,539)	(41,849,645)
Exchange differences on translation of foreign operations	-	-	(8,931,938)	-	-	-	(8,931,938)	(150,777)	(9,082,715)
Total comprehensive income/(loss) for the year	-	(34,476,106)	(8,931,938)	-	-	-	(43,408,044)	(7,524,316)	(50,932,360)
Transactions with owners in their capacity as owners:									
Shares issued during the year	104,065,304	-	-	-	-	-	104,065,304	-	104,065,304
Transaction costs	(14,826,529)	-	-	-	-	-	(14,826,529)	-	(14,826,529)
Un-issued shares/options	-	-	-	-	-	14,290,121	14,290,121	-	14,290,121
Transfers to and from reserve									
- option reserve	-	-	-	-	4,814,974	-	4,814,974	-	4,814,974
- share based payment reserve	-	106,522	-	-	8,164,216	-	8,270,738	-	8,270,738
Balance at 30 June 2011	**190,068,112**	**(111,476,164)**	**(8,724,550)**	**652,602**	**31,146,583**	**14,380,121**	**116,046,704**	**(10,139,284)**	**105,907,420**
Loss for the year	-	(51,118,904)	-	-	-	-	(51,118,904)	3,041,323	(48,077,581)
Exchange differences on translation of foreign operations	-	-	(16,594,289)	-	-	-	(16,594,289)	(5,188,541)	(21,782,830)
Total comprehensive income/(loss) for the year	-	(51,118,904)	(16,594,289)	-	-	-	(67,713,193)	(2,147,218)	(69,860,411)
Transactions with owners in their capacity as owners:									
Shares issued during the year	11,710,656	-	-	-	-	-	11,710,656	-	11,710,656
Transaction costs	3,856,471	-	-	-	-	-	3,856,471	-	3,856,471
Options issued	-	-	-	-	444,504	-	444,504	-	444,504
Transfers	14,380,121	1,445,290	-	(652,602)	(792,688)	(14,380,121)	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	15,268,482	15,268,482
Balance at 30 June 2012	**220,015,360**	**(161,149,778)**	**(25,318,839)**	**-**	**30,798,399**	**-**	**64,345,142**	**2,981,980**	**67,327,122**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012	**2011**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		79,978,026	45,404,502
Interest received		530,964	439,277
Other income		771,302	-
Payments to suppliers and employees		(79,182,266)	(54,524,555)
Deferred income		4,790,280	12,605,660
Income tax benefit received		24,990	-
Net cash provided by operating activities		6,913,296	3,924,884
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiary net of cash acquired		-	(51,715,797)
Payment for additional ownership interest in subsidiary		(8,628,074)	-
Exploration expenditure		(7,616,010)	(22,863,706)
Development costs		(9,131,272)	-
Purchase of property, plant and equipment		(3,106,816)	-
Purchase of other non-current assets		-	(1,374,798)
Payments in relation to SIOC transaction		(6,049,438)	-
Net cash (used in) investing activities		(34,531,610)	(75,954,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		9,476,351	83,105,617
Finance costs		(1,775,829)	(8,252,278)
Proceeds from borrowings		23,828,550	16,000,000
Repayment of borrowings		(665,033)	(6,813,229)
Net cash provided by financing activities		30,864,039	84,040,110
Net increase in cash held		3,245,725	12,010,694
Effect of the exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial year		(701,014)	(289)
Cash at beginning of financial year		12,050,227	39,822
Cash at end of financial year		14,594,938	12,050,227

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the 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 2012, 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.

The preliminary report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Note 2: Revenue and other income

	Consolidated	
	2012	**2011**
	$	**$**
Revenue from Continuing operations		
- Export coal sales	55,423,509	39,818,414
- Eskom coal sales	22,543,316	924,263
- Other coal sales	4,138,541	10,091,189
Total revenue from continuing operations	82,105,366	50,833,866
Other income		
- Foreign exchange gain	-	485,258
- Net gain on disposal of assets	-	18,563
- Net gain on fair value of acquisition of subsidiary	1,471,356	8,466,299
- Share based payment reversal	-	225,477
- Recovery of costs	697,960	790,407
- Interest received	530,964	439,277
- Net gain on fair values of derivative financial instruments	4,852,845	-
- Miscellaneous income	771,302	-
- Reversal of previous impairment	279,878	-
Total other income	8,604,305	10,425,281

