Continental Coal Ltd

A.C.N. 009 125 651

ANNUAL REPORT
For the year ended 30 June 2012

CONTINENTAL COAL LIMITED

ACN 009 125 651

ANNUAL REPORT 2012

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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

Anthony EASTMAN
(Joint Company Secretary)

Jane FLEGG
(Joint Company Secretary)

Registered Office

Ground Floor, 1 Havelock Street
West Perth
Western Australia 6005
Telephone: +61 8 9488 5220
Facsimile: +61 8 9324 2400

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13 Fredman Drive
Sandton South Africa 2196
Telephone: +27 11 881 1420
Facsimile: +27 11 881 1423

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

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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

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder,

The past year has been a very challenging and yet rewarding period for Continental Coal. The Group has made significant investment across all aspects of its business, in particular its key thermal coal mining operations and development projects leading to record levels of run-of-mine production, sales and revenues, and continued improvements to operational efficiencies and performance across our two opencast thermal coal mines. The commencement of development activities at Penumbra was a major step forward and achievement and one which we feel will have a major impact on future earnings and returns for the Group and its shareholders.

Despite this investment, the operational performance and positive outlook for our new projects, the share price performance and financial results for the period have been highly disappointing. The Board is well aware that until the operational performances at its mines and new projects start to translate into real, tangible and sustained improvements to both the bottom line and the share price, there is still much to be achieved for shareholders to see return from their investment in the Group.

Operational highlights for the past year have included continued increases in run-of mine thermal coal production from the Vlakvarkfontein and Ferreira Coal Mines. The Vlakvarkfontein Coal Mine increased production to 1.24Mt for the period, a 38% increase on the previous corresponding period, while the Ferreira Coal Mine production of 0.69Mt, was an 83% increase. Thermal coal sales for the year to the domestic and export markets have also increased notably by 55% to 1.93Mt. Progress in the development on our third coal mine, Penumbra, has continued during the year, and we look forward to first coal production that is expected by end October 2012.

During the year we also managed to secure additional Richards Bay Coal Terminal (RBCT) entitlement for our growing export portfolio and signed a three year coal supply agreement of 720,000tpa with Eskom, who generate approximately 95% of the electricity used in South Africa and 45% of energy used in the whole of Africa. A further three year coal supply agreement for 360,000tpa was secured with one of the major coal companies in SA. The Group has further strengthened its position in South Africa with the introduction of a new Broad Based Black Economic Empowerment partner in SIOC Community Development Trust. All of which are major achievements by the Group that we believe will add significant value in the coming years.

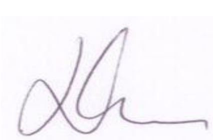
Our financial performance has clearly been impacted by bearish sentiment in the global thermal coal market that has seen an almost 30% fall in coal prices during the year. The impact of this on our working capital has clearly been felt at a time when we have embarked on an aggressive growth strategy and committed significant amounts of capital to new projects that we believe will provide a strong platform for the future and generate positive returns for our shareholders in the medium term. A 61% increase in sales revenues for the year to A$82m and a 286% increase in gross profit for the year is an indication that we are going in the right direction, however a net loss of A$50m for the period clearly demonstrates the need for the Group to remain focused and carefully manage its capital allocations during its growth focused strategy.

The coming 2013 year brings with it a number of challenges and opportunities as the Group looks to complete the acquisition of the outstanding minority interest in Mashala Resources, accelerate its joint venture with Korean Resources Corporation (KORES) at the Vlakplaats Coal project, its exploration in accordance with the Memorandum of Understanding with Total Coal SA for the Vaalbank Coal Project and to complete optimisation work on our De Wittekrans Coal Project ahead of an investment decision. We have embarked on a strategy to secure a strategic investor at the corporate or asset level, divest our non-core coal assets, and at the same time remain focused and committed on successfully settling the sale of our interest in the VanMag Project.

I would like thank my fellow directors and all involved with the Group for their commitment and contributions made during the year. Following the successful completion of the strategic investor process and financial completion of VanMag, the Group will be well placed to take advantage of a strengthening outlook for the thermal coal market and prices with our existing thermal coal mines, our new mine developments and exploration portfolio.

The Board joins me in thanking you for your support during the past year as a shareholder of Continental Coal and we look forward to a successful year ahead, following the actions we put in place to provide a solid foundation for sustainable and profitable growth.

Yours Faithfully,



DON TURVEY
Chief Executive Officer

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Continental Coal Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The names of the directors in office and at any time during, or since the end of, the year are:

Mr Mike Kilbride	Independent Non-executive Chairman	*(appointed 23 February 2012)*
Mr Don Turvey	Chief Executive Officer and Executive Director	
Mr Maritz Smith	Chief Financial Officer and Executive Director	*(appointed 9 July 2012)*
Mr Jason Brewer	Executive Director	
Mr Peter Landau	Non-executive Director	
Mr James Leahy	Non-executive Director	
Mr Andrew Macaulay	Non-executive Director	
Mr Connie Molousi	Non-executive Director	*(appointed 27 February 2012)*
Mr Johan Bloemsma	Non-executive Director	*(appointed 2 March 2012)*
Mr Bruce Buthelezi	Executive Director	*(resigned 19 September 2011)*

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following persons held the position of joint company secretary at the date of this report:

Mr Anthony Eastman
Ms Jane Flegg

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 $49,862,039 (2011: $43,889,775).

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, 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.

DIRECTOR'S REPORT

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 (approximately $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
- 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-xecutive Chairman, Connie Molusi and Johan Bloemsma as Non-executive Directors and Maritz Smith as Chief Financial Officer and Executive Director

DIRECTOR'S REPORT

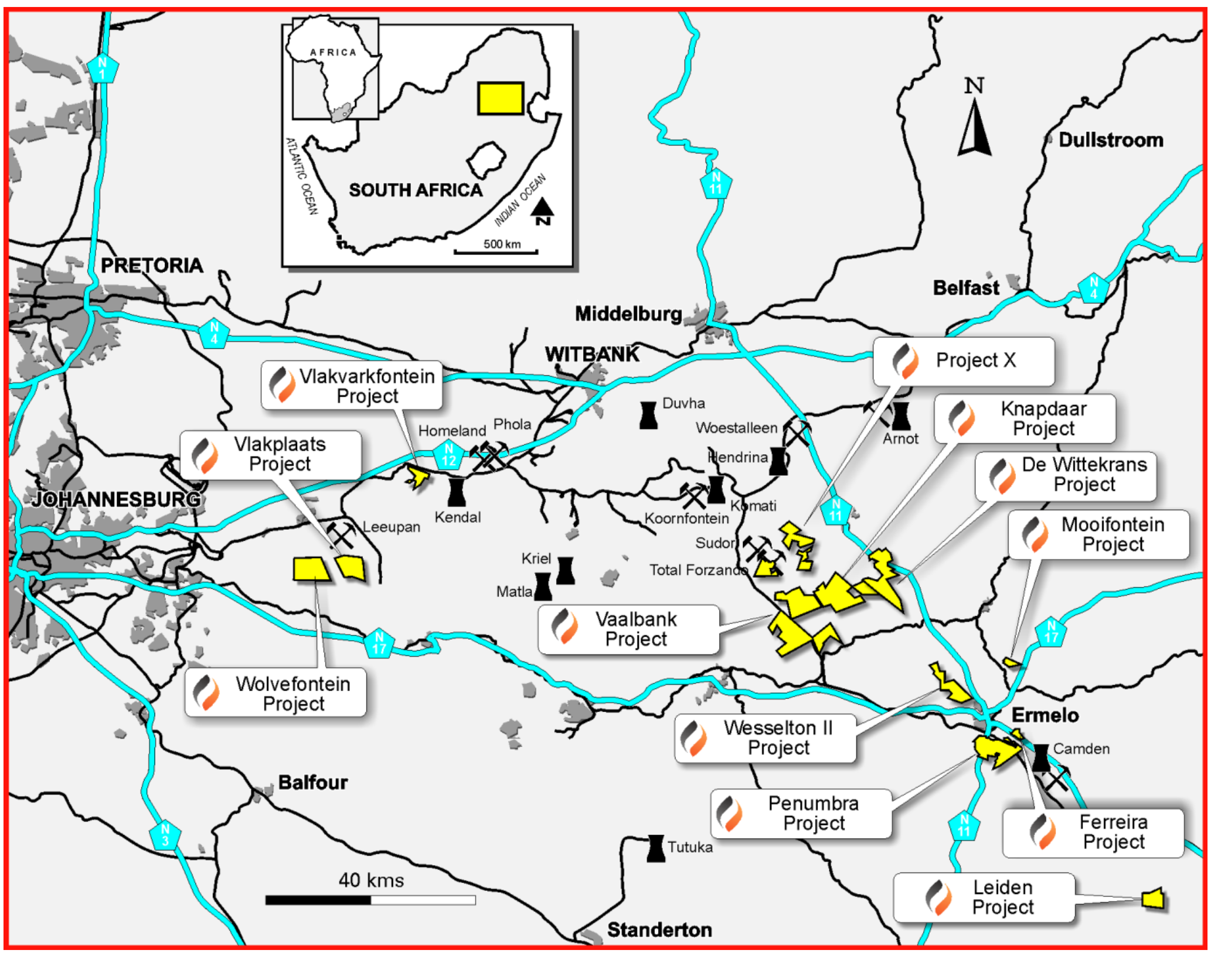
ACQUISITIONS

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 $8.4m.
- 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 Group's strategy of building a major mid-tier Southern African focused thermal coal mining business.

LOCATION OF OPERATIONS



DIRECTOR'S REPORT

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 mining 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.

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

DIRECTOR'S REPORT

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%**

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 Group 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. Subsequent to the financial year end the Group received Section 102 approval from the Department of Minerals and development of the Prospecting Rights commenced.

Mining activities at the Ferreira Opencast Coal Mine

During the year run-of-mine ("**ROM**") coal production at the Ferreira Coal Mine of 691,270t was achieved, an 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

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%.

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.

VLAKVARKFONTEIN COAL MINE

Crushing and screening operations

Mining operations

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.

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 ZAR325m (approximately AUD$39m), 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 (approximately AUD$30m)). The ABSA Capital facility includes a cost over-run facility of ZAR17.5m (approximately AUD$2.1m). The Company is required to fund the first ZAR100 million (approx. AUD$12.5m) 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**

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 Group's listing on the London Stock Exchange's AIM Market in September 2011.

During the year the Group 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.

DIRECTOR'S REPORT

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 Group 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 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 Group 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.

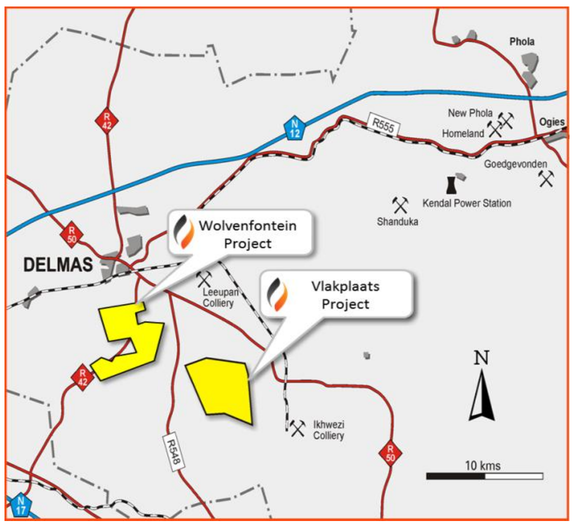
DIRECTOR'S REPORT

Wolvenfontein Coal Project

During the year, the Group's 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		*0.55*	
No. 2 Seam -West	*Thickness>0.5m, DAFVOL>24%, Excludes Wetland Areas*	*8.20*	
No. 2 Seam - Central		*9.40*	
No. 2 Seam - East		*5.72*	
TOTAL 2 SEAM			**36,560,884**
TOTAL 2+4 SEAM			**36,725,119**

[1]Cut offs applied included seam thicknesses less than 0.5m and/or dry 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

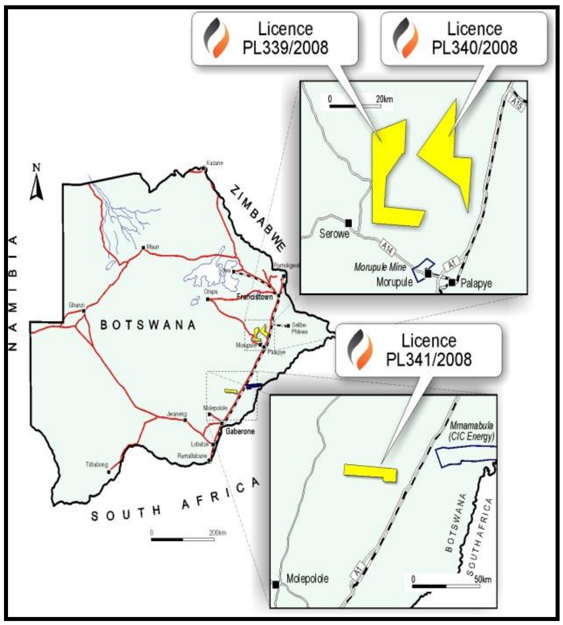
DIRECTOR'S REPORT

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.

DIRECTOR'S REPORT

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**	

DIRECTOR'S REPORT

FINANCIAL POSITION

The net assets of the Group have decreased by $45,605,913 from $110,128,173 at 30 June 2011 to $64,522,260 at 30 June 2012. This decrease has resulted from the increase in debt at 30 June 2012 as the Group progresses its development of Penumbra; the incurrence of a year to date net loss of $49,862,039; an approximate 14% decrease in the net asset value of the Group's South African subsidiary on translation from ZAR to AUD; offset by an increase in share capital of approximately $30,000,000.

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 may not be able to continue as a going concern without restructuring certain liability commitments.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year:

An increase in contributed equity of $29,947,248 (from $190,068,112 to $220,015,360) as a result of:-

Placement of 234,962,406 ordinary fully paid shares to an institutional investor	4,633,424
Issue of 20,000,000 ordinary fully paid shares to consultants at 4 cents per share in consideration for services provided to the Group	800,000
Placement of 279,017,857 ordinary fully paid shares to an institutional investor	7,321,429
Issue of 27,172,459 ordinary fully paid shares upon share consolidation re-pricing and exercise of options	6,391,156
Issue of 5,414,520 ordinary fully paid shares as consideration for the strategic acquisition of Wolvenfontein Coal project	1,255,514
Issue of 3,666,667 ordinary fully paid shares to consultants in consideration for services provided to the Group	707,708
Issue of 2,284,527 ordinary fully paid shares in lieu of cash payment of convertible note interest	501,370
Issue of 9,818,181 ordinary fully paid shares to former BEE partner Masawu Investments Limited as part of the SIOC-cdt transaction	2,601,818
Issue of 9,723,977 ordinary fully paid shares in relation to new convertible note facility	-
Recognition of equity component of compound financial instrument	1,878,358
Share issue costs including valuation of derivative	3,856,471
	$29,947,248

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;
- On 9 July 2012, the Group announced the appointment of Mr Maritz Smith, CFO, to the Board of Directors; and
- On 27 September 2012, the Group announced the receipt of Section 102 approval from the Department of Minerals and Resources in relation to the Ferreira mine extension. The extension provides up to a further 750,000 tonnes of forecast ROM production from the Ferreira Coal Mine to be mined over the next 15 to 18 months.

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.

ENVIRONMENTAL REGULATIONS

The Group's environmental obligations are regulated under various federal laws. All environmental performance obligations are monitored by the Board and subjected from time to time to government agency audits and site inspections. The Group has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. No environmental breaches have occurred or have notified by any government agencies during the year ended 30 June 2012.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

DIRECTOR'S REPORT

INFORMATION ON DIRECTORS

Mr Mike Kilbride	Independent Non-Executive Chairman
Qualifications	B.Sc. (Hons) Mining Engineering, Mine Managers Certificate, Mining Taxation Certificate
Experience	Mr Kilbride has over 35 years of diversified mining experience in the international mining sector encompassing various commodities, mining and benefication methods. Mr Kilbride is the former Executive Director and Chief Operating Officer of Exxaro Resources, former Chairman of Sishen Iron Ore Company, and former Chairman of Kumba Resources and Exxaro Coal.
Interest in shares and options	Mr Kilbride holds no shares or options in the Group.
Special responsibilities	Mr Kilbride is the Chairman of the Remuneration and Nomination Committee.
Directorships held in other listed entities	During the past three years, Mr Kilbride has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Don Turvey	Executive Director
Qualifications	BSc Mining Engineering, Masters in Business Leadership, Mine Managers Certificate of Competence
Experience	Mr Turvey is a mining executive, with more than 27 years of experience in the coal industry. His career includes senior management roles in production, project execution, business development, and minerals resource management mainly with BHP Billiton. He spent most of his time in South Africa with exposure in countries like Australia, North America and Indonesia. He is past President and member of the SA Colliery Managers Association, member of the Southern African Institute for Mining and Metallurgy and member of the University of Pretoria Mining Advisory Committee.
Interest in shares and options	Mr Turvey holds 538,000 ordinary fully paid shares in the Group.
Special responsibilities	Mr Turvey is the Group's Chief Executive Officer, and is a member of the Remuneration and Nomination Committee, the Audit and Risk Committee, and the Technical, SHEC, and Investment Committee.
Directorships held in other listed entities	During the past three years, Mr Turvey has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Jason Brewer	Executive Director
Qualifications	M.Eng (Hons), ARSM, LLB
Experience	Mr Brewer has over 18 years international experience in the natural resources sector and in investment banking. He is a mining engineer with a master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in gold and basemetals mines, having worked at the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Glencore.
Interest in shares and options	Scooby Holdings Pty Ltd, a company of which Mr Brewer is a director, holds 900,000 ordinary fully paid shares; 5,000,000 unlisted director options (75 cents, 31 Dec 2013); and 575,000 listed options (50 cents, 13 Feb 2013) in the Group.
Special responsibilities	Mr Brewer is a member of the Remuneration and Nomination Committee and the Technical, SHEC, and Investment Committee.

