Continental Coal Ltd
ABN 13 009 125 651 ASX Code CCC AIM Code COOL

30 September 2013

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

By e-lodgement

CONTINENTAL COAL RELEASE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

Continental Coal Limited (ASX: CCC) ("Continental" or "the Company") the South African thermal coal production, development and exploration company, is pleased to announce the release of its Annual Report for the year ended 30 June 2013.

The Annual Report can be accessed on the Company's website www.conticoal.com. In support of the Company's stated objective to manage its operating costs shareholders are encouraged to access the electronic copy of the Annual Report as the Company will only be posting copies to shareholders on request. Shareholders who wish to receive a printed copy of the report should send a request with their postage details to admin@conticoal.com.

For and behalf of the Board

Don Turvey

Chief Executive Officer

For further information please contact:

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL) is a South African thermal coal producer with a portfolio of projects located in South Africa's major coal fields including three operating mines, the Vlakvarkfontein, Ferreira and Penumbra Coal Mines, producing approx. 2.8Mtpa of thermal coal for the export and domestic markets. A Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production and secured debt funding from ABSA Capital to fund its growth.

Forward Looking Statement

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the coal mining industry, expectations regarding coal prices, production, cash costs and other operating results, growth prospects and the outlook of Continental's operations including the likely commencement of commercial operations of the De Wittekrans project, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding Company's development and exploration operations, economic performance and financial condition.
Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in coal prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to the Company's most recent annual report and half year report. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

Continental Coal Ltd

ABN 13 009 125 651

ANNUAL REPORT
For the year ended 30 June 2013

CORPORATE DIRECTORY

Directors and Officers

Mike KILBRIDE
(Independent Non-Executive Chairman)

Don TURVEY
(Chief Executive Officer and Executive Director)

Jason BREWER
(Non-Executive Director)

Johan BLOEMSMA
(Non-Executive Director)

Connie MOLUSI
(Non-Executive Director)

Bernard SWANEPOEL
(Non-Executive Director)

Lou van Vuuren
(Chief Financial Officer)

Johan Heystek
(Chief Operating Officer)

Company Secretary

Dennis WILKINS
(Joint Company Secretary)

John RIBBONS
(Joint Company Secretary)

Registered Office

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20 Kings Park Road
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Email: admin@conticoal.com
Website: www.conticoal.com

Country of Incorporation

Australia

Auditors

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38 Station Street
SUBIACO WA 6008
Telephone: +61 08 6382 4600
Facsimile: +61 08 6382 4601

Share Registry

Computershare Ltd
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45 St Georges Terrace
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Facsimile: +61 08 9323 2033

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Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: CCC
AIM Code: COOL

a portfolio of producing and advanced coal projects located in South Africa's major coal fields

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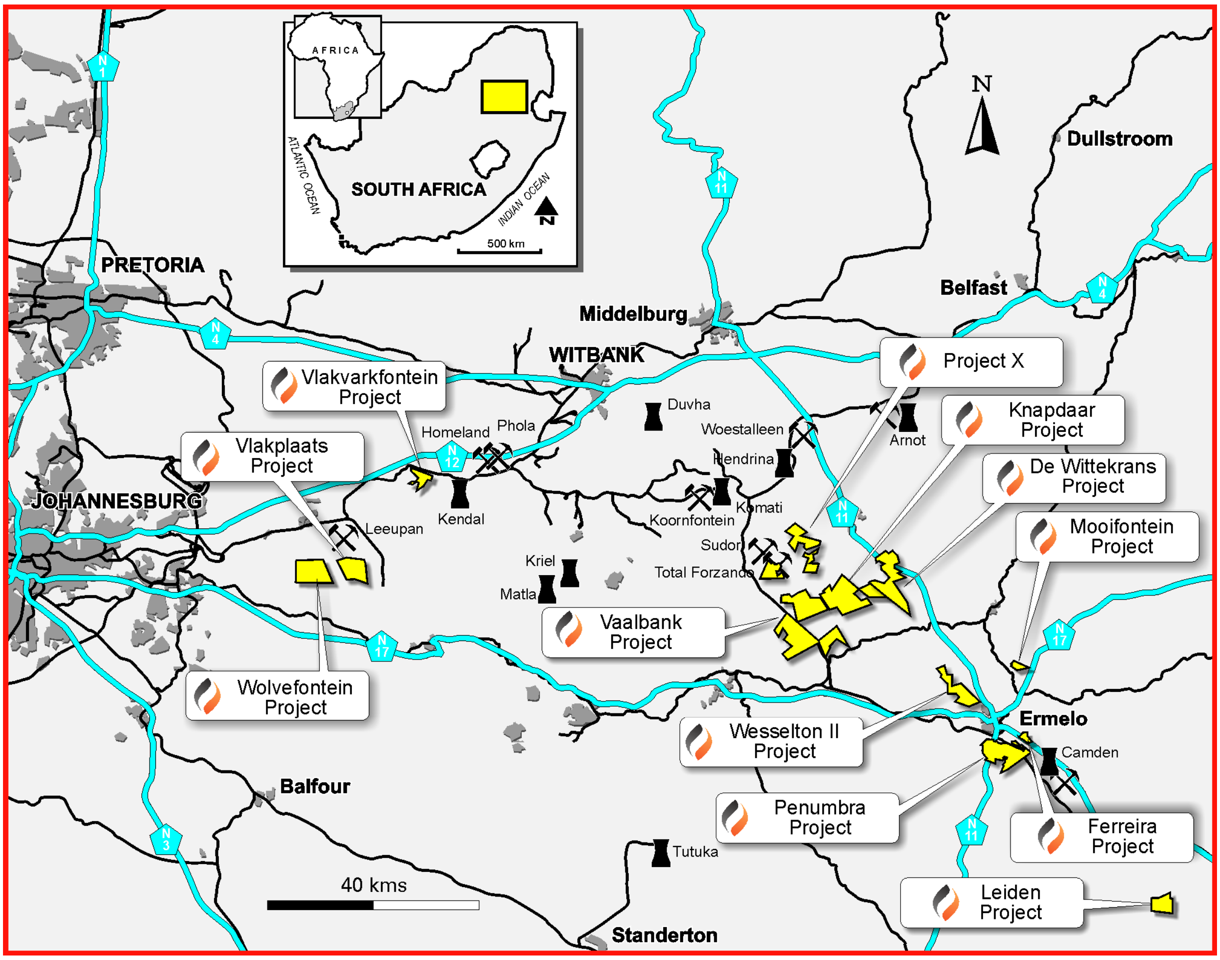
PROJECT LOCATION MAP



Forward Looking Statement

This document includes certain statements that may be deemed "forward-looking statements" and information. All statements in this documents, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects to take place in the future are forward-looking statements and information. Although the Company believes the expectations expressed in such forward-looking statements and information are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements and information. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, drilling and development results, production rates and operating costs, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those stated.

CHIEF EXECUTIVE OFFICERS' REPORT

Dear Shareholder,

Continental Coal has been faced with a number of challenges over the past year which included a significant decrease in international thermal coal prices coupled with a backdrop of continued volatility and uncertainty throughout the capital markets, especially in the junior resources sector. However, we have achieved a number of operational milestones and our three coal mining operations are all performing well, aided by a depreciating local currency and very strong demand from the domestic coal market. In the past twelve months, we have witnessed some significant production rationalisation among major thermal coal producers globally while a number of port and rail infrastructure projects have been delayed, deferred or even postponed, which we believe will have a positive impact on long term thermal coal prices.

Continental Coal experienced a strong improvement in operational performance with record Run of Mine (ROM) production of 2.2Mt from its thermal coal mines in the 2013 financial year (FY2013), which represented a 15% increase on the previous year. We have focused on providing real, tangible and sustained improvements across all of our three thermal coal mining operations in South Africa which now have a combined targeted ROM production of 2.3Mtpa for the 2014 financial year (FY2014).

The Company achieved the commissioning of its third thermal coal mine during the year when it successfully delivered the Penumbra mine with production of first coal in November 2012. Both the continuous miners were commissioned during the year while the key focus up to August 2013 remained on the development and commissioning of the primary upcast ventilation shaft. This project was completed during August 2013 and with the required ventilation in place the focus has shifted to achieve the planned monthly production rate of 63,000 tonnes per month by November 2013. Notwithstanding the development activities during the year, the mine still managed to deliver 143,299 tonnes to our Delta plant.

The optimization work for the De Wittekrans project that was completed during the year has confirmed the potential to substantially improve the project economics and reduce the capital expenditure necessary to bring the De Wittekrans Coal Project into production. The work identified the opportunity to develop the De Wittekrans Coal Project to be a thermal coal mining operation supplying domestic and international markets over an initial 35 year mine life. Annual production of 3.6 Mtpa is expected after the planned 5 year build-up. The De Wittekrans New Order Mining Right (Mining Right) was granted by South Africa's Department of Mineral Resources (DMR) in September 2013. The approval for the Integrated Water Use Licence (IWUL) is expected in Q1 2014 which will allow for the development to commence.

Production from our Vlakvarkfontein mine increased 23% year on year and contributed 1,5Mt to total ROM production. Vlakvarkfontein mine exceeded planned production and also recorded free on truck ("FOT") costs of R140 (US$14) per tonne, which was 6% below planned costs, comparing well with the R131 (US$13.1) per tonne recorded for the 2012 financial year. Vlakvarkfontein mine has demonstrated its ability to consistently deliver and exceed planned production and is forecasted to deliver 1.3Mtonnes at a FOT cost of R152 (US$15.2) per tonne during (FY2014).

An initial delay during the year in obtaining regulatory approval to expand the Ferreira mine was mitigated by good production results in the latter part of the financial year. 559,105 ROM tonnes were produced at a yield of 70,4% during the year, a significant improvement on the 60.1% yield achieved in the prior year. Free on Board ("FOB") costs of R662 (US$66.2) per tonne were recorded, a below South African inflation increase of 3% year on year. The Ferreira mine is nearing its end of life and operations are forecasted to deplete its resource by November 2013.

CHIEF EXECUTIVE OFFICER'S REPORT

In March 2013, the Company concluded the sale of our non-core shareholding in Vanadium and Magnetite Exploration and Development Co Limited (Vanmag). The sale proceeds of approximately US$10 million were used to purchase all the outstanding minority interests in Mashala Resources (Pty) Ltd (Mashala) not held by the Company's 74% owned South African subsidiary, Continental Coal Limited (CCL).

We also completed a strategic investment agreement with diversified South African mining company, Village Main Reef Limited (VMR). This investment agreement involved a private placement of 100 million shares to VMR at an issue price of A$0.08 per share with a further 25 million unlisted options with an exercise price of A$0.10 per option and an expiry date of 31 March 2016 being issued to VMR. In addition to the placement, VMR has also acquired parcels of shares held by shareholders with a market value of less than $500 (being shareholdings less than a Minimum Shareholding as provided for in the Company's constitution) taking VMR's total shareholding to 16.34% in the Company. The proceeds from the funds raised were applied towards debt reduction and working capital requirements.

We have made good progress with our ongoing program of cost reductions primarily in corporate, administration, finance and marketing areas. Over the past year, we have restructured the Perth office in the administration and finance departments thereby further reducing corporate overheads and personnel costs. We will continue with our focus on costs in all parts of our business during FY2014 to ensure we maximize the return on our assets.

Our Board restructuring during the year commenced with the appointment of prominent South African mining executive Bernard Swanepoel as a new Non-executive Director in May 2013. Bernard was appointed to the Board following the completion of the VMR strategic investment transaction, where he had been CEO until August 2013 and now holds the position as Chairman of VMR. Founding Director, Peter Landau, resigned from the Board in May 2013 followed by James Leahy during August 2013. Jason Brewer also stepped down as Financial Director in September 2013 following the appointment of Lou van Vuuren as Chief Financial Officer. Jason remains on the Board as a Non-executive Director. We launched a process to appoint one more Australian resident Non-executive Director as required by the Corporations Act.

We continue to remain in negotiations with various parties on the sale of non-core coal assets as well as the finalisation of a long-term off-take agreement, strategic partnership and funding and / or a joint venture for the De Wittekrans Project. Together with on-going discussions with current and potential investors and financiers we are endeavouring to strengthen our Balance Sheet by creating a sustainable business model which will deliver value to our shareholders over the medium and longer term.

I would like to thank my fellow Directors and all involved with the Group for their commitment and contributions in what has been a challenging but exiting year during which I believe we made good progress in restructuring the Company to ensure we are well positioned for the next growth phase in Continental's life.

In conclusion, the Board and I would like to thank you as a shareholder of Continental Coal for your loyal support over the past year and we look forward to sharing in our success as we enter into a new financial year as a stronger company focusing on long term profitable growth.

Yours Faithfully,

DON TURVEY
Chief Executive Officer

DIRECTORS' REPORT

1. Principle Activities

Continental Coal Ltd (the Company or the Group) is a limited company incorporated in Australia whose shares are listed on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) London. The principal activities of the Group are the acquisition, exploration, development, and operation of coal projects primarily in South Africa and Botswana.

2. Health and Safety

The Group maintains a strong health and safety culture across all of its coal mining and processing operations, as well as its development and exploration projects throughout South Africa and Botswana. Management remain focused on continued improvement to its health and safety initiatives and policies across all its operations. Through leadership and employee involvement initiatives the Company strives towards continuous improvement in health and safety procedures and to create a culture of zaro-harm amongst all stake holders.

During the MINESAFE 2012: ZERO HARM conference held in South Africa in August 2012, Continental Coal was rewarded with significant safety achievement awards with Ferreira and Vlakvarkfontein mines achieving 2nd and 6th place overall, respectively.

The Group has been successful in maintaining a strong health and safety record, with 4,980,141 fatality free man hours achieved to date. In addition to the significant number of fatality free man hours, the Group's operations have recorded a significant number of Fatality Free Production Shifts ("FFPS") during the year as follows:

- Delta surface operations achieved 9,000 FFPS;
- Ferreira opencast achieved 4,000 FFPS; and
- Penumbra underground achieved 2,000 FFPS.

During the year, the Group reported five Lost Time Injuries, two at the Vlakvarkfontein Coal Mine and three at the Penumbra Coal Mine. The rolling 12 month Lost Time Injury Frequency Rate ("LTIFR") as at 30 June 2013 was 2.78 (2012:0.68).

As part of the Group's commitment to the wellness of its employees and members of the communities in which it operates, the Group supported World Aids Day on 30 November 2012. The Group provided approximately 500 awareness bags containing hats, T-shirts, and prevention information for distribution to employees and contractors of the Group and others in the local community. Management met with employees and contractors during the day, distributing the awareness packs and providing seminars on HIV/AIDS awareness and prevention.

3. Review of Operations

3.1 Reserve and Resource statement

The Company's updated Coal Resource and Reserve Statements as at 31 July 2013 are presented below:

PROJECT	RESOURCE CATEGORY	PROJECT GROSS TONNES IN SITU (GTIS) (t)	TOTAL PROJECT TONNES IN SITU (TTIS) (t)	CONTINENTAL'S ATTRIBUTABLE INTEREST
Vlakvarkfontein	Measured	8 703 480	8 268 200	44%
Penumbra		8 421 911	7 579 700	74%
De Wittekrans		52 330 387	47 097 100	74%
Wesselton II		4 201 199	3 570 800	74%
Leiden		4 309 133	3 862 500	74%
TOTAL MEASURED		**77 966 110**	**70 378 300**	
Vlakplaats	Indicated	38 176 346	34 258 000	37%
Project X		2 969 951	2 672 000	56%
Penumbra		6 725 373	6 052 000	74%
De Wittekrans		73 733 941	66 358 000	74%
Vaalbank		8 809 511	7 928 000	52%
Wesselton II		5 112 340	4 344 000	74%
Leiden		1 996 754	1 794 500	74%
TOTAL INDICATED		**137 524 217**	**123 406 500**	
Vlakplaats	Inferred	16 276 680	12 190 000	37%
Wolvenfontein		36 725 119	31 200 000	74%
Project X		11 687 034	10 517 000	56%
De Wittekrans		66 618 671	59 940 000	74%
Knapdaar		42 064 528	35 750 000	74%
Vaalbank		13 937 555	12 540 000	52%
Wesselton II		8 648 522	7 330 000	74%
Mooifontein		3 092 970	2 620 000	74%
Leiden		12 057 828	10 851 400	74%
Kweneng (1)		2 159 000	2 051 050	100%
TOTAL INFERRED		**213 267 906**	**184 989 450**	
GRAND TOTAL RESOURCES		**428 758 233**	**378 774 250**	

Notes:
(1) JORC compliant.

PROJECT	RESERVE CATEGORY	MINEABLE TONNES IN SITU (MTIS) (t)	ROM TONNAGE (t)	PRIMARY MARKETABLE RESERVE (t)	SECONDARY MARKETABLE RESERVE (t)	CONTINENTAL'S ATTRIBUTABLE INTEREST
Vlakvarkfontein	Proven	8 113 190	7 706 000	7 706 000	-	44%
Penumbra		4 950 810	3 506 000	1 699 000	986 000	74%
TOTAL PROVED		**13 064 000**	**11 212 000**	**9 405 000**	**986 000**	
Penumbra	Probable	7 676 668	5 411 000	2 955 000	1 052 000	74%
De Wittekrans*		105 766 813	70 865 000	19 052 000	19 395 000	74%
TOTAL PROBABLE		**113 443 481**	**76 276 000**	**22 007 000**	**20 447 000**	
GRAND TOTAL RESERVES		**126 507 482**	**87 488 000**	**31 412 000**	**21 433 000**	

Notes:
* The primary and secondary marketable coal reserves are subject to change in line with results from the coal revenue optimisation exercise that is currently being undertaken.

These coal resources and coal reserves (excluding Kweneng) have been defined in accordance with the 2007 South African Code for Reporting of Mineral Resources and Mineral Reserves Code (SAMREC Code). The SAMREC Code requires the use of the South African National Standard : South African Guide to the Systematic Evaluation of Coal Resources and Coal Reserves (SANS10320:2004) when classifying and reporting coal resources and reserves. SANS10320:2004 uses the principle of relative distances from boreholes with quality data for the classification of coal resources. This standard was utilised by the Company's consultants in calculating the project resources.

The above coal resource and coal reserve estimates are also in compliance with and to the extent required by the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee of The Australasian Institute of Mining, Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC Code). Similarly to the SAMREC Code, the JORC Code uses the principle of relative distances from boreholes with quality data for the classification of coal resources. The SAMREC Code distances are narrower than those required by the JORC Code, and hence, by reporting to SAMREC, the requirements of the JORC Code have also been met.

3.2 Consolidated operational results

OPERATIONS PERFORMANCE (Tonnes)			
	FY 2013 (Actual)	**FY 2012 (Actual)**	**Change Year on Year**
ROM Production			
Vlakvarkfontein	1,526,469	1,238,669	+23%
Ferreira	559,107	691,270	-19%
Penumbra	143,299	-	n.a.
Total ROM Production	**2,228,875**	**1,929,939**	**+15%**
Feed to Plant			
Ferreira	627,329	685,176	-8%
Penumbra	143,299	-	n.a.
3rd Party Buy In Tonnes	-	289,255	n.a.
Total Plant Feed	**770,628**	**974,431**	**-20%**
Export Yields			
Ferreira	70.4%	60.1%	+17%
Penumbra	36.8%	-	n.a.
Domestic Sales	1,315,701	1,274,709	+3%
Export Sales	453,582	581,285	-22%
Total Coal Sales	**1,769,283**	**1,855,994**	**-5%**

Total ROM coal production increased by 15% from 1,929,939t in 2012 to 2,228,875t for the 2013 financial year.

Coal from own operations beneficiated through the Delta Processing facility increased by 12% from 685,176t in 2012 to 770,628t in 2013. No 3rdparty material was processed during 2013, impacting negatively on the total tonnes beneficiated. An export yield of 70.4% was achieved on tonnes processed from the Ferreira Coal Mine and a 36.8% yield achieved on tonnes processed from the Penumbra Coal Mine. The yield from Penumbra was affected by contamination during the early production build up phase. The export yield at Penumbra is expected to increase to the budgeted level of approximately 62% during H1 FY2014.

Total thermal coal sales of 1,769,283t achieved for the year includes domestic thermal coal sales of 1,315,701t. The decrease in export sales when compared to 2012 is attributable to the absence of coal purchased from 3rd parties as well as the decrease in production from Ferreira as a result of a delay during the year in obtaining the require approvals to mine the acquired extended area.

3.3 Vlakvarkfontein Coal Mine

Background
The Vlakvarkfontein Coal Mine (Vlakvarkfontein) is an opencast, local thermal coal mining operation, situated in the Witbank Coalfield in South Africa for which a Mining Right has been granted. It is located approximately 26km northeast of the town of Delmas in the Mpumalanga Province. Vlakvarkfontein, a 50:50 joint venture with Ohra Mining (Pty) Ltd and is owned by the Company's subsidiary Ntshovelo Mining Resources (Pty) Ltd (Ntshovelo). However, Ntshovelo has a 60% economic interest in the project. Vlakvarkfontein has a current Life-of-Mine (LOM) plan of 6 years. The table shown under Section 3.1 summarise the independently declared resource and reserve for Vlakvarkfontein.

Mining and processing
Vlakvarkfontein commenced mining in May 2010 and mines the No.2 and No.4 seams at an average rate of 110,000tpm ROM using truck and shovel roll-over mining methods by a mining contractor. The seam occurs at depths ranging from 15m - 40m below surface, with an average depth of 34m. The thickness of the seam is on average 4.5m.Two types of coal are produced at Vlakvarkfontein; namely selectively mined No.4 and No.2 seam select coal for Eskom and a low-grade coal non-select, which is stockpiled and sold ad hoc as a blend for local buyers. The latter is mined and sold as a cost recovery process. No coal washing occurs at Vlakvarkfontein as all coal is sold raw. The select coal is crushed and screened to meet Eskom size specifications.

Operational performance FY2013
Production from Vlakvarkfontein increased 23% year on year and contributed 1,5Mt to total Group ROM production. Vlakvarkfontein exceeded planned production and also recorded free on truck ("FOT") costs of R140 (US$14) per tonne, which was 6% below planned costs, comparing well with the R131 (US$13.1) per tonne recorded for the 2012 financial year.

Forecast FY2014
Vlakvarkfontein has demonstrated its ability to consistently deliver and exceed planned production and is forecasted to deliver 1.3Mtonnes at a FOT cost of R152 (US$15.2) per tonne during the 2014 financial year.