Note 3: Expenses

	Consolidated 2012 $	Consolidated 2011 $
(a) Loss before income tax includes the following specific expenses:		
Cost of sales		
- Mining	35,900,691	23,578,645
- Processing	6,570,673	4,694,475
- Materials handling	3,682,603	2,042,997
- Indirect costs	1,551,726	1,004,357
- Export costs	8,491,009	5,673,161
- Bought in coal	9,886,731	11,822,792
- Administration costs	2,676,486	625,139
- Mining Royalties	187,292	147,328
- Stock on hand movement	253,271	(2,333,895)
Total cost of sales	69,200,482	47,254,999
Finance costs		
- Interest and finance charges – cash component	4,682,418	2,717,518
- Interest and finance charges – share based payments	501,369	-
- EDF Interest – settled in coal	2,426,898	-
- Options issued in respect of EDFT coal loan	264,439	4,288,880
- Unwinding of prepaid borrowing costs	-	3,499,031
- Accretion of convertible note interest	2,788,595	-
- Royalty expense	10,435,131	-
- Other borrowing costs	519,803	603,697
Total finance costs	21,618,653	11,109,126
Impairment		
- Impairment of acquisition costs of Project X, Vaalbank and Lemoenfontein (i)	19,775,325	11,855,895
Total impairment	19,775,325	11,855,895
Depreciation	1,003,143	4,309,746

Note 3: Expenses (cont'd)

(i) 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. As a result, the Company adopted a prudent approach to the valuation of its Coal Projects resulting in an impairment charge of $11,855,895 (Project X $10,955,583, Vaalbank $771,275 and Lemoenfontein $129,037). Following on from this, an additional impairment charge of $19,775,325 was recorded at 30 June 2012 as a result of an internal review and change in the Group's strategy regarding these assets.

Note 4: Income Tax Expense

As the Group is now generating taxable profits, income tax balances have been recognised at 30 June 2012.

Note 5: Earnings/(loss) per Share

		Consolidated	
		2012 $	2011 $
(a)	Reconciliation of loss used in calculating loss per share		
	Loss for the year attributable to owners of Continental Coal Ltd	(51,118,904)	(34,476,106)
	Loss used to calculate basic EPS	(51,118,904)	(34,476,106)
	Loss used in the calculation of dilutive EPS	(51,118,904)	(34,476,106)
		No.	**No.**
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	395,841,571	260,260,232
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	395,841,571	260,260,232
(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)	395,841,571	260,260,232
	Effect of share options on issue	122,304,630	98,562,692
	Effect of consultants shares issued post year end	-	-
	Effect of conversion of debt to equity shares issued post year end	15,151,648	2,000,000
	Effect of placement shares issued post year end	-	51,398,026
	Weighted average number of ordinary shares (diluted) at 30 June	533,297,849	412,220,950

The Company completed a 10 for 1 equity consolidation effective 26 August 2011. Earnings per share for the years ended 30 June 2012 and 30 June 2011 has been calculated as if the equity consolidation occurred 1 July 2010.

Note 6: Trade and Other Receivables

	Consolidated	
	2012	**2011**
	$	**$**
CURRENT		
Trade receivables (a)	6,780,618	6,911,414
Other receivables (b)	2,048,327	1,058,500
Total current receivables	8,828,945	7,969,914
NON-CURRENT		
Other receivables (c)	4,183,866	-
Total non-current receivables	4,183,866	-

(a) The Group's trade receivables are generally settled within 30 days. No interest is charged on outstanding balances.

(b) At 30 June 2012, $1,030,267 (2011: nil) of the other receivables balance is held as security for a maximum guarantee facility of ZAR 34,000,000 (AUD $4,037,190) provided to the Group by Lombard Insurance Company Ltd. Of the available ZAR 34,000,000, a total of ZAR 22,034,906 (AUD $2,616,440) was used at 30 June 2012 to provide guarantees to the Department of Minerals, Richards Bay Coal Terminal and Transnet Ltd.

(c) As part of the transaction to secure SIOC as the Group's BEE partner during the year, the Group transferred ZAR 75,000,000 (approximately AUD $9,180,000) of its intercompany loan balance to the new BEE partner. The effect of this transfer was to increase the Group's external receivables and borrowings by the same amount. The receivable balance at year end is inclusive of principal and accrued interest at 3% per annum. It is denominated in South African Rand, and its fair value has been determined using a 16.6% discount rate and a 5 year repayment date. The discount recorded at loan inception was $4,916,654, of which $161,643 has been unwound to 30 June 2012.