Directorships held in other listed entities	De Grey Mining Limited	From: 3 December 2010
	Kaboko Mining Limited	From: 30 August 2011
	Black Mountain Resources Limited	From: 3 February 2012
	Altona Mining Limited	From: 2 October 2007 To: 28 September 2011

DIRECTOR'S REPORT

INFORMATION ON DIRECTORS (cont'd)

Mr Peter Landau	Non-Executive Director		
Qualifications	Bachelor of Law, Bachelor of Commerce		
Experience	Mr Landau is the founding director of Okap Ventures Pty Ltd and Komodo Capital Pty Ltd, internationally focused project management, corporate advisory and venture capital firms based in Western Australia and London. Mr Landau is a former corporate lawyer and corporate advisor and has over 15 years' experience in providing general corporate, capital raising, transaction, and strategic advice to numerous ASX and AIM listed and unlisted companies. Mr Landau has project managed a significant number of oil and gas and mining exploration and development transactions around the world including capital raisings, M&A, joint ventures and finance structures.		
Interest in shares and options	Doull Consolidated Pty Ltd, a company of which Mr Landau is a director, holds 5,000,000 unlisted director options (75 cents, 31 Dec 2013) in the Group.		
Special responsibilities	Mr Landau is Chairman of the Audit and Risk Committee.		
Directorships held in other listed entities	Range Resources Limited	From:	8 November 2005
	Nkwe Platinum Limited	From:	14 September 2006
	Black Mountain Resources Limited	From:	23 August 2011
	Paynes Find Gold Limited	From:	11 January 2012

Mr Maritz Smith	Executive Director
Qualifications	BCom, CA (SA)
Experience	Mr Smith has significant previous experience in the mining industry, having previously worked as Chief Financial Officer and Group Financial Director of South African-based diversified mining company Metorex Limited, a wholly owned subsidiary of the Jinchuan Group. His experience ranges from financial oversight, governance and risk management to formulating and implementing funding strategies, M&A activities, debt and equity structures, as well as general corporate finance.
Interest in shares and options	Mr Smith holds no shares or options in the Group.
Special responsibilities	Mr Smith is the Group's Chief Financial Officer
Directorships held in other listed entities	During the past three years, Mr Smith has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr James Leahy	Non-Executive Director		
Qualifications	Investment Advisor - Financial Services Authority London (FSA CF30)		
Experience	Mr Leahy has more than 26 years of experience in the mining sector as a senior mining analyst and as a specialist corporate broker with expertise in international institutional and hedge funds, foreign capital and private equity markets. As a founding partner of the natural resources team at Mirabaud Securities, one of the leading UK based stockbroking firms, offering specialised and quality stockbroking to corporate and institutional clients, Mr Leahy has advised a number of natural resource focused funds in the UK, raised more than US$2 billion in equity for resource companies and participated in over 30 IPO's.		
Interest in shares and options	Mr Leahy holds 750,000 ordinary fully paid shares and 1,000,000 unlisted director options (75 cents, 31 Dec 2013) in the Group.		
Special responsibilities	Mr Leahy is a member of the Audit and Risk Committee.		
Directorships held in other listed entities	Forte Energy Limited	From:	26 April 2012

DIRECTOR'S REPORT

INFORMATION ON DIRECTORS (cont'd)

Mr Andrew Macaulay	Non-Executive Director
Qualifications	B.Sc
Experience	Mr Macaulay has been involved in the African oil & gas and natural resource sector since the 1980's. He was previously an executive with HSBC Bank. He is a founding director of Continental Coal Ltd (SA).
Interest in shares and options	Mr Macaulay holds no shares or options in the Group.
Special responsibilities	Mr Macaulay is a member of Technical, SHEC, and Investment Committee.
Directorships held in other listed entities	During the past three years, Mr Macaulay has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Connie Molusi	Non-Executive Director
Qualifications	B. Journ, MA
Experience	Mr Molusi has in excess of 25 years of broad experience in South Africa's business sector, including management experience both in the public and private sectors across policy, regulatory, corporate and operational roles. Mr Molusi is currently Chairman of Sishen Iron Ore Company Community Development Trust (the Group's Broad Based BEE partner in South Africa), Non-Executive Director of Petro SA, Non-Executive Director of Caxton CTP Printers and Publishers, and a member of the Board of Directors of Rhodes University.
Interest in shares and options	Mr Molusi holds no shares or options in the Group.
Special responsibilities	Mr Molusi is a member of the Remuneration and Nomination Committee.
Directorships held in other listed entities	During the past three years, Mr Molusi has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Johan Bloemsma	Non-Executive Director
Qualifications	B.Sc. Mining Engineering, Grad Dip of Engineering, Master of Business Leadership, and Mine Managers Certificate
Experience	Mr Bloemsma has more than 40 years of experience of working in the coal mining industry, including senior executive positions with Anglo Coal and AMCI Capital. His extensive career has involved coal mining in all the major coal producing regions of the world including South Africa, Australia, the USA, Canada and Colombia.
Interest in shares and options	Mr Bloemsma holds no shares or options in the Group.
Special responsibilities	Mr Bloemsma is the Chairman of the Technical, SHEC, and Investment Committee.
Directorships held in other listed entities	During the past three years, Mr Bloemsma has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Bruce Buthelezi	Executive Director - (*resigned 19 September 2011*)
Qualifications	Dip. Industrial Engineering
Experience	Mr Buthelezi has held senior management positions in the oil & gas and financial services sectors. He was strategic advisor to TSX listed coal junior, Homeland Energy Group with coal operations in South Africa. He is a founding director of Continental Coal Ltd (SA).
Interest in shares and options	Mr Buthelezi holds no shares or options in the Group.
Directorships held in other listed entities	During the past three years, Mr Buthelezi has not served as a director of any other companies listed on the Australian Stock Exchange.

INFORMATION ON DIRECTORS (cont'd)

Mr Anthony Eastman	Joint Company Secretary
Qualifications	Bachelor of Commerce, CA
Experience	Mr Eastman is a Chartered Accountant with a number of years' experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom. Mr Eastman is currently Joint Company Secretary of Range Resources Limited.
Interest in shares and options	Mr Eastman holds 35,000 shares in the Group.
Directorships held in other listed entities	Range Resources Limited From: 16 June 2009
Ms Jane Flegg	Joint Company Secretary
Experience	Ms Flegg has over 20 years of experience in finance and administration. During the past decade she has been a Corporate Advisor to several ASX and AIM listed mining and oil and gas exploration companies, specialising in corporate and financial management, compliance and company secretarial advice. Ms Flegg is currently Joint Company Secretary of Range Resources Limited, Joint Company Secretary/CFO of Kaboko Mining Limited and Company Secretary/CFO of Paynes Find Gold Limited.
Special responsibilities	Ms Flegg is a member of the Audit and Risk Committee.
Interest in Shares and Options	Ms Flegg holds 2,000 shares in the Group.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Continental Coal Limited, and for the executives receiving the highest remuneration.

The information provided in this report has been audited as required by Section 308(3c) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

A Remuneration Policy
B Details of remuneration
C Equity-based compensation
D Employment contracts of directors and senior executives

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED)(cont'd)

A Remuneration Policy

The remuneration policy of Continental Coal Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated Group's financial results. The Board of Continental Coal Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed and approved by the Board.

- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- Key management personnel can be employed by the Group on a consultancy basis, upon Board approval, with remuneration and terms stipulated in individual consultancy agreements.

- The board reviews key management personnel packages annually based on market practices, duties and accountability. Currently there is no link between remuneration and shareholder wealth or Group performance. The Board may, however, approve at its discretion, incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for their performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the consolidated Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Unlisted options are valued using the Black-Scholes methodology.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration and Nomination Committee

During the year ended 30 June 2012, the Board established a Remuneration and Nomination Committee (R&NC) which operates in accordance with its charter as approved by the Board. The charter includes but is not limited to:

- Determination of organisational wide remuneration policies;
- Executive director, non-executive director and senior management remuneration;
- Executive incentive plans;
- Equity based plans; and
- Recruitment, retention, performance management, succession planning and termination policies; and managing board nomination, including candidate criteria, addressing skills and experience requirements for Board position vacancies.

A copy of the charter is available under the Corporate Governance section of the Continental website.

REMUNERATION REPORT (AUDITED)(cont'd)

Remuneration Policy (cont'd)

The R&NC for the financial year 2012 consisted of the following members:

• Mr Mike Kilbride	Independent Non-executive Director
• Mr Don Turvey	Executive Director
• Mr Jason Brewer	Executive Director
• Mr Connie Molusi	Non-executive Director
• Mr James Leahy	Non-executive Director

Use of Remuneration Consultants

The R&NC has the authority to engage external remuneration advisors who are considered independent. In April 2012 the R&NC employed the services of Aon Hewitt to provide Non-Executive Director compensation data related to the Australian market practice, specifically in regards to data and analysis on fees for the following positions held:

- Board Member and Chairman;
- Remuneration Committee Member and Chairman;
- Risk & Audit Committee Member and Chairman; and
- Technical, SHEC, and Investment Committee Member and Chairman.

The remuneration advisors were also requested to provide data for the payment of additional fees to directors for providing services to the Group above and beyond those expected of a Non-Executive Director.

Under the terms of the engagement, Aon Hewitt provided remuneration recommendations as defined in Section 9B of the Corporations Act 2001 and was paid $10,580 for these services. Aon Hewitt has confirmed that the recommendations made in relation to the matters detailed above were made free from any undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Aon Hewitt was engaged by, and reported directly to, the Chair of the R&NC.
- The report containing the remuneration recommendations was provided to the Chair of the R&NC.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any key management personnel.

Aon Hewitt has provided no other services to the Group.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, and particular experience of the individual concerned. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

REMUNERATION REPORT (AUDITED) (cont'd)

Remuneration Policy (cont'd)

Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the consolidated Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the consolidated Group. However, to align director's interests with shareholders' interests, the directors are encouraged to hold shares in the Group. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate currently stands at $250,000 per annum and was approved by shareholders at the Annual General Meeting on 28 November 2008.

Non-executive directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expenses incurred by directors on Group business.

Executive Remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those shareholders; and
- Ensure total remuneration is competitive by market standards

Structure
Executive directors are provided to the Group on a consultancy basis with remuneration and terms stipulated in individual consultancy agreements.

Short-term Incentives
Executives have the opportunity to earn an annual short-term incentive if predefined KPI targets are achieved. The CEO has a target short term incentive opportunity of 100% of his base salary. Other executives have a target short term incentive opportunity ranging from 60% - 40% of their base salaries. The targets are reviewed annually by the R&NC and approved by the Board prior to implementation. The R&NC is responsible for assessing the achievement of KPI's prior to submission to the Board for approval. The committee has the discretion to adjust short-term incentives downwards in light of unexpected or unintended circumstances.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED)(cont'd)

B Details of Remuneration

Key Management Personnel Remuneration

Details of the remuneration for each director of the consolidated entity during the year are as follows:

The key management personnel of the Group are the directors and executives of Continental Coal Limited being:

- Mike Kilbride — Independent Non-Executive Chairman *(from 23 February 2012)*
- Don Turvey — Executive Director
- Jason Brewer — Executive Director
- Peter Landau — Non-Executive Director *(Executive director from beginning of period to 30 June 2012)*
- Maritz Smith — Executive Director *(CFO from 1 June 2012 and Director from 9 July 2012)*
- James Leahy — Non-Executive Director
- Andrew Macaulay — Non-Executive Director
- Connie Molusi — Non-Executive Director *(from 27 February 2012)*
- Johan Bloemsma — Non-Executive Director *(from 2 March 2012)*
- Bruce Buthelezi — Executive Director *(to 19 September 2011)*
- Jane Flegg — Joint Company Secretary

And the directors of the South African Subsidiary, Continental Coal Ltd:

- Connie Molusi — Non-Executive Chairman *(from 27 February 2012)*
- Don Turvey — Chief Executive Officer
- Jason Brewer — Non-Executive Director
- Andrew Macaulay — Non-Executive Director
- Johan Bloemsma — Non-Executive Director *(from 2 March 2012)*
- Bruce Buthelezi — Managing Director *(to 19 September 2011)*
- Rachel Hebron — Chief Financial Officer

And those executives that report directly to the Chief Executive Officer of the South African Subsidiary, Continental Coal Ltd:

- Johan Heystek — Chief Operating Officer
- Rachel Hebron — Chief Financial Officer

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED)(cont'd)

Details of Remuneration (cont'd)

2012	Short-term benefits		Post-employment benefits	Share-based payments			Total	Options as Remuneration
Name	**Cash, Salary and Commissions**	**Bonus's[2]**	**Superannuation**	**Options [3] (75 cents, 31/12/2013)**	**Shares**	**Termination Benefits[4]**		
	$		$	$			$	%
Key Management Personnel								
Mike Kilbride *(from 23 February 2012)*	54,672	-	-	-	-	-	54,672	-
Don Turvey	488,227	201,656	66,603	-	-	-	756,486	-
Jason Brewer [1]	150,000	-	-	-	-	-	150,000	-
Peter Landau [1]	163,500	-	-	-	-	-	163,500	-
Maritz Smith *(from 1 June 2012)*	30,488	-	-	-	-	-	30,488	-
James Leahy	60,456	-	-	180,065	-	-	240,521	75%
Andrew Macaulay	311,070	-	31,705	-	-	-	342,775	-
Connie Molusi *(from 27 February 2012)*	22,978	-	-	-	-	-	22,978	-
Johan Bloemsma *(from 2 March 2012)*	41,103	-	-	-	-	-	41,103	-
Bruce Buthelezi	271,003	-	-	-	-	4,297,429	4,568,432	-
Rachel Hebron	202,279	30,130	27,846	-	-	-	260,255	-
Johan Heystek	342,912	86,679	10,482	-	-	-	440,073	-
Jane Flegg *	-	-	-	-	-	-	-	-
	2,138,688	318,465	136,636	180,065	-	4,297,429	7,071,283	

**Jane Flegg is an employee of Okap Ventures Pty Ltd and is paid a salary through Okap's consulting agreement with Continental Coal Limited.*

1 As at 30 June 2012 Peter Landau was owed $239,800, Jason Brewer was owed $192,500, James Leahy was owed $53,687, Connie Molusi was owed $22,978, Mike Kilbride was owed $54,672, and Johan Bloemsma was owed $41,103.

2 The bonus payments made to KMP's in South Africa were based on the achievement of operational KPI's.

Don Turvey's bonus was earned based on taking Vlakvarkfontein into full production, securing an off-take agreement for Vlakvarkfontein, integrating Mashala, improving the financial and operational performance of Mashala, and commencing development at Penumbra.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (cont'd)

Details of Remuneration (cont'd)

Rachel Hebron's bonus was earned based on South African earnings before income taxes, by achieving actual cashflows consistent with forecast cashflows, establishing an internal system of financial reporting to the Board, and progression of business combinations.

Johan Heystek's bonus was earned based on South African earnings before income taxes by meeting pre-established safety targets and production, revenue, and cost targets for Vlakvarkfontein and Mashala.

3 The Director options were valued at time of issue on 1 July 2011 based on the pre-equity consolidation exercise price of $0.075. The exercise price is $0.75 after the completion of the 10:1 equity consolidation. As at the date of this report the company has assessed the fair value of the Director options to be $1,100.

4 Termination benefits to Bruce Buthelezi comprise cash of $1,695,611 and 9,818,181 shares having a value of $2,601,818. Termination benefits were paid to Bruce Buthelezi or his nominee in accordance with the termination of his directorships at both the Australian and South African levels.

2011	Short-term benefits		Post-employment benefits	Share-based payments	Total	Options as Remuneration
Name	Cash, Salary and Commissions	Bonus's[1]	Super-annuation	Options [2] (7.5 cents, 31/12/2013)		
	$		$	$	$	%
Key Management Personnel						
Andrew Macaulay	418,322	145,648[1]	42,289	-	606,259	-
Jason Brewer	112,500	-	-	1,772,032[2]	1,884,532	94%
Don Turvey	487,177	84,351[1]	56,471	-	627,999	-
Peter Landau	163,500	-	-	1,772,032[2]	1,935,532	92%
James Leahy *(from 27 May 2011)*	5,038	-	-	-	5,038	-
Bruce Buthelezi	362,254	145,307[1]	30,328	-	537,889	-
Manuel Lamboley *(to 27 May 2011)*	64,163	-	-	-	64,163	-
Johan Heystek *(from 1 November 2010)*	252,045	-	22,570	-	274,615	-
Rachel Hebron *(from 1 November 2010)*	127,553	-	15,747	-	143,300	-
Jane Flegg *	-	-	-	-	-	-
Martin Westerman *(to 31 January 2011)*	252,735	105,013[1]	16,810	-	374,558	-
	2,245,287	480,319	184,215	3,544,064	6,453,885	55%

**Jane Flegg is an employee of Okap Ventures Pty Ltd and is paid a salary through Okap's consulting agreement with Continental Coal Limited*

1 The bonus payments made to KMP's in South Africa were based on the milestones of Acquisition of Mashala, finalising KORES JV and production commencement at Vlakvarkvontein.

2 The Director options were valued at time of issue on 20 December 2010 based on the pre-equity consolidation exercise price of $0.075. As at 30 September 2011, the company has assessed the fair value of the Director options to be $148,598 for Peter Landau and $148,598 for Jason Brewer and the exercise price is $0.75 after the completion of the 10:1 equity consolidation.

REMUNERATION REPORT (AUDITED) (cont'd)

Details of Remuneration (cont'd)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		Short Term Bonus Incentive at Risk	
Executive	**2012**	**2011**	**2012**	**2011**
Don Turvey	73%	87%	27%	13%
Andrew Macaulay	-	76%	-	24%
Bruce Buthelezi	-	73%	-	27%
Rachel Hebron	88%	-	12%	-
Johan Heystek	80%	-	20%	-
Martin Westerman	-	72%	-	28%

Proportions of bonuses earned and forfeited for 30 June 2012 are as follows:

Executive	Earned	Forfeited
Don Turvey	41%	59%
Rachel Hebron	19%	81%
Johan Heystek	28%	72%

Bonuses are paid based on an the amount allocated to the annual bonus pool.

C Equity-based compensation

Options issued as part of remuneration for the year ended 30 June 2012

Options are issued to directors and executives as part of their remuneration. The options are issued to directors and executives of Continental Coal Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders and as an incentive to deliver shareholder returns. The options are not issued based on the achievement of an annual performance target, rather as an incentive to meet or exceed performance targets in future financial years.

Options Granted As Remuneration

Key Management Personnel	Vested No.	Granted No.	Date Granted	Date Vested & Exercisable	Last Exercisable Date	Exercise Price $	Value per option at grant date $	Total Value [1] $
Mike Kilbride	-	-	-	-	-	-	-	-
Don Turvey	-	-	-	-	-	-	-	-
Jason Brewer	-	-	-	-	-	-	-	-
Peter Landau	-	-	-	-	-	-	-	-
Maritz Smith	-	-	-	-	-	-	-	-
James Leahy	1,000,000	1,000,000	1 July 2011	1 July 2011	31 Dec 2013	0.75	0.180	180,065
Andrew Macaulay	-	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-	-
Johan Bloemsma	-	-	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
	1,000,000	1,000000	-	-	-	-	-	180,065

All options were granted for nil consideration.

[1] Director options were valued at time of issue on 1 July 2011, based on the pre-share consolidation exercise price of $0.075. The exercise price is $0.75 after the completion of the 10:1 equity consolidation.
As at the date of this report the company has assessed the fair value of the Director options to be $1,100.

REMUNERATION REPORT (AUDITED) (cont'd)

There were no incentive options that lapsed or were forfeited during the year.

There were no other options issued in previous years that affect remuneration in the current or future reporting periods.

Equity-based compensation (cont'd)

Details of options over ordinary shares in the Group provided as remuneration to each director of Continental Coal Limited are set out below. When exercisable, each option is convertible into one ordinary share of Continental Coal Limited. Further information on the options is set out in note 35 of the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Mike Kilbride	-	-	-	-
Don Turvey	-	-	-	-
Jason Brewer	-	50,000,000	-	50,000,000
Peter Landau	-	50,000,000	-	50,000,000
Maritz Smith	-	-	-	-
James Leahy	1,000,000	-	1,000,000	-
Andrew Macaulay	-	-	-	-
Connie Molusi	-	-	-	-
Johan Bloemsma	-	-	-	-
Bruce Buthelezi	-	-	-	-
Rachel Hebron	-	-	-	-
Johan Heystek	-	-	-	-
Manuel Lamboley	-	-	-	-
Martin Westerman	-	-	-	-
Jane Flegg	-	-	-	-

The assessed fair value at grant date of options granted to individuals is allocated over the period from grant date to vesting date, and the amount is included in the tables above.

The fair values of listed options at grant date are determined based on the market price of the listed options at the time services are provided to the Group.

The fair values of unlisted options at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the expected dividend yield and the risk-free interest rate for the term of the option.

The options issued during 2012 and 2011 were unlisted and therefore valued using a Black-Scholes option pricing model with the following inputs:

		2012	2011
(i)	exercise price:	7.5 cents [1]	7.5 cents [2]
(ii)	grant date:	1 July 2011	20 December 2010
(iii)	expiry date:	31 December 2013	31 December 2013
(iv)	share price at grant date:	4.3 cents	6.8 cents
(v)	expected volatility of the group's shares:	90%	78.64%
(vi)	expected dividend yield: nil	Nil	Nil
(vii)	risk-free interest rate:	4.76%	5.2 %

1 Director options were valued at time of issue on 1 July 2011, based on the pre-equity consolidation exercise price of $0.075. The exercise price is $0.75 after the completion of the 10:1 equity consolidation.

2 Director options were valued at time of issue on 20 December 2010, based on the pre-equity consolidation exercise price of $0.075. The exercise price is $0.75 after the completion of the 10:1 equity consolidation.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (cont'd)

Equity-based compensation (cont'd)

Shares Issued on Exercise of Compensation Options
No options lapsed and no options were exercised during the year.