3.4 Penumbra Coal Mine

Background

The Penumbra Colliery (Penumbra) is an underground, local and export thermal coal mining operation, situated in the Ermelo Coalfield for which a Mining Right has been granted. It is located approximately 6km south of the town of Ermelo in the Mpumalanga Province of South Africa.. Penumbra is 100% owned by the Company's subsidiary Penumbra Coal Mining (Pty) Ltd. Penumbra has a current LOM plan of 11 years. The table shown under Section 3.1 summarise the independently declared resource and reserve for Penumbra.

Mining and processing

Mining operations at Penumbra commenced in November 2012 and are conducted by the Company who owns and operates all mining equipment. Only the C-Lower coal seam, which is on average 1.8m thick and occurs 100m below the surface, is mined at Penumbra using bord and pillar mining methods. The mine currently employs two continuous mining sections and one conventional (drill and blast) mining section. All ROM coal from Penumbra is washed at the adjacent Delta Processing Plant (Delta Plant), which was commissioned in September 2009. This plant was built and is owned, operated and maintained (BOOM) by Fraser Alexander (Pty) Ltd (Fraser Alexander). Penumbra produces a high-quality thermal coal product that is exported through the Richards Bay Coal Terminal (RBCT) and sold under existing offtake agreements, mainly into the Asian markets.

Operational performance FY2013

Penumbra commenced with production of first coal in November 2012. Both the continuous miners were commissioned during the year while the key focus up to August 2013 remained on the development and commissioning of the primary upcast ventilation shaft. This project was completed during August 2013 and with the required ventilation now in place the focus has shifted to achieve the planned monthly production rate of 63,000 tonnes per month by November 2013. Notwithstanding the development activities during the year, the mine still managed to deliver 143,299 tonnes to the Delta plant.

Forecast FY2014

Penumbra is forecasting the delivery of 600,000 ROM tonnes during the 2014 financial year at a Free on Board (FOB) cost of R530 (US$53) per tonne.

3.5 Ferreira Coal Mine

Background

The Ferreira Coal Mine (Ferreira) is an opencast, local and export thermal coal mining operation, situated in the Ermelo Coalfield in South Africa for which a Mining Right has been granted. It is located approximately 6km southeast of the town of Ermelo in the Mpumalanga Province. Ferreira is 100% owned by the Company's subsidiary Mashala Resources (Pty) Ltd (Mashala).

Mining and processing

Ferreira commenced coal production in August 2008 in the South Pit and mines the C-Lower, C-Upper and B-Lower seams using truck and shovel roll-over mining methods. The Ferreira Colliery has been mined by a contractor at an average rate of ~45,000tpm since production commenced in the North Pit in November 2010. All coal produced from Ferreira is loaded onto trucks and transported to the Delta Plant, situated approximately 3.5km from the open pit, where it is batch washed. Ferreira produces a high-quality thermal coal product that is exported through the RBCT and sold under existing offtake agreements, mainly into the Asian markets.

Operational performance FY2013
An initial delay during the year in obtaining regulatory approval to expand Ferreira was mitigated by good production results in the latter part of the financial year. 559,105 ROM tonnes were produced at a yield of 70,4% during the year, a significant improvement on the 60.1% yield achieved in the prior year. FOB costs of R662 (US$66.2) per tonne were recorded, a below South African inflation increase of 3% year on year.

Forecast FY2014
Ferreira is nearing its end of life and is forecasted to deplete its resource by November 2013.

3.6 De Wittekrans Development Project

Background
The De Wittekrans Development Project (De Wittekrans) is a potential underground export and domestic thermal coal mining project at a pre-development stage. De Wittekrans is situated in the Ermelo Coalfield in South Africa for which a Mining Right has been granted. The northern edge of the De Wittekrans is located approximately 7km southeast of the town of Hendrina in the Mpumalanga Province. The southern limit of the De Wittekrans Project is situated approximately 29km northwest of Ermelo. De Wittekrans is 100% owned by the Company subsidiary Mashala Hendrina Coal (Pty) Ltd. The table shown under Section 3.1 summarise the independently declared resource and reserve for De Wittekrans.

Mining and processing
Optimisation work on previous feasibility studies has identified the opportunity to develop De Wittekrans into a major mining operation with the potential to produce ~3.6Mtpa of ROM over the LOM. The current mine plan includes only the B and C seams and entails a gradual ramp up of production over five years. It is anticipated that these two coal seams will be mined using an underground bord and pillar mining layout. Initially (first four years) only conventional (drill and blast) mining methods will be used with four continuous miners sections added from year five with steady state production reached in year six.

It is envisaged that the coal mined in the first four years be processed to produce an Eskom coal quality product only, using dry beneficiation x-ray sorting technology (contractor operated) to upgrade the raw ROM coal to Eskom quality specification. Further beneficiation test will be performed at the Delta plant during the initial years of mining to optimize the plant design to produce an export product. Commencing in year four, a new wash plant (BOOM by a contractor) will be constructed at De Wittekrans to be operational in year five. It is envisaged that a 26.5MJ/kg primary product for the Export market and 29.5% ash secondary product will be produced by this plant for the domestic power generation market.

Although not included in the current mine plan the opportunity remains to extract a portion of the reserves through open cast mining if favourable economics are demonstrated in later years. The combination of the current thermal coal price and strip ratio for this part of the reserve makes it uneconomical at the moment.

Activities during FY2013
The optimization work for De Wittekrans that was completed during the year has confirmed the potential to substantially improve the project economics and reduce the capital expenditure necessary to bring De Wittekrans into production. The Mining Right for De Wittekrans was granted in September 2013 and the Company expects the IWUL to be granted in Q1 2014. The optimization work indicated the following provisional project economics:

PROVISIONAL OPTIMISATION RESULTS COMPARED TO INITIAL FEASIBILITY STUDY RESULTS			
	Initial Feasibility Study Results[1] 31 August 2011	Optimisation Results 31 August 2013	Change
Reserves and Mine Life			
Mine Life	33 years	**34 years**	+6%
Saleable Reserves	43.8Mt	**38.5Mt**	-12%
Gross In Situ Resources	167.0Mt	**192.7Mt**	+15%
ROM Production			
Annual ROM Production	3.6Mt	**3.6Mt**	-
Total Open Cast ROM Production	6.1Mt	**-**	-100%
Total Underground ROM Production	110.0Mt	**110.0Mt**	-
Coal Sales			
Average Annual Domestic Coal Sales	1.7Mt (20 CV)	**0.8Mt (22 CV)**	-53%
Average Annual Export Coal Sales	0.8Mt (6 000 kcal Export)	**1.6Mt (5 800kcal Export)**	+100%
Economic assumptions			
Domestic Coal Sales per GJ	ZAR 9.00	**ZAR16.65**	+85%
Export Coal Sales (US$ per tonne API4)	US$90	**US$82**	-9%
Exchange rate (US$/ZAR)	ZAR9.00	**ZAR9.39**	+4%
Forecast Sales Revenue			
Average Annual Domestic Coal Sales	ZAR 306m	**ZAR 324 m**	+6%
Average Annual Export Coal Sales	ZAR 645m	**ZAR 1,178m**	+83%
Total Average Annual Sales Revenue	ZAR 951m	**ZAR 1,502m**	+58%
Estimated Operating Expenses			
Average Operating Costs (ROM)	ZAR 210/t ROM	**ZAR 268/t ROM**	+91%
Estimated Capital Costs			
Total Capital Costs to First Production	ZAR 342m	**ZAR 201m**	-41%
Surface Infrastructure and Siding	ZAR 554m	**ZAR 400m**	-28%
Coal Wash Plant	ZAR 308m	**ZAR 233m**	-24%
Underground Development	ZAR 838m	**ZAR 435m**	-48%
Forecast Cash flow			
Average Annual Free Cash flow After Tax	ZAR 215m	**ZAR 339m**	+58%

The table below indicates potential indicative project values using a discounted cash flow model based on the current production schedule and operating and capital cost estimates at various discount rates and sensitivities to the assumed sales prices:

	Sales price adjustment		
Discount rate	**Base case less 10%**	**Base case (as per table above)**	**Base case plus 10%**
7.5%	ZAR 1 523m	ZAR 2 534m	ZAR 3 535m
10%	ZAR 995m	ZAR 1 734m	ZAR 2 471m
12.5%	ZAR 650m	ZAR 1 216m	ZAR 1 780m

Forecast FY2014
Detail project design will commence based on the results from the Optimization Study. The current proposed project development will be presented to the Board of Directors to obtain their consent to commence with the project development once the IWUL has been granted. The funding strategy for the project will also be finalized during this time.

3.7 Exploration projects

3.7.1 Vlakplaats

The Vlakplaats Project (Vlakplaats) is an advanced coal exploration project, situated in the Witbank Coalfield in South Africa and is located approximately 16km southeast of the town of Delmas in the Mpumalanga Province of South Africa. Vlakplaats is a 50:13:36 joint venture between the Company, Big Match Trading 34 (Pty) Ltd and Korea Resources Corporation. Therefore the Company only has an effective interest of 37% in the project. The table shown under Section 3.1 summarise the independently declared resource for Vlakplaats. A Prospecting Right has been granted for this project.

Environmental studies during FY2013 at Vlakplaats highlighted the risk to extract the coal through surface mining operations, mainly due to wetlands identified in the proposed project area. The additional costs involved in building an underground mine as well as the forecasted return from saleable material impacted on the potential economic valuation of the project and the Group recognised an A$18 million impairment charge on the project. Vlakplaats coal will require beneficiation to produce a local product with the impact on the yield and additional costs further impacting on potential project economics.

Vlakplaats is considered a non-core asset and the Company will retain the Prospecting Right in good standing while it evaluates divestment opportunities.

3.7.2 Project X

Project X is an advanced coal exploration project, situated on the southern margin of the Witbank Coalfield, with portions lying in the Highveld Coalfield, in South Africa. It is located approximately 10km southwest of the town of Hendrina in the Mpumalanga Province. The Company has an effective 56% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Project X. The Company obtained the consent for the transfer of the Prospecting Right from South Africa's DMR in September 2013.

Three coal seams occur in the project area. These are the No.5, the No.4 and the No.2 seams. The No.5 seam is sporadic and occurs as small remnants. It has been intruded by a dolerite sill and is of no economic significance. The No.4 seam is separated into an Upper and a Lower seam. The Lower seam is the best-developed of the two seams and reaches up to 2.5m in thickness.

Due to the stage of development of Project X, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be primarily based on bord and pillar underground mining methods. Project X coal may have potential to be of a sufficient quality, when washed, to be sold into the export market.

Project X is considered a non-core asset and the Company will retain the Prospecting Right in good standing while it evaluates divestment opportunities.

3.7.3 Vaalbank

The Vaalbank Project (Vaalbank) is an advanced coal exploration project, situated in the Ermelo Coalfield in South Africa. It is located approximately 20km southwest of Hendrina and 22km northeast of the town of Bethal in the Mpumalanga Province. The Company has an effective 52% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Vaalbank. The Company obtained the consent for the transfer of the Prospecting Right from South Africa's DMR in September 2013.

Of the three coal seams known to occur within the coalfield, the C Lower seam is the best developed in the project area. The C seam is separated into the C Lower and the C Upper seam and ranges in depth from 30m to over 150m below the surface. The average depth of intersection of the seam is 100m below surface, making the seam only amenable to underground mining methods. The C Lower seam is the most economic seam in the area. It reaches thicknesses of up to 3.3m and is on average 1.6m thick. The Vaalbank coal may be of a sufficient quality, when washed, to be sold into the export and local thermal market.

During FY2012, the Company entered into a 50:50 joint exploration program with Forzando Coal, 74% owned by Total Coal South Africa, a subsidiary of international energy company, Total. Forzando Coal has been operating for more than 25 years in South Africa and currently produces over 4Mtpa of export quality thermal coal from the Dorstfontein Coal Mine, Forzando North and South Coal Mines and Tumelo Coal Mine. Under the terms of the joint exploration program, the Group and Forzando Coal will commence a two phase exploration program comprising of 20 exploration holes upon approval by both companies.

3.7.4 Leiden

The Leiden Project (Leiden) is an advanced coal exploration project, situated in the Ermelo Coalfield in South Africa. It is located 18km south southeast of the small settlement of Sheepmoor in the Mpumalanga Province. The Company has an effective 74% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Leiden. A Mining Right application has been submitted for this project.

Although Leiden is situated within the Ermelo Coalfield, the seams which occur on the property have been logged as the Utrecht Coalfield seams of Gus and Dundas. The Gus seam lies stratigraphically above the Dundas seam with a parting of approximately 15m. The Gus seam occurs at a depth of approximately 30m from surface with an average width of 0.70m, whilst the Dundas seam occurs at a depth of 45m from surface with an average width of 1.45m.

According to the Mining Right application, mining methods include underground bord and pillar ramping up to a planned monthly production rate of 25,000tpm and rollover opencast methods ramping up to a planned monthly production rate of 35,000tpm. The Leiden coal has been assessed for the production of a primary 27.5MJ/kg export product and a secondary 21.0MJ/kg thermal product or a primary 21.0MJ/kg thermal product.

The Company will continue with activities to secure the Mining Right and IWUL for this project.

3.7.5 Knapdaar

The Knapdaar Project (Knapdaar) is an advanced coal exploration project, which is situated in the Ermelo Coalfield in South Africa. It lies between the Company's De Wittekrans and Vaalbank Projects. It is located approximately 16km south of the town of Hendrina in the Mpumalanga Province, and immediately southwest of De Wittekrans. The Company has an effective 74% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Knapdaar. A Prospecting Right has been granted for this project.

Three of the known seams that occur in the Ermelo Coalfield are developed within the project area; namely the A, B and C seams. However, only the B and C seams are thick enough to be of economic interest. In some areas, both the B and C seams can be separated into an Upper and Lower unit by partings of mudstone and siltstone

Due to the stage of development of Knapdaar, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be carried out using underground mining methods. The Knapdaar coal has potential to produce a thermal product.

The Company will retain the Prospecting Right in good standing while it evaluates future opportunities for this project.

3.7.6 Wolvenfontein

The Wolvenfontein Project (Wolvenfontein) is a coal exploration project, situated in the Witbank Coalfield in South Africa. It is located approximately 6km southeast of the town of Delmas in the Mpumalanga Province. The Company has an effective 74% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Wolvenfontein. Approval for the transfer of the Prospecting Right for Wolvenfontein remains pending.

The geology of the project is similar to the geology of the adjacent Vlakplaats Project. From the limited historical drilling situated on the Wolvenfontein Project area, it is noted that the No.2 seam only extends over the portion of the project area to the south of the R42. The Transvaal Super Group dolomites occur in the northern portions of the property and thus no coal deposits were developed in this area. No recent exploration has been conducted on Wolvenfontein.

Due to the stage of development of Wolvenfontein, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to be opencast.

Wolvenfontein is considered a non-core asset and the Company will retain the Prospecting Right in good standing while it evaluates divestment opportunities.

3.7.7 Wesselton II

The Wesselton II Project (Wesselton II) is an advanced coal exploration project, situated in the Ermelo Coalfield in South Africa. It is located approximately 8km northwest of the town of Ermelo in the Mpumalanga Province. The Company has an effective 74% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Wesseton II. A Mining Right has been granted over Wesselton II.

Of the known seams that occur in the Ermelo Coalfield, the B and C seams are developed in the Wesselton II resource area. The B seam is developed above the C seam and is also separated into the B Upper and the B Lower seams. Only the B Lower seam is developed within the resource area. The B seam occurs at depths shallow enough to allow opencast mining. The seam thickness reaches up to 2.46m. The C seam is separated into the C Upper and the C Lower seams, and both are present in the Wesselton project area. The seam thickness is up to 1.84m and 2.46m for the C Upper and C Lower seams, respectively. In places, the C seam occurs at depths that allows for opencast mining. However, deeper areas to the south are only accessible by underground mining and reach a maximum depth of approximately 183m. Wesselton II coal is devolatilised and is therefore classified as lean bituminous coal and as such would have unique markets.

Wesselton II is considered a non-core asset and the Company will retain the Mining Right in good standing while it evaluates divestment opportunities.

3.7.8 Mooifontein

The Mooifontein Project (Mooifontein) is an advanced coal exploration project, situated in the Ermelo Coalfield in South Africa. It is located approximately 15km north northeast of the town of Ermelo in the Mpumalanga Province. The Company has an effective 74% interest in the project. The table shown under Section 3.1 summarise the independently declared resource for Mooifontein. A Prospecting Right has been granted for Mooifontein.

Only two of the four Ermelo Coalfield seams is present in the Mooifontein area, namely the B Lower and C Upper seams. The C Upper seam is thicker than the B Lower seam and has been mined out through underground mining over much of the property. The B Lower seam outcrops in the northeastern portion of the resource area and dips 1° towards the south.

Due to the stage of development of Mooifontein, no investigations have been carried out on the mining of the remaining B Lower seam. However, upon considering the depth from surface of the coal zones, any future mining is expected to be a combination of opencast, along the outcrop, and underground mining accessed from the highwall of the opencast. The Mooifontein B Lower coal has the potential to produce a thermal product.

Mooifontein is considered a non-core asset and the Company will retain the Prospecting Right in good standing while it evaluates divestment opportunities.

3.7.9 Kweneng

The Kweneng Project (Kweneng) is a coal exploration project, situated in the Mmamabula Coalfield in Botswana which consists of a single property, PL341 and is located approximately 110km north of Gaborone, the capital of Botswana, and is 50km west of the Mmamabula coal project of Jindal (previously CIC Energy Botswana). The Company has an effective 100% interest in the project. The table shown under Section 3.1 summarise the independently declared JORC resource for Kweneng. A Prospecting Right has been granted for Kweneng.

Coal bearing seams are known to occur within the Dibete Group and the Mmamabula Group. Within the Dibete Group, the Dibete seam is developed and can be split into three subzones, namely the D3 Upper, D3 and J seams. Coal seams consist of sequences of thin coal bands intercalated with carbonaceous mudstone and sandstone. Within the Mmamabula Group, the K, A and E seams are developed. The Mmamabula hosted coal seams are thicker and more discrete seams than the Dibete Group. The E seam of D1 seam is the basal seam and is underlain by thick sandstone separating the Mmamabula Group from the underlying Bori Group. Within the Kweneng Project, all of the expected seams have been intersected and appear to be developed along the extent of the project area. Dip steepens locally towards the central low point where coal is also generally thickest. No exploration has taken place within the immediate area of the Kweneng Project. Exploration has occurred to the west and the south of the licence area but limited information was available.

Due to the stage of development of Kweneng, no investigations have been carried out on the mining of the deposit. However, upon considering the depth from surface of the coal zones, any future mining is expected to utilise underground mining methods. It is envisaged that the Kweneng coal could meet the requirements of a thermal coal, with washing to a 20MJ/kg product.

The Company entered into a binding term sheet with a third party in September 2013 to earn into PL341. Subject to the completion of confirmatory due diligence on the licence areas, the funding party will obtain the option to earn into a maximum of 80% by assuming exploration activities and costs up to November 2014. The Company will therefore retain a free-carry interest of 20% up to the completion of a Bankable feasibility study, subject to the right for the funder to acquire Continental's residual interest at an agreed price for its fair market value as determined by an independent valuer at that time.

3.7.10 Serowe

The Serowe Project (Serowe) comprises of PL339 (Paje) and PL340 (Tshimoyapula) and is a coal exploration project situated in the Moropule Coalfield in Botswana and is approximately 300km northeast of Gaborone in the Central Province and immediately north of Botswana's only producing thermal mine, the Morupule Coal Mine. The PLs are situated near the towns of Paje and Tshimoyapula and cover a total area of 34,760ha, over which the Prospecting Licences have been granted. The Company has an effective 100% interest in the project. No resource has been declared for this property.

The Company entered into a binding term sheet with a third party in September 2013 to earn into PL339. Subject to the completion of confirmatory due diligence on the licence areas, the funding party will obtain the option to earn into a maximum of 80% by assuming exploration activities and costs up to November 2014. The Company will therefore retain a free-carry interest of 20% up to the completion of a Bankable feasibility study, subject to the right for the funder to acquire Continental's residual interest at an agreed price for its fair market value as determined by an independent valuer at that time.

The Company is in discussions with third parties aimed at entering into a similar type joint exploration agreement on PL340.

4. Operating Results

SUMMARY OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE ($'000)			
	2013	**2012**	**Change (%)**
Sales Revenue	62,230	82,105	(24%)
Cost of Sales	(59,371)	(70,948)	16%
Gross Profit	2,859	11,157	(74%)
Adjusted EBITDA	(3,524)	(7,140)	51%
Adjusted EBIT	(7,930)	(10,490)	24%
Net Loss After Tax	(49,488)	(49,862)	-%
Basic Loss per Share (cents per share)	(6.78)	(13.40)	49%

Sales of 1,8Mtonnes recorded for the year was only marginally lower than in the prior year, mainly as a result of over 250,000 tonnes of coal acquired from third parties included in the prior year sales. The decrease in global thermal coal prices as well as the impact of the devaluation of the South African Rand against the Australian ("$") and United States ("US$") dollar impacted on the net revenue of $62 million recorded. The Company's continued drive to reduce costs is delivering results with administration costs reducing by 38% and other expenses by 68%.

Current depressed thermal coal prices and the medium term forecast for thermal coal prices required the Company to review the carrying value of its operating, development and exploration projects in its financial records. No impairment was required for operating and development assets with only exploration assets subjected to an impairment charge. Environmental studies during the year at the Vlakplaats project highlighted the risk to extract the coal through surface mining operations, mainly due to wetlands identified in the proposed project area. The additional costs involved in building an underground mine as well as the forecasted return from saleable material impacted on the potential economic valuation of the project. The Group has therefore recognized a $18 million impairment charge against this project to account for the potential decrease in value. A further $8 million impairment charge was recognized against Project X and Wesselton II projects.

5. Financial Position

SUMMARY OF FINANCIAL POSITION AT 30 JUNE ($'000)			
	2013	**2012**	**Change (%)**
Cash and Cash Equivalents	4,496	14,595	(69%)
Current Assets	17,102	36,471	(53%)
Total Assets	169,803	204,185	(17%)
Current Liabilities	45,880	45,399	1%
Total Liabilities	143,075	139,663	2%
Net Assets	26,728	64,522	(59%)

Total assets

Total assets decreased by $34 million and current assets by $19 million since 30 June 2012, predominantly due to the decrease in cash and cash equivalents and the $27 million impairment charge to Exploration expenditure recognized during the year. The net movement in total assets includes $21 million of development expenditure capitalized as well as $12 million charge in foreign exchange movement on Exploration and Development expenditure following the devaluation of the ZAR against the $.