Note 7: Controlled Entities

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

Controlled Entities Consolidated	**Country of Incorporation**	**Percentage Owned (%)***	
Subsidiaries of Continental Coal Limited:		**30 June 2012**	**30 June 2011**
Continental Coal Ltd	South Africa	74	74
Subsidiaries of Continental Coal Ltd			
Tsimpilo Trading 45 (Pty) Limited	South Africa	100	100
Ayoba Taboo Trading 137 (Pty) Ltd	South Africa	100	100
Idada Trading 310 (Pty) Ltd	South Africa	70	70
Kebragen (Pty) Ltd	South Africa	75	75
City Square Trading 437 (Pty) Ltd	South Africa	100	100
Ntshovelo Mining Resources (Pty) Ltd *(i)*	South Africa	50	50
Ultimatum Challenge Trading (Pty) Ltd	South Africa	50	-
Mashala Resources (Pty) Ltd	South Africa	86	64.1
Subsidiaries of Mashala Resources (Pty) Ltd			
Namib Drilling (Pty) Ltd	South Africa	86	64.1
Wessleton Opencast (Pty) Ltd	South Africa	86	64.1
BW Mining (Pty) Ltd	South Africa	86	64.1
Copper Sunset Trading 148 (Pty) Ltd	South Africa	86	64.1
Mandla Coal Resources (Pty) Ltd	South Africa	86	64.1
Penumbra Coal Mining (Pty) Ltd	South Africa	86	64.1
Mashala Hendrina Coal Pty Ltd (Pty) Ltd)	South Africa	86	64.1
Weldon Investments (Pty) Ltd	Botswana	86	64.1

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

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

Note 8: Exploration Expenditure

	Consolidated 2012 $	Consolidated 2011 $
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	73,003,893	108,262,385
- Exploration and evaluation phases – indirect	11,598,318	13,469,841
Total exploration expenditure	84,602,211	121,732,226

Note 9: Development Expenditure

	Consolidated 2012 $	Consolidated 2011 $
NON-CURRENT		
- Development expenditure at cost	76,491,805	20,093,718
- Accumulated depreciation	(4,131,167)	(3,595,345)
Total development expenditure	72,360,638	16,498,373

Note 10: Trade and Other Payables

	Consolidated 2012 $	Consolidated 2011 $
CURRENT		
Unsecured liabilities		
Trade payables	14,041,312	13,824,439
Sundry payables and accrued expenses	4,143,242	857,288
Deferred purchase liability – *(i)*	8,199,755	19,804,355
Accrued interest	692,221	404,822
	27,076,530	34,890,904

(i) Relates to the balance of the acquisition cost of Mashala.

Note 11: Deferred Revenue

Deferred revenue relates to:-

30 June 2012 – the prepayment by EDF Trading of a Coal Supply Agreement (secured over the Company's South African Mining interests apart from Penumbra) relating to the Mashala entity. In accordance with the Agreement, the Group is required to deliver 314,000 metric tonnes of coal to EDF. In return, EDF has agreed to provide the Group with US $20,000,000 of the sales proceeds in advance of the delivery of coal. Accordingly, US $15,000,000 was received in the year ended 30 June 2011 and US $5,000,000 was received in the year ended 30 June 2012.

During the 2012 year, approximately US $5,000,000 of the deferred revenue balance was earned and recognised on the delivery of coal to EDF Trading.

The instalments received in advance bear interest at an effective interest rate of 7.75% per annum. Interest is payable through the delivery of coal.

Note 12: Borrowings

	Note	Consolidated 2012 $	2011 $
CURRENT			
Convertible Note – unsecured (i)		1,802,217	-
Related party loans – unsecured (ii)		2,115,210	-
Other loans – unsecured (iii)f		2,583,625	
Related party working capital facility – (iv)		276,801	
Other facilities		294,937	
		7,072,790	-

(i) The parent entity issued $2,500,000 of convertible notes on 16 May 2012. The convertible notes may be converted at the option of the holder at either: 90% of the average 5 day VWAP during the 20 trading days immediately prior to the relevant Conversion Notice Date or 130% of the average daily VWAP during the 20 trading days immediately prior to the Execution Date (execution date = 15 May 2012). The investor may not elect the 2nd option once it has been utilised in relation to the conversion of, in aggregate, AUD $1,500,000 of the face value of the convertible securities. The notes do not bear interest. Any amount that has not been converted by 16 May 2013 is to be repaid in cash. 9,723,977 shares and 12,500,000 unlisted options exercisable at $0.2216 on or before 15 May 2015 were issued in accordance with the convertible note agreement. These shares and options have not been treated as share based payments; rather their value has been taken into consideration when calculating the derivative arising on these convertible notes. Subsequent to year end, $1,250,000 was converted to equity through the issue of shares.