	2012	2012
	Options Granted as Part of Remuneration [1]	% Vested to date
	$	
Mike Kilbride	-	-
Don Turvey	-	-
Jason Brewer	-	-
Peter Landau	-	-
Maritz Smith	-	-
James Leahy	1,000,000	100%
Andrew Macaulay	-	-
Connie Molusi	-	-
Johan Bloemsma	-	-
Bruce Buthelezi	-	-
Rachel Hebron	-	-
Johan Heystek	-	-
Manuel Lamboley	-	-
Jane Flegg	-	-
	1,000,000	-

[1] Director options were valued at time of issue on 1 July 2011, based on the pre-share consolidation exercise price of $0.075. The exercise price is $0.75 after the completion of the 10:1 equity consolidation.
As at the date of this report the company has assessed the fair value of the Director options to be $1,100.

D Employment Contracts of Directors and Senior Executives

Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors (Jason Brewer) and Non-Executive Directors (Mr Pete Landau, Mr Mike Kilbride, Mr James Leahy and Mr Johan Bloemsma) are formalised in consultancy agreements with the parent company. The Non-Executive director agreement of Mr Connie Molusi has not yet been executed.

Agreements for Non-Executive Director Mr Andrew Macaulay, Chief Executive Officer Mr Don Turvey, Group Chief Financial Officer Mr Maritz Smith, Subsidiary Chief Financial Officer Ms Rachel Hebron and Chief Operating Officer Johan Heystek are with the subsidiary Continental Coal Ltd in South Africa.

Major provisions of the agreements relating to remuneration are set out below.

Employment Contracts of Directors and Senior Executives (cont'd)

<u>Agreements with parent company</u>
Independent Non-Executive Chairman – Mr Mike Kilbride

- Term of Agreement – The agreement commenced on 23 February 2012, for an unspecified term until either party gives written notice of termination.
- Remuneration $135,750 per annum payable quarterly in arrears to Mr Kilbride or nominee.
- Subject to shareholder approval, the issuance of 2,000,000 director incentive options with an exercise price of $0.50 and a maturity date of 31 December 2014. The options are to be issued in two tranches of 1,000,000; tranche one upon appointment and tranche two upon the twelve month anniversary of the appointment conditional on being a director of the Company at that time.

REMUNERATION REPORT (AUDITED) (cont'd)

Executive Director - Mr Jason Brewer

- Term of Agreement – The agreement commenced on 16 December 2009, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $150,000 per annum plus GST payable monthly and reviewed annually, payable to Mr Jason Brewer or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-Executive Director - Mr Peter Landau

- Term of Agreement – The agreement commenced on 1 July 2007, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $163,500 per annum plus GST payable monthly and reviewed annually, payable to Mr Peter Landau or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.
- Effective 1 July 2012, Mr Pete Landau transitioned to a Non-Executive Director of the Group. Mr Landau remains engaged with the Group under his executive agreement however his salary has been reduced to $40,000 per annum.

Non-Executive Director - Mr James Leahy

- Term of Agreement – The agreement commenced on 27 May 2011 for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration GBP 30,000 per annum payable quarterly in arrears.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.193.
- Subject to shareholder approval, the issuance of 2,000,000 director incentive options with a post consolidation exercise price $0.75 and a maturity date of 31 December 2013. The options are to be issued in two tranches of 1,000,000; tranche one upon appointment and tranche two upon the twelve month anniversary of the appointment conditional on being a director of the Company at that time.

Non-Executive Director - Mr Johan Bloemsma

- Term of Agreement – The agreement commenced on 21 March 2012, for an unspecified term until either party gives written notice of termination.
- Remuneration $71,250 per annum payable quarterly in arrears.
- Mr Bloemsma is entitled to earn additional consultancy fees should time devoted to the Group be above that expected of a non-executive director.
- Subject to shareholder approval, the issuance of 2,000,000 director incentive options with an exercise price of $0.50 and a maturity date of 31 December 2014. The options are to be issued in two tranches of 1,000,000; tranche one upon appointment and tranche two upon the twelve month anniversary of the appointment conditional on being a director of the Company at that time.

REMUNERATION REPORT (AUDITED) (cont'd)

Employment Contracts of Directors and Senior Executives (cont'd)

Agreements with subsidiary

Executive Director and Chief Executive Officer - Mr Don Turvey

- Term of Agreement – The agreement commenced on 10 May 2010 for an unspecified term or until either party gives 6 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 3,400,000 (AU$468,860) per annum payable monthly and reviewed annually, payable to Mr Don Turvey or nominee and incentive payment of 1m shares and 10m options exercisable at $0.50, 31/12/2013 (post consolidation).
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

Non-Executive Director - Mr Andrew Macaulay

- Term of Agreement – The agreement was effective 1 April 2008 for an unspecified term or until either party gives 1 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 2,595,432 (AU$357,910) per annum payable monthly and reviewed annually, payable to Mr Andrew Macaulay or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Effective 1 July 2012, Mr Andrew Macaulay transitioned to a non-executive Director of the Group. Mr Macaulay remains engaged with the Group under his executive agreement however his salary has been reduced to $40,000 per annum.

Group Chief Financial Officer – Mr Maritz Smith

- Term of Agreement – The agreement commenced on 1 June 2012 for an unspecified term or until either party gives one month's written notice of termination or otherwise terminated in accordance with the agreement.
- Remuneration Rand 3,000,0000 (AU$356,222) per annum payable monthly in arrears, payable to Mr Smith or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.

Subsidiary Chief Financial Officer – Ms Rachel Hebron

- Term of Agreement – The agreement transferred from Mashala upon acquisition on 1 November 2010 for an unspecified term or until either party gives 3 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 1,754,500 (AU$202,279) per annum payable monthly and reviewed annually, payable to Ms Hebron or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

Chief Operating Officer - Mr Johan Heystek

- Term of Agreement – The agreement transferred from Mashala upon acquisition on 1 November 2010 for an unspecified term or until either party gives 3 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 2,975,000 (AU$342,912) per annum payable monthly and reviewed annually, payable to Mr Heystek or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (cont'd)

Trading in the Group's securities by directors, officers and employees

The Board has adopted a policy in relation to dealings in the securities of the Group which applies to all directors and employees. Under the policy, the directors, officers and employees are prohibited from dealing in the Group's securities whilst in possession of price sensitive information and also prohibited from short term or "active" trading in the Group's securities. The directors, officers and employees should also prevent dealing in the Group's securities during specific blackout periods. The Company Secretary or a Director must be notified upon a trade occurring.

The policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Group's risk management systems.

There were no loans to directors during the financial year.

Voting on the Remuneration Report at the Company's 2011 Annual General Meeting
Continental Coal Limited's Remuneration Report for the year ending 30 June 2011 received more than 90% of "yes" votes at the Annual General Meeting held on 29 November 2011 as required by Section 250R(2) of *The Corporations Act 2001*.

This is the end of the audited Remuneration Report.

MEETINGS OF DIRECTORS

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit and Compliance Committee		Technical, SHEC, and Investment Committee		Remuneration and Nomination Committee	
Director	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**
Mr M Kilbride	1	1	N/A	N/A	N/A	N/A	1	1
Mr D Turvey	3	3	2	2	-	-	1	1
Mr J Brewer	3	3	N/A	N/A	-	-	1	-
Mr P Landau	3	3	2	2	N/A	N/A	N/A	N/A
Mr M Smith	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Mr J Leahy	3	3	2	2	N/A	N/A	1	1
Mr A Macaulay	3	3	N/A	N/A	-	-	N/A	N/A
Mr C Molusi	1	-	N/A	N/A	N/A	N/A	1	1
Mr J Bloemsma	1	1	N/A	N/A	-	-	N/A	N/A
Mr B Buthelezi	1	1	N/A	N/A	N/A	N/A	N/A	N/A

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except where prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the year the Group paid a premium of $30,805 to insure the directors and officers of the Group.

OPTIONS

At the date of this report, the vested unissued ordinary shares of Continental Coal Limited under option are as follows:

Grant Date (i)	**Date of Expiry**	**Exercise Price**	**Number of Options**
13/02/2010	13/02/2013	$0.50	76,853,740[1]
17/12/2010	31/12/2013	$0.75	10,000,000
01/07/2011	31/12/2013	$0.75	1,000,000
16/5/2012	16/07/2016	$0.20	8,000,000
18/11/2011	23/08/2016	$0.368	13,950,893
16/05/2012	15/05/2015	$0.2216	12,500,000
			122,304,633

[1] Listed Options

(i) Various grant dates, all of which are prior to 30 June 2011.

During the year ended 30 June 2012 14,880,953 ordinary shares of Continental Coal Limited were issued on the exercise of options. The options were granted 18 November 2011 with an exercise price of $0.345. The Company's share price on the date of option exercise was $0.24.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the financial year.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year (if any) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

BDO Perth provided non-audit services to the parent company for $9,825 (note 6) in relation to tax compliance during the year.

BDO Johannesburg provided no non-audit services to the subsidiary during the year.

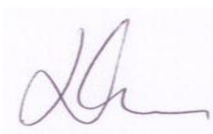
BDO Audit S.A. in Bogota, Colombia provided non-audit services to the parent company for $16,696 in relation to due diligence work performed during the year.

DIRECTOR'S REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 as required under Section 307c of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors.



Don Turvey
Chief Executive Officer

Dated this 30th day of September 2012

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2012

Board of Directors
Continental Coal Limited
Ground Floor
1 Havelock Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF CONTINENTAL COAL LIMITED

As lead auditor of Continental Coal Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Continental Coal Limited and the entities it controlled during the period.

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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

	Note	Consolidated 2012 $	Restated* 2011 $
Operating sales revenue	**2**	82,105,366	50,833,865
Cost of sales	**3**	(68,561,178)	(47,254,999)
Gross profit		**13,544,188**	**3,578,866**
Other income	**2**	6,105,743	10,425,281
Administration expenses	**3**	(20,930,166)	(21,760,580)
Finance expenses	**3**	(20,128,103)	(11,109,126)
Impairment expenses	**3**	(19,775,325)	(11,855,895)
Marketing expenses		(1,689,723)	(740,670)
Other expenses	**3**	(8,304,573)	(13,221,035)
Loss before income tax		**(51,177,959)**	**(44,683,159)**
Income tax benefit	**4**	1,315,920	793,384
Loss for the year from continuing operations		**(49,862,039)**	**(43,889,775)**
Other Comprehensive Income/(Loss)			
Exchange differences on translation of foreign operations		(11,872,312)	(8,981,481)
Changes in the fair value of cashflow hedges, net of tax	**27**	(686,590)	-
Other comprehensive income/(loss) for the year, net of tax		(12,558,902)	(8,981,481)
Total comprehensive income/(loss) for the year		**(62,420,941)**	**(52,871,256)**
Net profit/(loss) is attributable to:			
Owners of Continental Coal Limited		(53,026,358)	(36,157,815)
Non-controlling interests		3,164,319	(7,731,960)
		(49,862,039)	**(43,889,775)**
Total comprehensive income/(loss) is attributable to:			
Owners of Continental Coal Limited		(64,074,617)	(45,014,840)
Non-controlling interests		1,653,676	(7,856,416)
		(62,420,941)	**(52,871,256)**
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)	**7**	(13.40)	(13.86)
Diluted loss per share (cents per share)	**7**	(13.40)	(13.86)

*See note 1(dd) for details of the restatement.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated		
		30 June 2012 $	Restated* 30 June 2011 $	1 July 2010 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	14,594,938	12,050,227	39,822
Trade and other receivables	9	8,828,945	7,969,914	890,877
Prepayments		132,771	-	1,775,644
Inventories	10	4,160,709	4,963,316	-
		27,717,363	24,983,457	2,706,343
Non-current assets classified as held for sale	11	9,843,559	10,066,136	9,785,024
TOTAL CURRENT ASSETS		37,560,922	35,049,593	12,464,367
NON-CURRENT ASSETS				
Trade and other receivables	9	4,183,866	-	-
Prepayments		-	-	15,948
Deposits for equity investments	12	-	6,895,000	8,835,750
Available for sale financial assets		-	-	113,437
Exploration expenditure	16	86,314,403	138,983,771	47,588,978
Development expenditure	17	65,843,411	27,082,476	9,059,226
Property, plant and equipment	18	7,937,318	6,301,138	353,010
Deferred tax assets	19	2,344,852	-	-
TOTAL NON-CURRENT ASSETS		166,623,850	179,262,385	65,966,349
TOTAL ASSETS		204,184,772	214,311,978	78,430,716
CURRENT LIABILITIES				
Trade and other payables	20	27,076,543	34,890,904	14,014,746
Deferred revenue	21	5,552,248	193,060	1,606,500
Income tax payable	4	524,608	-	-
Provision for employee benefits		400,588	391,188	-
Borrowings	22	6,844,310	-	19,794,870
Derivative financial instruments	23	1,546,602	-	-
Other financial liabilities	24	3,454,231	-	-
		45,399,130	35,475,152	35,416,118
Accruals relating to held for sale assets		-	-	557,754
TOTAL CURRENT LIABILITIES		45,399,130	35,475,152	35,973,872
NON-CURRENT LIABILITIES				
Trade and other payables	20	398,425	-	-
Deferred revenue	21	9,350,888	14,212,160	-
Borrowings	22	39,467,652	16,000,000	-
Derivative financial instruments	23	29,663	-	-
Other financial liabilities	24	5,207,305	-	-
Deferred tax liability	25	26,838,030	30,509,895	-
Provision for rehabilitation	26	12,284,829	7,986,599	2,231,672
Hedge liability	27	686,590	-	-
TOTAL NON-CURRENT LIABILITIES		94,263,382	68,708,654	2,231,672
TOTAL LIABILITIES		139,662,512	104,183,806	38,205,544
NET ASSETS		**64,522,260**	**110,128,173**	**40,225,172**
EQUITY				
Issued capital	28	220,015,360	190,068,112	100,829,337
Shares and options to be issued	29	-	14,380,121	90,000
Reserves	30	1,156,882	23,149,548	19,027,383
Accumulated losses		(164,738,942)	(113,157,873)	(77,106,580)
Capital and reserves attributable to owners of Continental Coal Ltd		56,433,300	114,439,908	42,840,140
Less: Amounts attributable to non-controlling interests		8,088,960	(4,311,735)	(2,614,968)
TOTAL EQUITY		**64,522,260**	**110,128,173**	**40,225,172**

*See note 1(dd) for details of the restatement.
The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

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

	Share Capital Ordinary	Accumulated losses	Foreign Currency Translation Reserve	Other Reserve	Hedging 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**
Adjustment to 1 July 2010 balance on correction of error*	-	-	-	-	-	-	-	-	-	-	-
Loss for the year as reported in the 2011 financial statements	-	(34,476,106)	-	-	-	-	-	-	(34,476,106)	(7,373,539)	(41,849,645)
Adjustment to net loss on correction of error*		(1,681,709)	-	-	-	-	-	-	(1,681,709)	(358,421)	(2,040,130)
Restated loss for the year	-	(36,157,815)	-	-	-	-	-	-	(36,157,815)	(7,731,960)	(43,889,775)
Exchange differences on translation of foreign operations as reported in the 2011 financial statements	-	-	(8,931,938)	-	-	-	-		(8,931,938)	(150,777)	(9,082,715)
Adjustment to comprehensive income on correction of error*	-	-	74,913	-	-	-	-	-	74,913	26,321	101,234
Restated total comprehensive income/(loss) for the year*	-	(36,157,815)	(8,857,025)	-	-	-	-	-	(45,014,840)	(7,856,416)	(52,871,256)
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
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	6,159,649	6,159,649
Balance at 30 June 2011	**190,068,112**	**(113,157,873)**	**(8,649,637)**	**-**	**-**	**652,602**	**31,146,583**	**14,380,121**	**114,439,908**	**(4,311,735)**	**110,128,173**
Profit/(Loss) for the year	-	(53,026,358)	-	-	-	-	-	-	(53,026,358)	3,164,319	(49,862,039)
Exchange differences on translation of foreign operations	-	-	(10,540,182)	-	-	-	-	-	(10,540,182)	(1,332,130)	(11,872,312)
Cashflow hedge, net of tax			-	-	(508,077)	-	-	-	(508,077)	(178,513)	(686,590)
Total comprehensive income/(loss) for the year	-	(53,026,358)	(10,540,182)	-	(508,077)	-	-	-	(64,074,617)	1,653,676	(62,420,941)
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	-	-	-	(9,943,621)	-	-	-	-	(9,943,621)	10,747,019	803,398
Balance at 30 June 2012	**220,015,360**	**(164,738,942)**	**(19,189,819)**	**(9,943,621)**	**(508,077)**	**-**	**30,798,399**	**-**	**56,433,300**	**8,088,960**	**64,522,260**

* See note 1(dd) for details of the restatement.

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

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

	Note	Consolidated	
		2012 $	Restated* 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		79,978,026	45,404,502
Interest received		530,964	439,277
Other income		218,795	-
Payments to suppliers and employees		(80,017,482)	(54,524,555)
Deferred income		4,790,280	12,605,660
Income tax paid		(504,324)	-
Net cash provided by operating activities	34	4,996,259	3,924,884
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of subsidiary net of cash acquired	14	-	(51,715,797)
Payment for additional ownership interest in subsidiary	14	(8,454,533)	-
Deposit for the acquisition of Ultimatum Challenge Trading Pty Ltd	12	-	(6,895,000)
Exploration expenditure	16	(6,326,930)	(15,968,706)
Development costs	17	(5,114,194)	-
Purchase of property, plant and equipment		(3,106,816)	-
Purchase of other non-current assets		-	(1,374,798)
Payments in relation to SIOC transaction	3(a)	(6,049,438)	-
Net cash (used in) investing activities		(29,051,911)	(75,954,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		9,476,351	83,105,617
Interest and borrowing costs		(5,380,295)	(8,252,278)
Proceeds from borrowings		23,870,354	16,000,000
Repayment of borrowings		(665,033)	(6,813,229)
Net cash provided by financing activities		27,301,377	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	8	14,594,938	12,050,227

* See note 1(dd) for details of the restatement.

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

Note 1: Statement of Significant Accounting Policies

The financial statements include Continental Coal Limited and controlled entities (“Consolidated Entity” or “Group”). Separate financial statements of Continental Coal Limited are no longer presented as a result of a change to the Corporations Act 2001. Financial information for Continental Coal Limited as an individual entity is disclosed in note 38. Continental Coal Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, or other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statement containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Functional and presentation currency
These consolidated financial statements are presented in Australian dollars, which is the functional currency of the consolidated entity as the majority of the financing is in Australian dollars.

Going concern
The financial statements have 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.

The loss of the Group for the year amounted to $49,862,039; the Group had a net working capital deficit of $7,838,208; and the Group will be required to raise additional capital to meet the commitments disclosed in note 31.

In the opinion of the directors, it has been concluded that the going concern basis is appropriate as the Group is expected to receive proceeds from the sale of Vanmag; 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; and raise additional capital during the 2013 financial year. On this basis and considering the options available to the Group, the directors’ declared on page 113 that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due. Should the expected injections not occur and capital not be raised, the Group may not be able to continue as a going concern. It may be required to realise its assets and extinguish its liabilities other than in the normal course of business, and at amounts that differ from those in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Note 1: Statement of Significant Accounting Policies

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(a) Principles of Consolidation

Subsidiaries

A controlled entity is any entity over which Continental Coal Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interest results in gains and losses for the Group that are recorded in the profit or loss. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

All inter-group balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

Changes in Ownership Interests

The Group treats transactions with non-controlling interest that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Continental Coal Ltd.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest recognised in other comprehensive income in respect of that entity or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, on a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where applicable.

Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets

Note 1: Statement of Significant Accounting Policies (cont'd)

(a) Principles of Consolidation (cont'd)

acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

All purchase consideration is recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss.

Acquisition –related costs are expensed as incurred.

Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will not be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their

Note 1: Statement of Significant Accounting Policies (cont'd)

(b) Income Tax (cont'd)

measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and a settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who are responsible for making strategic decisions.