Total liabilities

Total liabilities increased by $3 million since 30 June 2012 and included the following changes during the year:

- Trade payables and accrued liabilities

  Decreased by $15 million due to the completion of development activities at Penumbra and settlement of the deferred purchase liability for the Mashala transaction.

- Borrowings

  Increased by $24 million due to the draw down on the ABSA Project Finance Facility that was utilized to fund the development of Penumbra.

Shareholder's equity

During the twelve months ended 30 June 2013, the Company's issued share capital increased by 253 million common shares to 684 million and included the following significant transactions:

Shares issued (million)	Description
100	VMR cornerstone investment. Approved by shareholders on 28 March 2013.
61	Conversion of convertible debenture held by Oracle Securities (Pty) Ltd. Approved by shareholders on 28 March 2013.
2	Facility fee paid to Baycrest Capital LLC for providing funding. Approved by shareholders on 28 March 2013.
5	Issued to Directors. Approved by shareholders on 28 March 2013.
31	Repayment of funding provided by Baycrest Capital LLC. Shares issued under ASX listing rule 7.1.
10	Repayment of Range Resources Limited loan. Shares issued under ASX listing rule 7.1.
11	Shares issued in lieu of convertible debenture interest payment. Shares issued under ASX listing rule 7.1
12	Shares issued in lieu of royalty payment. Shares issued under ASX listing rule 7.1

At 30 June 2013 the vested unissued ordinary shares of the Company under option were as follows:

Grant Date	Date of Expiry	Exercise Price	Number of Options
17/12/2010	31/12/2013	$0.75	10,000,000
01/07/2011	31/12/2013	$0.75	1,000,000
24/06/2013	30/06/2015	$0.50	65,679,134
16/05/2012	15/05/2015	$0.2216	12,500,000
08/05/2013	31/03/2016	$0.10	25,000,000
15/03/2013	15/05/2016	$0.06	15,000,000
16/05/2012	16/07/2016	$0.20	8,000,000
18/11/2011	23/08/2016	$0.368	13,950,893
06/12/2012	06/12/2017	$0.057	6,000,000
18/12/2012	18/12/2017	$0.05382	5,000,000
Total			**162,130,027**

There were no shares issued on the exercise of options during the year. 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.

Liquidity

The Company utilized net cash of $10 million in operating activities during the year, compared to $5 million cash generated during the comparative period. The main reason for the movement in operating cash flow is due to the increased payment to trade creditors during the year.

Cash utilized in investment activities decreased to $28 million during the year compared to $29 million for the year ended 30 June 2012 and included $9 million proceeds on the sale of Vanmag which was applied toward the $9 million payment due to acquire the remaining interest in Mashala. Cash utilized in investment activities also include $27 million development and equipment expenditure relating to Penumbra.

Net proceeds of $28 million were received from financing activities during the year (2012 : $27 million) and included $24 million drawn down on the ABSA Project Finance Facility with proceeds from shares issued during the year predominantly applied towards settlement of debt

The Company monitors its spending plans, repayment obligations and cash resources and acts with the objective of ensuring that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents.

On 30 June 2013 current liabilities exceeded current assets by $26 million. Included in current liabilities is $15 million payable to Convertible Debenture holders on maturity of the notes in November 2013 and February 2014. Management is in discussion with the current holders as well as other parties to restructure and refinance these notes to minimize the required cash outflow in the next 12 months to settle this obligation. Management have been successful in restructuring, subject to fulfilment of conditions precedent and execution of relevant agreements, the loan due to EDF Trading, included as deferred revenue under current and non-current liabilities, into a 36 month loan facility with no cash settlements required until July 2014. Other loans of $2.5 million and $1 million in trade creditors included under current liabilities have been restructured into convertible debentures maturing in August 2015.

Taking into consideration the success in restructuring certain short term obligations subsequent to year end as well as further restructure and refinance options available to the Group, the directors' believe that there are reasonable grounds to believe that the Group will be successful to restructure or refinance its short term obligations to allow the Group to settle these debts as and when they fall due. Should the expected refinance and restructuring not occur, the Group may not be able to continue as a going concern. It may then 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.

6. Dividends Paid or Recommended

The directors recommend that no dividend be paid for the year ended 30 June 2013 nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

7. Environmental Management

The Group's environmental obligations are regulated under the Mineral and Petroleum Resource Development Act of South Africa. 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 and no notifications alleging a breach have been received from any government agencies during the year ended 30 June 2013. 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.

The Group follows the Equator Principles as far as possible at its operations. The Equator Principles are voluntary standards for the determination, assessment and management of social and environmental risk. Compliance with the Equator Principles provides increased confidence of the Group's financiers and other stakeholders; increased local community awareness & engagement and increased employee engagement & retention.

Environmental Impact Assessments (EIA) and/or Environmental Management Programs (EMP) are prepared for all current projects to comply with the requirements of South Africa's DMR and legislation. The EIA and/or EMP sets out the key mitigation and management measures that are required to mitigate environmental impacts. The EIA/EMP also contains a requirement for continuous monitoring during the project life cycle. Where required a separate integrated water usage plan is also prepared as part of the Integrated Water Use Licence Application to comply with the National Water Act, Act 36 of 1998.

Delta Plant
During the year the Group completed the co-disposal facility and pollution control dam at its Delta Plant. The design of the facility, dam, and cut-off drains has mitigated the risk of future seepage into the nearby Humanspruit, thereby minimising the environmental impacts of the Group's processing operations. The original design of the cut-off drains at the Delta Plant was also changed from conventional concrete, brick and mortar construction practices to the placement of a Geosynthetic Clay Liner (GCL).

Further environmental remediation was also performed at the Delta Plant site during the year through the clean-up of the historical contamination that had occurred prior to the Group's purchase of the site.

Ferreira

The Group's approach to rehabilitation has been to undertake concurrent rehabilitation during mine operation where possible. The Group acquired its interest in the Ferreira open cast operation through the acquisition of Mashala in August 2010. The Ferreira open cast operation is comprised of two opencast pits, namely the Ferreira South and North Pits (including the approved extension).

The Ferreira South Pit coal reserves were mined out in 2010 prior to being acquired by the Group and rehabilitation and closure of this pit continued during the 2013 year. The North Pit is currently operational and concurrent rehabilitation is being applied.

Rehabilitation of the Ferreira South Pit in the foreground

Topsoil being replaced after roll-over mining at the Ferreira North Pit

Wesselton

Wesselton Colliery is currently in the closure phase and an audit conducted on the Closure Plan in February 2013 indicated that the only outstanding issue was the fertilising and seeding of the rehabilitated area. The area has a low agricultural potential as determined during past land use and capability investigations. The Closure Report for Wesselton envisioned the final land use as grazing.

Rehabilitated land at Wesselton Colliery

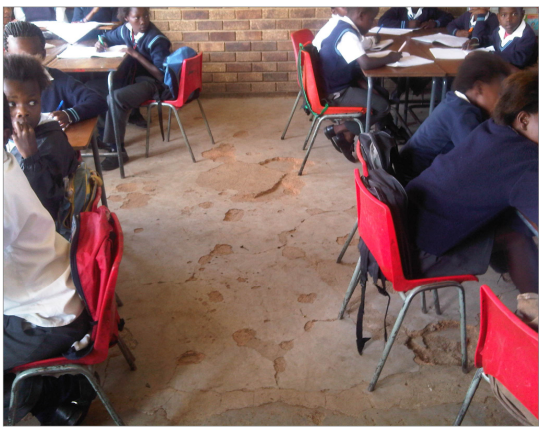
8. Community and Social Investment

Continental's community involvement and social responsibility commitment is aimed at encouraging economic development in the areas in which it operates. This approach allows and encourages local people to work together to achieve sustainable economic growth and development. The Group is promoting economic benefits and improved quality of life for all residents in the municipalities where its operations are situated. The Group aim to assist local government and community structures to implement their own development priorities and realise new economic opportunities through the benefits gained from our mining operations.

The Group participated in several community development projects in Arbor Village, a municipality located near the Group's Vlakvarkfontein coal mine.

Community development projects completed include:

- The renovation of three classrooms at the local school;
- The donation of computers to the youth development club of Arbor Village for use in computer training and submitting job applications;
- The provision of a mobile home for use by local volunteers who provide after-hours school care to children with working mothers which is also used as the local health clinic; and
- The donation of soccer gear, including shirts, pants, socks and caps to the local soccer club.



Classroom floor prior to the renovation

Classroom floor after the renovation

The Group hosted a Company Show Day on 22 November 2012 at Arbor Village. Attendees at the Show Day included Arbor Community Forum members, Local Municipality representatives, representatives of the Arbor School's Governing Body, the Arbor School principal and youth representatives. The Group also sponsored the Adult Basic Education & Training Program in Arbor Village. Eight adult learners completed Level 1 of the program during the year, and are expected to proceed to Level 2 of the Program next year. The Group will continue to sponsor the eight participants through the remaining levels of the Program, and will ensure the Program is available for new participants to commence.

The Group developed a lavender farm on part of its surface rights at Vlakvarkfontein. During the year, the Group continued the development of the lavender farm and to date has employed eight members of the local community to maintain the site. Planting will commence in the coming months, before the commencement of summer in the Southern hemisphere. The farm is currently approximately 3 hectares and its total size is expected to be approximately 8 hectares at completion. Once the farm is established and an appropriate local candidate has been trained to manage the farm, ownership will pass to the local community. The farm is expected to provide a sustainable income stream and jobs to local community members for many years to come.

The Group has encouraged the development of the local manufacturing industry and assisted in local job creation through the donation of a machine used to manufacture toilet tissue to the local community of the Msukaligwa Local Municipality, located near the Group's Penumbra & Ferreira operations. The Group has secured commitments of several local government facilities, including hospitals, to purchase the locally manufactured toilet rolls, and continues to provide on-going support for the development of the business.

9. Directors and Officers

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

Mr Mike Kilbride	Independent Non-executive Chairman	
Mr Don Turvey	Chief Executive Officer and Executive Director	
Mr Jason Brewer	Non-executive Director	*(appointed Finance Director on 1 November 2012, resigned 31 August 2013 as Finance Director)*
Mr Johan Bloemsma	Non-executive Director	
Mr Connie Molousi	Non-executive Director	
Mr Bernard Swanepoel	Non-executive Director	*(appointed 14 May 2013)*
Mr James Leahy	Non-executive Director	*(resigned 31 July 2013)*
Mr Peter Landau	Non-executive Director	*(resigned 14 May 2013)*
Mr Andrew Macaulay	Non-executive Director	*(resigned 28 November 2012)*
Mr Maritz Smith	Chief Financial Officer and Executive Director	*(appointed 9 July 2012, resigned 31 October 2012)*
Mr Lou van Vuuren	Chief Financial Officer	*(appointed 1 September 2013)*
Mr Johan Heystek	Chief Operating Officer	

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 Dennis Wilkins
Mr John Ribbons

Information on Directors and Officers

Mr Mike Kilbride	Independent Non-executive Chairman
Qualifications	B.Sc. (Hons) Mining Engineering, Mine Managers Certificate, Mining Taxation Certificate
Experience	Mr Kilbride has over 36 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 613,000 ordinary fully paid shares 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 Securities Exchange.
Mr Don Turvey	Executive Director
Qualifications	B.Sc. Mining Engineering, Masters in Business Leadership, Mine Managers Certificate of Competence
Experience	Mr Turvey is a mining executive, with more than 28 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 3,258,175 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 Securities Exchange.
Mr Jason Brewer	Non-executive Director
Qualifications	M.Eng (Hons), ARSM, LLB
Experience	Mr Brewer has over 20 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 1,200,000 ordinary fully paid shares and 5,000,000 unlisted director options (75 cents, 31 Dec 2013). Sash MB Holdings Pty Ltd, a company of which Mr Brewer is a director, holds 2,750,000 ordinary fully paid shares.
Special responsibilities	Mr Brewer has no special responsibilities.
Directorships held in other listed entities	De Grey Mining Limited — From: 3 December 2010 Kaboko Mining Limited — From: 30 August 2011 To: 14 January 2013 Black Mountain Resources Limited — From: 3 February 2012 Altona Mining Limited — From: 2 October 2007 To: 28 September 2011
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 41 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 Securities Exchange.

Mr Connie Molusi	Non-executive Director
Qualifications	B.Journ, MA
Experience	Mr Molusi has in excess of 26 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 Securities Exchange.
Mr Bernard Swanepoel	Non-executive Director
Qualifications	B.Com (Hons) and B.Sc. Mining Engineering
Experience	Mr Swanepoel started his career with Gengold in 1983 and has over 30 years of experience in the mining industry, working as General Manager of Beatrix Mines, Managing Director of Harmony Mine, and CEO of Harmony Gold Mining Company Ltd. Mr Swanepoel was appointed a director of Village Main Reef in June 2008, CEO in May 2010, and has been joint CEO until August 2013 and now holds the position as Chairman of the Village Board. Mr Swanepoel is also a non-executive director of Sanlam Life insurance and African Rainbow Minerals and a partner of To The Point Growth Specialists. He also serves as a Member of the Advisory Board at Umbono Capital Partners and the Pretoria University Mining Engineering Advisory Board.
Interest in shares and options	Mr Swanepoel holds no shares or options in the Group.
Special responsibilities	Mr Swanepoel is a member of the Audit and Risk Committee.
Directorships held in other listed entities	During the past three years, Mr Swanepoel has not served as a director of any other companies listed on the Australian Securities Exchange.
Mr Lou van Vuuren	Chief Financial Officer
Qualifications	B.Com (Hons), CA (SA)
Experience	Mr Van Vuuren began his career with PricewaterhouseCoopers ("PwC") in 1999. He left PwC in 2008, as an Associate Director in their global mining department to take up the role as Chief Financial Officer and later on interim Chief Executive Officer of international gold mining company Great Basin Gold Limited (2008 – 2012). During this time, he was responsible for formulating and implementing funding strategies in excess of US$1 billion comprising various debt and equity structures, general corporate finance as well as business development and investor relations. Mr Van Vuuren has a wealth of experience in international capital markets and their regulatory and governance requirements through his exposure to various global stock exchanges over the past 10 years. His career further includes multi-million dollar project development, design and implementation of operating and software systems to facilitate real time financial and management reporting and also the operational management of multi-national groups in the mining and manufacturing sectors.
Interest in shares and options	Mr Van Vuuren currently holds no shares or options in the Group.
Special responsibilities	Mr Van Vuuren is the Group's Chief Financial Officer.
Directorships held in other listed entities	During the past three years, Mr Van Vuuren has not served as a director or officer of any other companies listed on the Australian Securities Exchange.

Mr Johan Heystek	Chief Operating Officer
Qualifications	B.Sc. Mining Engineering, Masters in Business Leadership, Mine Managers Certificate of Competence
Experience	Mr. Heystek has more than 25 years experience in the coal industry. He is a registered professional engineer and served as a director on the boards of Mine Rescue Services and Ingwe Collieries. His career includes senior management roles in production, project execution, business development and minerals resource management at Trans-Natal and Ingwe Collieries. He is a member of the SA Colliery Managers Association and of the SA Institute for Mining and Metallurgy.
Interest in shares and options	Mr Heystek does not hold any shares in the Group.
Special responsibilities	Mr Heystek is the Group's Chief Operating Officer.
Directorships held in other listed entities	During the past three years, Mr Heystek has not served as a director or officer of any other companies listed on the Australian Securities Exchange.

Mr Dennis Wilkins	Joint Company Secretary
Qualifications	B.Bus, ACIS, AICD
Experience	Mr Wilkins has over 15 years of international operational experience, with debt advisory and equity capital markets assistance his core areas of competence. Mr Wilkins has significant experience in various aspects of the resources industry including capital raising, funding and administrative management; he has completed a significant number of fund raising engagements in the past 10 years.
Interest in Shares and Options	Mr Wilkins holds no shares or options in the Group.

Mr John Ribbons	Joint Company Secretary
Qualifications	B.Bus, CPA, ACIS
Experience	Mr Ribbons has extensive company secretarial and financial advisory experience; his core areas of competence are IPO processes, accounting system management and implementation, financial account preparation, treasury management, compliance with ASX and TSX rules and regulations, and capital raisings.
Interest in Shares and Options	Mr Ribbons holds no shares or options in the Group.

Mr James Leahy	Non-executive Director *(resigned 31 July 2013)*
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 1,144,006 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 Remuneration and Nomination Committee and the Audit and Risk Committee.
Directorships held in other listed entities	Forte Energy Limited — From: 26 April 2012

Mr Peter Landau	Non-executive Director *(resigned 14 May 2013)*
Qualifications	B.Law, B.Com
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.
Interest in shares and options	At the date of Mr Landau's resignation, Doull Consolidated Pty Ltd, a company of which Mr Landau is a director, held 1,523,500 ordinary fully paid shares and 5,000,000 unlisted director options (75 cents, 31 Dec 2013) in the Group.
Special responsibilities	Mr Landau was 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 Andrew Macaulay	Non-executive Director *(resigned 28 November 2012)*
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	At the date of his resignation, Mr Macaulay held no shares or options in the Group.
Special responsibilities	Mr Macaulay was 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 Securities Exchange.
Mr Maritz Smith	Executive Director *(resigned 31 October 2012)*
Qualifications	B.Com, 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	At the date of his resignation, Mr Smith held no shares or options in the Group.
Special responsibilities	Mr Smith was 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 Securities Exchange.
Ms Jane Flegg	Joint Company Secretary *(resigned 14 May 2013)*
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, Company Secretary/CFO of Paynes Find Gold Limited, Company Secretary/CFO of Eclipse Metals Ltd, and Joint Company Secretary of International Goldfields Ltd.
Special responsibilities	Ms Flegg was a member of the Audit and Risk Committee.
Interest in Shares and Options	At the date of her resignation, Ms Flegg held 2,000 shares in the Group.

Mr Anthony Eastman	Joint Company Secretary *(resigned 14 May 2013)*
Qualifications	B.Com, 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	At the date of his resignation, Mr Eastman held 35,000 shares in the Group.
Directorships held in other listed entities	Range Resources Limited From: 16 June 2009

10. Meeting of Directors

Attendance of Board and sub-committee meetings by each director during the year was as follows:

		Board Meetings		Audit and Risk Committee		Technical, SHEC, and Investment Committee		Remuneration and Nomination Committee	
Director	**Appointment/ Resignation Date**	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**	**Held & Eligible to attend**	**Attended**
Mr M Kilbride		5	5	N/A	N/A	N/A	N/A	4	4
Mr D Turvey		5	5	2	2	2	2	4	4
Mr J Brewer		5	5	2	2	2	-	4	3
Mr J Bloemsma		5	5	N/A	N/A	2	2	N/A	N/A
Mr C Molusi		5	5	N/A	N/A	N/A	N/A	4	3
Mr B Swanepoel	*(appointed 14 May 2013)*	-	-	-	-	N/A	N/A	N/A	N/A
Mr J Leahy	*(resigned 31 July 2013)*	5	5	2	2	N/A	N/A	4	3
Mr P Landau	*(resigned 14 May 2013)*	5	1	1	-	N/A	N/A	N/A	N/A
Mr A Macaulay	*(resigned 28 November 2013)*	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Mr M Smith	*(appointed 9 July 2012, resigned 31 October 2012)*	1	1	N/A	N/A	N/A	N/A	N/A	N/A

11. 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 $44,000 to insure the Directors and Officers of the Group.

12. Proceedings on behalf of the 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.

13. 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 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 of $70,000 (2012: $10,000) in relation to tax compliance during the year. BDO Johannesburg provided no non-audit services to the subsidiary during the year.

14. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 as required under Section 307c of the Corporations Act 2001 is set out on page 49.

15. 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:-

- To enable a Board restructure, Mr James Leahy resigned as non-executive director 31 July 2013. Mr Jason Brewer resigned as Financial Director on 31 August 2013 following the appointment of Mr Lou van Vuuren as Chief Financial Officer. Mr Brewer remain on the Board as a Non-executive Director;
- Non-executive Directors agreed to an immediate 25% reduction in fees and, subject to shareholder approval, potentially up to 100% of fees to be settled in equity rather than cash;
- On 6 September 2013 the Group announced the Mining Right had been granted for De Wittekrans, the Group's proposed 4th mine;
- 9 million options with a strike price of $0.10 were granted to Senior management in terms of the Employee Share Option Plan approved by the Shareholders on 28 March 2013;
- The prepayment by EDF Trading of a Coal supply Agreement in 2011 has been restructured into a financial loan repayable through 24 monthly instalments commencing in July 2014. The loan bears interest at 10% per annum and interest will be capitalized until June 2014. The restructure will be effective on fulfilling conditions precedent and execution of relevant documentation targeted for early October 2013.; and
- VMR subscribed to $3.4 million worth of Convertible Debentures maturing in August 2015 with the proceeds of the notes used to settle other loans. These notes bear interest at 10% per annum.

16. Likely Developments and Expected Results of Operations

To further improve the Group's performance and maximise shareholders' wealth, the following developments are intended to be implemented in the near future:

(i) The Group is in the process of listing on the Johannesburg Stock Exchange, with an expected listing date of Q4 2013, subject to receipt of the requisite regulatory approvals;
(ii) Production build-up at Penumbra will continue with the aim to reach design capacity in November 2013;
(iii) Discussions and negotiations are continuing to finalise a long-term off-take agreement, strategic partnership, and stand-alone funding agreement for the De Wittekrans Coal Project aimed at accelerating the development of the project;
(iv) The Group is continuing to pursue the sale of non-core coal assets with a view to realise value from the Group's early stage exploration projects that are not currently in the short to medium term development pipeline; and
(v) The Group remains in discussions with a number of parties on various fund raising and debt restructuring initiatives to ensure the Group has adequate funds or access to funds to meet its operations and project development schedule.

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.

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

Don Turvey
Chief Executive Officer

Dated this 27th day of September 2013

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Continental Coal Ltd is responsible for the establishment of a corporate governance framework with regard to the best practice recommendations set by the ASX Corporate Governance Council. The Company's objective is to achieve the highest standards of corporate governance and conduct its activities safely and in accordance with all applicable laws and regulatory obligations. This corporate governance statement sets out the key details of the Company's corporate governance framework.