(ii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2012

(iii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2012

(iv) The working capital facility has been provided by Stonebridge Trading 36 Pty Ltd, a company with a non-controlling interest in the Group. The facility is interest free with no set term of repayment.

	Consolidated 2012 $	2011 $
NON-CURRENT		
Convertible Notes – unsecured (v) (vi) (vii) (viii)	13,353,526	16,000,000
Related party borrowings – unsecured (ix)	25,843,842	-
	39,197,368	16,000,000

(v) The parent entity issued $1,000,000 of convertible notes on 5 November 2010. The notes are convertible at the option of the holder based upon the share price at the time of conversion. At inception, the conversion rate was $0.80. On 5 November 2011 the conversion rate was reset to the higher of $0.60 or the 15 day VWAP prior to the first anniversary date. On 5 November 2012 the conversion rate will reset to the higher of $0.55 or the 15 day VWAP prior to the first anniversary date. On 5 November 2013 the conversion rate will reset to the higher of $0.55 or the 15 day VWAP prior to first anniversary date. Interest is payable bi-annually at a rate of 10% per annum either in cash or in shares at a 5% discount to the 30 day VWAP at the option of the holder. All stated conversion rates have been adjusted for the 10:1 equity consolidation that occurred on 26 August 2011. The maturity date of the convertible notes is 5 November 2013.

Note 12: Borrowings (cont'd)

(vi) The parent entity issued $4,900,000 of convertible notes on 26 November 2010. At inception, the conversion rate was $0.80. On 26 November 2011 the conversion rate was reset to the higher of $0.60 or the 15 day VWAP prior to the first anniversary date. On 26 November 2012 the conversion rate will reset to the higher of $0.55 or the 15 day VWAP prior to the first anniversary date. On 26 November 2013 the conversion rate will reset to the higher of $0.55 or the 15 day VWAP prior to first anniversary date. Interest is payable bi-annually at a rate of 10% per annum either in cash or in shares at a 5% discount to the 30 day VWAP at the option of the holder. The notes are convertible at the option of the holder based upon the share price at the time of conversion. Interest is payable annually at a rate of 10% per annum either in cash or in shares at a 5% discount to the 30 day VWAP at the option of the holder. All stated conversion rates have been adjusted for the 10:1 equity consolidation that occurred on 26 August 2011. The maturity date of the convertible note is 26 November 2013.

(vii) The parent entity issued $100,000 of convertible notes on 26 November 2010. The notes are convertible at the option of the holder based upon the share price at the time of conversion. Interest is payable bi-annually at a rate of 10% per annum. The maturity date of the convertible note is 26 November 2013.

(viii) The parent entity issued $10,000,000 of convertible notes on 25 February 2011. The notes are convertible at a fixed rate of $0.80 at the option of the holder. Interest is payable annually at a rate of 10% per annum either in cash or in shares at a 5% discount to the 30 day VWAP at the option of the holder. The maturity date of the convertible note is 25 February 2014.

(ix) Related party borrowings of $25,843,842 relate to ZAR 140,000,000 received from SIOC-cdt, the Group's South African BEE partner during the year, and ZAR 75,000,000 transferred from the Group's inter-company loan to SIOC-cdt during the year as disclosed at note 6(d). The loan is interest bearing at the South African Prime Rate, which is 9% at 30 June 2012, and repayable (pro-rata with the intercompany loan payable to the parent entity) as and when the company has the necessary cash available having regard to the foreseeable cash flow requirements of the company with reference to its budgeted expenditure requirements. In effect while classified as a liability the SIOC financing would be paid pro-rata from distributions to the parent entity (74%) and SIOC (26%) and should not be viewed as a borrowing in the traditional sense from a third party financier.

Fair value approximates the carrying value of borrowings at 30 June 2012 and 30 June 2011.