(d) Property, Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use.
The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Australia	
Computer equipment	25%
South Africa	
Furniture & fittings	15%
Office equipment	10%
Computer equipment	33%
Buildings	5%
Mine equipment	16.67% and 25%

Note 1: Statement of Significant Accounting Policies (cont'd)

(d) Property, Plant and Equipment (cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(f) Development expenditure

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings and plant equipment is capitalised under development expenditure. Development expenditure costs include previously capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the Statement of Comprehensive Income to the extent that they will not be recoverable in the future.

Amortisation of carried forward exploration and development costs is charged on a unit of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, development assets allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

Note 1: Statement of Significant Accounting Policies (cont'd)

(g) Rehabilitation

The mining, extraction and processing activities of Continental Coal Limited give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in 'Development Expenditure' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each Consolidated Statement of Financial Performance date and the costs charged to the Consolidated Statement of Comprehensive Income in line with remaining future cash flows.

(h) Investments and Other Financial Assets

Classification
The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the statement of financial position.

(ii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and Initial Measurement
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit or loss as gains and losses from investment securities.

Note 1: Statement of Significant Accounting Policies (cont'd)

(h) Investments and Other Financial Assets (cont'd)

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit or loss.

(i) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the profit or loss.

Note 1: Statement of Significant Accounting Policies (cont'd)

(j) Foreign Currency Transactions and Balances (cont'd)

Group companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(n) Revenue Recognition

Revenue is measured at the fair value of gross consideration received or receivable. Continental Coal recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for Continental Coals activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. Continental Coal bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of Goods
Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

Continental Coal recognises revenue when the risks and rewards transfers to the buyer which is typically the bill of lading date.

Note 1: Statement of Significant Accounting Policies (cont'd)

(n) Revenue Recognition (cont'd)

Sales earned during the testing period/before mine reaches commercial production are offset against exploration and or development and not taken to the profit or loss.

Deferred revenue
Deferred revenue represents revenue received in advance of coal deliveries. Revenue is recognised as the coal is delivered during the year, and is classified between current and non-current based on the expected amount of coal to be delivered in the twelve months from reporting date.

Interest revenue
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST) and (VAT).

(o) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the originals terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of provision is recognised in the profit or loss within other expenses.

(p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and they are usually paid within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Note 1: Statement of Significant Accounting Policies (cont'd)

(q) Borrowings (cont'd)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Convertible Note Liabilities and Derivatives

Convertible notes issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder and convertible note derivatives whose fair values change with the Company's underlying share price.

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is firstly recognised initially at fair value and the liability component is calculated as the difference between the financial instrument as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The convertible note derivative is measured at fair value through profit or loss.

The convertible note liability and derivative are removed from the statement of financial position when the obligations specified in the contract are discharged, this can occur upon the option holder exercising their option or the option period lapses requiring the Company to discharge the obligation. Convertible notes and derivatives are classified as current or non-current based on the maturity date of the convertible note.

Fair values of convertible note derivatives
The fair values of the convertible note derivatives have been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value per option is computed using either a black-scholes option pricing model, a monte carlo simulation, or a combination of the two. These valuation methodologies take into account the exercise price, the term of the option, the Company's share price at reporting period and simulated future price, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal movements in the Company's share price.

(s) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(t) Goods and Services Tax (GST) and (VAT)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Note 1: Statement of Significant Accounting Policies (cont'd)

(t) Goods and Services Tax (GST) and (VAT) (cont'd)

The South African subsidiary complies with the foreign tax/VAT regulations of South Africa.

(u) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from the equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributed incremental costs (net of income taxes) is recognised directly in equity.

(v) Earnings Per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no considerations in relation to dilutive potential ordinary shares.

(w) Share Based Payments

Share-based compensation benefits to directors, employees and consultants are provided at the discretion of the board.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipient becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

Note 1: Statement of Significant Accounting Policies (cont'd)

(x) Non-Current Assets Held-For-Sale and Discontinued Operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

(y) Derivatives and Hedging Activities

Derivative instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge).

At the inception of the hedging transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater that twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

Note 1: Statement of Significant Accounting Policies (cont'd)

(y) Derivatives and Hedging Activities (cont'd)

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within other income or other expenses.

The Group did not have any fair values in the period covered by these financial statements.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised through other comprehensive income in the hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the statement of comprehensive income within other income or other expenses.

Amounts accumulated in equity are recognised in the statement of comprehensive income in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income and are included in other income or other expenses.

Fair value of option and share repricing liability
The fair value of the option and share repricing liability is determined based on computing the fair value of the related share options using a black-scholes pricing model which takes into account the exercise price, the term of the option, the Company's share price at reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds)

(z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(aa) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprise direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1: Statement of Significant Accounting Policies (cont'd)

(bb) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(cc) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates – Exploration assets
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of exploration assets. Where an impairment trigger exists, the recoverable amount of the asset is determined based on historical knowledge and best available current information. During the 30 June 2012 $19,775,325 (2011: $11,855,895) of exploration expenditure was written-off as it was determined to be non-recoverable.

Key estimates – Development assets
The recoverable amounts of development assets have been assessed using discounted cashflow models, taking into account estimates of coal prices, operating costs, discount rates, royalty tax rates, and the yield and grade of coal produced. It is reasonably possible that the estimates used in the models may change, which may then impact on the carrying values of development assets. There was no impairment of development assets recorded during the year ended 30 June 2012 or 30 June 2011.

Reserve estimates
Reserves are estimates of the amount of product that can be economically and legally extracted from Continental Coal's current mining tenements. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quality and/or grade of reserves requires the size, shape and depth of coal deposits to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect Continental Coal's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the Statement of Comprehensive Income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change

Derivative financial instruments
From time to time the Group may use derivative financial instruments to partially hedge its exposure to financial risks. At each reporting date, the fair value of outstanding derivative positions is measured using pricing models that require the exercise of judgement in relation to variables such as expected volatilities based on information available at the reporting date. As the underlying drivers for those judgements are constantly changing, the reported derivative financial assets and liabilities are an estimate that may materially change post balance date. The carrying value of derivatives is presented in note 23.

Note 1: Statement of Significant Accounting Policies (cont'd)

(cc) Critical Accounting Estimates and Judgements (cont'd)

Recognition of Deferred Tax Asset
The Group is subject to income taxes in Australia and South Africa. Significant judgement is required in determining the provisions for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates is tax liabilities based on its understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which the determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. The utilisation of tax losses depends on the ability of the entities to generate sufficient future taxable profits.

Rehabilitation provision
Key assumptions used in the estimation of environmental obligations are as follows:-

Discount Rate	5.35%
Inflation	5.5%
Expected closure of mine	2023

Included in the provision are monthly contributions to a Liberty investment product, approved by the DMR. The funds are invested in money market. The proceeds from these funds are intended to fund environmental rehabilitation of the Vlakvarkfontein Project and they are not available for general purposes of the company and are classified as restricted funds. All income earned on these funds is re-invested.

Classification of revenue
Revenue is carried against the asset until Commercial production occurs.

Share Based Payments
The Group provides benefits to employees (including directors) and suppliers of the Group in the form of share-based payment transactions, whereby employees and suppliers render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of shares and options issued to suppliers for goods and/or services received is based on the value of services received where a reliable indicator of that value is available. Where a reliable fair value of goods/services received is not available, the fair value of shares is determined based on their market price at grant date and the fair value of options is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any applicable performance conditions are fulfilled, ending on the date on which the relevant employees or suppliers become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

(i) the extent to which the vesting period has expired and
(ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Note 1: Statement of Significant Accounting Policies (cont'd)

(cc) Critical Accounting Estimates and Judgements (cont'd)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(dd) Prior period restatement

The Group has restated its 30 June 2011 financial statements in relation to the business combination accounting for Ntshovelo Mining Resources Pty Ltd and Mashala Resources Pty Ltd. The most significant impact of this correction is to recognise a deferred tax liability in relation to the difference between the carrying amount of the exploration and development expenditure for accounting purposes and the cost base of the assets for tax purpose in accordance with the requirements of Australian Accounting Standard AASB 112 Income Taxes. The Group does not have a tax payable in relation to the deferred tax liability at 30 June 2011 or 30 June 2012 and it is anticipated that the deferred tax liability will be reduced in the future as the development expenditure is amortised. The non-controlling interest has also been amended to reflect these changes.

The Group has also revisited the allocation of the fair values of the exploration and development assets acquired with the Ntshovelo Mining Resources Pty Ltd and Mashala Resources Pty Ltd business combinations. The result of the analysis performed showed the allocation of fair values between exploration and development assets required reclassification, with the fair value allocation to development expenditure needing increased by approximately 5%. The 5% reallocation is reflected in the restated 30 June 2011 figures below.

The Group has also corrected the accounting for payments made to acquire Ultimatum Challenge Trading prior to the transfer of control by reclassifying the payments from exploration expenditure to deposits for equity investments.

Theses corrections have been recorded by restating each of the affected financial statement line items for the prior period as follows:

Consolidated Statement of Financial Position (extract)	As reported 30 June 2010	Increase/ (Decrease)	Restated 30 June 2010	As reported 30 June 2011	Increase/ (Decrease)	Restated 30 June 2011
Deposits for equity investments	-	-	-	-	6,895,000	6,895,000
Exploration expenditure	47,588,978	-	47,588,978	121,732,226	17,251,545	138,983,771
Development expenditure	9,059,226	-	9,059,226	16,498,373	10,584,103	27,082,476
Deferred tax liability	-	-	-	-	30,509,895	30,509,895
Net assets	40,225,172	-	40,225,172	105,907,420	4,220,753	110,128,173
Reserves	19,027,383	-	19,027,383	23,074,635	74,913	23,149,548
Accumulated losses	(77,106,580)	-	(77,106,580)	(111,476,164)	(1,681,709)	(113,157,873)
Non-controlling interest	(2,614,968)	-	(2,614,968)	(10,139,284)	5,827,549	(4,311,735)
Equity	40,225,172	-	40,225,172	105,907,420	4,220,753	110,128,173

Note 1: Statement of Significant Accounting Policies (cont'd)

(dd) Prior period restatement (cont'd)

Consolidated Statement of Comprehensive Income (extract)	**As reported 30 June 2011**	**(Increase)/ Decrease**	**Restated 30 June 2011**
Administration expenses	(18,927,066)	(2,833,514)	(21,760,580)
Loss for the year before tax	(41,849,645)	(2,833,514)	(44,683,159)
Income tax benefit	-	793,384	793,384
Loss for the year after tax	(41,849,645)	(2,040,130)	(43,889,775)
Other comprehensive income/(loss)	(9,082,715)	101,233	(8,981,482)
Total comprehensive loss for the year	(50,932,360)	(1,938,897)	(52,871,257)
Net loss is attributable to:			
Owners of Continental Coal Ltd	(34,476,106)	(1,681,709)	(36,157,815)
Non-controlling interests	(7,373,539)	(358,421)	(7,731,960)
	(41,849,645)	(2,040,130)	(43,889,775)
Total comprehensive income is attributable to:			
Owners of Continental Coal Ltd	(43,408,044)	(1,606,797)	(45,014,841)
Non-controlling interests	(7,524,316)	(332,100)	(7,856,416)
	(50,932,360)	(1,938,897)	(52,871,257)

Consolidated Statement of Cash Flows (extract)	**As reported 30 June 2011**	**(Increase)/ Decrease**	**Restated 30 June 2011**
Exploration expenditure	(22,863,706)	6,895,000	(15,968,706)
Deposit for the acquisition of Ultimatum Challenge Trading Pty Ltd	-	(6,895,000)	(6,895,000)
Net cash (used in) investing activities	(29,051,911)	-	(29,051,911)

Basic loss per share has also been restated. The amount of the adjustment was a decrease in loss per share of 2.7 cents. This is due to calculating Earnings per Share based on net loss attributable to the owners of Continental Coal Ltd rather than total net loss.

The restatement had no impact on the Group's 30 June 2010 financial statements.

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	31,958	485,258
- Net gain on disposal of assets	-	18,563
- Net gain on fair value of acquisition of subsidiary (note 13, 2(a)) (i)	-	8,466,299
- Share based payment reversal	-	225,477
- Recovery of costs	183,821	790,407
- Interest received	530,964	439,277
- Net gain on fair values of derivative financial instruments (note 23c)	4,852,845	-
- Miscellaneous income	218,795	-
- Reversal of previous impairment	287,360	-
Total other income	6,105,743	10,425,281

(i) Relates to the acquisition of Mashala Resources Pty Ltd at 30 June 2011.

Note 3: Expenses

	Consolidated 2012 $	Consolidated 2011 $
(a) Loss before income tax includes the following specific expenses:		
Cost of sales		
- Mining	37,639,965	23,578,645
- Processing	8,682,801	4,694,475
- Materials handling	1,186,412	2,042,997
- Indirect costs	2,136,793	1,004,357
- Export costs	8,491,009	5,673,161
- Bought in coal	9,282,043	11,822,792
- Administration costs	954,863	625,139
- Mining Royalties	187,292	147,328
- Stock on hand movement	-	(2,333,895)
Total cost of sales	68,561,178	47,254,999
Finance costs		
- Interest borrowing costs - cash	5,485,266	2,717,518
- Interest and borrowing costs – share based payments (note 35)	501,369	-
- EDF Interest – settled in coal	2,426,898	-
- Options issued in respect of EDFT coal loan (i)	264,439	4,288,880
- Unwinding of prepaid borrowing costs	-	3,499,031
- Accretion of convertible note interest	2,788,595	-
- Royalty expense (note 24)	8,661,536	-
- Other borrowing costs	-	603,697
Total finance costs	20,128,103	11,109,126
Impairment		
- Impairment of acquisition costs of Project X, Vaalbank and Lemoenfontein (ii)	19,775,325	11,855,895
Total impairment	19,775,325	11,855,895
Administration & Other Expenses		
- Employee related costs	3,852,181	2,518,484
- Directors fees – cash component	1,026,277	2,878,308
- Directors fees – share based payments (note 35)	180,065	3,544,064
- Directors fees – cash termination payments	1,695,611	-
- Directors fees – share based termination payments (note 35)	2,601,818	-
- Pre feasibility costs in relation to South African projects	-	3,404,469
- Consultants – cash component	1,840,072	3,733,883
- Consultants – share based payments (note 35)	1,507,708	6,082,683
- Legal fees	594,889	481,351
- Occupancy	442,145	343,337
- Foreign exchange loss	1,868,472	-
- Depreciation	3,299,695	4,309,746
- Audit fees	507,645	500,591

Note 3: Expenses

(i) No new options were issued to EDF in the year ended 30 June 2012, the additional expense recognised relates to an amendment to the exercise price of options issued in a prior financial year.

(ii) During the 2011 financial year the updated JORC compliant Coal Resource statement and assessment, review and audit of the Company's South African thermal coal projects resulted in a reduction in total resources and measured resources for both the Vaalbank and Project X Coal Projects. 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

		Consolidated	
			Restated*
		2012	2011
		$	$
(a)	The components of tax expense comprise:		
	Current tax	550,939	-
	Deferred tax	(1,866,859)	(793,384)
	Income tax benefit recognised in statement of comprehensive income	(1,315,920)	(793,384)
(b)	The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:		
	Profit/(loss) from continuing operations before income tax		
	- Consolidated Group	(51,177,959)	(43,899,775)
	Prima facie tax payable on profit before income tax at 30% (2011: 30%)		
	- Consolidated Group	(15,353,396)	(13,169,932)
	Add:		
	Tax effect of:		
	- Non-deductible other expenditure	4,047,967	4,384,373
	- Non-deductible interest expense	-	2,599,488
	- Difference in overseas tax rate	(152,607)	588,775
	- Share based payments	1,364,085	1,063,219
	- Deferred tax asset in relation to tax losses and temporary differences not recognised	8,778,031	3,740,693
	Income tax attributed to entity	(1,315,920)	(793,384)
(c)	Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1b occur		
	- Temporary difference	1,824,085	3,538,340
	- Tax losses		
	Operating losses	1,695,011	8,636,447
	Capital losses	1,924,150	1,924,150
		5,443,246	14,098,937

Note 5: Key Management Personnel Compensation

(a) Names and positions held of Group key management personnel in office at any time during the financial year are:

Key Management Person	*Position*
Mike Kilbride *(from 23 February 2012)*	Non-Executive Chairman
Don Turvey	Executive Director and Chief Executive Officer
Maritz Smith *(from 1 June 2012)*	Executive Director and Group Chief Financial Officer
Jason Brewer	Executive Director
Peter Landau	Non-Executive Director
James Leahy	Non-Executive Director
Andrew Macaulay	Non-Executive Director
Connie Molusi *(from 27 February 2012)*	Non-Executive Director
Johan Bloemsma *(from 2 March 2012)*	Non-Executive Director
Bruce Buthelezi *(to 19 September 2011)*	Executive Director
Rachel Hebron	Subsidiary Chief Financial Officer
Johan Heystek	Chief Operating Officer
Jane Flegg	Company Secretary

	Consolidated	
	2012 $	2011 $
(b) Key Management Personnel Compensation		
Short-term employee benefits	2,457,153	2,725,607
Post-employment benefits	136,636	184,214
Share-based payments	180,065	3,544,064
Termination benefits	4,297,429	-
	7,071,283	6,453,885

(c) Options and Rights Holdings

Number of options held by Key Management Personnel

	Balance 1/7/11	Granted as compensation	Options exercised	Net Change Other*	Net Change Other**	Balance 30/6/12	Total Vested 30/6/12	Total Exercisable 30/6/12	Total Unexercisable 30/6/12
Mike Kilbride	-	-	-	-	-	-	-	-	-
Don Turvey	-	-	-	-	-	-	-	-	-
Jason Brewer	50,000,000	-	-	575,000	(45,000,000)	5,575,000	5,575,000	5,575,000	-
Peter Landau	50,000,000	-	-	-	(45,000,000)	5,000,000	5,000,000	5,000,000	-
Maritz Smith	-	-	-	-	-	-	-	-	-
James Leahy	-	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Andrew Macaulay	-	-	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-	-	-
Johan Bloemsma	-	-	-	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-	-
Total	100,000,000	1,000,000	-	575,000	(90,000,000)	11,575,000	11,575,000	11,575,000	-

** On market purchases.*
*** Consolidation of option holdings on 10:1 equity consolidation.*

Note 5: Key Management Personnel Compensation (cont'd)

	Balance 1/7/10	Granted as compensation	Options exercised	Net Change Other*	Balance 30/6/11	Total Vested 30/6/11	Total Exercisable 30/6/11	Total Unexercisable 30/6/11
Andrew Macaulay	-	-	-	-	-	-	-	-
Jason Brewer	-	50,000,000	-	-	50,000,000	50,000,000	50,000,000	-
Don Turvey	-	-	-	-	-	-	-	-
Peter Landau	-	50,000,000	-	-	50,000,000	50,000,000	50,000,000	-
James Leahy	-	-	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-	-	-
Manuel Lamboley	-	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
Martin Westerman	5,000,000	-	-	(5,000,000)	-	-	-	-
Mike Nell	15,000,000	-	-	(15,000,000)	-	-	-	-
Total	20,000,000	100,000,000	-	(20,000,000)	100,000,000	100,000,000	100,000,000	-

** Option holdings at the time the key management personnel resigned.*

(d) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1/7/11	Received as compensation	Options exercised	Net Change Other*	Net Change Other**	Balance 30/6/12
Mike Kilbride	-	-	-	-	-	-
Don Turvey	-	-	-	538,000	-	538,000
Jason Brewer	950,000	-	-	1,030,000	(1,080,000)	900,000
Peter Landau	-	-	-	-	-	-
Maritz Smith	-	-	-	-	-	-
James Leahy	-	-	-	750,000	-	750,000
Andrew Macaulay	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-
Johan Bloemsma	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-
Jane Flegg	20,000	-	-	-	(18,000)	2,000
Total	970,000	-	-	2,318,000	(1,098,000)	2,190,000

** The Net Change Other refers to shares purchased or sold during the financial year*
*** Consolidation of shareholdings on 10:1 equity consolidation.*

	Balance 1/7/10	Received as compensation	Options exercised	Net Change Other*	Balance 30/6/11
Andrew Macaulay	-	-	-	-	-
Jason Brewer	-	-	-	950,000	950,000
Don Turvey	-	-	-	-	-
Peter Landau	-	-	-	-	-
James Leahy	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-
Manuel Lamboley	-	-	-	-	-
Johan Heystek	-	-	-	-	-
Rachel Hebron	-	-	-	-	-
Jane Flegg	20,000	-	-	-	20,000
Martin Westerman	-	-	-	-	-
Total	20,000	-	-	950,000	970,000

** The Net Change Other refers to shares purchased or sold during the financial year*

Note 5: Key Management Personnel Compensation (cont'd)

(e) Consulting fees

Please refer to note 37(d) which details consulting fees to parties related to Key Management Personnel.