Additional details on the Company's corporate governance policies and procedures can be found on the Group's website, www.conticoal.com.

1. Scope and Responsibility of the Board of Directors

The role of the Board is to provide leadership and supervision to the Company's senior management. The Board sets the strategic direction of the Company and regularly measures the progress of senior management towards achievement of that strategic position.

The Board of Directors is responsible for supervising the management of the business and affairs of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected.

In discharging this duty, the Board has the following overall responsibilities:

a) overseeing the Company, including its control and accountability systems;

b) appointing the Chief Executive Officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the Chief Executive Officer, or equivalent;

c) ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer and the Company Secretary;

d) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;

e) reviewing the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;

f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;

g) reviewing senior management's implementation of systems for managing material business risk including the making of additional enquiries and requesting assurances regarding the management of material business risk, as appropriate;

h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;

i) ensuring appropriate resources are available to senior management;

j) delegating authority to board committees and executive management;

k) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

l) monitoring the financial performance of the Company;

m) approval and presenting of annual financial statements, interim reports and related disclosure requirements;

n) approving the Company strategy and annual budget and monitoring its implementation;

o) ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Management Committee, if applicable) and other reporting through approval and monitoring;

p) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;

q) appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Management Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company;

r) engaging with the Company's external auditors and Audit and Risk Management Committee

s) ensuring that the Company is a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;

t) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and

u) making regular assessment of whether each non-executive director is independent in accordance with the Company's Policy on Assessing the Independence of Directors; and

v) facilitating Board performance reviews.

Day-to-day management of the Group's affairs and implementation of Board policies and strategies are delegated to the CEO and senior management, who operate in accordance with Board approved policies and delegated limits of authority.

The Board has established the following committees to assist in the performance of its role:

Committee	Purpose	Members
Audit & Risk Management Committee	Oversees the establishment and maintenance of the Group's internal control framework and provides the Board assurance regarding the quality of financial information prepared for use by the Board in determining strategies or for inclusion in the annual report.	Bernard Swanepoel, Chairman Don Turvey Jason Brewer
Remuneration & Nomination Committee	Oversees the remuneration structure of the CEO and senior management; oversees the composition and performance of the Board	Mike Kilbride, Chairman Don Turvey Connie Molusi Jason Brewer
Technical, SHEC, and Investment Committee	Reports to the Board on safety, health and environmental matters, including compliance with relevant legislation. Assists the Board in in the evaluation of project acquisitions, developments, and disposals.	Johan Bloemsma, Chairman Don Turvey Jason Brewer Johan Heystek

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Group's expense and advice so obtained is to be made available to all Directors.

2. Corporate Governance Guidelines and Best Practice Recommendations

The Board has assessed the Group's practice against the Australian Securities Exchange Corporate Governance Council's *'Corporate Governance Principles and Recommendations'* ("ASX Guidelines"). As explained in detail below, the Group has complied with all material aspects of the ASX Guidelines throughout the 2013 financial year.

Principle 1 – Lay solid foundations for management and oversight

The Board's role and delegation of duties to senior management have been formalised as set out above.The remuneration and performance of senior executives is reviewed annually by the Remuneration and Nomination Committee, taking into consideration the Group's operational and financial performance including an assessment of each individual's performance against the individual's KPI's.

Principle 2 – Structure the Board to add value

The Board currently comprises 1 executive director and 5 non-executive directors, as follows:

Director	Independent	Non-executive
Mike Kilbride	Yes	Yes
Don Turvey	No	No
Jason Brewer	No	Yes
Johan Bloemsma	Yes	Yes
Connie Molusi	No	Yes
Bernard Swanepoel	No	Yes

The Board reviews its composition from time to time to ensure its members have an appropriate mix of skills and experience to enable the Group to achieve its strategic objectives. We launched a process to appoint one more Australian resident Non-executive Director as required by the Corporations Act. The Remuneration & Nomination Committee reviews the performance of directors and key management on an annual basis.

Principle 3 – Promote ethical and responsible decision making

A copy of the Group's Code of Conduct can be found on the Group's website.

The Code of Conduct provides sets out the principles and standards which the Board, management and employees of the Company are expected to apply when dealing with each other, shareholders, other stakeholders and the broader community. The Group recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Group's success is the quality, diversity, and skills of its people. Under the Group'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 gender, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, or sexual preferences. The Group has established a Diversity Policy, and was pleased to have two women in senior executive positions during the 2013 year (Ms Rachel Hebron as Director and CFO of the South African subsidiary and Ms Jane Flegg as Company Secretary).

Principle 4 – Safeguard integrity in financial reporting

The Group has established the Audit & Risk Committee to focus on issues relevant to the integrity of the Group's financial reporting. The Audit & Risk Committee is comprised of James Leahy (*resigned 31 July 2013*), Bernard Swanepoel, Don Turvey, and Jason Brewer. The Group is of the opinion that the input of the CEO and CFO is 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.

The Audit & Risk Committee's charter is available on the Group's website.

Principle 5 – Make timely and balanced disclosure

The Group takes its continuous disclosure obligations seriously and strives to ensure the requirements of the *Corporations Act 2001* and the *ASX Listing Rules* are complied with. The Group does not make public price sensitive information until that information has been given to the ASX and has received an acknowledgement from the ASX that the information has been released to the market. After an acknowledgement has been received from the ASX, information disclosed to the ASX should be promptly placed on the Group's website.

Principle 6 – Respect the rights of shareholders

The Group recognises the importance of keeping shareholders and other stakeholders informed of the major developments affecting the Group. The Group has a Shareholder Communications Policy in place which sets the procedures that are in place to ensure information about the Group is available to shareholders.

Principle 7 – Recognise and manage risk

The Group accepts that risk is a part of doing business and acknowledges that effective risk management is critical to the achievement of the Group's strategic goals and objectives. The Group has implemented a Risk Management Policy, a copy of which is available on the Group's website.

The Board is responsible for the approval and implementation of the Group's Risk Management policies & procedures, with assistance provided by the Audit & Risk Committee. The Board has received assurance from the CEO and CFO that the declaration provided in accordance with S259A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control, and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly responsible

The Group has established a Remuneration & Nomination Committee which is responsible for determining the remuneration structure of the CEO and senior management. The Remuneration & Nomination Committee has a formal charter which can be found on the Group's website.

Additional information on the remuneration of the Group's Key Management Personnel is set out in the Remuneration Report on page 36 to 48. As required by the *Corporations Act 2001*, a resolution that the Remuneration Report be adopted will be put to the vote at the Company's Annual General Meeting; the vote will be advisory only and will not bind the directors of the Company.

3. Share Trading Policy

As required by Listing Rule 12.12, the Board has adopted a policy in relation to dealings in the securities of the Group which applies to all directors, officers 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 CEO 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.

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:

1 Remuneration Policy
2 Details of remuneration
3 Equity-based compensation
4 Employment contracts of directors and senior executives

1. 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, offering short-term incentives based on key performance areas affecting the consolidated Group's financial results, and offering long-term incentives in the form of options to increase goal congruence between executives, directors and shareholders and as an incentive to deliver shareholder returns. 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 oversee and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders. 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.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the 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/retirement fund contributions, and fringe benefits.

- The board reviews key management personnel packages annually based on market practices, duties and accountability.

- 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.

- Key management personnel are also entitled to participate in employee share and option arrangements. The Board may also approve at its discretion incentives bonuses and options.

Key management personnel receive pension or superannuation contributions as required by the governments in which they reside. Some individuals may choose to sacrifice part of their salary to increase payments towards their retirement funds.

All remuneration paid to key management personnel is valued at the cost to the 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. Shares issued to directors in lieu of cash directors' fees are valued at the amount of directors' fees extinguished through the issue of shares. 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.

1.1 Remuneration Governance

The Board established a Remuneration and Nomination Committee (R&NC) in the prior year, 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.

The R&NC for the 2013 financial year consisted of the following members:

- Mr Mike Kilbride — Independent Non-executive Chairman
- Mr Don Turvey — Executive Director
- Mr Jason Brewer — Finance Director *(resigned as Finance Director on 31 August 2013)*
- Mr Connie Molusi — Non-executive Director
- Mr James Leahy *(resigned 31 July 2013)* — Non-executive Director

1.2 Use of Remuneration Consultants

The R&NC has the authority to engage external remuneration advisors who are considered independent. As an independent review was undertaken in April 2012 by Aon Hewitt, the R&NC did not engage external remunerations advisors during the 2013 financial year.

1.3 Remuneration Structure

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

1.4 Non-executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the 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 Group. However, to align directors' 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 in a General Meeting. The maximum aggregate currently stands at $500,000 per annum and was approved by shareholders at the General Meeting on 28 March 2013.

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.

Base fees for non-executive directors are as follows:

Base fees	**$**
Chair	131,250
Other non-executive directors	67,500
Additional fees	
Chairman of R&NC	4,500
Chairman of Technical, SHEC, and Investment Committee	3,750
Chairman of Audit and Risk Committee	5,500
Sub-committee membership	discretionary

1.5 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 of shareholders; and
- Ensure total remuneration is competitive by market standards.

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

Short-term Incentives
Executives have the opportunity to earn an annual short-term incentive if predefined operational and financial KPI's are achieved. The CEO has a target short term incentive opportunity of 100% of the total value of his employment package.

Other executives have a target short term incentive opportunity ranging from 25% - 75% of the total value of their employment packages as follows:

Executive	**Bonus at Threshold**	**Bonus at Target** *(% of base salary)*	**Bonus at Stretch**
Rachel Hebron	25%	45%	65%
Johan Heystek	45%	60%	75%

The CEO's bonus is earned if his KPI's are achieved during the calendar year; if his KPI's are not achieved then his bonus is forfeited. For executives, if KPI's achieved are in the range of 0-50%, the Bonus at Threshold is paid; if KPI's achieved are in the range of 50-100%, the Bonus at Target is paid; if KPI's are exceeded the Bonus at Stretch is paid.

The KPI's 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. Bonuses are paid in cash in November or December based on the achievement of KPI's in the preceding calendar year as determined using various scorecard measures and weightings. The R&NC has the discretion to adjust short-term incentives downwards in light of unexpected or unintended circumstances.

The R&NC determined that the CEO had achieved his KPI's and earned his bonus and that the executives had exceeded their KPI's and therefore earned the full amount of their available bonus ("Bonus at Stretch").

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	**2013**	**2012**	**2013**	**2012**
Don Turvey	67%	73%	28%	27%
Rachel Hebron	62%	88%	38%	12%
Johan Heystek	59%	80%	41%	20%

Proportions of bonuses earned and forfeited for 30 June 2013 are as follows:

Executive	Earned	Forfeited
Don Turvey	47%	53%
Rachel Hebron	100%	-
Johan Heystek	100%	-

1.6 Group performance

The following table shows key performance indicators for the Group over the last five years:

	2013	2012	2011	2010	2009
Revenue ($'000)	62,230	82,105	50,834	-	-
Loss for the year attributable to the owners of Continental Coal Ltd ($'000)	(35,720)	(53,026)	(36,158)	(24,856)	(14,906)
Adjusted EBITDA ($'000)[1]	(3,524)	(7,140)	(17,054)	(15,144)	(4,217)
Basic loss per share (cents)	(6.78)	(13.40)	(13.86)	(2.68)[2]	(5.31)[2]
Dividends paid	-	-	-	-	-
30 June share price	0.034	0.09	0.38[3]	0.35[3]	0.55[3]
30 June market capitalisation ($'000)	23,260	38,767	121,320	48,167	24,546
Total short-term KMP incentives ($'000)	614	318	480	87	-
Increase/(decrease) in net loss for the year attributable to the owners of Continental Coal Ltd (%)	(32.6%)	46.7%	45.5%	66.8%	97.5%
Improvement/(decline) in adjusted EBITDA (%)	50.6%	58.1%	(12.6%)	(259.1%)	-
Increase/(decrease) in total short-term KMP incentives during the year (%)	93%	(33.75%)	451.7%	-	-

[1]*Reconciliation of statutory profit to adjusted EBITDA:*

	AUD $'000
Loss before income tax from continuing operations	(49,442)
Impairment	28,126
Depreciation	4,406
Finance costs	13,888
Interest revenue	(502)
Adjusted EBITDA	(3,524)

[2]pre 10:1 equity consolidation

[3]Adjusted for 10:1 equity consolidation

2. Details of Remuneration

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

2.1 Key Management Personnel

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

• Mike Kilbride	Independent Non-executive Chairman	
• Don Turvey	Chief Executive Officer and Executive Director	
• Jason Brewer	Finance Director	*(resigned as Finance Director on 31 August 2013)*
• Johan Bloemsma	Non-Executive Director	
• Connie Molusi	Non-Executive Director	
• Bernard Swanepoel	Non-Executive Director	*(appointed 14 May 2013)*
• Lou van Vuuren	Chief Financial Officer	*(appointed 1 September 2013)*
• James Leahy	Non-Executive Director	*(resigned 31 July 2013)*
• Peter Landau	Non-Executive Director	*(resigned 14 May 2013)*
• Andrew Macaulay	Non-Executive Director	*(resigned 28 November 2012)*
• Maritz Smith	Executive Director	*(CFO from 1 June 2012, Director from 9 July 2012, resigned 31 October 2012)*
• Jane Flegg	Company Secretary	*(resigned 14 May 2013)*

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

• Connie Molusi	Non-Executive Chairman	
• Don Turvey	Chief Executive Officer	
• Jason Brewer	Non-Executive Director	
• Johan Bloemsma	Non-Executive Director	
• Rachel Hebron	Head of Finance	
• Andrew Macaulay	Non-Executive Director	*(resigned 28 November 2012)*

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	Head of Finance

2.2 Shares issued in lieu of cash Directors' fee

James Leahy, Jason Brewer, Mike Kilbride, and Peter Landau previously agreed to defer payment of their directors' fees to enable the Group to preserve its cash reserves for the development of Penumbra. Further, Don Turvey agreed to defer payment of his salary and fees for the months of September and October 2012. To enable the Group to continue its preservation of cash, the directors mentioned above agreed to receive their accrued fees in shares during the year.

As approved by shareholders at the General Meeting held 28 March 2013, shares were issued in lieu of directors' salary & fees during the year ended 30 June 2013 as follows:

Director	Accounting Value of Shares Received During the 2013 Year $	Shares Received Relating to 2013 Salary/Fees $	Shares Received Relating to 2012 Salary/Fees[1] $	Shares Received Relating to 2011 Salary/Fees [2] $
Mike Kilbride	61,300	6,628	54,672	-
Don Turvey	20,258	20,258	-	-
Jason Brewer	275,000	82,500	165,000	27,500
James Leahy	39,401	8,357	31,044	-
Peter Landau	152,350	-	92,400	59,950
Total	**548,309**	**117,743**	**343,116**	**87,450**

1 The values of these shares were included in the 30 June 2012 directors' remuneration table within the "Cash, Salary, and Commissions" column; accordingly the values are not included in the 30 June 2013 remuneration table on the following page.

2 The values of these shares were included in the 30 June 2011 directors' remuneration table within the "Cash, Salary, and Commissions" column; accordingly the values are not included in the 30 June 2013 remuneration table on the following page.

The accounting value of the shares has been determined based on the dollar value of directors' fees settled through the issue of shares. The market value of shares issued to settle directors' fees was significantly less than the accounting value of the shares issued as shown below.

Director	Accounting Value of Shares Received During the Year $	Market Value of Shares Received During the Year[3] $
Mike Kilbride	61,300	25,746
Don Turvey	20,258	8,622
Jason Brewer	275,000	115,500
James Leahy	39,401	16,548
Peter Landau	152,350	63,987
Total	**548,309**	**230,403**

3 Based on the 26 April 2013 share price, which was the date the shares were issued, of $0.042.

2013	Short-term benefits		Post-employment benefits	Share-based payments		Total	Options as Remuneration
Name	Cash, Salary and Commissions	Bonus's[2]	Superannuation	Shares[3]	Shares[4]		
	$	$	$			$	%
Key Management Personnel							
Mike Kilbride	129,122	-	-	6,628	-	135,750	-
Don Turvey	447,002	222,998	66,412	20,258	45,000	801,670	-
Jason Brewer	67,500	-	-	82,500	-	150,000	-
Johan Bloemsma	86,062	-	-	-	-	86,062	-
Connie Molusi	86,958	-	-	-	-	86,958	-
Bernard Swanepoel *(from 14 May 2013)*	11,250	-	-	-	-	11,250	-
Rachel Hebron	187,189	133,428	28,783	-	-	349,400	-
Johan Heystek	315,277	257,139	48,085	-	-	620,501	-
James Leahy *(to 31 July 2013)*	63,643	-	-	8,357	-	72,000	-
Peter Landau *(to 14 May 2013)*	59,000	-	-	-	-	59,000	-
Andrew Macaulay *(to 28 November 2012)*	23,332	-	2,648	-	-	25,980	-
Maritz Smith *(to 31 October 2012)*	114,044	-	-	-	-	114,044	-
Jane Flegg[1] *(to 14 May 2013)*	-	-	-	-	-	-	-
	1,590,379	**613,565**	**145,928**	**117,743**	**45,000**	**2,512,615**	

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

2 The bonus payments made to KMP's in South Africa were based on the achievement of financial and operational KPI's. Don Turvey's bonus was earned based on South African subsidiary level EBITDA; safety achievements; and securing increased port allocations at Maputo. Rachel Hebron's bonus was earned based on South African subsidiary level EBITDA; cash flow management; stakeholder reporting; audit management; securing funding for the Penumbra project; and completion of the SIOC transaction. Johan Heystek's bonus was earned based on South African subsidiary level EBITDA; ROM production, saleable tons revenue, margin, and EBIT achieved at Ferriera; margin and EBIT achieved at Vlakvarkfontein; and progressing other projects of the Group including Penumbra, De Wittekrans, Botswana, and Vlakplaats.

3 Directors' fees settled in shares as approved by shareholders at the General Meeting held 28 March 2013.

4 In accordance with employment contract.

2012	Short-term benefits		Post-employment benefits	Share-based payments			Total	Options as Remuneration
Name	Cash, Salary and Commissions	Bonus's[6]	Superannuation	Options [7] (75 cents, 31/12/2013)	Shares	Termination Benefits[8]		
	$	$	$	$		$	$	%
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 [5]	150,000	-	-	-	-	-	150,000	-
Peter Landau [5]	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 *(to 19 September 2011)*	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**	

5 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.

6 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. 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.

7 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 the 30 June 2012 report the Company has assessed the fair value of the Director options to be $1,100.

8 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.

3. Equity Based Compensation

3.1 Options issued as remuneration

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. There were no options issued during the year ended 30 June 2013. There were no options issued in the current or previous years that affect remuneration in the current or future reporting years. The assessed fair value at grant date of options granted to individuals is allocated over the period from grant date to vesting date; as all options vested upon issue in prior financial years there was no pro-rata expense to be recorded in the 30 June 2013 year. 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.

3.2 Shares issued on Exercise of Compensation Options

No options lapsed, were forfeited or were exercised during the year.

4. Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors (Mr Jason Brewer) and Non-Executive Directors (Mr Mike Kilbride, Mr Johan Bloemsma, Mr Bernard Swanepoel, Mr Connie Molusi, Mr James Leahy, and Mr Peter Landau) are formalised in consultancy agreements with the parent company.

Agreements for Chief Executive Officer Mr Don Turvey, Group Chief Financial Officer Mr Maritz Smith, Non-Executive Director Mr Andrew Macaulay, 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.

<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. The options have not been issued as at the date of this report as they have not yet received shareholder approval.

Executive Director - Mr Jason Brewer (resigned as Executive Director on 31 Augustus 2013)

- 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 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 may receive additional consultancy fees in respect of work performed for the Company in excess of that expected of a non-executive director.
- 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. The options have not been issued as at the date of this report as they have not yet received shareholder approval.

Non-executive Director - Mr Bernard Swanepoel

- Term of Agreement – The agreement commenced on 14 May 2013, for an unspecified term until either party gives written notice of termination.
- Remuneration $67,500 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 10.19.

Non-executive Director - Mr James Leahy (resigned 31 July 2013)

- 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. Mr Leahy's remuneration was amended to AUD $72,000 effective 1 July 2012.
- 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. 1,000,000 options have been issued as at the date of this report as they have not yet received shareholder approval.

Non-executive Director - Mr Peter Landau (resigned 14 May 2013)

- 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. Effective 1 July 2012, Mr Peter Landau transitioned to a Non-Executive Director of the Group. Mr Landau remained engaged with the Group under his executive agreement until his resignation however his salary was reduced to $73,000 per annum from that date.
- 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.

<u>Agreements with subsidiary</u>

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 ($360,000) per annum payable monthly and reviewed annually, payable to Mr Don Turvey or nominee and an incentive payment of 1,000,000 shares and 10,000,000 options exercisable at $0.50 on or before 31 December 2013. The shares were issued to Mr Turvey during the 2013 year, as at the date of this report the options have not yet been issued as they have not yet received shareholder approval. Mr Turvey's base salary was increased to Rand 3,983,831 ($420,680) during the 2013 year.

- 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.

Head of Finance – 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 ($185,000) per annum payable monthly and reviewed annually, payable to Ms Hebron or nominee. Ms Hebron's base salary was increased to Rand 1,861,446 ($200,000) during the 2013 year.
- 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 ($315,000) per annum payable monthly and reviewed annually, payable to Mr Heystek or nominee. Mr Heystek's base salary was increased to Rand 3,133,185 ($330,000) during the 2013 year.
- 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 (resigned 28 November 2012)

- 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 ($275,000) per annum payable monthly and reviewed annually, payable to Mr Andrew Macaulay or nominee. Effective 1 July 2012, Mr Andrew Macaulay transitioned to a non-executive Director of the Group. Mr Macaulay remained engaged with the Group under his executive agreement until his termination however his salary was reduced to $40,000 per annum from 1 July 2012.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.

Group Chief Financial Officer – Mr Maritz Smith (resigned 31 October 2012)

- 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 3,000,000 ($320,000) 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.

Subsequent to year end, the Group's Non-Executive Directors agreed to an immediate reduction in fees of 25% of the contracted amounts disclosed above and, subject to shareholder approval, potentially up to 100% of accrued and future fees to be settled in equity rather than cash.

At the Annual General Meeting of the Company held 28 November 2012, 91% of the votes cast in respect of the resolution to adopt the 2012 remuneration report voted against the resolution. Because this was greater than 25% of the votes cast, the Company received what is known as a "first strike" under the *Corporations Act 2001*.