Note 13: Derivative financial instruments

The Group has the following derivative financial instruments:

	Consolidated	
	2012	**2011**
CURRENT	**$**	**$**
Derivative liabilities from convertible notes	881,892	-
Option and share repricing derivative liability	664,710	-
	1,546,602	-
NON-CURRENT		
Derivative liabilities from convertible notes	29,663	-
	29,663	-

Note 14: Other financial liabilities

For the year ended 30 June 2011, the Group disclosed a contingent liability in relation to a US $1 per tonne royalty on all coal produced by the Group's South African mining operations, capped at 15,000,000 tonnes.

As a result of the Group firmly establishing its position as an operating mining entity in the year ended 30 June 2012, the Group has determined that the royalty previously disclosed as a contingency has now become a liability at 30 June 2012.

The royalty arises from a financing arrangement entered into in a prior financial year, which has been extinguished by 30 June 2012. Accordingly, the expense in relation to the royalty of $10,435,131 considered to be a financing cost and is included within financing expenses in the 30 June 2012 Statement of Comprehensive Income. However the royalty is only payable in respect of coal produced at the Group's operations in South Africa.

	Consolidated	
	2012	**2011**
	$	**$**
Current		
Royalty liability	4,667,881	-
	4,667,881	-
Non-current		
Royalty liability	5,767,250	-
	5,767,250	-

Note 15: Provision for Rehabilitation

The Group's provision for rehabilitation relates to environmental liability for Vlakvarkfontein, Ferreira, Wesselton, and Penumbra. 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.

	Consolidated	
	2012	**2011**
	$	**$**
Mining rehabilitation fund	12,284,829	7,986,599
	12,284,829	7,986,599

Movement in the provision for rehabilitation during the financial year are set out below:

Non-current		
Carrying amount at the start of the year	7,986,599	2,231,672
Additional provision recognised	5,416,353	5,754,927
Impact of movements in foreign exchange rates on non AUD balances	(1,118,123)	-
Carrying amount at the end of the year	12,284,829	7,986,599

Note 16: Issued capital

	Consolidated 2012 $	Consolidated 2011 $
430,742,398 (2011: 3,192,640,409) fully paid ordinary shares	220,015,360	190,068,112
	220,015,360	190,068,112

(a) Movement 2012	No.	$
Balance at 1 July 2011 - post share consolidation	319,264,040	190,068,112
Shares issued during year:	111,478,358	29,947,248
Balance at 30 June 2012	430,742,398	220,015,360

(b) Movement 2011	No.	$
Balance at 1 July 2010 – pre share consolidation	1,376,191,741	100,829,337
Shares issued during year:	1,816,448,668	89,238,775
Balance at 30 June 2011	3,192,640,409	190,068,112

Note 17: 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 is as follows:

2012	Coal SA	Coal Botswana	Vanadium & Magnetite SA	Corporate Costs	Consolidated
	$	$	$	$	$
Total segment revenue and other income	85,822,778	-	-	4,886,893	90,709,671
Segment gross profit	12,904,884	-	-	-	12,904,884
EBITDA	9,701,458	-	(343,168)	(35,345,039)	(25,986,749)
Depreciation	1,003,143	-	-	-	1,003,143
Impairment	19,775,325	-	-	-	19,775,325
Total segment assets as at 30 June 2012	192,329,621	1,171,069	9,843,559	4,323,179	207,667,428
Total segment liabilities as at 30 June 2012	106,065,612	-	-	34,274,694	140,340,306

Note 17: Segment Reporting (cont'd)

2011	Coal SA	Coal Botswana	Vanadium & Magnetite SA	Corporate Costs	Consolidated
	$	$	$	$	$
Total segment revenue and other income	60,657,175	-	-	601,971	61,259,146
Segment gross profit	3,578,866	-	-	-	3,578,866
EBITDA	(21,620,116)	-	-	(13,211,238)	(34,831,354)
Depreciation & amortisation	4,309,746	-	-	-	4,309,746
Impairment	19,817,199	-	-	-	19,817,199
Total segment assets as at 30 June 2011	142,234,929	-	10,066,136	7,066,010	159,806,005
Total segment liabilities as at 30 June 2011	55,114,740	-	-	18,559,170	73,673,910

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	
	2012 $	2011 $
Adjusted EBITDA	(25,986,749)	(34,831,354)
Interest revenue	530,964	439,277
Finance costs	(21,618,653)	(11,109,126)
Depreciation	(1,003,143)	(4,309,746)
Loss before income tax from continuing operations	(48,077,581)	(49,810,949)

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.

DON TURVEY
Chief Executive Officer

Date: 31 August 2012