Note 6: Auditor's Remuneration

	Consolidated	
	2012	**2011**
	$	**$**
Amounts paid or payable to:		
BDO Audit S.A. Colombia, Bogota		
Other services – due diligence	16,696	-
Remuneration of the auditor of the parent entity for:		
(BDO Audit (WA) Pty Ltd)		
Auditing and reviewing the financial report	204,325	180,316
Other services – taxation compliance matters	9,825	-
Remuneration of the auditor of the subsidiary Continental Coal Ltd for:		
(BDO Audit – South Africa)		
Auditing and reviewing the financial report	276,799	123,595
(KPMG – South Africa (Inc.))	-	
Auditing fee	-	178,927
Other services – taxation compliance matters	-	17,753
	507,645	500,591

Note 7: Earnings/(loss) per Share

		Consolidated	
			Restated
		2012	**2011**
		$	**$**
(a)	Reconciliation of loss used in calculating loss per share		
	Loss for the year attributable to owners of Continental Coal Ltd	(53,026,358)	(36,082,902)
	Loss used to calculate basic EPS	(53,026,358)	(36,082,902)
	Loss used in the calculation of dilutive EPS	(53,026,358)	(36,082,902)
		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 9 September 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 8: Cash and Cash Equivalents

	Consolidated	
	2012	**2011**
	$	**$**
Cash at bank and in hand *(i)*	14,594,938	12,050,227
	14,594,938	12,050,227

The weighted interest rate on Maxi Direct High Interest Account was 1.5% (2011: 2.60%); these funds are on call.
Reconciliation of cash
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	14,594,938	12,050,227
	14,594,938	12,050,227

(i) Includes cash restricted under guarantees in the amount of $831,186 (30 June 2011: $4,812,087)

Note 9: Trade and Other Receivables

	Consolidated	
	2012	**2011**
	$	**$**
CURRENT		
Trade receivables (a)	6,780,618	6,911,414
Other receivables (b) (c)	2,048,327	1,058,500
Total current receivables	8,828,945	7,969,914
NON-CURRENT		
Other receivables (d)	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) The majority of other receivables relates to VAT recoverable by the South African subsidiary.
(c) 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.
(d) 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. The initial discount recorded and subsequent unwinding has been recognised within transactions with non-controlling interests within equity and not in the statement of comprehensive income.

Note 9: Trade and Other Receivables (cont'd)

	Consolidated	
	2012	**2011**
	$	**$**
Ageing of receivables:		
Neither past due nor impaired	12,877,843	6,775,540
Past due but not impaired	134,968	135,874
	13,012,811	6,911,414

Fair value approximates the carrying value of trade and other receivables at 30 June 2012 and 30 June 2011.

Note 10: Inventories

	Consolidated	
	2012	**2011**
	$	**$**
CURRENT		
Coal stockpiles	4,160,709	4,963,316
Total coal stockpiles	4,160,709	4,963,316

Note 11: Non-Current Assets Classified as Held-for-Sale and Discontinued Operations

	Consolidated	
	2012	**2011**
	$	**$**
Investment in Vanmag	9,843,559	10,066,136
	9,843,559	10,066,136

The sales agreement that the Group entered into in respect of the sale of its interest in the Vanmag Project in South Africa for net proceeds of US$10m is ongoing with the vendors assurance that all necessary approvals for the remittance of funds has been received and that the party will proceed with settlement. The Group has however received further non-binding expressions of interest to acquire its shareholding in Vanmag should the expected sale not proceed.

During the 2009 year, Continental acquired 49% of the issued capital of Vanadium and Magnetite Exploration Development Co (SA) "Vanmag" instead of direct interest in the area of interest and as a result the investment should be equity accounted for in accordance with AASB 128, *Investments in Associates.* In accordance with the requirements of AASB 128, Continental have not equity accounted Van Mag at 30 June 2012 and 30 June 2011 because the investment is classified as held for sale in accordance with AASB 5.

Note 12: Deposits for Equity Investments

	Consolidated 2012 $	Restated 2011 $
Deposit for acquisition of Ultimatum Challenge Trading Pty Ltd *(i)*	-	6,895,000
	-	6,895,000

(i) The Group paid a deposit to acquire Ultimatum Challenge Trading Pty Ltd prior to 30 June 2011, but control over the company had not been transferred to the Group by year end. Control over Ultimatum Challenge Trading Pty Ltd was transferred in the 30 June 2012 financial year, at which point Ultimatum Challenge Trading Pty Ltd became a subsidiary of the Group. See note 13, 3(c) for details. Ultimatum Challenge Trading Pty Ltd is consolidated in the Group financial statements from the date control was transferred.

Note 13: Business Combination

1 (a) Summary of Acquisition – Ntshovelo Mining Resources

On 25 August 2010 the Group's subsidiary, Continental Coal Limited in South Africa completed the acquisition of their 50% share in Ntshovelo Mining Resources (Pty) Limited and a 60% economic interest in the Vlakvarkfontein Coal Mine. Ntshovelo has now become a subsidiary of Continental Coal Limited in South Africa. The purchase consideration for the acquisition is cash payments totalling Rand 56m (AUD $8,590,960).

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

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

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

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

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

Note 13: Business Combination (cont'd)

1 (b) Purchase consideration – cash outflow

	2012	2011
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	8,590,960
Outflow of cash – investing activities	-	8,590,960

2 (a) Summary of Acquisition – Mashala Resources

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

The Group has the option to purchase the remaining 35.9% within a 12 month period for a combination of cash and shares. The Group has also granted a put option over the 35.9% to the non-controlling shareholders which can be settled in cash or shares. The option period has been extended to 30 November 2012.

During the year ending 30 June 2012, the Group increased its interest in Mashala from 64.1% to 86% by making cash payments totalling $8,454,533.

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

Purchase consideration (refer to (b) below)	2012 $	2011 $
Cash paid for the acquisition of a 64.1% majority interest	-	43,665,940
Deferred purchase consideration (Note 20)	-	19,804,355
Impacts of movements in foreign exchange rates on non AUD balances	-	(5,424,295)
Total purchase consideration	-	58,046,000

During the year ended 30 June 2012 $8,454,533 of the deferred purchase consideration was paid, leaving a balance owing of $8,199,755 including interest and penalties at 30 June 2012.

Note 13: Business Combination (cont'd)

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

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

	Fair value
Net asset value per consolidated Balance Sheet	(2,540,173)
Less: Mining rights, authorisation and surface lease	(1,256,035)
Less: Exploration costs (intangible)	(746,472)
Acquired tangible net assets	**(4,542,680)**
Mining Rights – Ferreira	3,698,111
Deferred tax liability on Mining Rights – Ferreira	(1,035,541)
Mining Rights – Penumbra	40,001,676
Deferred tax liability on Mining Rights – Penumbra	(11,200,556)
Mineral Rights (De Wittekrans, Leiden, Wesselton 2, Mooifontein)	54,987,701
Deferred tax liability on Mineral Rights (De Wittekrans, Leiden, Wesselton 2, Mooifontein)	(15,396,556)
Fair Value of intangible assets acquired	**71,054,835**

Note 13: Business Combination (cont'd)

2 (a) Summary of Acquisition – Mashala Resources (cont'd)

Total fair value of tangible and intangible assets acquired	**66,512,299**
Less: Non-controlling interest	**-**
Acquirer's interest	66,512,299
Purchase Price	**58,046,000**
Gain on acquisition	**(8,466,299)**

The acquired business contributed revenues of $38,716,983 and profit of $5,147,699 to the Group from 1 November 2010 to 30 June 2011.

2 (b) Purchase consideration – cash outflow

	2012 **$**	**2011** **$**
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration for 64.1% acquired in 2011	-	43,665,940
Cash consideration for additional 21.9% acquired in 2012	8,454,533	-
Less: cash balances acquired	-	(541,103)
Outflow of cash – investing activities	8,454,533	43,124,837

3 (a) Summary of Acquisition – Ultimatum Challenge Trading

On 25 July 2011 the Group's South African subsidiary Continental Coal Ltd acquired 100% of the share capital of Ultimatum Challenge Trading ("UCT") Pty Ltd for consideration of ZAR 1,000 (AUD $150).

Ultimatum Challenge Trading had no assets or liabilities at the time of acquisition, but subsequently acquired the Vlakplaats project which had a fair value of ZAR 180,000,000 (approximately AUD $25,000,000).

At the time UCT acquired Vlakplaats, 37% of UCT's share capital was transferred to KORES for consideration of ZAR 96,200,000 AUD $13,323,302) and 13% of UCT's share capital was transferred to the Group's BE partner Masawu for consideration of nil.

After the 13% shareholding was transferred to Masawu, the Group regained the economic benefit of the 13% through the establishment of a put and call option over the 13%. The put and call option expires on 30 September 2012, and has not been exercised at the date of this report.

Refer to note 15(c) for additional information on the transactions with UCT non-controlling interests.

The Group has a 50% shareholding and a 63% economic interest economic interest at 30 June 2012.

Note 14: Controlled Entities

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries as disclosed in note 1(a).

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		30 June 2012	**30 June 2011**
Subsidiaries of Continental Coal Limited ("CCC"):			
Continental Coal Ltd ("CCL SA")	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 *(ii)*	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.

(j) Ultimatum Challenge Trading – 63% economic interest even though 50% equity interest.

Note 15: Transactions with Non-Controlling Interests

(a) Change in the Group's Black Economic Empowerment Partner – Buy Back of Shares Held by Masawu Investments Pty Ltd

The Group was pleased to announce the appointment of SIOC-cdt as its BEE partner during the year ended 30 June 2012, replacing former BEE Partner Masawu Investments Pty Ltd.

As a result of this change, the Group's South African subsidiary ("CCL SA") bought back the 26% shareholding of Masawu Investments Pty Ltd for consideration of $3,573,000. The Group recognised an increase in non-controlling interests of $9,164,658 and a decrease attributable to equity holders of the parent of $12,917,658.

The effect of these changes on the equity attributable to the owners of Continental Coal Ltd is summarised as follows:

	2012 $	2011 $
Carrying amount of non-controlling interest acquired	(9,164,658)	-
Consideration paid for non-controlling interest	(3,753,000)	-
Excess of consideration paid recognised in other reserves in equity	(12,917,658)	-

(b) Change in the Group's Black Economic Empowerment Partner – Appointment of SIOC-cdt

On the issue of the 26% shareholding in CCL SA to SIOC-cdt for consideration of $4,752,213, the Group recognised a decrease in non-controlling interests of $6,323,061 and an increase attributable to equity holders of the parent of $1,570,848.

The effect of these changes on the equity attributable to the owners of Continental Coal Ltd is summarised as follows:

	2012 $	2011 $
Carrying amount of non-controlling interest disposed	6,323,061	-
Consideration paid to non-controlling interest	(4,752,213)	-
Excess of consideration paid recognised in other reserves in equity	1,570,848	-

Note 15: Transactions with Non-Controlling Interests (cont'd)

(c) Allocation of 50% of Ultimatum Challenge Trading Shareholding to KORES and Masawu

As described in note 14, 3(a) at the time UCT acquired Vlakplaats, 37% of Ultimatum Challenge Trading's share capital was transferred to KORES for consideration of ZAR 96,200,000 (AUD $13,323,302) and 13% of UCT's share capital was transferred to the Group's BE partner Masawu for consideration of nil.

The Group recognised an increase in non-controlling interests of $10,683,000 and an increase attributable to equity holders of the parent of $2,640,302.

The effect of these changes on the equity attributable to the owners of Continental Coal Ltd is summarised as follows:

	2012 $	2011 $
Carrying amount of non-controlling interest disposed	(10,683,000)	-
Consideration received from non-controlling interest	13,323,302	-
Excess of consideration received recognised in other reserves in equity	2,640,302	-

(d) Re-Acquisition of 13% Ultimatum Challenge Trading Shareholding from Masawu

As described in note 14, 3(a) after the 13% shareholding was transferred to Masawu, the Group regained the economic benefit of the 13% through the establishment of a put and call option over the 13%. The put and call option expires on 30 September 2012, and has not been exercised at the date of this report.

The Group recognised a decrease in non-controlling interests of $2,777,580 and a decrease attributable to equity holders of the parent of $1,403,191.

The effect of these changes on the equity attributable to the owners of Continental Coal Ltd is summarised as follows:

	2012 $	2011 $
Carrying amount of non-controlling interest acquired	2,777,580	-
Consideration paid to non-controlling interest	(4,014,690)	-
Excess of consideration paid recognised in other reserves in equity	(1,403,191)	-

Note 16: Exploration Expenditure

	Consolidated	
		Restated*
	2012	2011
	$	$
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	74,716,085	125,513,930
- Exploration and evaluation phases – indirect (c)	11,598,318	13,469,841
Total exploration expenditure	86,314,403	138,983,771

(a) Movements in carrying amounts

	Consolidated	
	2012	2011
	$	$
Balance at 1 July	138,983,771	47,588,978
Acquisition of subsidiaries	-	94,989,377
Exploration expenditure capitalised	29,587,470	15,968,706
Exploration expenditure impaired *(i)*	(19,775,325)	(11,855,895)
Reversal of previous impairments	287,360	-
Transfers to development expenditure	(47,809,725)	-
Impacts of movements in foreign exchange rates on non AUD balances	(14,959,148)	(7,707,395)
Carrying amount at 30 June	86,314,403	138,983,771

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploration or sale of the respective mining permits. Amortisation of costs carried forward for the development phase is not being charged pending the commencement of production.

(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 $771,275and 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 16: Exploration Expenditure (cont'd)

(b) Mineral rights held by South African subsidiary

Project name	Prospecting or mining right reference	Current holder of mining or prospecting right	Holder of right once transaction is completed	Date Granted	Expiry Date
Vlakvarkfontein	MP 300 MR	Ntshovelo Mining Resources (Pty) Ltd	Ntshovelo Mining Resources (Pty) Ltd	2 February 2010	1 February 2025
Vaalbank	MP 1689 PR	Misty Sea Trading 262 (Pty) Ltd	Kebragen (Pty) Ltd	16 April 2008	17 April 2011 (renewal application submitted on 3 February 2011. Awaiting reply from DMR)
Project X	MP 1640 PR	Misty Sea Trading 262 (Pty) Ltd	Idada Trading 310 (Pty) Ltd	16 April 2008	17 April 2011 (renewal application submitted on 3 February 2011. Awaiting reply from DMR)
Vlakplaats	MP 1520 PR	Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal has been submitted in July 2012 and awaiting approval from DMR)
Wolvenfontein		Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal has been submitted in July 2012 and awaiting approval from DMR)
Ferreira	MP 345 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	19 May 2010	19 May 2014
Knapdaar	MP 1494 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	5 February 2008	4 February 2013
Leiden	MP 401 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2006	16 October 2009 (acknowledgement of receipt of application of renewal dated 13 September 2009)
Mooifontein Ptn 13	MP 713 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2009	16 October 2009 (renewal has been submitted and accepted on 13 September 2009)
Mooifontein Ptn 16	MP 353 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2009	16 October 2009 (renewal has been submitted and accepted on 13 September 2009)
Wesselton II	MP 231 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	19 February 2009	18 February 2021
Penumbra	MP 247 MR	Penumbra Coal Mining (Pty) Ltd	Penumbra Coal Mining (Pty) Ltd	19 May 2010	18 May 2020
De Wittekrans	MP 97 PR MP 365 MR	Mashala Hendrina Coal (Pty) Ltd	Mashala Hendrina Coal (Pty) Ltd	26 April 2006	25 April 2008 (an application to renew prospecting rights was lodged on 21 April 2008, followed by a mining right application submitted on 13 July 2009)

Note 16: Exploration Expenditure (cont'd)

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

Consolidated

Name of company	Listed/ Unlisted	Country of Incorporation	30 June 2012	30 June 2011	30 June 2012	30 June 2011
			Percentage owned		Carrying amount	
			%	%	$	$
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa	49	49	11,598,302	13,469,825
City Square – Trading 437 (Pty) Limited	Unlisted	South Africa	50	50	8	8
Idada Trading 310 (Pty) Limited	Unlisted	South Africa	50	50	8	8
					11,598,318	13,469,841

The Group has completed the purchase agreement with Misty Sea (Pty) Ltd relating to the purchase of the prospecting rights for Project X & Vaalbank. The Group is awaiting section 11 approval of the transfer of the rights to Idada Trading (Pty) Ltd and Kebragen (Pty) Ltd where the Group would have a 70% and 75% shareholding respectively.

Note 17: Development Expenditure

	Consolidated 2012 $	Restated* 2011 $
NON-CURRENT		
- Development expenditure at cost	77,896,350	35,249,605
- Accumulated depreciation	(12,052,939)	(8,167,129)
Total development expenditure	65,843,411	27,082,476

(a) Movements in carrying amounts

	2012	2011
Balance at 1 July	27,082,476	9,059,226
Acquisition of subsidiaries	-	35,308,175
Development expenditure capitalised	5,114,194	-
Depreciation charge for the year	(3,885,810)	(6,811,675)
Transfers from exploration expenditure	47,809,725	-
Impacts of movements in foreign exchange rates on non AUD balances	(10,277164)	(10,473,250)
Carrying amount at 30 June	65,843,411	27,082,476

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

Recoverability of the carrying amount of development assets is dependent on the successful development and commercial exploration or sale of the respective mining permits.

Note 18: Property, Plant & Equipment

	Consolidated 2012 $	Consolidated 2011 $
PLANT AND EQUIPMENT		
Plant and equipment at cost	10,623,981	8,520,480
Accumulated depreciation	(2,686,663)	(2,219,342)
Net book amount	7,937,318	6,301,138

(a) **Movements in Carrying Amounts**

	Plant and Equipment $	Land and Buildings $	Total $
Consolidated Group:			
Balance at 1 July 2010	353,010	-	353,010
On 64.1% acquisition of Mashala in South Africa	4,302,468	2,502,912	6,805,380
Additions	38,250	1,323,840	1,362,090
Accumulated depreciation on acquisition	(1,969,416)	-	(1,969,416)
Depreciation charge for the year	(314,708)	-	(314,708)
Impacts of movements in foreign exchange rates on non AUD balances	64,782	-	64,782
Balance at 30 June 2011	2,474,386	3,826,752	6,301,138
Additions	3,044,997	61,819	3,106,816
Disposals	(79,771)	-	(79,771)
Depreciation charge for the year	(467,321)	-	(467,321)
Impacts of movements in foreign exchange rates on non AUD balances	(362,665)	(560,879)	(923,544)
Balance at 30 June 2012	4,609,626	3,327,692	7,937,318

(b) **Security**

(i) Refer to borrowings note 22, no non-current assets of the Group are pledged as security for the Group's borrowings.

(ii) The Group has entered into a Coal Supply Agreement with EDF Trading Limited whereby EDF paid an upfront fee of USD $20M, to be settled through the delivery of coal. The Group has granted EDF security over the Company's South African Mining interests apart from Penumbra. Refer to note 21.