Voting at the AGM is not compulsory and voter participation often reflects this with a low number of potential votes being cast. At the 2012 AGM, only 17% of issued shares that were eligible to vote on the resolution to adopt the 2012 Remuneration Report did so, meaning that the "against" vote represented 15.49% of eligible issued shares.

While we believe the Group has adopted appropriate remuneration practices, we have taken the first strike seriously and have undertaken a review of Key Management Personnel remuneration. We have conducted an in-depth analysis of the Group's financial position and the current market environment to ensure the Group's corporate structure provides maximum leverage for the achievement of the Group's objectives. Specific details of the changes undertaken by the Group are as follows:

REMUNERATION REPORT (AUDITED)

Concern	Board Action or Comment
Number of directors disproportionate to size of the Company At the date of the 2012 annual report, the Company had a board comprised of 3 executive and 6 non-executive directors; the Company has received feedback that the Board had too many members for a company of its size.	***Number of directors reduced from 9 to 6*** At the date of the 2013 annual report, the Company has reduced its executive directors from 3 to 1, and reduced its non-executive directors from 6 to 5. We launched a process to appoint one more Australian resident Non-executive Director as required by the Corporations Act. One the additional Director has been appointed, the Board will possess the required skills to meet the Company's existing development opportunities
High cash cost of key management remuneration The cash cost of 2012 key management remuneration was $4,289,400; the Company has received feedback regarding this amount.	***Cash cost of key management remuneration reduced by 45%*** The cash cost of 2013 key management remuneration was $2,349,872, a 45% reduction on the 2012 cash cost of $4,289,400. The reduction was achieved through the settlement of directors' fees in shares in lieu of cash as approved by shareholders at the Company's 28 March 2013 annual general meeting, and the overall reduction in the number of Directors. Subsequent to year end, the Group's Non-Executive Directors agreed to a 25% reduction in contracted director fees.
Alignment of directors' interests with shareholder wealth The Company has received feedback that the directors of the Company are not holding enough shares in the Company.	***Settlement of directors' fees through the issue of shares*** As noted above, $548,309 of directors' fees were settled through the issue of shares, reducing the cash cost to the Company and promoting the alignment of directors' interests with the interest of shareholders. Directors' fees received in shares were calculated at $0.10 per share, representing a significant premium to the 26 April 2013 market price of $0.042. While the accounting value of shares issued to directors is $548,309, the market value of the shares is $230,463 (based on the 26 April 2013 market price). Subsequent to year end, the Group's Non-Executive Directors agreed to receive potentially up to 100% of their accrued and future fees in equity rather than cash (subject to shareholder approval).
Payment of bonuses KPI's that formed the basis of 2012 bonus payments were primarily linked to the operational performance of the Group.	***Revision of KPI's on which bonus payments are based*** Where possible and appropriate, 2013 KPI's have been revised to link to both the Group's operational and financial performance.

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

Don Turvey
Chief Executive Officer

Dated this 27th day of September 2013

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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 2013 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

Dated 27 September 2013

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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 2013, the consolidated income statement, the consolidated statement of other 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 gives a true and fair view and 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.

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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 2013 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 ability of the consolidated entity to continue as a going concern is dependent upon the success of the negotiations with financiers and future successful raising of necessary funding through equity. These conditions, along with other matters as set out 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 2013. 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 2013 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 27th day of September 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE

	Note	Consolidated	
		2013 $'000	**2012 $'000**
Operating sales revenue	**2**	62,230	82,105
Operating expenses		(55,181)	(67,195)
Depreciation & amortisation		(4,190)	(3,753)
Cost of sales	**3**	(59,371)	(70,948)
Gross profit		**2,859**	**11,157**
Other income	**2**	4,130	6,106
Administration expenses	**3**	(11,533)	(18,543)
Finance expenses	**3**	(13,888)	(20,128)
Impairment expenses	**3**	(28,126)	(19,775)
Marketing expenses		(266)	(1,690)
Other expenses	**3**	(2,618)	(8,305)
Loss before income tax		**(49,442)**	**(51,178)**
Income tax benefit	**4**	1,101	1,316
Loss after income tax from continuing operations		**(48,341)**	**(49,862)**
Loss from discontinued operation	**11**	(1,147)	-
Loss for the year		**(49,488)**	**(49,862)**
Net profit/(loss) is attributable to:			
Owners of Continental Coal Limited		(35,720)	(53,026)
Non-controlling interests		(13,768)	3,164
		(49,488)	**(49,862)**
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**	(6.56)	(13.40)
Diluted loss per share (cents per share)	**7**	(6.56)	(13.40)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	**7**	(6.78)	(13.40)
Diluted loss per share (cents per share)	**7**	(6.78)	(13.40)

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

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

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Loss for the year		**(49,488)**	**(49,862)**
Other Comprehensive Income/(Loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(6,052)	(11,872)
Changes in the fair value of cashflow hedges, net of tax	**13**	3,087	(687)
Other comprehensive loss for the year, net of tax		**(2,965)**	**(12,559)**
Total comprehensive loss for the year		**(52,453)**	**(62,421)**
Total comprehensive income/(loss) is attributable to:			
Owners of Continental Coal Limited		(38,177)	(64,075)
Non-controlling interests		(14,276)	1,654
		(52,453)	**(62,421)**
Total comprehensive loss for the period attributable to owners of Continental Coal Limited arises from:			
Continuing operations		(37,030)	(64,075)
Discontinued operations		(1,147)	-
		(38,177)	**(64,075)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	Consolidated	
		2013 $'000	2012 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,496	14,595
Trade and other receivables	9	7,744	7,871
Inventories	10	4,862	4,161
		17,102	26,627
Non-current assets classified as held for sale	11	-	9,844
TOTAL CURRENT ASSETS		**17,102**	**36,471**
NON-CURRENT ASSETS			
Trade and other receivables	9	2,981	4,184
Other assets	12	1,658	1,090
Derivative financial instruments	13	2,400	-
Exploration expenditure	17	54,363	86,314
Development expenditure	18	76,344	65,843
Property, plant and equipment	19	11,933	7,937
Deferred tax assets	20	3,022	2,346
TOTAL NON-CURRENT ASSETS		**152,701**	**167,714**
TOTAL ASSETS		**169,803**	**204,185**
CURRENT LIABILITIES			
Trade and other payables	21	12,459	27,077
Deferred revenue	22	5,859	5,552
Income tax payable	4	1,115	525
Provision for employee benefits		296	400
Borrowings	23	18,531	6,844
Derivative financial instruments	13	228	1,547
Other financial liabilities	24	3,633	3,454
Provision for rehabilitation	26	3,759	-
TOTAL CURRENT LIABILITIES		**45,880**	**45,399**
NON-CURRENT LIABILITIES			
Trade and other payables	21	-	398
Deferred revenue	22	5,467	9,351
Borrowings	23	52,141	39,468
Derivative financial instruments	13	-	717
Other financial liabilities	24	6,984	5,207
Deferred tax liability	25	23,009	26,838
Provision for rehabilitation	26	9,594	12,285
TOTAL NON-CURRENT LIABILITIES		**97,195**	**94,264**
TOTAL LIABILITIES		**143,075**	**139,663**
NET ASSETS		**26,728**	**64,522**
EQUITY			
Issued capital	27	236,032	220,015
Reserves	28	(2,838)	1,157
Accumulated losses		(198,987)	(164,739)
Capital and reserves attributable to owners of Continental Coal Limited		34,207	56,433
Amounts attributable to non-controlling interests		(7,479)	8,089
TOTAL EQUITY		**26,728**	**64,522**

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

	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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	**190,068**	**(113,158)**	**(8,650)**	**-**	**-**	**653**	**31,147**	**14,380**	**114,440**	**(4,312)**	**110,128**
Profit/(Loss) for the year	-	(53,026)	-	-	-	-	-	-	(53,026)	3,164	(49,862)
Exchange differences on translation of foreign operations	-	-	(10,540)	-	-	-	-	-	(10,540)	(1,332)	(11,872)
Cashflow hedge, net of tax			-	-	(508)	-	-	-	(508)	(179)	(687)
Total comprehensive income/(loss) for the year	-	(53,026)	(10,540)	-	(508)	-	-	-	(64,075)	1,654	(62,421)
Transactions with owners in their capacity as owners:											
Shares issued during the year	11,711	-	-	-	-	-	-	-	11,711	-	11,711
Transaction costs	3,856	-	-	-	-	-	-	-	3,856	-	3,856
Options issued	-	-	-	-	-	-	445	-	445	-	445
Transfers	14,380	1,445	-	-	-	(653)	(794)	(14,380)	-	-	-
Transactions with non-controlling interests	-	-	-	(9,944)	-	-	-	-	(9,944)	10,747	803
Balance at 30 June 2012	**220,015**	**(164,739)**	**(19,190)**	**(9,944)**	**(508)**	**-**	**30,798**	**-**	**56,433**	**8,089**	**64,522**
Loss for the year	-	(35,720)	-	-	-	-	-	-	(35,720)	(13,768)	(49,488)
Exchange differences on translation of foreign operations	-	-	(4,741)	-	-	-	-	-	(4,741)	(1,311)	(6,052)
Cashflow hedges, net of tax	-	-	-	-	2,284	-	-	-	2,284	803	3,087
Total comprehensive loss for the year	-	(35,720)	(4,741)	-	2,284	-	-	-	(38,177)	(14,276)	(52,453)
Transactions with owners in their capacity as owners:											
Shares issued during the year	16,117	-	-	-	-	-	-	-	16,117	-	16,117
Transaction costs	(100)	-	-	-	-	-	-	-	(100)	-	(100)
Options issued	-	-	-	-	-	-	701	-	701	-	701
Transfers	-	1,472	-	(1,472)	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	(766)	-	-	-	-	(766)	(1,026)	(1,792)
Dividends paid	-	-	-	-	-	-	-	-	-	(266)	(266)
Balance at 30 June 2013	**236,032**	**(198,987)**	**(23,931)**	**(12,182)**	**1,776**	**-**	**31,499**	**-**	**34,207**	**(7,479)**	**26,728**

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

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		58,505	79,978
Deferred income		-	4,790
Payments to suppliers and employees		(70,488)	(80,017)
Interest received		249	531
Other income		2,196	219
Proceeds on settlement of commodity hedges	13a	336	-
Income tax paid		(1,080)	(504)
Net cash (used in)/provided by operating activities	**32**	**(10,282)**	**4,997**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for additional ownership interest in subsidiary	14	(8,839)	(8,455)
Exploration expenditure	17	(660)	(6,327)
Development costs	18	(20,393)	(5,114)
Purchase of property, plant and equipment		(6,675)	(3,107)
Proceeds on disposal of property, plant and equipment		1,092	-
Payments in relation to SIOC transaction		(331)	(6,049)
Proceeds from sale of Vanmag	11	8,696	-
Payments for purchase of other assets		(642)	-
Net cash (used in) investing activities		**(27,752)**	**(29,052)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		8,597	9,476
Interest and borrowing costs		(1,227)	(5,380)
Proceeds from borrowings		26,890	23,870
Repayment of borrowings		(3,537)	(665)
Payment to fund Penumbra standby facility		(1,930)	-
Payment of finance related royalty		(533)	-
Dividends paid		(266)	-
Net cash provided by financing activities		**27,994**	**27,301**
Net (decrease)/increase in cash held		(10,040)	3,246
Effect of the exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial year		(1,042)	(701)
Cash at beginning of financial year		14,595	12,050
Cash at end of financial year	**8**	**3,513**	**14,595**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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 36. 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.

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. Continental Coal Ltd is a for-profit entity for the purpose of preparing the financial statements.

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.

Rounding
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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 million (2012: $50 million) and the Group had a net working capital deficit of $29 million (2012: $9 million). Included in current liabilities on 30 June 2013 is $15 million of unsecured convertible notes maturing from November 2012 to February 2014 for which the Company is in discussions with current and prospective financiers to restructure and refinance these obligations. The Group has subsequent to year end restructured $3.4 million of other loans and trade creditors to extend the repayment of these debts beyond 12 months. Obligations included under deferred revenue have also been restructured into longer term loans subsequent to year end.

Taking into consideration the success in restructuring certain short term obligations subsequent to year end as well as further restructure and refinance options available to the Group, the directors' believe that there are reasonable grounds to believe that the Group will be successful to restructure or refinance its short term obligations to allow the Group to settle these debts as and when they fall due. Should the expected refinance and restructuring not occur, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements effective 1 July 2012* now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

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 2012.

(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 15 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 Income Statement and Consolidated 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 Limited.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(a) Principles of Consolidation (cont'd)

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 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.

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 (income) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

(b) Income Tax (cont'd)

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 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 is 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.

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.

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

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

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
Furniture & fittings	15%
Office equipment	10%
Computer equipment	33%
Buildings	5%
Mine equipment	16.67% and 25%

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 expenditure

Exploration and evaluation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(f) Development expenditure (cont'd)

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 Consolidated Income Statement 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.

(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 Position date and the costs charged to the Consolidated Income Statement 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 Consolidated Statement of Financial Position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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

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

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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.

Transactions 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 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 profit or loss.

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 Consolidated Statement of Financial Position. These differences are recognised in 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 Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(n) Revenue Recognition

Revenue is measured at the fair value of gross consideration received or receivable. The Group 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 Group activities. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group 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.

The Group recognises revenue from coal produced when the risks and rewards transfers to the buyer which is typically the bill of lading date.

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 original 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 profit or loss within other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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 60 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 Consolidated 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.

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 Consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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 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 Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated 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.

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.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Continental Coal Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Continental Coal Limited.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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.

(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 Consolidated Statement of Financial Position. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the Consolidated 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 Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, 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 Consolidated Income Statement within other income or other expenses.

The Group did not have any fair value hedges 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 Consolidated Income Statement within other income or other expenses.

Amounts accumulated in equity are recognised in the Consolidated Income Statement 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 Consolidated Income Statement 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(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.

(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 29). 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) Parent entity financial information

The financial information for the parent entity, Continental Coal Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates, and joint venture entities are accounted for at cost in the financial statements of Continental Coal Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of the subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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

(dd) 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 2013 year $26,661,000 of exploration expenditure was written-off as it was determined to be non-recoverable (2012: $19,775,000).

The 2013 impairment losses were recognised in respect of some of the Group's non-core early stage exploration projects including Project X, Wesselton II, and Vlakplaats due to the thermal coal price environment and lower short term thermal coal price forecasts as well as the increased future development and operating costs to mitigate environmental requirements.

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 years ended 30 June 2013 or 30 June 2012.

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; and
- Depreciation and amortisation charges in the Consolidated Income Statement 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 13.

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

(dd) 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 its 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	7.89%
Inflation	7.60%
Expected closure of Vlakvarkfontein mine	2019
Expected closure of Penumbra 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 & Penumbra Mines and they are not available for general purposes of the Group 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 on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 2: Revenue and other income

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Revenue from continuing operations		
- Export coal sales	35,508	55,424
- Eskom coal sales	25,941	22,543
- Other coal sales	781	4,138
Total revenue from continuing operations	62,230	82,105
Other income		
- Foreign exchange gain	200	32
- Recovery of costs	2,196	184
- Interest received	502	531
- Net gain on fair values of derivative financial instruments (note 13e)	777	4,853
- Realised gains on commodity hedges	336	-
- Gain on debt settlement	119	-
- Miscellaneous income	-	219
- Reversal of previous impairment	-	287
Total other income	4,130	6,106

Note 3: Expenses

(a) Loss before income tax includes the following specific expenses:

	2013 $'000	2012 $'000
Cost of sales		
- Mining	35,221	37,229
- Export costs	6,405	8,491
- Processing	5,265	8,683
- Materials handling	3,813	1,186
- Indirect costs	3,324	2,137
- Mining royalties	1,153	187
- Depreciation & amortisation	4,190	3,753
- Bought in coal	-	9,282
Total cost of sales	59,371	70,948
Finance costs		
- Interest and borrowing costs	4,546	5,154
- Royalty expense (note 24)	3,639	8,662
- Convertible note interest accretion (note 23)	2,047	2,789
- Convertible note implementation costs (note 33)	1,712	501
- SIOC interest accrued (note 23j)	1,321	331
- EDF interest settled in coal	623	2,427
- Options issued in respect of EDFT coal loan (i)	-	264
Total finance costs	13,888	20,128
Impairment		
- Impairment of exploration expenditure (ii)	26,661	19,775
- Impairment of property, plant, and equipment (iii)	1,465	-
Total impairment	28,126	19,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 3: Expenses (cont'd)

	Consolidated	
	2013 $'000	**2012 $'000**
Administration & Other Expenses		
- Employee related costs	3,769	3,852
- Directors' fees – cash component	1,380	1,026
- Directors' fees – share based payments (note 33)	163	180
- Directors' fees – cash termination payments	-	1,696
- Directors' fees – share based termination payments (note 33)	-	2,602
- Consultants – cash component	2,083	1,840
- Consultants – share based payments (note 33)	429	1,508
- Loss on debt settlement	626	-
- Legal fees	582	595
- Occupancy	276	442
- Foreign exchange loss	1,122	1,868
- Depreciation	216	913
- Audit fees	566	508

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

(ii) The impairment charge of $26,661,000 recognised in the year ended 30 June 2013 relates to the carrying values of Project X, Vlakplaats, and Wesselton 2. The impairment charge of $19,775,000 recognised in the year ended 30 June 2012 relates to the acquisition costs of the Project X, Vaalbank, and Lemoenfontein coal projects as a result of an internal review and change in the Group's strategy regarding these assets.

(iii) The impairment charge of $1,465,000 recognised in the year ended 30 June 2013 relates to land and buildings at the Group's Ferreira Mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 4: Income Tax Expense

		Consolidated	
		2013 $'000	**2012 $'000**
(a)	The components of tax expense comprise:		
	Current tax	1,696	551
	Deferred tax	(2,797)	(1,867)
	Income tax benefit recognised in Consolidated Income Statement	(1,101)	(1,316)
(b)	The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:		
	Loss before income tax		
	- Consolidated Group	(49,488)	(51,178)
	Prima facie tax payable on profit before income tax at 30% (2012: 30%)		
	- Consolidated Group	(14,846)	(15,353)
	Add:		
	Tax effect of:		
	- Non-deductible other expenditure	6,333	4,048
	- Difference in overseas tax rate	695	(153)
	- Share based payments	691	1,364
	- Deferred tax asset in relation to tax losses and temporary differences not recognised	6,026	8,778
	Income tax benefit attributed to entity	(1,101)	(1,316)
(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	2,869	1,824
	- Tax losses		
	- Operating losses	5,948	1,695
	- Capital losses	1,924	1,924
		10,741	5,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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	Independent Non-Executive Chairman
Don Turvey	Executive Director and Chief Executive Officer
Jason Brewer	Finance Director *(to 31 August 2013)*
Johan Bloemsma	Non-Executive Director
Connie Molusi	Non-Executive Director
Bernard Swanepoel *(from 14 May 2013)*	Non-Executive Director
Rachel Hebron	Subsidiary Chief Financial Officer
Johan Heystek	Chief Operating Officer
James Leahy *(to 31 July 2013)*	Non-Executive Director
Peter Landau *(to 14 May 2013)*	Non-Executive Director
Andrew Macaulay *(to 28 November 2012)*	Non-Executive Director
Maritz Smith *(to 31 October 2012)*	Executive Director and Group Chief Financial Officer
Jane Flegg *(to 14 May 2013)*	Company Secretary

(b) Key Management Personnel Compensation

	Consolidated	
	2013 $'000	**2012 $'000**
Short-term employee benefits	2,204	2,457
Post-employment benefits	146	137
Share-based payments	163	180
Termination benefits	-	4,297
	2,513	7,071

(c) Options and Rights Holdings

Number of options held by Key Management Personnel

	Balance 1/7/12	**Granted as compensation**	**Options exercised**	**Options expired**	**Balance at (resignation)/ appointment date**	**Balance 30/6/13**	**Total Vested 30/6/13**	**Total Exercisable 30/6/13**
Mike Kilbride	-	-	-	-	-	-	-	-
Don Turvey	-	-	-	-	-	-	-	-
Jason Brewer	5,575,000	-	-	(575,000)	-	5,000,000	5,000,000	5,000,000
Johan Bloemsma	-	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-	-
Bernard Swanepoel	-	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-	-
James Leahy	1,000,000	-	-	-	-	1,000,000	1,000,000	1,000,000
Peter Landau	5,000,000	-	-	-	(5,000,000)	-	-	-
Andrew Macaulay	-	-	-	-	-	-	-	-
Maritz Smith	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
Total	11,575,000	-	-	(575,000)	(5,000,000)	6,000,000	6,000,000	6,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Options and Rights Holdings (cont'd)

	Balance 1/7/11	Granted as compensation	Options exercised	On market purchases	Net Change Other*	Balance 30/6/12	Total Vested 30/6/12	Total Exercisable 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

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

(d) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1/7/12	Shares in lieu of cash directors' fees*	Received as compensation**	Options exercised	On market purchases	Balance at (resignation)/ appointment date	Balance 30/6/13
Mike Kilbride	-	613,000	-	-	-	-	613,000
Don Turvey	538,000	205,275	1,000,000	-	-	-	1,743,275
Jason Brewer	900,000	2,750,000	-	-	150,000	-	3,800,000
Johan Bloemsma	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-
Bernard Swanepoel	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-
James Leahy	750,000	394,006	-	-	-	-	1,144,006
Peter Landau	-	1,523,500	-	-	-	(1,523,500)	-
Andrew Macaulay	-	-	-	-	-	-	-
Maritz Smith	-	-	-	-	-	-	-
Jane Flegg	2,000	-	-	-	-	(2,000)	-
Total	2,190,000	5,485,781	1,000,000	-	150,000	(1,525,500)	7,300,281

**As approved by shareholders at the 28 March 2013 General Meeting.*
***In accordance with employment contract.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Shareholdings (cont'd)

	Balance 1/7/11	Received as compensation	Options exercised	On market purchases	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

** Consolidation of shareholdings on 10:1 equity consolidation.*

Refer to note 35(d) for details of consulting fees to parties related to Key Management Personnel.

Note 6: Auditor's Remuneration

	Consolidated 2013 $'000	Consolidated 2012 $'000
Amounts paid or payable to:		
BDO Audit S.A. Colombia, Bogota		
Other services – due diligence	-	17
Remuneration of the auditor of the parent entity for:		
(BDO Audit (WA) Pty Ltd)		
Auditing and reviewing the financial report	214	204
Other services – taxation compliance matters	70	10
Remuneration of the auditor of the subsidiary Continental Coal Ltd for:		
(BDO Audit – South Africa)		
Auditing and reviewing the financial report	282	277
	566	508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 7: Loss per Share (EPS)

		Consolidated	
		2013 $'000	**2012 $'000**
(a)	**Basic loss per share**		
	From continuing operations attributable to owners of Continental Coal Limited	(6.56)	(13.40)
	From discontinued operation attributable to owners of Continental Coal Limited	(0.22)	-
		(6.78)	(13.40)
(b)	**Reconciliation of loss used in calculating loss per share**		
	Loss for the year from continuing operations attributable to owners of Continental Coal Limited	(34,573)	(53,026)
	From discontinued operation attributable to owners of Continental Coal Limited	(1,147)	-
	Loss used to calculate basic EPS	(35,720)	(53,026)
	Loss used in the calculation of dilutive EPS	(35,720)	(53,026)

		No.	**No.**
(c)	**Weighted average number of shares used as the denominator**		
	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	526,964,473	395,841,571
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	526,964,473	395,841,571

(d) Diluted earnings per share

The Group's potential ordinary shares were not considered dilutive, and as a result, diluted EPS is the same as basic EPS.

(e)	**Potential ordinary shares that could dilute EPS in the future**		
	Weighted average number of ordinary shares (basic)	526,964,473	395,841,571
	Effect of share options on issue	162,130,027	122,304,630
	Effect of conversion of debt to equity shares issued post year end	-	15,151,648
	Weighted average number of ordinary shares (diluted) at 30 June	689,094,500	533,297,849

The Company completed a 10 for 1 equity consolidation effective 9 September 2011. Earnings per share for the year ended 30 June 2012 has been calculated as if the equity consolidation occurred 1 July 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 8: Cash and Cash Equivalents

	Consolidated	
	2013 $'000	2012 $'000
Cash at bank and in hand (i)	4,496	14,595
	4,496	14,595

Reconciliation of cash
Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:

	2013 $'000	2012 $'000
Cash and cash equivalents	4,496	14,595
Bank overdrafts (note 23)	(983)	-
	3,513	14,595

(i) Includes cash restricted under guarantees in the amount of nil (30 June 2012: $831,000).

Risk Exposure
Refer note 37.

Note 9: Trade and Other Receivables

	Consolidated	
	2013 $'000	2012 $'000
CURRENT		
Trade receivables (a)	4,588	6,781
Restricted cash (b)	1,993	-
Other receivables (c)	1,012	958
Prepayments	151	132
Total current receivables	7,744	7,871
NON-CURRENT		
Other receivables (d)	2,981	4,184
Total non-current receivables	2,981	4,184

(a) The Group's trade receivables are generally settled within 30 days. No interest is charged on outstanding balances.
(b) The majority of the restricted cash balance relates to the Penumbra equity standby facility of ZAR 17,500,000 ($1,930,000) funded by the Group.
(c) The majority of other receivables relates to VAT recoverable by the South African subsidiary and deposits.
(d) As part of the transaction to secure SIOC as the Group's Black Economic Empowerment (BEE) partner during the 2012 year, the Group transferred ZAR 75,000,000 (approximately $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 16.5% discount rate and a repayment date of 30 June 2022 (2012: 16.6% discount rate and repayment date of 30 June 2017). An increase in the discount of $838,000 (2012: unwinding of discount of $162,000) has been recognised within transactions with non-controlling interests within equity and not in the Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

Fair value and credit risk

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Ageing of receivables:		
Neither past due nor impaired	10,707	13,010
Past due but not impaired	18	135
	10,725	13,145

Fair values of current trade and other receivable balances approximate the carrying values at 30 June 2013 and 30 June 2012.

The fair value of the non-current receivable, which has been determined using the assumptions note above, is the same as its carrying value.

Note 10: Inventories

	Consolidated	
	2013	**2012**
	$'000	**$'000**
CURRENT		
Coal stockpiles at cost	4,862	4,161
Total coal stockpiles	4,862	4,161

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

The Group announced the completion of the sale of its investment in Vanmag on 8 March 2013 for proceeds of approximately US$10,000,000. The disposal is reported in these financial statements as a discontinued operation.

Assets classified as held for sale

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Investment in Vanmag	-	9,843
	-	9,843

During the 2009 year, Continental acquired 49% of the issued capital of Vanadium and Magnetite Exploration Development Co (SA) (Vanmag) instead of a 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 has not equity accounted Van Mag during the years ended 30 June 2013 and 30 June 2012 because the investment was classified as held for sale in accordance with AASB 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 11: Non-Current Assets Classified as Held-for-Sale and Discontinued Operations (cont'd)

Discontinued operation

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cashflow information

	Consolidated	
	2013 $'000	2012 $'000
Profit/(loss) after income tax	-	-
(Loss) on disposal of Vanmag investment	(1,147)	-
(Loss) from discontinued operation	**(1,147)**	**-**
Net cashflow from operating activities	-	-
Net cash inflow from investing activities (proceeds from sale of Vanmag investment)	8,696	-
Net cashflow from financing activities	-	-
Net increase in cash generated from the disposal of Vanmag	**8,696**	**-**

Details of the sale

Cash consideration received	8,696	-
Carrying value of Vanmag investment at disposal date	9,843	
(Loss) on disposal	**(1,147)**	**-**

The $1,147,000 loss on disposal represents foreign exchange losses realised on the transaction.

Note 12: Other Assets

	Consolidated	
	2013 $'000	2012 $'000
Mining rehabilitation fund	1,658	1,090
	1,658	1,090

As approved by the Department of Mineral Resources in South Africa, the Group makes monthly contributions to a Liberty investment product to fund future environmental rehabilitation work at the Group's Vlakvarkfontein and Penumbra Mines.

The Liberty investment products consist primarily of money market accounts. These investments are not available for general purposes of the Group and are classified as restricted funds. All income earned on these funds is re-invested.

Amounts in the fund are held as security for a maximum guarantee facility of ZAR 34,000,000 ($4,037,000) provided to the Group by Lombard Insurance Company Ltd. Of the available ZAR 34,000,000, a total of ZAR 34,000,000 was used at 30 June 2013 (2012: ZAR 22,035,000 ($2,616,000)) to provide guarantees to the Department of Minerals, Richards Bay Coal Terminal and Transnet Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 13: Derivative Financial Instruments

The Group has the following derivative financial instruments:

	Consolidated	
	2013 $'000	2012 $'000
CURRENT ASSETS		
	-	-
NON-CURRENT ASSETS		
Forward rand coal swap – cash flow hedge (a)	2,084	-
Interest rate swaps – cash flow hedge (b)	316	
	2,400	-
CURRENT LIABILITIES		
Derivative liabilities from convertible notes (c)	99	882
Option and share repricing derivative liability (d)	129	665
	228	1,547
NON-CURRENT LIABILITIES		
Forward rand coal swap – cash flow hedge (a)	-	687
Derivative liabilities from convertible notes (a)	-	30
	-	717

(a) Forward rand coal swap – cash flow hedge

The Group is exposed to price risk on coal sales through fluctuations in global prices. To minimise the risk of an adverse effect on current or future earnings, the Group has entered into commodity hedges in order to protect against the impact of falling US$ coal prices and/or an unfavourable movement in the ZAR:US$ exchange rate. The hedges implemented ensure a minimum price to cover non-discretionary operating expenses, repayments due under the Group's financing facilities, and sustain capital.

The commodity hedges entered into are in respect of coal produced from the Group's Penumbra mine. The commodity hedges are forward rand coal swaps which are settled against the prevailing API4 cash rate for each month. The pricing basis of the hedge mirrors the pricing basis for the physical coal produced by Penumbra; the hedge is therefore considered to be 100% effective and has been accounted for through other comprehensive income and deferred in equity in the hedging reserve in accordance with the Group's accounting policy.

The hedged item is the highly probable forecast coal production from the Penumbra mine, based on expected production within the hedging limits specified in the Group's Treasury Policy.

The Group's coal swaps commenced in September 2012 and expire on various dates through August 2018, and cover 8% - 35% of monthly Penumbra production. At 30 June 2013 hedge contracts with a weighted average price of ZAR 1,067/t are in place for 625,846t of coal.

Realised gains for the year of $336,000 have been recognised within other income (2012: nil), representing the financial settlement of 37,688t of coal hedge contracts. Unrealised gains of $2,050,000 have been recognised within other comprehensive income (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 13: Derivative Financial Instruments (cont'd)

(b) Interest rate swap – cash flow hedge

The Group is exposed to interest rate risk on its Penumbra project finance facility with ABSA Capital, which bears interest at JIBAR (the Johannesburg InterBank Acceptance Rate) at the date of drawdown. In order to minimise its exposure to increasing interest rates, the Group intends to enter into an interest rate swap in relation to approximately 50% of the total Penumbra project finance facility available to the Group by entering into interest rate swaps for approximately 50% of each drawdown at the time of drawing.

As of 30 June 2013, the Group has drawn a total of ZAR 217,500,000 of the available ZAR 253,000,000 facility. Accordingly, the Group has entered into interest rate swaps in respect of ZAR 102,250,000 drawn down. Swaps entered into during the period oblige the Group to receive interest at variable rates and pay interest at fixed rates.

There are two swaps entered into in respect of approximately 50% of each individual drawdown. The first swap covers the amount of the principal drawn down for the period between drawdown date and repayment commencement date. The second swap is effective from the repayment commencement date and covers the principal drawn down plus accrued interest capitalised against the facility since drawdown date; the second swap terminates on the final principal repayment date.

Fixed interest rates range between 5.21% – 6.81% and the variable rates are between 4.98% – 6.49%. Net settlement of interest payable/receivable is due to occur the second month of each quarter commencing November 2014 and concluding November 2019. The settlement dates coincide with the dates on which interest is payable on the underlying debt, no principal or interest repayments are due before November 2014.

The hedged item is the highly probable forecast interest payments on the ABSA Capital Penumbra project finance facility.

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. There was no hedge ineffectiveness in the year to 30 June 2013, accordingly no loss was recognised in profit or loss during the year.

Unrealised gains of $234,000 have been recognised within other comprehensive income.

(c) Derivative liabilities from convertible notes

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

	Consolidated	
	2013 $'000	**2012 $'000**
Carrying amount at 1 July	912	-
Recognition of option derivative	-	521
Recognition of convertible note derivatives	439	4,255
De-recognition on derivatives on convertible noted settlements	(1,011)	-
Fair value movement (e)	(241)	(3,864)
Balance at 30 June	99	912

Pursuant to the accounting standards the option component of 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 due to the difference in the Company's share price between inception date and 30 June is recognised as an unrealised loss in the Consolidated Income Statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 13: Derivative Financial Instruments (cont'd)

(d) Option and share repricing derivative liability

During the year ended 30 June 2012 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	
	2013 $'000	2012 $'000
Carrying amount at 1 July	665	-
Recognition of option and share repricing liability	-	8,045
Amounts settled (see note 27)	-	(6,391)
Fair value movement (e)	(536)	(989)
Balance at 30 June	129	665

At 30 June 2012, $6,391,000 of this derivative was settled by the issuance of shares to SOCIUS under the Subscription Agreement (see note 26). The liability amount outstanding of $129,000 (2012: $665,000) relates to the fair value of the option derivative.

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:

2013

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	$0.007	$0.2216	$0.135	115%	3.75%	-

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%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 13: Derivative Financial Instruments (cont'd)

(e) Consolidated Income Statement 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 Consolidated Income Statement at each reporting period.

A net unrealised gain of $777,000 was recognised within other income during the year (2012: net unrealised gain of $4,853,000).

The $777,000 comprises an unrealised gain of $536,000 related to the option and share repricing derivative liability and an unrealised gain of $242,000 related to derivative liabilities from convertible notes.

The $4,853,000 comprises an unrealised gain of $989,000 related to the option and share repricing derivative liability and an unrealised gain of $3,864,000 related to derivative liabilities from convertible notes.

(f) Risk exposures

Information about the Group's exposure to credit, foreign exchange, and interest rate risks are provided in note 37.

Note 14: Business Combination

(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 DMR, financial settlement of the acquisition of Mashala took place.

In accordance with the terms of Share Sale Agreements executed on 15 September 2010 Continental Coal Limited in South Africa acquired a 64.1% shareholding in Mashala for a cash payment of US$35 million, resulting in Mashala becoming a subsidiary of the Group.

At the time of acquisition, the Group established a put/call option over the 35.9% shareholding held by non-controlling interests. The acquisition of the 35.9% was completed in stages, with 21.9% acquired in 2012 through cash payments of $8,455,000 and 14% acquired in 2013 through cash payments of $8,839,000.

At 30 June 2013, the Group owns 100% of Mashala (30 June 2012: 86%). The acquisitions of the additional interests in Mashala have had no impact on equity attributable to the owners of Continental Coal Limited as Mashala has been accounted for as a 100% subsidiary since 1 November 2010 due to the existence of the put/call option.

Purchase consideration – cash outflow

	Consolidated 2013 $'000	Consolidated 2012 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration for additional 21.9% acquired in 2012	-	8,455
Cash consideration for additional 14% acquired in 2013	8,839	-
Outflow of cash – investing activities	8,839	8,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 14: Business Combination (cont'd)

(b) 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 ($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 $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 ($13,323,302) and 13% of UCT's share capital was transferred to the then Group's BEE 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 expired on 30 September 2012, and has not been exercised at the date of this report.

Refer to note 16 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 2013 and 30 June 2012.

Note 15: 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 2013	**30 June 2012**
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	50	50
Ntshovelo Mining Resources (Pty) Ltd *(i)*	South Africa	50	50
Ultimatum Challenge Trading (Pty) Ltd *(ii)*	South Africa	50	50
Mashala Resources (Pty) Ltd	South Africa	100	86
Subsidiaries of Mashala Resources (Pty) Ltd			
Namib Drilling (Pty) Ltd	South Africa	100	86
Wessleton Opencast (Pty) Ltd	South Africa	100	86
BW Mining (Pty) Ltd	South Africa	100	86
Copper Sunset Trading 148 (Pty) Ltd	South Africa	100	86
Mandla Coal Resources (Pty) Ltd	South Africa	100	86
Penumbra Coal Mining (Pty) Ltd	South Africa	100	86
Mashala Hendrina Coal Pty Ltd (Pty) Ltd)	South Africa	100	86
Weldon Investments (Pty) Ltd	Botswana	100	86

** Percentage of voting power is in proportion to ownership*
Ntshovelo – 60% economic interest even though 50% equity interest.
Ultimatum Challenge Trading – 63% economic interest even though 50% equity interest.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 16: Transactions with Non-Controlling Interests

2013

There were no material transactions with non-controlling interests in the year ended 30 June 2013.

2012

Transactions with non-controlling interests in the year ended 30 June 2012 are as follows:

(a) Change in the Group's Black Economic Empowerment Partner

The Group facilitated a transaction during the year ended 30 June 2012 whereby its BEE partner Masawu was replaced by SIOC-cdt. As a result of this change, the Group's South African subsidiary ("CCL SA") bought back the 26% shareholding of Masawu for consideration of $3,573,000. The Group recognised an increase in non-controlling interests of $9,165,000 and a decrease attributable to equity holders of the parent of $12,918,000.

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

	Consolidated	
	2013 $'000	2012 $'000
Carrying amount of non-controlling interest acquired	-	(9,165)
Consideration paid for non-controlling interest	-	(3,753)
Excess of consideration paid recognised in other reserves in equity	-	(12,918)

On the issue of the 26% shareholding in CCL SA to SIOC-cdt for consideration of $4,752,000, the Group recognised a decrease in non-controlling interests of $6,323,000 and an increase attributable to equity holders of the parent of $1,571,000.

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

	Consolidated	
	2013 $'000	2012 $'000
Carrying amount of non-controlling interest disposed	-	6,323
Consideration paid to non-controlling interest	-	(4,752)
Excess of consideration paid recognised in other reserves in equity	-	1,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 16: Transactions with Non-Controlling Interests (cont'd)

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

As described in note 14b 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 ($13,323,000) 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 $2,640,000.

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

	Consolidated	
	2013 $'000	2012 $'000
Carrying amount of non-controlling interest disposed	-	(10,683)
Consideration received from non-controlling interest	-	13,323
Excess of consideration received recognised in other reserves in equity	-	2,640

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

As described in note 14a 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 $2,778,000 and a decrease attributable to equity holders of the parent of $1,403,000.

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

	Consolidated	
	2013 $'000	2012 $'000
Carrying amount of non-controlling interest acquired	-	2,778
Consideration paid to non-controlling interest	-	(4,015)
Excess of consideration paid recognised in other reserves in equity	-	(1,237)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 17: Exploration Expenditure

	Consolidated	
	2013 $'000	2012 $'000
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	45,957	74,716
- Exploration and evaluation phases – indirect (c)	8,406	11,598
Total exploration expenditure	54,363	86,314

(a) Movements in carrying amounts

	Consolidated	
	2013 $'000	2012 $'000
Balance at 1 July	86,314	138,984
Exploration expenditure capitalised	660	29,587
Exploration expenditure impaired *(i)*	(26,661)	(19,775)
Reversal of previous impairments	-	287
Transfers to development expenditure	-	(47,810)
Impacts of movements in foreign exchange rates on non AUD balances	(5,950)	(14,959)
Carrying amount at 30 June	54,363	86,314

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.

A number of the Group's South African exploration permits are in the process of being renewed at 30 June 2013. As the renewals lodged are compliant with the requirements of the DMR and the Group has complied with the expenditure and other permit requirements stipulated by the DMR, the Group expects the renewals to be granted to the Group in due course.

(i) The impairment charge of $26,661,000 recognised in the year ended 30 June 2013 relates to the carrying values of Project X, Vlakplaats, and Wesselton II. The impairment charge of $19,775,000 recognised in the year ended 30 June 2012 relates to the acquisition costs of the Project X, Vaalbank, and Lemoenfontein coal projects as a result of an internal review and change in the Group's strategy regarding these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 17: 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	3 February 2025
Vaalbank	MP 1689 PR	Misty Sea Trading 262 (Pty) Ltd	Kebragen (Pty) Ltd	17 April 2008	16 April 2011 (renewal submitted on 3 February 2011 and awaiting approval from DMR)
Project X	MP 1640 PR	Misty Sea Trading 262 (Pty) Ltd	Idada Trading 310 (Pty) Ltd	17 April 2008	16 April 2011 (renewal submitted on 3 February 2011 and awaiting approval from DMR)
Vlakplaats	MP 1520 PR	Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal submitted in July 2012 and awaiting approval from DMR)
Wolvenfontein	MP 1520 PR	Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal 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 11359 PR	Mandla Coal (Pty) Ltd	Mandla Coal (Pty) Ltd	5 February 2008	4 February 2013 (renewal submitted in February 2013 and awaiting approval from DMR)
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) (application for Mining Right submitted May 2013 and awaiting approval from DMR)
Mooifontein Ptn 13 & 16	MP 713 PR MP 353 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2009	16 October 2009 (renewal submitted in October 2012 and awaiting approval from DMR) (application for Mining Right submitted May 2013 and awaiting approval from DMR)
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)
Botswana		Weldon Investments (Pty) Ltd	Weldon Investments (Pty) Ltd	1 April 2009	31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 17: 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 2013 Percentage owned	30 June 2012 Percentage owned	30 June 2013 Carrying amount	30 June 2012 Carrying amount
			%	%	$'000	$'000
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa	49	49	8,406	11,598
City Square – Trading 437 (Pty) Limited	Unlisted	South Africa	50	50	-	-
Idada Trading 310 (Pty) Limited	Unlisted	South Africa	50	50	-	-
					8,406	11,598

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 18: Development Expenditure

	Consolidated 2013 $'000	Consolidated 2012 $'000
NON-CURRENT		
- Development expenditure at cost	89,903	77,896
- Accumulated depreciation	(13,559)	(12,053)
Total development expenditure	76,344	65,843

(a) Movements in carrying amounts

	2013	2012
Balance at 1 July	65,843	27,082
Development expenditure capitalised	21,312	5,114
Depreciation charge for the year	(4,164)	(3,886)
Disposals	(726)	-
Transfers from exploration expenditure	-	47,810
Impacts of movements in foreign exchange rates on non AUD balances	(5,921)	(10,277)
Carrying amount at 30 June	76,344	65,843

The Development expenditure relates mainly to the mining infrastructure assets and the environmental assets for closure costs in relation to the Penumbra, Vlakvarkfontein, and Ferreira mines.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 19: Property, Plant & Equipment

	Consolidated 2013 $'000	Consolidated 2012 $'000
PLANT AND EQUIPMENT		
Plant and equipment at cost	14,251	10,624
Accumulated depreciation	(2,318)	(2,687)
Net book amount	11,933	7,937

(a) **Movements in Carrying Amounts**

	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Consolidated			
Balance at 1 July 2011	2,474	3,827	6,301
Additions	3,045	62	3,107
Accumulated depreciation on acquisition	(80)	-	(80)
Depreciation charge for the year	(467)	-	(467)
Impacts of movements in foreign exchange rates on non AUD balances	(363)	(561)	(924)
Balance at 30 June 2012	4,610	3,328	7,937
Additions	6,674	-	6,674
Disposals	(420)	-	(420)
Depreciation charge for the year	(93)	(149)	(242)
Impairment loss	-	(1,465)	(1,465)
Impacts of movements in foreign exchange rates on non AUD balances	(491)	(61)	(552)
Balance at 30 June 2013	10,280	1,653	11,933

(b) **Security**

Refer to borrowings note 23 for details of non-current assets of the Group that are pledged as security for the Group's borrowings.

The Group has entered into a Coal Supply Agreement with EDF Trading Limited (EDF) whereby EDF paid an upfront fee of US$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 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 20: Deferred Tax Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Deferred tax asset		
Tax losses available for set off against future taxable income	2,045	2,194
Other	977	151
	3,022	2,345
Reconciliation of deferred tax asset		
Opening balance	2,345	-
Foreign currency translation	(166)	2,262
Benefit recognised in Consolidated Income Statement	843	83
	3,022	2,345

Note 21: Trade and Other Payables

	Consolidated 2013 $'000	Consolidated 2012 $'000
CURRENT		
Unsecured liabilities		
Trade payables	8,997	14,041
Sundry payables and accrued expenses	2,670	4,143
Deferred purchase liability – (i)	-	8,200
Accrued interest	792	693
	12,459	27,077
NON-CURRENT		
Unsecured liabilities		
Deferred purchase liability – (ii)	-	398
	-	398

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

Risk Exposure
Refer note 37.