Note 19: Deferred Tax Assets

	Consolidated	
	2012	**2011**
	$	**$**
Deferred tax asset		
Accelerated capital allowances for tax purposes	150,851	-
Tax losses available for set off against future taxable income	2,194,001	-
	2,344,852	-
Reconciliation of deferred tax asset		
Foreign currency translation	2,261,776	-
Benefit recognised in statement of comprehensive income	83,076	-
	2,344,852	-

Note 20: Trade and Other Payables

	Consolidated	
	2012	**2011**
	$	**$**
CURRENT		
Unsecured liabilities		
Trade payables	14,041,325	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
	27,076,543	34,890,904
NON-CURRENT		
Unsecured liabilities		
Deferred purchase liability – *(ii)*	398,425	-
	398,425	-

(i) Relates to the balance of the acquisition cost of Mashala.
(ii) Relates to the balance of the acquisition cost of Ultimatum Challenge Trading.

Risk Exposure
Refer note 39.

Fair value approximates the carrying value of trade and other payables at 30 June 2012 and 30 June 2011.

Note 21: 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.

30 June 2011 – the prepayment by EDF Trading of a Coal Supply Agreement (secured over the Company's South African Mining interests) relating to the Ferreira Coal Mine. US $15m of the contracted US$20m has been received to 30 June 2011.

	Consolidated	
	2012	**2011**
	$	**$**
Deferred revenue – current	5,552,248	193,060
Deferred revenue – non-current	9,350,888	14,212,160
Total deferred revenue	14,903,136	14,405,220

Note 22: Borrowings

	Consolidated 2012 $	Consolidated 2011 $
CURRENT		
Convertible Note – unsecured (i)	1,802,217	-
Related party loans – unsecured (ii)	2,115,210	-
Other loans (iii)	2,583,625	
Related party working capital facility (iv)	276,801	
Other facilities	66,457	
	6,844,310	-

(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 is 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 $	Consolidated 2011 $
NON-CURRENT		
Convertible Notes – unsecured (v) (vi) (vii) (viii)	13,353,526	16,000,000
Related party borrowings – unsecured (ix)	25,843,842	-
Other facilities	270,284	-
	39,467,652	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 22: 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 9(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.

Movement in convertible notes is as follows:

	Consolidated	
	2012 $	2011 $
Carrying amount at 1 July	16,000,000	-
Proceeds on issue of convertible note(s)	2,500,000	16,000,000
Amount classified as convertible note derivative	(4,254,494)	-
Amount classified as equity	(1,878,358)	-
Interest accretion	2,788,595	-
Balance at 30 June	15,155,743	16,000,000

Face values of convertible notes outstanding at year end is as follows:

CURRENT	2,500,000	-
NON-CURRENT	16,000,000	16,000,000
	18,500,000	16,000,000

Note 23: Derivative Financial Instruments

The Group has the following derivative financial instruments:

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

(a) Derivative liabilities from convertible notes

Movements in derivative liabilities from convertible notes during the year are as follows:

	Consolidated 2012 $	Consolidated 2011 $
Carrying amount at 1 July	-	-
Recognition of option derivative	520,625	
Recognition of convertible note derivatives	4,254,494	-
Fair value movement	(3,863,564)	-
Balance at 30 June	911,555	-

Pursuant to the accounting standards the option component of the each convertible note is classified as a liability. The values of the derivatives fluctuate with the Company's underlying share price, volatility of the company share price, and the time to expiry. The change in value of the derivatives between inception date and 30 June 2012 due to the difference in the Company's share price between inception date and 30 June 2012 is recognised as an unrealised loss in the statement of comprehensive income.

(b) Option and share repricing derivative liability

During the year the Group entered into an equity subscription agreement with SOCIUS CG II which stipulates the number of shares and options to be issued for the subscribed amount of $20,000,000 is dependent on share price movements, therefore making the ultimate number of shares and options to be issued a variable number and giving rise to a derivative financial instrument. The difference between the subscribed amount and the recognition of the derivative liability is recognised as the value of equity to be issued in accordance with the equity subscription agreement.

Movement in the option and share repricing derivative liability during the year is as follows:

	Consolidated 2012 $	Consolidated 2011 $
Carrying amount at 1 July	-	-
Recognition of option and share repricing liability	8,045,147	-
Amounts settled (see note 28(a))	(6,391,156)	
Fair value movement	(989,281)	-
Balance at 30 June	664,710	-

At 30 June 2012, $6,391,156 of this derivative was settled by the issuance of shares to Socius under the Subscription Agreement (see note 28). The liability amount outstanding of $664,710 relates to the fair value of the option derivative.

Note 23: Derivative Financial Instruments (cont'd)

A Monte Carlo simulation in conjunction with the black Scholes model was used to calculate the fair value of inception and at each reporting period, which takes into account the Company's share price, volatility, and time to expiry. The value of the derivative liability therefore fluctuates based on these inputs.

The following factors and assumptions were used in determining the fair value of the unlisted options at 30 June 2012:

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility annualised	Risk free interest rate	Dividend yield
16/05/2012	15/05/2015	12,500,000	$0.0833	$0.2216	$0.135	115%	3.75%	-

(c) Statement of Comprehensive Income impact

Both the convertible note derivative liabilities and the option and share repricing derivative liability do not qualify for hedge accounting, resulting in movements in the fair value of the liabilities being recognised within other income or other expenses in the statement of comprehensive income at each reporting period.

A net unrealised gain of $4,852,845 was recognised within other income during the year. The $4,852,845 comprises an unrealised gain of $989,281 related to the option and share repricing derivative liability and an unrealised gain of $3,863,564 related to derivative liabilities from convertible notes.

Note 24: 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. The royalty is payable based on coal produced attributable to the parent company, therefore the royalty is only payable on 74% of total coal produced based on the parent company's shareholding in Continental Coal Ltd South Africa.

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. Accordingly, the expense in relation to the royalty of $8,661,536 considered to be a financing cost and is included within financing expenses in the 30 June 2012 Statement of Comprehensive Income.

	Consolidated	
	2012	**2011**
	$	**$**
Current		
Royalty liability	3,454,231	-
	3,454,231	-
Non-current		
Royalty liability	5,207,305	-
	5,207,305	-

Note 25: Deferred Tax Liability

	Consolidated	
		Restated
	2012	2011
	$	$
Non-current		
Deferred tax arising on business combinations	26,838,030	30,509,895
	26,838,030	30,509,895
Reconciliation of deferred tax liability		
Opening balance	30,509,895	-
Deferred tax arising on business combination of:		
Ntshovelo Mining Resources	-	5,568,169
Mashala Resources	-	27,632,653
Benefit recognised in statement of comprehensive income	(1,757,452)	-
Impacts of movements in foreign exchange rates on non AUD balances	(1,914,413)	(2,690,927)
	26,838,030	30,509,895

The deferred tax liability arises in relation to the difference between the carrying amount of exploration and development expenditure for accounting purposes and the cost base of the assets for tax purpose in accordance with the requirements of Australian Accounting Standard AASB 112 Income Taxes.

The Group does not have a tax payable in relation to the deferred tax liability at 30 June 2011 or 30 June 2012 and it is anticipated that the deferred tax liability will be reduced in the future as the development expenditure is amortised.

Note 26: Provision for Rehabilitation

The Group's provision for rehabilitation relates to environmental liability for Vlakvarkfontein, Ferreira, 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. Refer Statement of Significant Accounting Policies note 1(g).

	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:

	2012	2011
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 27: Hedge Liability

	Consolidated	
	2012	**2011**
	$	**$**
NON-CURRENT		
Cash flow hedge	686,590	-
	686,590	-
(c) Movements in carrying amounts		
Balance at 1 July	-	-
Fair value of cash flow hedge at inception recognised in other comprehensive income	686,590	-
Fair value movement of cash flow hedge between inception and year end recognised in other comprehensive income	-	-
Carrying amount (fair value) at 30 June 2012	686,590	-

The Group has concluded an agreement with ABSA Capital Ltd regarding the debt funding for the development of the Penumbra Coal Mine.

The agreement comprises a seven year term loan facility of ZAR 253,000,000 (AUD $30,041,400) as well as a standby facility of ZAR 17,500,000 (AUD $2,077,960) to be made available to fund the Penumbra Coal Mine development. Funding drawdown is subject to the Group spending 20% of the total commitments. Loan repayments are to commence in September 2013 and the final drawdown facility is to occur 18 months from the first drawdown.

In accordance with the ABSA facilities agreement, the Group implemented a coal price hedge during the 30 June 2012 year. Total tonnage hedged by the Group in accordance with the ABSA agreement is 664,546 metric tonnes, having a weighted average price of ZAR 1,057 per metric tonne. The hedge matures 30 August 2018, with hedged prices increasing on each of the start dates below:

Start Date	Maturity Date	Hedged Volume (metric tonnes)
01/09/2012	30/08/2013	51,600
01/09/2013	30/08/2014	64,632
01/09/2014	30/08/2015	147,720
01/09/2015	30/08/2016	151,104
01/09/2016	30/08/2017	154,392
01/09/2017	30/08/2018	95,098
		664,546

The hedging volumes stipulated above exclude coal volumes contemplated under the off-take agreement with EDF as disclosed in note 21.

The portion of gain/(loss) on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

At inception, the hedge was recorded at its fair value with the corresponding gain recognised within a reserve within equity as other comprehensive income. The hedge is recorded at its fair value at 30 June 2012 with any gain/(loss) since inception recorded within equity as other comprehensive income. As the hedge is considered to be effective, there is no impact on the profit or loss of the Group at 30 June 2012.

Note 28: 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	3,192,640,409	190,068,112
Shares issued during year:		
01/07/11 – Tranche 1 Placement with institutional investor SOCIUS at 4.3 cents per ordinary fully paid share (i)	234,962,406	4,633,424
22/07/11 – Issue of ordinary fully paid shares to consultants as consideration for services provided to the Company	20,000,000	800,000
23/08/11 – Tranche 2 Placement with institutional investor SOCIUS at 3.584 cents per ordinary fully paid share (i)	279,017,857	7,321,429
26/8/11 Share Consolidation Balance	**372,662,067**	
18/11/11 – Issue of ordinary fully paid shares upon consolidation re-pricing and exercise of options (i)	27,172,459	6,391,156
18/11/11 – Issue of ordinary fully paid shares for Strategic acquisition of Wolvenfontein coal project	5,414,520	1,255,514
02/12/11 – Issue of ordinary fully paid shares to consultants as consideration for services provided to the Company	3,666,667	707,708
02/03/12 – Issue of ordinary fully paid shares in lieu of cash payment of convertible note interest	2,284,527	501,370
02/03/12 – Issue of ordinary fully paid shares to former BEE partner Masawu Investments Limited as part of the appointment of SIOC-cdt	9,818,181	2,601,818
16/05/12 – Issue of 9,723,977 ordinary fully paid shares in relation to new convertible note facility	9,723,977	-
30/06/2012 – recognition of equity component of compound financial instrument (ii)	-	1,878,358
Share issue costs including valuation of derivative (iii)	-	3,856,471
Balance at 30 June 2012	430,742,398	220,015,360

(i) During the year, the Group entered into a $20,000,000 equity subscription agreement with Socius as disclosed at notes 23(b).

(ii) The Group has a convertible note (note 22(viii)) with a face value of $10,000,000, of which the equity component is $1,878,358.

(iii) The increase in share capital due to a decrease in share issue costs arises as a result of the valuation of a derivative contained within the Socius Subscription Agreement. Fair value of the equity component was determined using a black-scholes option pricing model, resulting in $4,462,226 being recognised as an increase in share issue costs at inception and an unrealised gain of $989,281 being recognised from the period between inception and 30 June 2012.

Note 28: Issued capital (cont'd)

(b)

Movement 2011	**No.**	**$**
Balance at 1 July 2010	1,376,191,741	100,829,337
Shares issued during year:		
06/08/10 – Prior year Placement with institutional and sophisticated investors at 5 cents per ordinary fully paid share (i)	10,333,434	-
10/08/10 – Tranche 1 Placement with institutional and sophisticated investors at 5.5 cents per ordinary fully paid share (i)	200,000,000	11,000,000
10/09/10 – Tranche 2 Placement with institutional and sophisticated investors at 5.5 cents per ordinary fully paid share (i)	200,000,000	11,000,000
20/09/10 – issued pursuant to Share Purchase Plan at 5.5 cents per ordinary fully paid share (ii)	290,909,090	16,000,000
26/10/10 – Tranche 1 Placement with institutional and sophisticated investors at 6.4 cents per ordinary fully paid share (i)	200,000,000	12,280,000
19/11/10 – Tranche 2 Placement with institutional and sophisticated investors at 6.4 cents per ordinary fully paid share (i)	275,950,000	17,660,800
20/12/10 – conversion of debt to equity to related parties at 5.5 cents per ordinary fully paid share (iii)	77,090,996	4,240,005
20/12/10 – conversion of debt to equity at an average of 5.25 cents per ordinary fully paid share (iii)	110,789,171	5,617,114
20/12/10 – introduction and capital raising fees at an average of 7.4 cents per ordinary fully paid share (iii)	92,213,796	5,323,123
20/12/10 – issued to consultants at 6.4 cents per ordinary fully paid share	11,868,125	759,560
24/12/10 – Facilitation fee for coal project funding at 5.8 cents per ordinary share (vi)	60,000,000	3,500,000
26/10/10, 20/12/10 and 19/01/10 – Conversion of $11.35m debt facility at 5 cents per ordinary share (vii)	227,000,000	11,350,000
20/12/10 – Conversion of $4.8m convertible note at 8 cents per ordinary share (viii)	60,000,000	4,800,000
10/12/10 and 20/12/10– Issue of ordinary fully paid shares on exercise of options	294,056	14,702
Less share issue costs	-	(14,826,529)
Balance at 30 June 2011	3,192,640,409	190,068,112

(i) During the year, the Group offered various placements to institutional and sophisticated investors to secure and develop the Group's South African Coal assets, acquire 64.1% of Mashala and working capital.
(ii) As approved by shareholders at the Group's General Meeting on 10 September 2010, 290,909,090 ordinary fully paid shares were issued pursuant to the Group's Share Purchase Plan.
(iii) During the year, the Group extinguished several loans by means of conversion of debt to equity.
(iv) During the year, the Group issued ordinary fully paid shares in lieu of introduction and capital raising fees.
(v) During the year, the Group issued ordinary fully paid shares as consideration for services provided to the Group.
(vi) As approved by shareholders at the Group's General Meeting on 29 June 2011, 60,000,000 ordinary fully paid shares were issued pursuant to a facilitation agreement.
(vii) During the year, the Group converted the balance of its debt facility by issue of ordinary fully paid shares at the election of the instrument holder
(viii) As approved by shareholders at the Group's Annual General Meeting on 10 September 2010, the Group converted part of its convertible note facility.

Note 28: Issued capital (cont'd)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting of the Group, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options
Information relating to share options outstanding at the end of the financial year is as follows:

Date of Expiry	Exercise Price	Number of Options
13/02/2013	$0.50	76,853,740[1]
31/12/2013	$0.75	11,000,000
16/07/2016	$0.20	8,000,000
23/08/2016	$0.368	13,950,893
15/05/2015	$0.2216	12,500,000
		122,304,633

[1] Listed Options

(e) Capital Management
Management aims to control the capital of the Group in order to achieve a reasonable debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. Management's actions are dependent on the state of external market conditions. These responses include the management of debt levels, distributions to shareholders and share issues.

Management's strategy is to ensure that the Group's gearing ratio remains reasonable. The Group has strategically increased its gearing ratio at 30 June 2012 to allow for the funding of previous business combinations (Ntshovelo and Mashala) and the injection of funds from SIOC-cdt. Management's plan is to stabilise debt at 30 June 2012 levels and secure funding through other sources, such as through the sale of non-core assets and the introduction of a strategic business partner to the Group's South African or Botswana operations.

The gearing ratios' for the year ended 30 June 2012 and 30 June 2011 are as follows:

	Note	Consolidated	
		2012 $	2011 $
Total borrowings	22	46,311,962	16,000,000
Less cash and cash equivalents	8	(14,594,938)	(12,050,227)
Net debt		31,717,024	4,280,704
Total capital		220,015,360	190,068,112
Gearing ratio		14%	4%

Note 29: Shares and Options to be Issued

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

	Consolidated	
	2012	**2011**
	$	**$**
Nil (2011: 234,962,406) fully paid ordinary shares	-	9,917,895
Nil (2011: 117,481,203) unlisted options	-	4,462,226
	-	14,380,121

	Consolidated	
	2011	**2011**
	No.	**No.**
Tranche 1 Placement to SOCIUS – ordinary shares	234,962,406	234,962,406
Tranche 1 Placement to SOCIUS – unlisted options	117,481,203	117,481,203

Note 30: Reserves

a. Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. Share based payment reserve
The share based payment reserve records items recognised as expenses on fair valuation of shares and options issued as remuneration to employees, directors and consultants.

c. Option reserve
The option reserve records items recognised as expenses on fair valuation of options issued for cash consideration or that are free attaching.

d. Hedging reserve
The hedging reserve records the fair value of cash flow hedges at their inception and any subsequent fair value adjustments.

e. Other reserve
The other reserve records the impact on equity attributable to the owners of Continental Coal Ltd of transactions with non-controlling interests of subsidiaries where there is no change in control.

Note 30: Reserves (cont'd)

Movements		**Consolidated** $
a.	*Foreign currency translation reserve*	
	Balance 1 July 2010	207,388
	Transfers to reserve during the year *(restated)*	(8,857,025)
	Balance 30 June 2011	(8,649,637)
	Currency translation differences arising during the year	(10,540,182)
	Balance 30 June 2012	(19,189,819)
b.	*Share based payments reserve*	
	Balance 1 July 2010	18,167,393
	Transfers to reserve during the year	12,979,190
	Balance 30 June 2011	31,146,583
	Value of options cancelled during the year and transferred to retained earnings	(792,688)
	Options issued to Employees and Consultants during the year (Note 34)	444,504
	Balance 30 June 2012	30,798,399
c.	*Option reserve*	
	Balance 1 July 2010	652,602
	Transfers to reserve during the year	-
	Balance 30 June 2011	652,602
	Transfer expired options to retained earnings	(652,602)
	Balance 30 June 2012	-
d.	*Hedging reserve*	
	Balance 1 July 2010	-
	Transfers to reserve during the year	-
	Balance 30 June 2011	-
	Recognition of cashflow hedge	(508,077)
	Balance 30 June 2012	(508,077)
e.	*Other reserve*	
	Balance 1 July 2010	-
	Transfers to reserve during the year	-
	Balance 30 June 2011	-
	Impact of equity attributable to owners of Continental Coal Ltd in relation to transactions with non-controlling interests	(9,943,621)
	Balance 30 June 2012	(9,943,621)
	Total Reserves as at 30 June 2012	1,156,882
	Total Reserves as at 30 June 2011	23,149,548

Note 31: Capital, Leasing and Other Commitments

	Consolidated 2012 AUD $	Consolidated 2011 AUD $
(a) Capital expenditure commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets payable	34,452,400	38,330,006
	34,452,400	38,330,006
Payable:		
- Within 1 year	34,452,400	9,166,122
- Between 1 and 5 years	-	29,163,884
	34,452,400	38,330,006

2012 Summary in South African Rand

	Delta PDC	Penumbra	Projects	Admin	Vlakvarkfontein	Total
Projects						
- De Wittekrans	-	-	1,879,850	-	-	1,879,850
- Penumbra	-	-	252,007,532	-	-	252,007,532
- Botswana	-	-	-	-	-	-
- Wolvenfontein	-	-	-	-	-	-
- Vlakplaats	-	-	8,226,322	-	-	8,226,322
- Lieden	-	-	649,700	-	-	649,700
- Mooifontein	-	-	433,900	-	-	433,900
- Knapdaar	-	-	494,000	-	-	494,000
- Project X & Vaalbank	-	-	1,449,384	-	-	1,449,384
- Wesselton II	-	-	75,000	-	-	75,000
Total Projects	-	-	265,215,688	-	-	265,215,688
Operational						
- Vlakvarkfontein	-	-	-	-	8,115,224	8,115,224
- Co-Disposal Dam	-	15,000,000	-	-	-	15,000,000
- Operations	-	-	-	217,000	-	217,000
- Materials handling equipment	1,600,210	-	-	-	-	1,600,210
Total Operational	1,600,210	15,000,000	-	217,000	8,115,224	24,932,434
Total Commitments	**1,600,210**	**15,000,000**	**265,215,688**	**217,000**	**8,115,224**	**290,148,122**

Note 31: Capital, Leasing and Other Commitments (Cont'd)

Penumbra mine development

The Group has concluded an agreement with ABSA Capital Ltd regarding the debt funding for the development of the Penumbra Coal Mine.