Fair value approximates the carrying value of trade and other payables at 30 June 2013 and 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 22: Deferred Revenue

Deferred revenue relates to the prepayment by EDF 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 2013 year, approximately US$5,065,000 of the deferred revenue balance was earned and recognised on the delivery of coal to EDF (2012: US$5,000,000).

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.

	Consolidated	
	2013 $'000	2012 $'000
Current		
Deferred revenue	5,859	5,552
	5,859	5,552
Non-current	5,467	9,351
Deferred revenue	5,467	9,351

Note 23: Borrowings

	Consolidated	
	2013 $'000	2012 $'000
CURRENT		
Bank overdraft – secured	983	-
Convertible Note – unsecured (a)	-	1,802
Convertible Note – unsecured (b)	932	-
Convertible Note – unsecured (c)	100	-
Convertible Note – unsecured (d)	4,510	-
Convertible Note – unsecured (e)	9,589	-
Related party loans – unsecured (f)	-	2,115
Other loans – unsecured (g)	2,160	2,584
Related party working capital facility (h)	257	277
Other facilities	-	66
	18,531	6,844
NON-CURRENT		
Bank debt – secured (i)	25,034	-
Convertible Note – unsecured (b)	-	737
Convertible Note – unsecured (c)	-	100
Convertible Note – unsecured (d)	-	3,554
Convertible Note – unsecured (e)	-	8,963
Related party loans – unsecured (j)	26,856	25,844
Other facilities	251	270
	52,141	39,468

Note 23: Borrowings (cont'd)

(a) 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.

(b) 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 was 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.

(c) 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 notes is 26 November 2013.

(d) 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 was 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. 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.

(e) 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 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 maturity date of the convertible notes is 25 February 2014.

(f) Loan is interest bearing at 10% per annum and was settled during the year ended 30 June 2013.

(g) Loan is interest bearing at 10% per annum and repayable on or before 31 January 2014.

(h) 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.

Note 23: Borrowings (cont'd)

(i) The Group's initial drawdown of the ABSA Capital project finance facility occurred 12 December 2012 with additional amounts drawn down between 1 January – 31 May 2013, providing the Group with funding to meet outstanding capital development costs and underground mine equipment costs. Of the ZAR 253,000,000 (AUD $27,964,000) facility available, ZAR 217,500,000 (AUD $25,034,000) had been drawn down as of 30 June 2013. The ABSA Capital facility is denominated in South African Rand and is repayable in escalating amounts during the second month of each quarter commencing August 2014 and concluding November 2019. The percentage of the facility to be repaid each calendar year is as follows: 2014 – 2%; 2015 – 11.28%; 2016 – 15.64%; 2017 – 21.32%; 2018 – 24.88%; and 2019 – 24.88%. The facility is secured over all assets of Penumbra Coal Mining (Pty) Ltd ("Penumbra"), including project bank accounts, trade and other debtors, property and equipment, contractual rights to licence/permits, and Witbank farms. The facility is guaranteed by Continental Coal Ltd ("CCC"), the Group's South African subsidiary Continental Coal Ltd ("CCL"), and Mashala Resources (Pty) Ltd. Additionally, Mashala has provided its shareholding in Penumbra and its inter-company loan receivable from Penumbra as security for the facility. Approximately half of each drawdown bears interest at JIBAR at drawdown date, the remaining half is fixed with interest rate swaps as disclosed at note 13b.

(j) Related party borrowings of $26,856,000 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 8.5% at 30 June 2013 (30 June 2012: 9%), 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%).

Fair value approximates the carrying value of borrowings at 30 June 2013 and 30 June 2012.

Movement in convertible notes is as follows:

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Carrying amount at 1 July	15,156	16,000
Convertible notes converted	(3,999)	-
Convertible notes repaid	(1,200)	-
Convertible notes forgiven	(50)	-
Proceeds on issue of convertible notes (i), (ii)	3,000	2,500
Amount classified as convertible note derivative	(439)	(4,255)
Amount classified as equity	(307)	(1,878)
Loss on debt settlement	923	-
Interest accretion	2,047	2,789
Balance at 30 June	15,131	15,156

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 23: Borrowings (cont'd)

(i) During the year the Group issued $1,800,000 of convertible notes in six tranches of $300,000. The notes are non-interest bearing and convertible at the option of the holder at any stage between their issue date and their 30 June 2014 redemption date at 80% of the lowest daily VWAP in the 10 trading days before conversion. The tranches were converted throughout the year with the entire $1,800,000 being converted prior to 30 June 2013. The Group has issued a total of 3,015,334 fully paid ordinary shares having a total value of $108,000 to the investors as consideration for the convertible note facility provided to the Group.

(ii) The Group received an $850,000 loan in November 2012 which was converted to equity prior to 30 June 2013.

(iii) On 10 December 2012 the Group issued $350,000 of convertible notes. The notes are convertible at the option of the holder at the rate that is the lower of 130% of the 10 day trading VWAP after the execution date or 90% of the 10 day trading VWAP prior to the conversion date. Interest of 10% was paid upfront through the issue of 939,346 fully paid ordinary shares. The maturity date of the notes is 9 May 2013; they were converted in January 2013 prior to maturity.

Note 24: Other Financial Liabilities

During the year ended 30 June 2012, the Group recorded a royalty liability in relation to a USD $1 per tonne royalty payable 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.

The royalty arises from a financing arrangement entered into in a prior financial year. Accordingly, the expense in relation to the royalty of $3,639,000 (2012: $8,662,000) is considered to be a financing cost and is included within financing expenses in the Consolidated Income Statement.

	Consolidated	
	2013 $'000	2012 $'000
Current		
Royalty liability	3,633	3,454
	3,633	3,454
Non-current		
Royalty liability	6,984	5,207
	6,984	5,207

Fair value approximates the carrying values at 30 June 2013 and 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 25: Deferred Tax Liability

	Consolidated 2013 $'000	Consolidated 2012 $'000
Non-current		
Deferred tax arising on business combinations	23,009	26,838
	23,009	26,838
Reconciliation of deferred tax liability		
Opening balance	26,838	30,510
Benefit recognised in the Consolidated Income Statement	(1,954)	(1,757)
Impacts of movements in foreign exchange rates on non AUD balances	(1,875)	(1,914)
	23,009	26,838

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 2013 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 2013 $'000	Consolidated 2012 $'000
Current		
Mining rehabilitation fund	3,759	-
	3,759	-
Non-current		
Mining rehabilitation fund	9,594	12,285
	9,594	12,285

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

	2013	2012
Mining rehabilitation fund		
Carrying amount at the start of the year	12,285	7,987
Additional provision recognised	1,922	5,416
Impact of movements in foreign exchange rates on non AUD balances	(854)	(1,118)
Carrying amount at the end of the year	13,353	12,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 27: Issued capital

	Consolidated 2013 $'000	2012 $'000
684,104,446 (2012: 430,742,398) fully paid ordinary shares	236,032	220,015
	236,032	220,015

(a) Movement 2013	**No.**	**$'000**
Balance at 1 July 2012	430,742,398	220,015
02/07/12 – Conversion of debt to equity	6,038,647	398
09/07/12 – Conversion of debt to equity	9,113,001	963
03/09/12 – Conversion of debt to equity	10,000,000	309
20/09/12 – Conversion of debt to equity	8,370,540	335
05/10/12 – Conversion of debt to equity	7,259,390	360
18/10/12 – To convertible note holder as upfront coupon payment in relation to new convertible note provided to the Group	1,537,796	60
02/11/12 – Conversion of debt to equity	6,830,602	335
02/11/12 – To convertible note holder as upfront coupon payment in relation to new convertible note provided to the Group	409,837	20
22/11/12 – Conversion of debt to equity	9,213,762	335
22/11/12 – To convertible note holder as upfront coupon payment in relation to new convertible note provided to the Group	552,826	20
30/11/12 – To consultants as consideration for corporate advisory services provided to the Group	1,000,000	45
06/12/12 – To consultants as consideration for corporate advisory services provided to the Group	273,771	22
06/12/12 – To lender as consideration for new borrowings facility provided to the Group	2,000,000	88
06/12/12 – To the investor as consideration for finance facility provided to the Group	6,741,573	297
07/12/12 – Conversion of debt to equity	8,581,237	335
07/12/12 – To consultants as consideration for capital raising services provided to the Group	514,875	20
07/12/12 – To consultants as consideration for corporate advisory services provided to the Group	1,000,000	43
18/12/12 – To convertible note holder as upfront coupon payment in relation to new convertible note provided to the Group	939,346	35
10/01/13 – To convertible note holder as consideration for convertible note facility provided to the Group	939,346	35
10/01/13 – Conversion of debt to equity	8,575,006	557
24/01/13 – Placement	7,500,000	440
22/02/13 – Conversion of debt to equity	10,000,000	570
01/03/13 – Conversion of debt to equity	5,000,000	250
06/03/13 – Placement	10,000,000	486
15/03/13 – Royalty settlement	5,603,666	288
21/03/13 – Conversion of debt to equity	5,681,818	250
25/03/13 – To consultants as consideration for corporate advisory services provided to the Group	2,000,000	130
09/04/13 – Placement	5,000,000	233
15/04/13 – Royalty settlement	6,199,228	265
29/04/13 – Conversion of outstanding directors' fees to equity	5,485,781	548
01/05/13 – To director in accordance with employment contract	1,000,000	45
08/05/13 – Placement	100,000,000	8,000
Share issue costs including valuation of derivatives	-	(100)
Balance at 30 June 2013	**684,104,446**	**236,032**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 27: Issued capital (cont'd)

(a) Movement 2012	No.	$'000
Balance at 1 July 2011	3,192,640,409	190,068
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
22/07/11 – To consultants as consideration for services provide to the Group	20,000,000	800
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
26/8/11 Share Consolidation Balance	**372,662,067**	
18/11/11 – Upon consolidation repricing and exercise of options (i)	27,172,459	6,391
18/11/11 – For strategic acquisition of Wolvenfontein coal project	5,414,520	1,256
02/12/11 – To consultants as consideration for services provided to the Group	3,666,667	708
02/03/12 – In lieu of cash payment of convertible note interest	2,284,527	501
02/03/12 – To former BEE partner Masawu Investments Ltd as part of the appointment of SIOC-cdt	9,818,181	2,602
16/05/12 – In relation to new convertible note facility	9,723,977	-
30/06/2012 – Recognition of equity component of compound financial instrument (ii)	-	1,878
Share issue costs including valuation of derivative (iii)	-	3,857
Balance at 30 June 2012	430,742,398	220,015

(i) During the 2012 year, the Group entered into a $20,000,000 equity subscription agreement with Socius.

(ii) The Group has a convertible note (note 23e) with a face value of $10,000,000, of which the equity component is $1,878,000.

(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 $4,462,000 being recognised as an increase in share issue costs at inception and an unrealised gain of $989,000 being recognised from the period between inception and 30 June 2012.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 27: Issued capital (cont'd)

(d) Options

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

Grant Date	Date of Expiry	Exercise Price	Number of Options
17/12/2010	31/12/2013	$0.75	10,000,000
01/07/2011	31/12/2013	$0.75	1,000,000
24/06/2013	30/06/2015	$0.50	65,679,134
16/05/2012	15/05/2015	$0.2216	12,500,000
08/05/2013	31/03/2016	$0.10	25,000,000
15/03/2013	15/05/2016	$0.06	15,000,000
16/05/2012	16/07/2016	$0.20	8,000,000
18/11/2011	23/08/2016	$0.368	13,950,893
06/12/2012	06/12/2017	$0.057	6,000,000
18/12/2012	18/12/2017	$0.05382	5,000,000
			162,130,027

(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.

Debt funding of the development of Penumbra during the year resulted in an increase in the Group's borrowings and gearing ratio at year end. Management's strategy is to ensure that the Group's gearing ratio remains reasonable.

The gearing ratios' for the year ended 30 June 2013 and 30 June 2012 are as follows:

	Note	Consolidated	
		2013 $'000	2012 $'000
Total borrowings	23	70,672	46,312
Less cash and cash equivalents	8	(4,496)	(14,595)
Net debt		66,176	31,717
Total capital		236,032	220,015
Gearing ratio		28%	14%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 28: 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 Limited of transactions with non-controlling interests of subsidiaries where there is no change in control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 28: Reserves (cont'd)

Movements		**Consolidated $'000**
a.	*Foreign currency translation reserve*	
	Balance 1 July 2011	(8,650)
	Currency translation differences arising during the year	(10,540)
	Balance 30 June 2012	(19,190)
	Transfers to reserve during the year	(4,741)
	Balance 30 June 2013	(23,931)
b.	*Share based payments reserve*	
	Balance 1 July 2011	31,147
	Value of options cancelled during the year and transferred to retained earnings	(793)
	Options issued to Director and Consultants during the year (Note 33)	445
	Balance 30 June 2012	30,798
	Options issued to Consultants during the year (Note 33)	701
	Balance 30 June 2013	31,499
c.	*Option reserve*	
	Balance 1 July 2011	653
	Transfer expired options to retained earnings	(653)
	Balance 30 June 2012	-
	Balance 30 June 2013	-
d.	*Hedging reserve*	
	Balance 1 July 2011	-
	Recognition of cashflow hedge	(508)
	Balance 30 June 2012	(508)
	Fair value movement of cashflow hedges	2,284
	Balance 30 June 2013	1,776
e.	*Other reserve*	
	Balance 1 July 2011	-
	Impact of equity attributable to owners of Continental Coal Ltd in relation to transactions with non-controlling interests	(9,944)
	Balance 30 June 2012	(9,944)
	Impact of equity attributable to owners of Continental Coal Ltd in relation to transactions with non-controlling interests	(1,472)
	Transfer to accumulated losses	(766)
	Balance 30 June 2013	(12,182)
	Total Reserves as at 30 June 2013	(2,838)
	Total Reserves as at 30 June 2012	1,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 29: Capital, Leasing and Other Commitments

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Capital expenditure commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets payable	6,537	34,452
	6,537	34,452
Payable:		
- Within 1 year	6,537	34,452
- Between 1 and 5 years	-	-
	6,537	34,452

2013 Capital expenditure commitments

	Delta PDC $'000	Penumbra $'000	Projects $'000	Admin $'000	Vlakvarkfontein $'000	Total $'000
Projects						
- De Wittekrans	-	-	182	-	-	182
- Botswana	-	-	-	-	-	-
- Wolvenfontein	-	-	-	-	-	-
- Vlakplaats	-	-	-	-	-	-
- Lieden	-	-	203	-	-	203
- Mooifontein	-	-	9	-	-	9
- Knapdaar	-	-	11	-	-	11
- Project X & Vaalbank	-	-	18	-	-	18
- Wesselton II	-	-	8	-	-	8
Total Projects	-	-	431	-	-	431
Operational						
- Vlakvarkfontein	-	-	-	-	1,380	1,380
- Penumbra	-	4,400	-	-	-	4,400
- Co-Disposal Dam	-	-	-	-	-	-
- Operations	-	133	-	12	-	145
- Materials handling equipment	-	181	-	-	-	181
Total Operational	-	4,714	-	12	1,380	6,106
Total Commitments	**-**	**4,714**	**431**	**12**	**1,380**	**6,537**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 29: Capital, Leasing and Other Commitments (Cont'd)

2012 Capital expenditure commitments

	Delta PDC	Penumbra	Projects	Admin	Vlakvarkfontein	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Projects						
- De Wittekrans	-	-	223	-	-	223
- Penumbra	-	-	29,923	-	-	29,923
- Botswana	-	-	-	-	-	-
- Wolvenfontein	-	-	-	-	-	-
- Vlakplaats	-	-	977	-	-	977
- Lieden	-	-	77	-	-	77
- Mooifontein	-	-	52	-	-	52
- Knapdaar	-	-	59	-	-	59
- Project X & Vaalbank	-	-	172	-	-	172
- Wesselton II	-	-	9	-	-	9
Total Projects	-	-	31,492	-	-	31,492
Operational						
- Vlakvarkfontein	-	-	-	-	963	963
- Co-Disposal Dam	-	1,781	-	-	-	1,781
- Operations	-	-	-	26	-	26
- Materials handling equipment	190	-	-	-	-	190
Total Operational	190	1,781	-	26	963	2,960
Total Commitments	**190**	**1,781**	**31,492**	**26**	**963**	**34,452**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 29: Capital, Leasing and Other Commitments (cont'd)

b) Operating lease commitments

	Consolidated 2013 $'000	Consolidated 2012 $'000
Operating lease payments		
Premises: Contractual amounts	-	645
Wash Plant: Contractual amounts	3,573	6,483
	3,573	**7,128**
Estimated operating lease payments for the following periods are:		
Year 1	3,062	3,290
Year 2 - 5	511	3,838
	3,573	**7,128**

* 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 (ZAR)	Fixed cost (ZAR)	Lease payment (ZAR)
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 30: Contingent Liabilities

- 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 22, 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.
- The Group has received a claim from the liquidators of a former mining service provider in the amount of ZAR 9,371,000 (AUD $1,035,000) in relation to services that the provider is alleging were rendered to the Group. The Group has lodged counterclaims totalling ZAR 58,306,288 (AUD $6,443,000) on the basis of the service provider's non-compliance with the mining agreement. At the date of this report, it is uncertain what amount, if any, the Group may be obligated to pay or entitled to receive.
- The Group has received letters of demand from a service provided in the amount of ZAR 4,723,000 (AUD $522,000). The Group has received no substantiation for the amount and is therefore of the option that this is an invalid claim. At the date of this report, it is uncertain what amount, if any, the Group may be obligated to pay.
- The Group is in a dispute with a service provider in regards to contract variation fees of ZAR 7,082,000 (AUD $782,000) claimed by the service provider. At the date of this report, the Group is in the process of negotiating a settlement with the service provider and is uncertain of the amount it will be obligated to pay.
- The Group entered into legal proceedings with Crede CG II Ltd (Crede) during the year relating to a 2011 finance agreement whereby Crede subscribed for shares and options in the Company. Crede is claiming the ability to surrender the options in the Company it received as part of the financing for cash. Crede calciulated the value of these options to be $3.7 million. The Company is defending this claim on various grounds and the ultimate outcome of this matter remains uncertain.

Note 31: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 31: Segment Reporting (cont'd)

(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:

2013	Coal SA	Coal Botswana	Vanadium & Magnetite SA	Corporate Costs	Consolidated
	$'000	$'000	$'000	$'000	$'000
Total segment revenue and other income	65,010	-	-	1,350	66,360
Segment gross profit	2,859	-	-	-	2,859
Adjusted EBITDA	2,320	-	-	(5,844)	(3,524)
Depreciation	4,406	-	-	-	4,406
Impairment	28,126	-	-	-	28,126
Total segment assets at 30 June 2013	163,828	1,200	-	4,775	169,803
Total segment liabilities at 30 June 2013	106,448	-	-	36,627	143,075

2012	Coal SA	Coal Botswana	Vanadium & Magnetite SA	Corporate Costs	Consolidated
	$'000	$'000	$'000	$'000	$'000
Total segment revenue and other income	83,324	-	-	4,887	88,211
Segment gross profit	11,157	-	-	-	11,157
Adjusted EBITDA	32,147	-	(343)	(38,944)	(7,140)
Depreciation	4,666	-	-	-	4,666
Impairment	19,775	-	-	-	19,775
Total segment assets at 30 June 2012	188,847	1,171	9,844	4,323	204,185
Total segment liabilities at 30 June 2012	102,159	-	-	37,504	139,663

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 31: Segment Reporting (cont'd)

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

	Consolidated	
	2013 $'000	2012 $'000
Adjusted EBITDA	(3,524)	(7,140)
Interest revenue	502	531
Finance costs	(13,888)	(20,128)
Depreciation	(4,406)	(4,666)
Impairment	(28,126)	(19,775)
Loss before income tax from continuing operations	(49,442)	(51,178)

Note 32: Cash Flow Information

	Consolidated	
	2013 $'000	2012 $'000
(a) Reconciliation of Cash Flow from Operations with loss after Income Tax		
Loss after income tax	(49,488)	(49,862)
Non-cash flows in profit		
Depreciation	4,406	3,300
Impairment	28,126	19,775
Reversal of previous impairments	-	(287)
Net loss/(gain) on sale of assets	-	2
Share based payment expenses	592	4,791
Foreign exchange differences	1,576	7,886
Assets written off	-	580
Gain on fair value of derivative financial instruments	(777)	(4,853)
Net loss on debt settlement	507	-
Investing & financing expenses		
Borrowing costs	13,265	17,701
Decrease/increase) in trade and other receivables	2,120	(992)
(Increase)/decrease in inventory	(701)	803
Increase in deferred tax assets	(676)	-
(Decrease)/increase in trade and other payables	(3,484)	9,438
Increase/(decrease) in provisions	1,068	(4,308)
(Decrease)/increase in deferred revenue	(3,577)	498
Increase in current income tax payable	590	525
Decrease in deferred tax liabilities	(3,829)	-
Cash (outflow)/inflow from operating activities	(10,282)	4,996

(b) Non-cash financing and investing activities
Non-cash financing and investing activities have been disclosed in Note 33.

(c) Credit Standby Arrangements with Banks
There were no credit standby arrangements with the banks for year ended 30 June 2013 other than $1.8 million on the ABSA Project Finance Facility that remains available to the Penumbra project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 33: Share-based Payments

The following share-based payment transactions occurred during the year ended 30 June 2013:

Quantity	Security	Value $'000	Purpose
1,000,000	Fully paid ordinary shares	45	Issued to consultants as consideration for corporate advisory services provided to the Group (i)
273,771	Fully paid ordinary shares	22	Issued to consultants as consideration for corporate advisory services provided to the Group (i)
1,000,000	Fully paid ordinary shares	43	Issued to consultants as consideration for corporate advisory services provided to the Group (i)
2,000,000	Fully paid ordinary shares	130	Issued to consultants as consideration for corporate advisory services provided to the Group (i)
6,000,000	$0.057 unlisted options (6 December 2017)	189	Issued to consultants as consideration for corporate advisory services provided to the Group (i)
		429	*Total share based payment expense recorded within other expenses*
1,177,430	Fully paid ordinary shares	118	Shares issued to directors as conversion of outstanding 2013 directors' fees to equity (iii)
3,433,851	Fully paid ordinary shares	343	Shares issued to directors as conversion of outstanding 2012 directors' fees to equity (iii)
874,500	Fully paid ordinary shares	87	Shares issued to directors as conversion of outstanding 2011 directors' fees to equity (iii)
1,000,000	Fully paid ordinary shares	45	Director incentive shares issued (iv)
		593	*Total director related share based payments, of which $163,00 relates to 2013*
5,603,666	Fully paid ordinary shares	288	Issued for settlement of royalty liability
6,199,228	Fully paid ordinary shares	265	Issued for settlement of royalty liability
15,000,000	$0.06 unlisted options (15 May 2016)	482	Issued for settlement of royalty liability
		1,035	*Total royalty related share based payments*

(i) These shares have been issued in accordance with vendor invoices received by the Group, their value has been determined based on the invoiced value of services received.