The agreement comprises a seven year term loan facility of ZAR 253,000,000 (AUD $30,041,400) as well as a standby facility of ZAR 17,500,000 (AUD $2,077,960) to be made available to fund the Penumbra Coal Mine development. Funding drawdown is subject to the Group spending 20% of the total commitments. Loan repayments are to commence in September 2013 and the final drawdown facility is to occur 18 months from the first drawdown.

2011 Summary in South African Rand

	Delta PDC	Ferreira	Projects	Admin	Vlakvarkfontein	Total
Projects						
- De Wittekrans	-	-	15,718,135	-	-	15,718,135
- Penumbra	-	-	211,485,749	-	-	211,485,749
- Botswana	-	-	14,704,320	-	-	14,704,320
- Wolvenfontein	-	-	10,000,000	-	-	10,000,000
- Vlakplats	-	-	14,535,520	-	-	14,535,520
Total Projects	-	-	266,443,724	-	-	266,443,724
Operational						
- Vlakvarkfontein	-	-	-	-	6,825,000	6,825,000
- Computer equipment	-	-	-	-	-	-
- Operations	24,000	-	-	305,000	-	329,000
- Ferriera - SANRAL	-	1,157,364	-	-	-	1,157,364
- Materials handling equipment	3,200,000	-	-	-	-	3,200,000
Total Operational	3,224,000	1,157,364	-	305,000	6,825,000	11,511,364
Total Commitments	**3,224,000**	**1,157,364**	**266,443,724**	**305,000**	**6,825,000**	**277,955,088**

Note 31: Capital, Leasing and Other Commitments (cont'd)

b) Operating lease commitments

	2012	2011
	AUD *	**AUD ***
Operating lease payments		
Premises: Contractual amounts	645,023	689,077
Wash Plant: Contractual amounts	6,483,177	12,099,129
	7,128,200	**12,788,206**
Estimated operating lease payments for the following periods are:		
Year 1	3,289,940	4,046,592
Year 2 - 5	3,838,260	8,741,614
	7,128,200	**12,788,206**

* Denominated in Australian Dollars for leases repayable in South African Rand

The estimated operating premises lease payments for future periods are determined by using an average escalation of 10% for each year's projection.

The lease commitment for the group relates to the lease of the wash plant from Fraser Alexander Mineral Processing where the agreement commenced on 1 September 2009 for a period of 60 months. The monthly payments are dependent on the capacity processed by the plant each month. The lease commitments have therefore been based on the following table and the current capacity of 118 000 tons per month:

Capacity (Tons)	Variable cost (Rand)	Fixed cost (Rand)	Lease payment (Rand)
27 500	6.07	1 300 700	1 497 625
70 000	6.07	1 435 500	1 860 400
118 000	6.07	1 592 646	2 308 906
150 000	6.07	1 731 600	2 642 100

No restrictions were placed upon the group and company by entering into the lease agreements and they contain no contractual rights of renewal.

c) Other commitments

The Group has entered into an off-take agreement with EDF Trading Ltd to deliver 250,000 and 257,734 tonnes of coal in calendar years 2013 and 2014 respectively (total tonnes: 507,734) at a Rand denominated fixed price.

Note 32: Contingent Liabilities and Contingent Assets

- A royalty equivalent to 2% of all sales of coal produced from the Project X, Vaalbank, Lemoenfontein, Witbank and Loskop projects is payable to the facilitator of the acquisition of Continental Coal Ltd.
- A royalty is payable by the subsidiary Continental Coal Limited in South Africa of between Rand 0.15 and Rand 3.00 per tonne of coal sold from the Mashala acquisition producing mines.
- A market related monthly royalty on each tonne of run-of-mine coal mined from the C-lower, C-upper, and B-lower coal seams is payable in respect of the acquisition of the Prospecting Right comprising Portion 25 of the farm Witbank 262 IT.
- As disclosed at Note 21, the Group has entered into a Coal Supply Agreement with EDF Trading. Should the Group not produce the required volumes of coal to deliver EDF monthly in accordance with the amortisation schedule, the Group may be required to buy in coal to fulfil its obligations under the Coal Supply Agreement.

Note 33: 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	83,324,216	-	-	4,886,893	88,211,109
Segment gross profit	13,544,188	-	-	-	13,544,188
Adjusted EBITDA	32,097,364	-	(343,168)	(38,944,076)	(7,189,880)
Depreciation	3,299,695	-	-	-	3,299,695
Impairment	19,775,325	-	-	-	19,775,325
Total segment assets as at 30 June 2012	188,846,965	1,171,069	9,843,559	4,323,179	204,184,772
Total segment liabilities as at 30 June 2012	102,158,722		-	37,503,790	139,662,512

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
Adjusted EBITDA	(1,863,024)	-	-	(15,191,261)	(17,054,285)
Depreciation & amortisation	4,309,746	-	-	-	4,309,746
Impairment	11,855,895	-	-	-	11,855,895
Total segment assets as at 30 June 2011	196,754,818	-	10,066,136	7,066,010	214,311,978
Total segment liabilities as at 30 June 2011	85,624,636	-	-	18,559,170	104,183,806

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.

Note 33: Segment Reporting (cont'd)

(i) **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	(7,189,880)	(17,054,285)
Interest revenue	530,964	439,277
Finance costs	(20,128,103)	(11,109,126)
Depreciation	(3,299,695)	(4,309,746)
Impairment	(19,775,325)	(11,855,895)
Loss before income tax from continuing operations	(49,862,039)	(43,889,775)

Note 34: Cash Flow Information

	Consolidated	
	2012	**Restated* 2011**
	$	**$**
(a) Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax		
Profit/(loss) after income tax	(49,862,039)	(43,889,775)
Non-cash flows in profit		
Depreciation	3,299,695	4,309,746
Impairment of exploration expenditure	19,775,325	11,855,895
Reversal of previous impairments	(287,360)	-
Net loss/(gain) on sale of assets	1,728	(18,563)
Gain on business combinations	-	(8,466,299)
Share based payment expenses	4,790,960	12,740,884
Reversal of share based payments	-	(225,477)
Foreign exchange differences	7,885,952	5,332,427
Assets written off	579,800	-
Gain on fair value of derivative financial instruments	(4,852,845)	-
Investing & financing expenses		
Borrowing costs	17,701,205	11,109,126
(Increase)/decrease in trade and other receivables	(859,031)	(4,722,697)
(Increase)/decrease in prepayments	(132,771)	34,692
(Increase)/decrease in inventory	802,607	(4,281,873)
Increase/(decrease) in trade and other payables	9,438,139	8,736,035
Increase/(decrease) in provisions	(4,307,630)	(1,194,897)
Increase/(decrease) in deferred revenue	497,916	12,605,660
Increase/(decrease) in current income tax payable	524,608	-
Cash inflow from operating activities	4,996,259	3,924,884

(b) Non-cash financing and investing activities

Non-cash financing and investing activities have been disclosed in Note 35.

(c) Credit Standby Arrangements with Banks

There were no credit standby arrangements with the banks for year ended 30 June 2012.

Note 35: Share-based Payments

The following share-based payment transactions occurred during the year:

Quantity	Security	$ Value	Purpose
1,000,000	$0.75 unlisted director options (31 December 2013)	180,065	Issued as director incentive options
		180,065	*Total director incentive share based payment expense*
20,000,000	Fully paid ordinary shares	800,000	Issued to consultants as consideration for services provided to the Company (i)
3,666,667	Fully paid ordinary shares	707,708	Issued to consultants as consideration for services provided to the Company (ii)
		1,507,708	*Total consultancy share based payment expense*
5,414,520	Fully paid ordinary shares	1,255,514	Issued as consideration for the strategic acquisition of the Wolvenfontein coal project (iii)
		1,255,514	*Total share based payment recorded as exploration expenditure*
2,283,677	Fully paid ordinary shares	501,369	Issued in lieu of cash payment of convertible note interest (iv)
		501,369	*Total borrowings related share based expense*
9,818,181	Fully paid ordinary shares	2,601,818	Termination payment to Mr Bruce Buthelezi (iii)
		2,601,818	*Total shared based payment expense related to termination payments*

(i) These shares were issued in accordance with an agreement rather than in accordance with an invoice. Accordingly, the Group is uncertain of the value that the recipient would have attributed to the services received had an invoice been prepared. The Group has valued these shares based on their market value at grant date.

(ii) Of these 3,666,667 shares, 1,500,000 were issued in accordance with agreements rather than in accordance with invoices. Accordingly, the Group is uncertain of the value that the recipient would have attributed to the services received had an invoice been prepared. The Group has valued these shares based on their market value at grant date.

(iii) The value of these shares has been determined based on market price at grant date as there is no other evidence of a more accurate value available.

(iv) The value of these shares has been determined as the value of interest expense settled with their issue.

Total share based payment expense recognised in the statement of comprehensive income for the year ended 30 June 2012 is $4,790,960.

Note 35: Share-based Payments (cont'd)

The following share based payment transactions occurred during the year ending 30 June 2011:

Quantity	Security	$ Value	Purpose
100,000,000	$0.075 unlisted director options (31 December 2013)	3,544,064	Director incentive options
16,275,486	$0.064 unlisted option and share repricing options (31 October 2015)	792,688	Placement financing options
40,000,000	$0.05 unlisted EDF options (16 July 2016)	2,144,440	Pursuant to Coal Supply Agreement
40,000,000	$0.10 unlisted EDF options (16 July 2016)	1,827,166	Pursuant to Coal Supply Agreement
187,880,167	Fully paid ordinary shares	9,857,119	Repayment of debt, including interest payable (v)
104,081,921	Fully paid ordinary shares	6,082,683	Issued in lieu of introduction and capital raising fees (vi)
60,000,000	Fully paid ordinary shares	3,500,000	Facilitation fee for coal project funding (vi)
227,000,000	Fully paid ordinary shares	11,350,000	Reduction of Debt Facilities, including interest payable (v)
60,000,000	Fully paid ordinary shares	4,800,000	Reduction of Convertible Note, including interest payable (v)
117,481,203	$0.044 unlisted options (unissued at 30 June 2011)	4,462,226	Placement financing options

(v) The value of these shares has been determined based on the value of debt and interest settled.
(vi) These shares were issued in accordance with agreements rather than in accordance with invoices. Accordingly, the Group is uncertain of the value that the recipient would have attributed to the services received had an invoice been prepared. The Group has valued these shares based on their market value at grant date.

The fair value at grant date of the unlisted options is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the listed options was determined as the market price of the listed options at the time the services were provided to the Group.

Note 35: Share-based Payments (cont'd)

The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	854,556,352	0.065	526,931,279	0.075
Granted	10,000,000	0.750	464,919,129	0.05
10:1 equity consolidation	**86,455,635**	**0.650**		
Forfeited	-	-	(5,000,000)	
Exercised	(14,880,953)	0.345	(132,294,056)	0.05
Expired	(12,000,000)	(0.175)	-	-
Cancelled	(1,627,549)	(0.640)	-	-
Outstanding at year end	57,947,133	0.556	854,556,352	.065
Exercisable at year end	57,947,133	0.556	854,556,352	.065

The following factors and assumptions were used in determining the fair value of the unlisted options on grant date at 30 June 2012:

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility annualised	Risk free interest rate	Dividend yield
01/07/2011	31/12/2013	1,000,000	$0.18	$0.75	$0.43	90%	4.76%	-

The following factors and assumptions were used in determining the fair value of the unlisted options on grant date at 30 June 2011:

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility annualised	Risk free interest rate	Dividend yield
03/11/2010	16/07/2016	40,000,000	$0.05	$0.05	$0.071	79%	5.11%	-
03/11/2010	16/07/2016	40,000,000	$0.05	$0.10	$0.071	79%	5.11%	-
03/11/2010	31/10/2015	16,275,486	$0.05	$0.064	$0.071	79%	5.11%	-
17/12/2010	31/12/2013	100,000,000	$0.04	$0.075	$0.068	79%	5.20%	-

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future volatility, which may not be the case.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $0.345 (2011: $0.05).

The weighted average remaining contractual life of options outstanding at the end of the year was 1.56 years (2011: 1.87 years).

Note 36: Events Occurring After the Reporting Date

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Group except as follows;-

- On 2 July 2012, the Group issued 6,038,647 ordinary fully paid shares on the conversion of $500,000 debt to equity;
- On 9 July 2012, the Group issued 9,113,001 ordinary fully paid shares on the conversion of $750,000 debt to equity;
- On 9 July 2012, the Group announced the appointment of Mr Maritz Smith, CFO, to the Board of Directors; and
- On 27 September 2012, the Group announced the receipt of Section 102 approval from the Department of Minerals and Resources in relation to the Ferreira mine extension. The extension provides up to a further 750,000 tonnes of forecast ROM production from the Ferreira Coal Mine to be mined over the next 15 to 18 months.

Note 37: Related Party Transactions

a) Parent entities
The parent entity within the Group is Continental Coal Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in note 14.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 5.

(d) Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated	
	2012 **$**	**2011** **$**
Consulting fees paid to Okap Ventures Pty Ltd, a company in which Mr Landau is a director, for the provision of strategic and corporate advisory, capital raising, company secretarial, financial management, investor and public relations and associated services in fully serviced offices in both Perth and London	810,000	660,000
Consulting fees paid or payable to Doull Holdings Pty Ltd, a company in which Mr Landau is a Director, for the provision of Mr Landau as an Executive Director.	163,500	163,500
Consulting fees paid or payable to Scooby Holdings Pty Ltd, a company in which Mr Brewer is a Director, for the provision of Mr Brewer as an Executive Director.	150,000	112,500
Consulting fees paid or payable to Masawu Investments (Pty) Ltd, a nominee company of Mr Buthelezi, for services rendered by his consulting company to South African subsidiary.	337,151	145,100
Consulting fees paid or payable to Masawu Investments (Pty) Ltd, a nominee company of Mr Buthelezi in relation to Mr Buthelezi's termination	1,695,611	-
Share based payments to Masawu investments (Pty) Ltd, a nominee company of Mr Buthelezi in relation to Mr Buthelezi's termination	2,601,818	-
Consulting fees paid or payable to Ingwe Investments Limited, a nominee company of Mr Macaulay, for services rendered by his consulting company to South African subsidiary.	-	235,207

Amounts payable at year end to related parties:		
Okap Ventures Pty Ltd	510,449	369,813
Doull Holdings Pty Ltd	239,800	59,950
Scooby Holdings Pty Ltd	192,500	41,250
James Leahy	53,687	-
Connie Molusi	22,978	-
Mike Kilbride	54,672	-
Johan Bloemsma	41,103	-

Note 37: Related Party Transactions (cont'd)

(e) Loans from other related parties

In May 2008, Continental Coal Limited entered into a loan agreement with Nkwe Platinum South Africa (Pty) Ltd, a company of which Peter Landau is a Director and Company Secretary, in which $794,400 was advanced to Continental in consideration for Continental providing Nkwe with a first right of refusal in respect of certain Zimbabwean PGM projects facilitated by Continental. The loan is interest bearing and repayable in South African Rand on 31 Dec 2010. The loan is secured by first right of the proceeds from the held for sale asset Vanmag. In September 2010 the loan and interest was repaid in full by converting the debt to equity with the issue of 19,973,777 ordinary shares in the Group.

Nkwe loan transactions and balances:

	Consolidated	
	2012 **$**	**2011** **$**
Balance at 1 July	-	1,107,290
Interest charged	-	37,465
Loan re-valued	-	(37,505)
Repaid in equity	-	(1,107,250)
Balance at 30 June	-	-

During the 2012 year, Continental Coal Limited entered into a borrowings agreement with Range Resources Limited, a company of which Peter Landau is a Director. In accordance with the agreement, a total of $2,115,210 was advanced to the Group. Total interest expense incurred in relation to the loan was $287,234. Principal and interest outstanding at 30 June 2012 totalled $2,402,444. Principal and interest are due to be repaid on or before 31 December 2012.

During the 2012 year and as disclosed at note 9, as part of the transaction to secure SIOC-cdt 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 SIOC-cdt, a company of which Connie Molusi is a director. The effect of this transfer was to increase the Group's external receivables and borrowings by the same amount. The receivable balance bears interest at 3% per annum and has no set date of repayment. A net expense of $4,755,011 in relation to this loan, representing a discount expense of $4,916,654 and interest income on the discount's unwinding of $161,643, is recorded within other reserves within equity as it relates to a transaction with a non-controlling interest (see note 15).

During the year a total of $201,349 was received from Kaboko Mining Ltd, a company of which Mr Jason Brewer is a director in relation to Impondo Mining & Resources Consultants Pty Ltd providing services in relation to joint rail and port infrastructure

During the 2012 year SIOC-cdt, the Group's BEE Partner and a company of which Connie Molusi is a director, advanced the Group ZAR 140,000,000 (approximately AUD $16,663,000). The loan is interest bearing at the South African Prime Rate, which is 9% at 30 June 2012, and repayable 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. Total interest expense for the year was ZAR 2,650,685 (AUD $314,744).

Note 38: Parent Entity Information

The following details information related to the parent entity Continental Coal Limited, at 30 June 2012. The information presented here has been prepared in accordance using consistent accounting policies as presented in Note 1.

	2012 $	2011 $
Current assets	11,881,973	133,369,506
Non-current assets	125,934,293	33,040,792
Total assets	137,816,266	166,410,298
Current liabilities	13,910,605	2,559,170
Non-current liabilities	23,593,185	16,000,000
Total liabilities	37,503,790	18,559,170
Contributed equity	220,015,360	190,068,112
Shares and options to be issued	-	14,380,121
Accumulated losses	(145,746,271)	(88,396,289)
Option premium reserve	-	652,602
Share based payment reserve	30,798,398	31,146,582
Other reserve	4,755,011	-
Total equity (i)	100,312,476	147,851,128
Loss for the year	(58,795,271)	(23,630,393)
Total comprehensive loss for the year	(58,795,271)	(23,630,393)

(i) The Net Assets of the parent company are higher than the Group, however there will be no impairment due to the investment in the subsidiary being recoverable based upon discounted future cash flow.

Note 39: Financial Risk Management

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital (refer note 27(e).

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables, other financial assets (cash flow hedges), trade and other payables, borrowings, and derivative liabilities.

The Group has implemented a commodity price hedge during the year ended 30 June 2012 as disclosed in note 27, which gives rise to a liability of $686,590 at year end.

The derivative liabilities that exist at 30 June 2012 arise primarily from convertible notes rather than hedging instruments, refer to notes 22 and 23 for further details of the Group's derivative liabilities. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has an overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Note 39: Financial Risk Management (cont'd)

The Group holds the following financial instruments:

	Consolidated 2012 $	Consolidated 2011 $
Financial assets		
Cash and cash equivalents	14,594,938	12,050,227
Trade and other receivables	13,012,811	7,969,914
	27,607,749	20,020,141
Financial liabilities		
Trade and other payables	27,474,968	34,890,904
Borrowings	46,311,962	16,000,000
Derivative financial instruments	1,576,265	-
Other financial liabilities	8,661,536	-
Hedge liability	686,590	-
	84,711,321	50,890,904

Financial Risk Exposures and Management
The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's treasury risk management policy is to closely monitor exchange rate fluctuations. To date, the Group has not sought to hedge its exposure to fluctuations in exchange rates, however this policy will be reviewed on an ongoing basis.

The Group is exposed to currency risk on receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, which is primarily the Australian Dollar (AUD). The currency in which these transactions are primarily denominated is the South African Rand (ZAR).

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Note 39: Financial Risk Management (cont'd)

The Group's exposure to foreign currency risk at reporting date was as follows:

	Consolidated			
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	ZAR	ZAR	USD	USD
Cash and cash equivalents	-	34,187,588	-	-
Receivables	75,000,000	57,571,583	-	-
Borrowings	-	-	-	-
Trade payables	-	(239,362,509)	-	-
Other payables	-	(104,461,349)	-	-
Other financial liabilities	-	-	10,603,299	-
	75,000,000	(252,064,687)	10,603,299	-

Sensitivity Analysis

A 10 percent strengthening of the Australian Dollar against the following currencies at 30 June 2012 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011. 10 percent is management's assessment of the possible change in foreign exchange rates based on historical information.

	Equity		Profit or Loss	
	2012	2011	2012	2011
	$	$	$	$
Consolidated				
ZAR	(890,556)	(2,035,450)	(890,556)	(2,035,450)
USD	(1,043,513)	-	(1,043,513)	-
	(1,934,069)	(2,035,450)	(1,934,069)	(2,035,450)

A 10 percent weakening of the Australian Dollar against the above currency at 30 June 2012 would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii) Commodity Price Risk

Commodity price risk is the risk that fluctuations in the price of coal will have an adverse effect on current or future earnings. The Group may use financial instruments to hedge some of its exposure to fluctuations in coal prices. In order to protect against the impact of falling coal prices, the Group enters into hedging transactions which provide a minimum price to cover non-discretionary operating expenses, repayments due under the Group's financing facilities, and sustaining capital. The majority of the Group's forecast export production is unhedged, allowing it to take advantage of increases in gold prices.

The Group has implemented a commodity price hedge in the year ending 30 June 2012 upon the conclusion of the ABSA financing agreement as disclosed in note 27. Apart from this hedge, the Group is exposed to fluctuations in the price of its export coal.

The Group's South African domestic contracts are fixed price contracts and therefore there is nominal exposure to fluctuations in the price of domestic coal.

(iii) Equity Price Risk

The Group is exposed to equity price risk on its derivative liabilities disclosed in note 23. The liabilities fluctuate with the Group's underlying share price until either the convertible notes are repaid by the Group or the option holder converts.

Note 39: Financial Risk Management (cont'd)

The Group has no policy for mitigating potential adversities associated with its own equity price risk given its dependence on market fluctuations.

The Group's exposure to equity price risk at reporting date was as follows:

	Profit or loss	
	2012	**2011**
	$	**$**
Derivative financial instruments	1,576,265	-
	1,576,265	-

Sensitivity Analysis
A 100% strengthening or weakening of the Company's share price would have increased/(decreased) profit or loss by an immaterial amount. This assumes that all other variables, in particular interest rates, remain constant. 100% is management's estimate of a reasonable change in the Company's share price based on historic price volatility.

(iv) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts and payable on its long-term borrowings from SIOC.

The Group does not use derivatives to mitigate these exposures at 30 June 2012 however this position is expected to change with the implementation of an interest rate hedge in respect of 50% of any amounts drawn down from ABSA Capital in the 30 June 2013 financial year.

Cash flow sensitivity analysis for variable rate investments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss	
	2012	**2011**
	$	**$**
Consolidated		
Cash - variable rate instruments	334	2,918
Borrowings – variable rate loan	(43,073)	-
	(42,739)	2,918

Note 39: Financial Risk Management (cont'd)

Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the statement of financial position.

	Weighted Average Effective Interest Rate		**Floating Interest Rate**		**Fixed Interest Maturing**		**Non-interest bearing**		**Total**	
Consolidated	**2012 %**	**2011 %**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Financial Assets:										
Cash and cash equivalents	2%	5%	14,594,938	12,050,227	-	-	-	-	14,594,938	12,050,227
Receivables	0.71%	-	-	-	4,183,866	-	8,828,945	7,969,914	13,012,811	7,969,914
Total Financial Assets			**14,594,938**	**12,050,227**	**4,183,866**	**-**	**8,828,945**	**7,969,914**	**27,607,749**	**20,020,141**

	Weighted Average Effective Interest Rate		**Floating Interest Rate**		**Fixed Interest Maturing**		**Non-interest bearing**		**Total**	
Consolidated	**2012 %**	**2011 %**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Financial Liabilities:										
Trade and sundry payables	-	-	-	-	-	-	27,474,968	34,890,904	27,474,968	34,890,904
Borrowings	8.93%	10%	25,843,842	-	20,191,319	16,000,000	276,801	-	46,311,962	16,000,000
Derivative liabilities	-	-	-	-	-	-	1,576,265	-	1,576,265	-
Other financial liabilities	-	-	-		-		8,661,536		8,661,536	-
Hedge liability	-	-	-	-	-	-	686,590		686,590	-
Total Financial Liabilities			**25,843,842**	**-**	**20,191,319**	**16,000,000**	**38,676,160**	**34,890,904**	**84,711,321**	**50,890,904**

Note 39: Financial Risk Management (cont'd)

(b) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to any single counter-party.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. The Group's cash is deposited with financial institutions as follows:

	2012 $	2011 $
Counterparties with external credit ratings:		
A1+	14,594,938	-
AA	-	12,050,227
	14,954,938	12,050,227

Trade and other receivables

Trade and other receivables as at the statement of financial position date include short term loans to be refunded to the Group. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. As disclosed at note 9, the Group has past due but not impaired receivables in the amount of $134,968 (2011: $135,874). The Group considers its exposure to credit risk on trade receivables immaterial based on the balance of past due but not impaired receivables.

Exposure to Credit Risk

The carrying value of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was as summarised on page 102.

Impairment Losses

$134,968 of the Group's other receivables are past due but not impaired (2011: $135,874).

(c) Liquidity Risk Management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does have external borrowings.

The Group anticipates a need to raise additional capital and/or receive funds from the disposal of Vanmag or other non-core assets, and/or introduce a significant investment partner to the Group's South African or Botswana operations in the next 12 months to meet its financial commitments and current liabilities. The decision on how the Group will raise future capital will depend on market conditions existing at the time.

Note 39: Financial Risk Management (cont'd)

The following are the contractual maturities of financial liabilities:

2012	**Carrying amount $**	**Principle & Interest $**	**6 months or less $**	**6-12 months $**	**1-2 years $**	**2-5 years $**	**Total $**
Consolidated							
Trade and other payables	27,474,968	27,474,968	27,076,543	-	398,425	-	27,474,968
Borrowings interest bearing	46,311,962	61,553,141	6,305,515	3,300,000	16,800,000	35,147,626	61,553,141
Other financial liabilities	8,661,536	8,661,536	2,823,943	630,288	1,260,576	3,946,729	8,661,536
	82,448,466	97,689,645	36,206,001	3,930,288	18,459,001	39,094,355	97,689,645

2011	**Carrying amount $**	**Principle & Interest $**	**6 months or less $**	**6-12 months $**	**1-2 years $**	**2-5 years $**	**Total $**
Consolidated							
Trade and other payables	34,890,904	34,890,904	34,890,904	-	-	-	34,890,904
Borrowings interest bearing	16,000,000	16,000,000	-	-	-	16,000,000	16,000,000
	50,890,904	50,890,904	34,890,904	-	-	16,000,000	16,000,000

Financing arrangements

At 30 June 2012, the Group had access to ZAR 253,000,000 (approximately AUD $30,500,000) from ABSA Capital for the development of Penumbra of which nil was drawn down at year end, as well as an additional ZAR 17,500,000 standby facility from ABSA Capital (approximately AUD $2,100,000). Repayment commences 30 September 2013, with escalating instalments due each quarter thereafter until 30 September 2018. The agreement includes provisions for interest rate and coal price hedging, which will be implemented upon the commencement of facility drawdowns in the year ending 30 June 2013.

Note 39: Financial Risk Management (cont'd)

(d) Fair value measurements

The fair value of financial assets and liabilities must be estimated for recognition and measurement purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Total assets	-	-	-	-
Liabilities				
Convertible note derivative liabilities	-	911,555	-	911,555
Option and share repricing derivative liability	-	664,710	-	664,710
Hedge liability	-	686,590	-	686,590
Total liabilities	-	2,262,855	-	

There were no financial instruments with fair value measurements at 30 June 2011 requiring disclosure.

The fair value of the other financial asset has been provided by an independent third party and is based on coal prices at 30 June 2012.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data at each reporting period. The fair values of the convertible note derivative liabilities and option and share repricing derivative liability is determined based on a black-scholes option pricing model and monte carlo simulation, based upon various inputs at the end of the reporting period. These instruments are included in Level 2.

Note 40: New Accounting Standards and Interpretations

Australian Accounting Standards/Amendments Released But Not Yet Effective: 30 June 2012 Year End

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2012. They have not been adopted in preparing the financial statements for the year ended 30 June 2012 and are expected to impact the consolidated entity in the initial period of application. In all cases the entity intends to apply these standards from the date of application as indicated below.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the [Entity]'s returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements	1 July 2013

Note 40: New Accounting Standards and Interpretations (continued)

		assets of the arrangement).		because the Group has not entered into any joint arrangements.	
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The Group does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012

Note 40: New Accounting Standards and Interpretations (continued)

AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. • OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The Group has not yet determined the impact of this standard.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	I July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements..	1 July 2015

Note 41: Group Details

The registered office of the Group is:

Continental Coal Limited
Ground Floor
1 Havelock Street
West Perth WA 6005

The principal place of business is:

Continental Coal Limited South Africa
9th Floor Fredman Towers
13 Fredman Drive
Sandton South Africa 2196

DIRECTORS DECLARATION

The directors of the Group declare that:

1. the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory reporting requirements; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.

2. The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of Compliance with International Financial Reporting Standards.

3. In the director's opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2012 comply with section 300A of the Corporations Act 2001.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Don Turvey
Chief Executive Officer

Dated this 30 September 2012

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Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CONTINENTAL COAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Continental Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Continental Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Continental Coal Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $49,862,039 during the year ended 30 June 2012 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by $7,838,208. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Continental Coal Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 30th Day of September 2012

ASX ADDITIONAL INFORMATION

Shareholdings

The issued capital of the Company as at 14 September 2012 is 445,894,046 ordinary fully paid shares. There are 76,853,740 listed options ($0.50, 13 February 2013).

Ordinary Shares at 14 September 2012	No. of Holders	No. of Shares
1 - 1,000	1,216	763,321
1,001 - 5,000	3,346	10,242,195
5,001 – 10,000	2,264	18,707,604
10,001 - 100,000	4,070	137,621,460
100,001 – 9,999,999,999	688	288,559,466
	11,584	445,894,046
Number holding less than a marketable parcel	5,902	20,476,798

Options ($0.50, 13 February 2013) at 14 September 2012	No. of Holders	No. of Options
1 - 1,000	24	14,784
1,001 - 5,000	151	535,990
5,001 – 10,000	160	1,390,314
10,001 - 100,000	466	18,096,525
100,001 and over	158	56,816,127
	959	76,853,740
Number holding less than a marketable parcel	856	27,365,794

	Top 20 Shareholders as at 14 September 2012	No. of Shares Held	% Held
1.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	10,661,243	2.34
2.	CITICORP NOMINEES PTY LIMITED	9,158,994	2.01
3.	MARMULLA GENERAL PTY LTD	7,739,400	1.70
4.	SATORI INTERNATIONAL PTY LTD <SATORI S/F A/C>	7,491,670	1.64
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,217,451	1.58
6.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	6,578,854	1.44
7.	NATIONAL NOMINEES LIMITED	5,323,014	1.17
8.	MR JAMES WALLACE HOPE <JWH A/C>	4,456,281	0.98
9.	INRESPECT CAPITAL PTY LTD	3,800,000	0.83
10.	FANCHEL PTY LTD	3,561,444	0.78
11.	MARMULLA HOLDINGS PTY LTD <MARMULLA SUPER FUND A/C>	3,417,382	0.75
12.	PERPETUAL CAPITAL INVESTMENTS PTY LTD	3,350,000	0.73
13.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,232,306	0.71
14.	MR DAVID BRUCE PAUL	3,155,651	0.69
15.	COMSEC NOMINEES PTY LIMITED	2,640,020	0.58
16.	HNC PTY LTD <THE SAGGERS SUPER FUND A/C>	2,481,819	0.54
17.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	2,393,475	0.53
18.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,220,414	0.49
19.	IERACE PTY LTD <THE IERACE FAMILY A/C>	2,200,000	0.48
20.	J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	2,000,000	0.44
Top 20 holders		**93,079,418**	**20.42**
Total Remaining Holders Balance		**362,814,628**	**79.58**

ASX ADDITIONAL INFORMATION

	Top 20 Option Holders ($0.50, 13 February 2013) as at 14 September 2012	No. of Options Held	% Held
1.	GPI MANAGEMENT SERVICES PTY LTD	2,272,316	2.96
2.	MR RICHARD JAMES WILLIAMS + MS JANE CLARE DUNLOP <BSD SUPER FUND A/C>	2,189,244	2.85
3.	MR MICHAEL GARDNER PERCY	1,778,046	2.31
4.	MISS GILLIAN CLAIRE RUDGE	1,752,000	2.28
5.	MR ROSS EDWARD GUSTAFSON <VESTY SUPER FUND A/C>	1,516,375	1.97
6.	MRS DEBORAH LOUISE WHITECHURCH	1,328,500	1.73
7.	PERCY HOLDINGS LIMITED	1,150,000	1.50
8.	MR CONSTANTINOS CASIOU	1,100,000	1.43
9.	R & C AUSTRALIA PTY LTD	1,000,000	1.30
10.	MR JOHN ZHANG	1,000,000	1.30
11.	MR NEVILLE HINRICHSEN + MRS ANNETTE HINRICHSEN	951,000	1.24
12.	J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	897,305	1.17
13.	MR UDUMA IDIKA UDUMA	877,523	1.14
14.	MR JAMES WALLACE HOPE <JWH A/C>	822,562	1.07
15.	MRS GINA CLARE FIALLA	800,000	1.04
16.	MR BRUCE HODGENS + MRS BARBARA SUSAN HODGENS	800,000	1.04
17.	MR RONALD JAMES SCOTT	771,200	1.00
18.	MR NATHAN NISSEN <NISSEN SUPER FUND A/C>	760,000	0.99
19.	MRS KATHRYN ANNE HARRISON <KATHYS FUTURE FOLLY S/F A/C>	700,000	0.91
20.	NAH SUPERANNUATION PTY LTD <NAH SUPERANNUATION FUND A/C>	617,000	0.80
Top 20 holders		**23,083,071**	**30.04**
Total Remaining Holders Balance		**53,770,669**	**69.96**

Substantial Shareholders as at 14 September 2012	No. of Shares Held	% Held
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	10,661,243	2.34
CITICORP NOMINEES PTY LIMITED	9,158,994	2.01
MARMULLA GENERAL PTY LTD	7,739,400	1.70
SATORI INTERNATIONAL PTY LTD <SATORI S/F A/C>	7,491,670	1.64

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the overall strategy, governance and performance of the Continental Coal Group. The Group is Coal Mining and Development Company whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of coal projects predominantly in the Republic of South Africa.

The Board recognises the importance of corporate governance and is developing a new corporate framework which will be aligned to the growth of the Group.

During the year end 30 June 2012, the Board established a Remuneration and Nomination Committee and restructured its Audit and Risk Management Committee to assist the Board in the execution of its duties and to ensure that important and complex issues are given the detailed consideration they require. Each of these committees has its own Charter approved by the Board, and under which authority is delegated by the Board. Each committee is required to report the outcome of its deliberations to the Board so that the Board is fully informed on all important matters before matters are resolved.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Continental Coal Limited is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Continental has not followed a recommendation, this has been identified and an explanation for the departure has been given. Further details can be found on the Group's website.

	BEST PRACTICE RECOMMENDATION	**COMMENT**
1.	***Lay solid foundations for management and oversight***	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Satisfied. Refer the Corporate Governance section on the Group website.
1.2	Companies should disclose the process for evaluation the performance of senior executives.	Satisfied. The remuneration and performance of senior executives is reviewed annually by the Remuneration and Nomination Committee. Refer the Corporate Governance section on the Group website.
1.3	Provide the information indicated in *Guide to Reporting on Principle 1.*	Satisfied. Refer to Director's report and the Corporate Governance section on the Group website.
2.	***Structure the board to add value***	
2.1	A majority of the board should be independent directors.	Satisfied. At the date of this report, the Board has 9 members, consisting of 3 independent directors, 3 non-executive directors and 3 executive directors.
2.2	The chairperson should be an independent director.	Satisfied. The Board was pleased to announce the appointment of Non-Executive Chairman Mr Mike Kilbride on 23 February 2012.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Satisfied. The roles of the Chairman and the Chief Executive Officer are exercised by Mr Kilbride and Mr Turvey respectively.
2.4	The board should establish a nomination committee.	Satisfied. Refer the Corporate Governance section on the Group website.
2.5	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Satisfied. The Board reviews it performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. The Remuneration and Nomination Committee reviews the performance of directors and key executives on an annual basis. Refer the Corporate Governance section on the Group website.
2.6	Provide the information indicated in *Guide to Reporting on Principle 2.*	Satisfied. Refer to Director's report and the Corporate Governance section on the Group website. In addition, The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Group, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

CORPORATE GOVERNANCE STATEMENT

3.	***Promote ethical and responsible decision-making***	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the group's integrity; and (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Refer the Corporate Governance section on the Group website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Satisfied. The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. The Company has established a Diversity Policy. Refer the Corporate Governance section on the Group website.
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	Not Satisfied. Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Satisfied. There are currently 2 women in senior executive positions within the Company, Ms Flegg as Joint Company Secretary and Ms Hebron as Director and CFO of the South African subsidiary.
3.5	Provide the information indicated in *Guide to Reporting on Principle 3.*	Satisfied. Refer the Corporate Governance section on the Group website.
4.	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	Satisfied. Refer the Corporate Governance section on the Group website.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Not satisfied. The audit committee consists of Chief Executive Officer Mr Turvey; 2 non-executive directors, Mr Landau and Mr Leahy; Company Secretary Ms Flegg; and Mr Smith, the Group's CFO. The Group is of the opinion that the input of the CEO and CFO are imperative in ensuring that any operational matters impacting the financial position of the Group are identified, appropriately reflected in the Group's accounting records, and disclosed if appropriate.

CORPORATE GOVERNANCE STATEMENT

4.3	The audit committee should have a formal charter.	Satisfied. Refer the Corporate Governance section on the Group website.
4.4	Provide the information indicated in *Guide to Reporting on Principle 4.*	Satisfied. Refer to Director's report.
5.	***Make timely and balanced disclosure***	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available in the Corporate Governance section on the Group website.
5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	Satisfied. Refer 5.1
6.	***Respect the rights of shareholders***	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Satisfied. Communications with Shareholders policy is available in the Corporate Governance section on the Group website.
6.2	Provide the information indicated in *Guide to Reporting on Principle 6.*	Satisfied. Refer to the Group website.
7.	***Recognise and manage risk***	
7.1	The Group should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management policy is available in the Corporate Governance section on the Group website.
7.2	The Board should design and implement the risk management and internal control system to manage the group's material business risks and report on whether those risks are being managed effectively. The Board should disclose that management has reported to is as to the effectiveness of the Group's management of its material business risks.	Satisfied. Refer 7.1 & 7.3
7.3	The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. Risk management policy is available in the Corporate Governance section on the Group website
7.4	Provide the information indicated in *Guide to Reporting on Principle 7.*	Satisfied. Refer 7.1 Not currently applicable. Refer 7.3
8.	***Remunerate fairly and responsibly***	
8.1	The board should establish a remuneration committee.	Satisfied. Refer the Corporate Governance section on the Group website.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Details of executive and non-executive remuneration are outlined in the Directors' report.
8.3	Provide the information indicated in *Guide to Reporting on Principle 8.*	Satisfied. The Group has incorporated all information as required.