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

(iii) The value of these shares has been determined based on the value of directors' fees settled with their issue.

(iv) 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.

Total share based payment expense recognised in the Consolidated Income Statement for the year ended 30 June 2013 is $592,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 33: Share-based Payments (cont'd)

The following share-based payment transactions occurred during the year ended 30 June 2012:

Quantity	Security	Value $'000	Purpose
1,000,000	$0.75 unlisted director options (31 December 2013)	180	Issued as director incentive options
		180	*Total director incentive share based payment expense*
20,000,000	Fully paid ordinary shares	800	Issued to consultants as consideration for services provided to the Company (i)
3,666,667	Fully paid ordinary shares	708	Issued to consultants as consideration for services provided to the Company (ii)
		1,508	*Total consultancy share based payment expense*
5,414,520	Fully paid ordinary shares	1,256	Issued as consideration for the strategic acquisition of the Wolvenfontein coal project (iii)
		1,256	*Total share based payment recorded as exploration expenditure*
2,283,677	Fully paid ordinary shares	501	Issued in lieu of cash payment of convertible note interest (iv)
		501	*Total share based payment expense recorded within finance expenses*
9,818,181	Fully paid ordinary shares	2,602	Termination payment to Mr Bruce Buthelezi (iii)
		2,602	*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 Consolidated Income Statement for the year ended 30 June 2012 is $4,791,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 33: Share-based Payments (cont'd)

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

	2013		2012	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	57,947,133	0.556	854,556,352	0.065
Granted	15,000,000	0.060	10,000,000	0.750
10:1 equity consolidation			**86,455,635**	**0.650**
Forfeited	-	-	-	-
Exercised	-	-	(14,880,953)	0.345
Expired	-	-	(12,000,000)	(0.175)
Cancelled	-	-	(1,627,549)	(0.640)
Outstanding at year end	72,947,133	0.543	57,947,133	0.556
Exercisable at year end	72,947,133	0.543	57,947,133	0.556

The following factors and assumptions were used in determining the fair value of the unlisted options on grant date at 30 June 2013:

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
15/03/2013	15/05/2016	15,000,000	$0.0321	$0.06	$0.049	110%	3.00%	-

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%	-

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.

There were no shares issued on the exercise of options during the year ended 30 June 2013. The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $0.345.

The weighted average remaining contractual life of options outstanding at the end of the year was 3.40 years (2012: 1.56 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 34: 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;-

- To enable a Board restructure, Mr James Leahy resigned as non-executive director 31 July 2013. Mr Jason Brewer resigned as Financial Director on 31 August 2013 following the appointment of Mr Lou van Vuuren as Chief Financial Officer. Mr Brewer remain on the Board as a Non-executive Director;
- Non-executive Directors agreed to an immediate 25% reduction in fees and, subject to shareholder approval, potentially up to 100% of fees to be settled in equity rather than cash;
- On 6 September 2013 the Group announced that the Mining Right had been granted for De Wittekrans, the Group's proposed 4th mine;
- On 27 September 2013 the Group announced that the transfer of the Prospecting Right for Project X and Vaalbank has been approved by the DMR.
- 16 million options with a strike price of $0.10 were granted to Executives and Senior management in terms of the Employee Share Option Plan approved by the Shareholders on 28 March 2013;
- The prepayment by EDF Trading of a Coal supply Agreement in 2011 has been restructured into a financial loan repayable through 24 monthly instalments commencing in July 2014. The loan bears interest at 10% per annum and interest will be capitalized until June 2014. The restructure will be effective on fulfilling conditions precedent and execution of relevant documentation targeted for early October 2013; and
- VMR subscribed to $3.4 million worth of Convertible Debentures maturing in August 2015 with the proceeds of the notes used to settle other loans. These notes bear interest at 10% per annum.

Note 35: 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 15.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 35: Related Party Transactions (cont'd)

	Consolidated	
	2013 $'000	2012 $'000
Consulting fees paid or payable to Okap Ventures Pty Ltd, a company of 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	721	810
Consulting fees paid or payable to Doull Holdings Pty Ltd, a company of which Mr Landau is a Director, for the provision of Mr Landau as a Director.	59	164
Consulting fees paid or payable to Scooby Holdings Pty Ltd, a company of which Mr Brewer is a Director, for the provision of Mr Brewer as an Executive Director.	150	150
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
Consulting fees paid or payable to Masawu Investments (Pty) Ltd, a nominee company of Mr Buthelezi in relation to Mr Buthelezi's termination	-	1,696
Share based payments to Masawu investments (Pty) Ltd, a nominee company of Mr Buthelezi in relation to Mr Buthelezi's termination	-	2,602

Amounts payable at year end to related parties:		
Okap Ventures Pty Ltd	519	510
Doull Holdings Pty Ltd	152	240
Scooby Holdings Pty Ltd	101	193
James Leahy	46	54
Connie Molusi	-	23
Mike Kilbride	-	55
Johan Bloemsma	-	41

The above amounts payable at year end to related parties are included within Trade and Other Payables at 30 June.

(e) Loans from other related parties

During the 2012 year the Group received a total of $2,115,000 in accordance with a borrowings agreement entered into with Range Resources Limited, a company of which Peter Landau is a Director. Interest expense incurred in relation to the loan was $224,000 (2012: $287,000). During the 2013 year principal repayments totalled $1,175,000, leaving a principal balance outstanding of $940,000 which was assigned to an unrelated third party prior to 30 June 2013. Unpaid interest at 30 June 2013 was $50,000 (2012: $129,000).

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 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 $838,000 (2012: $4,755,000) in relation to this loan is recorded within other reserves within equity as it relates to a transaction with a non-controlling interest (see note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 35: Related Party Transactions (cont'd)

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 8.50% at 30 June 2013, 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 $1,321,000) (2012: $331,000).

During the 2012 year a total of $201,000 was received from Kaboko Mining Ltd, a company of which Mr Jason Brewer was a director in relation to Impondo Mining & Resources Consultants Pty Ltd providing services in relation to joint rail and port infrastructure.

Note 36: Parent Entity Information

The following details information related to the parent entity Continental Coal Limited, at 30 June 2013. The information presented here has been prepared in accordance using consistent accounting policies as presented in Note 1.

	2013 $'000	2012 $'000
Current assets	6,749	11,882
Non-current assets	128,480	125,934
Total assets	135,229	137,816
Current liabilities	24,176	13,911
Non-current liabilities	12,450	23,593
Total liabilities	36,626	37,504
Contributed equity	236,032	220,015
Accumulated losses	(163,336)	(145,746)
Share based payment reserve	31,499	30,798
Other reserve	(5,592)	(4,755)
Total equity (i)	98,603	100,312
Loss for the year	(17,589)	(58,795)
Total comprehensive loss for the year	(17,589)	(58,795)

Note 36: Parent Entity Information (cont'd)

(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.

The parent entity has provided a financial guarantee in respect of the ABSA bank loan amounting to $25,034,000 at 30 June 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note 37: 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 27e). Further quantitative disclosures are included throughout this financial report.

The Board of Directors has an overall responsibility for the establishment and oversight of the risk management framework. The Group has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee provides the Board with regular reports on its activities.

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables, borrowings, derivative financial instruments, and other financial liabilities.

The Group's derivative financial instruments consist of a forward rand coal swap, an interest rate swap, and other derivatives arising from convertible notes issued by the Group. The forward rand coal swap and interest rate swaps have been implemented to mitigate the impact a decrease in coal prices and/or an increase in interest rates may have on the Group's cashflows. Further details of the Group's derivative financial instruments can be found in note 13. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

	Consolidated	
	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	4,496	14,595
Trade and other receivables	10,725	13,013
Other assets	1,658	-
Derivative financial instruments	2,400	-
	19,279	27,608
Financial liabilities		
Trade and other payables	12,459	27,475
Borrowings	70,672	46,312
Derivative financial instruments	228	2,264
Other financial liabilities	10,617	8,661
	93,976	84,712

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 (ZAR) and the United States Dollar (US$).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 37: Financial Risk Management (cont'd)

Foreign exchange risk arises from the Group's exposure to coal prices that are globally denominated in US$. As disclosed at note 13, the Group has implemented a forward rand coal swap to protect the Group against an unfavourable movement in the ZAR:USD exchange rate. The forward rand coal swap is treated as a cash flow hedge and measured at fair value.

The Group is exposed to currency risk on receivables and liabilities that are denominated in a currency other than the respective functional currencies of the Group entities, which is primarily the Australian Dollar. The currencies in which these transactions are primarily denominated are the ZAR and the US$.

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

The Group's overall foreign exchange risk is measured using sensitivity analysis and cash flow forecasting.

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

	Consolidated			
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	ZAR '000	ZAR '000	US$ '000	US$ '000
Cash and cash equivalents		-	-	-
Receivables	75,000	75,000	-	-
Borrowings	-	-	-	-
Trade payables	-	-	-	-
Other payables	-	-	-	-
Other financial liabilities	-	-	9,696	10,603
	75,000	75,000	9,696	10,603

Sensitivity Analysis
A 10 percent strengthening of the Australian Dollar against the following currencies at 30 June 2013 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 2012. 10 percent is management's assessment of the possible change in foreign exchange rates based on historical information.

	Equity		Profit or Loss	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Consolidated				
ZAR	(862)	(891)	-	(891)
US$	(964)	(1,044)	(964)	(1,044)
	(1,826)	(1,934)	(964)	(1,934)

A 10 percent weakening of the Australian Dollar against the above currency at 30 June 2013 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 a sustained fall in US$ 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.

Note 37: Financial Risk Management (cont'd)

The Group has implemented a forward rand coal swap upon the conclusion of the ABSA financing agreement as disclosed in note 13. The forward rand coal swap is treated as a cash flow hedge and measured at fair value.

Apart from this hedge and the Group's fixed price off-take agreement with EDF, the Group is exposed to fluctuations in the price of its export coal, allowing it to take advantage of increases in coal prices.

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 13. 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 37: 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	
	2013	**2012**
	$'000	**$'000**
Derivative financial instruments	228	1,576
	228	1,576

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 through:

- Receipt of interest at variable rates on interest bearing bank accounts;
- Payment of interest at variable rates on its long-term borrowings from SIOC; and
- Payment of interest at variable rates on its Penumbra project finance facility with ABSA Capital.

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

To minimise its exposure to increasing interest rates, the Group has implemented an interest rate swap in relation to approximately 50% of the amounts drawn down on the Penumbra project finance facility provided by ABSA Capital. Further details can be found at note 13.

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 37: Financial Risk Management (cont'd)

	2013		2012	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank overdrafts and bank loans	6.49%	26,017	-	-
Related party loan from SIOC	8.5%	26,856	9%	25,844
Interest rate swaps (notional principal amount)	6.81%	(11,302)	-	-
Net exposure to cash flow interest rate risk		41,571		25,844

The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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 2012.

	Profit or loss	
	2013 $'000	**2012 $'000**
Consolidated		
Cash - variable rate instruments	-	-
Borrowings – variable rate loan	(326)	(43)
	(326)	(43)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 37: 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	
	2013 %	2012 %	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial Assets:										
Cash and cash equivalents	1.27%	2%	4,496	14,595	-	-	-	-	4,496	14,595
Receivables	0.83%	0.71%	-	-	2,981	4,184	7,774	8,829	10,755	13,013
Available for sale financial assets	-	-	-	-	-	-	1,658	-	1,658	-
Derivative financial instruments	-	-	-	-	-	-	2,400	-	2,400	-
Total Financial Assets			**4,496**	**14,595**	**2,981**	**4,184**	**11,832**	**8,829**	**19,309**	**27,608**
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	12,459	27,475	12,459	27,475
Borrowings	6.76%	8.93%	39,373	25,844	30,059	20,191	257	277	69,689	46,312
Derivative financial instruments	-	-	-	-	-	-	228	2,264	228	2,264
Other financial liabilities	-	-	-	-	-	-	10,617	8,662	10,617	8,662
Total Financial Liabilities			**39,373**	**25,844**	**30,059**	**20,191**	**23,561**	**38,678**	**92,993**	**84,713**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 37: 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:

	2013 $'000	2012 $'000
Counterparties with external credit ratings:		
A1+	4,496	14,595
	4,496	14,955

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 $18,000 (2012: $135,000). The Group considers its exposure to credit risk on trade receivables immaterial based on the balance of past due but not impaired receivables.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 37: Financial Risk Management (cont'd)

The following are the contractual maturities of financial liabilities:

2013	Carrying amount $'000	Principle & Interest $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Total $'000
Consolidated							
Trade and other payables	12,459	12,459	-	-	-	-	12,459
Borrowings	70,672	90,287	9,748	10,658	838	69,043	90,287
Other financial liabilities	10,617	10,617	3,083	551	2,204	4,779	10,617
	93,748	113,363	12,831	11,209	3,042	73,822	113,363

2012	Carrying amount $'000	Principle & Interest $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Total $'000
Consolidated							
Trade and other payables	27,475	27,475	27,077	-	398	-	27,475
Borrowings	46,312	61,553	6,306	3,300	16,800	35,148	61,553
Other financial liabilities	8,662	8,662	2,824	630	1,261	3,947	8,662
	82,448	97,690	36,206	3,930	18,459	39,094	97,690

Financing arrangements

The Group has secured a $15,000,000 standby equity facility of which $1,058,000 had been utilised at 30 June 2013. During the year, the Group issued 6,741,573 fully paid ordinary shares having a total value of $297,000 to the investor as consideration for the provision of the facility. The Group has access to the remaining standby facility of $1.8 million on the ABSA Project Finance facility to be used for Penumbra capital requirements. The Group remains in discussions with various parties on the restructuring and refinancing of the Convertible Debentures included under Borrowings.

(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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 37: Financial Risk Management (cont'd)

2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward rand coal swap	-	2,084	-	2,084
Interest rate swap		316		316
Total assets	-	2,400		2,400
Liabilities				
Convertible note derivative liabilities	-	99	-	99
Option and share repricing derivative liability	-	129	-	129
Total liabilities	-	228	-	228

2012

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Total assets	-	-	-	-
Liabilities				
Forward rand coal swap	-	687	-	687
Convertible note derivative liabilities	-	912	-	912
Option and share repricing derivative liability	-	665	-	665
Total liabilities	-	2,264	-	2,264

The fair values of the forward rand coal swap and interest rate swap have been determined by an independent third party. The fair value of the forward rand coal swap is based on the coal price at 30 June; the fair value of the interest rate swap is based on JIBAR at 30 June.

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 38: New Accounting Standards and Interpretations

Australian Accounting Standards/Amendments Released But Not Yet Effective: 30 June 2013 Year End

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2013. They have not been adopted in preparing the financial statements for the year ended 30 June 2013 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 38: New Accounting Standards and Interpretations (cont'd)

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

AASB Reference	Title and Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
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. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, 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.	Annual reporting periods beginning on or after 1 January 2015	The Group has financial liabilities measured at fair value through profit or loss. The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively from 1 January 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 'de facto' control for entities with less than a 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. Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable. This may result in possibly fewer instances of control.	Annual reporting periods beginning 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 entity does not have any special purpose entities or because the new definition of control does not change the classification of any of the entities investments in subsidiaries, joint arrangements or associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 38: New Accounting Standards and Interpretations (cont'd)

AASB Reference	Title and Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
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 assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods beginning 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 entity has not entered into any joint arrangements.
AASB 13 *(issued September 2011)*	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. 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, e.g. land and buildings, investment properties etc.	Annual reporting periods beginning on or after 1 January 2013	The Group has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 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.
AASB 119 *(reissued September 2011)*	Employee Benefits	Main changes include: • Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans • Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods • Subtle amendments to timing for recognition of liabilities for termination 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 reporting periods beginning on or after 1 January 2013	The Group currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 38: New Accounting Standards and Interpretations (cont'd)

AASB Reference	Title and Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
AASB 119 *(reissued September 2011)*	Employee Benefits			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. Comparatives for the year ended 30 June 2013 will also be restated, resulting in a further decrease in the annual leave liability and an increase in profit.
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 (as an addition to, or enhancement of, an existing asset).	Annual reporting periods beginning on or after 1 January 2013	The Group currently expenses stripping costs in profit or loss. When this interpretation is first adopted for the year ended 30 June 2014, stripping costs incurred prior to 1 July 2012 will not need to be capitalised retrospectively. However, if certain recognition criteria are met, stripping costs expensed on or after 1 July 2012 will need to be capitalised and depreciated/amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Comparatives for the year ended 30 June 2013 will be restated and profit and non-current assets to which the stripping activity relates will increase.
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 beginning 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.
AASB 2012-6 *(issued September 2012)*	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. 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 beginning 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. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 39: Group Details

The registered office of the Group is:

Continental Coal Limited
Ground Floor
20 Kings Park Road
West Perth WA 6005

The principal place of business is:

Continental Coal Limited
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 income statement, 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 2013 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 successful to restructure and refinance its near tem obligations to ensure that it is able to settle its debts as and when they become due and payable.

4. 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

27 September 2013

The issued capital of the Company as at 26 September 2013 is 684,104,446 ordinary fully paid shares. There are 65,679,134 listed options ($0.50, 13 February 2013).

Ordinary Shares at 26 September 2013	**No. of Holders**	**No. of Shares**
1 - 1,000	355	207,105
1,001 - 5,000	1,042	3,207,110
5,001 – 10,000	1,181	10,567,460
10,001 - 100,000	3,633	124,146,815
100,001 – 9,999,999,999	728	545,975,956
	6,939	**684,104,446**
Number holding less than a marketable parcel	3,059	19,728,051

Listed Options ($0.50, 30 June 2013) at 26 September 2013	**No. of Holders**	**No. of Options**
1 - 1,000	6	5,970
1,001 - 5,000	45	165,693
5,001 – 10,000	63	551,518
10,001 - 100,000	217	9,013,403
100,001 and over	130	55,942,550
	461	**65,679,134**
Number holding less than a marketable parcel	416	24,639,348

Substantial Shareholders as at 26 September 2013	**No. of Shares He**	**% Held**
VAXOMODE (PTY) LTD	111,752,818	16.34
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C	77,324,548	11.30

Top 20 Shareholders as at 26 September 2013		No. of Shares Held	% Held
1.	VAXOMODE (PTY) LTD	111,752,818	16.34
2.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	77,324,548	11.30
3.	CITICORP NOMINEES PTY LIMITED	32,060,755	4.69
4.	MARMULLA GENERAL PTY LTD	19,728,993	2.88
5.	SATORI INTERNATIONAL PTY LTD <SATORI S/F A/C>	10,000,000	1.46
6.	PERPETUAL CAPITAL INVESTMENTS PTY LTD	7,850,000	1.15
7.	FANCHEL PTY LTD	7,600,000	1.11
8.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,553,888	1.10
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,583,998	0.96
10.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	6,050,965	0.88
11.	ARMCO BARRIERS PTY LTD	5,000,000	0.73
12.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	3,372,022	0.49
13.	MR DAVID BRUCE PAUL	3,155,651	0.46
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,916,562	0.43
15.	HNC PTY LTD <THE SAGGERS SUPER FUND A/C>	2,802,025	0.41
16.	MOJELI PTY LTD <MOJELI PTY LTD S/F A/C>	2,750,000	0.40
17.	SASH MB HOLDINGS PTY LTD <SUPER FUND A/C>	2,750,000	0.40
18.	MR TIMOTHY MICHAEL CLARKE + MR ROHAN MICHAEL CLARKE <THE CLARKE SUPER FUND A/C>	2,200,000	0.32
19.	NATIONAL NOMINEES LIMITED	2,065,369	0.30
20.	S & B NARULA PTY LTD NARULA FAMILY S/F 3 A/C PO BOX 287	2,045,000	0.30
Top 20 holders		315,562,594	46.13
Total Remaining Holders Balance		368,541,852	53.87

Top 20 Option Holders ($0.50, 30 June 2013) as at 26 September 2013		No. of Options Held	% Held
1.	MRS GINA CLARE FIALLA	6,000,000	9.14
2.	MR MICHAEL GARDNER PERCY	5,226,015	7.96
3.	MRS DANIA PERCY	4,591,674	6.99
4.	MRS MILLY ELKINGTON	2,339,000	3.56
5.	MRS JACQUI ROBERTS	1,589,900	2.42
6.	MRS DEBORAH LOUISE WHITECHURCH	1,328,500	2.02
7.	MR DANIEL RICHARDSON	1,317,357	2.01
8.	MR RONALD JAMES SCOTT	1,225,200	1.87
9.	BLADES AUSTRALIA PTY LTD	1,173,063	1.79
10.	MR CONSTANTINOS CASIOU	1,100,000	1.67
11.	MR NEVILLE HINRICHSEN + MRS ANNETTE HINRICHSEN	980,542	1.49
12.	MR SEFIK PANDZO + MRS ADISA PANDZO <ZOPAN FAMILY A/C>	916,153	1.39
13.	MR BRUCE HODGENS + MRS BARBARA SUSAN HODGENS	800,000	1.22
14.	NAH SUPERANNUATION PTY LTD <NAH SUPERANNUATION FUND A/C>	617,000	0.94
15.	EFFILON PTY LTD	600,000	0.91
16.	MRS SHERYL LEE IRESON <MERLEY FAMILY A/C>	537,994	0.82
17.	MR RENATO PAGCU	528,037	0.80
18.	ATTADALE WOOL COMPANY PTY LTD	500,000	0.76
19.	BEIRA PTY LTD <FRED BLACK SUPER FUND A/C>	500,000	0.76
20.	HNC PTY LTD <THE SAGGERS SUPER FUND A/C>	500,000	0.76
Top 20 holders		**32,370,435**	**49.29**
Total Remaining Holders Balance		**33,308,699**	**50.71**