
CONTINENTAL COAL LIMITED

ACN 009 125 651

NOTICE OF ANNUAL GENERAL MEETING

TIME: 3.00pm (WST)

DATE: 21 November 2013

PLACE: Lower Pavilion
Next Generation
21 Kings Park Road
West Perth WA 6005

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9389 2111.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Annual General Meeting relates will be held at 3.00pm (WST) on 21 November 2013 at:

Lower Pavilion
Next Generation
21 Kings Park Road
West Perth WA 6005

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (WST) on 19 November 2013.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not

specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2013."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (i) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (ii) the voter is the Chair and the appointment of the Chair as proxy:
 - (A) does not specify the way the proxy is to vote on this Resolution; and
 - (B) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – SPILL RESOLUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:

- (i) *the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and*

- (ii) *all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*
- (iii) *resolutions to appoint persons to offices that will be vacated pursuant to (ii) to be put to vote at the Spill Meeting."*

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (i) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (ii) the voter is the Chair and the appointment of the Chair as proxy:
 - (A) does not specify the way the proxy is to vote on this Resolution; and
 - (B) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw this Resolution 2.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – BERNARD SWANEPOEL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Bernard Swanepoel, a Director who was appointed as an additional director on 1 May 2013, retires, and being eligible, is elected as a Director."

5. RESOLUTION 4 – ELECTION OF DIRECTOR – RON CHAMBERLAIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Ron Chamberlain, a Director who was appointed as an additional director on 4 October 2013, retires, and being eligible, is elected as a Director."

6. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – JASON BREWER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Jason Brewer, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

7. RESOLUTION 6 – ISSUE OF OPTIONS TO VILLAGE MAIN REEF LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Options to Village Main Reef Limited on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Village Main Reef Limited and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 7 – APPROVAL FOR ISSUE OF CONVERTIBLE NOTES TO VILLAGE MAIN REEF LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue Village Main Reef Limited with up to 4,094,940 Convertible Notes on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE OF SHARES TO BAYCREST CAPITAL LLC PURSUANT TO CONTINUOUS INVESTMENT AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 31,241,573 Shares to Baycrest Capital LLC on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – RATIFICATION OF PRIOR ISSUE OF SHARES TO SUSQUEHANNA LLC

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 10,681,818 Shares to Susquehanna LLC on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 10 – ISSUE OF SHARES TO SUSQUEHANNA LLC

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the deemed issue price, will equal \$500,000, to Susquehanna LLC on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 11 – RATIFICATION OF PRIOR ISSUE OF SHARES TO LENDER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 10,000,000 Shares to a lender of the Company on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. RESOLUTION 12 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS TO ROYALTY HOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 11,802,894 Shares and 15,000,000 Options to royalty holders of the Company on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 13 – ISSUE OF SHARES TO ROYALTY HOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the deemed issue price, will equal \$500,000, to royalty holders of the Company on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 14 – ISSUE OF SHARES TO RELATED PARTY (MR DON TURVEY)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,000,000 Shares to Mr Don Turvey, a director (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting exclusion: The Company will disregard any votes cast on this Resolution by Don Turvey (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and

- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 16 OCTOBER 2013

BY ORDER OF THE BOARD

**DON TURVEY
EXECUTIVE DIRECTOR**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.conticoal.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The Company commissions regular independent local and international benchmarking studies to monitor and compare its remuneration policy against its peer group. The latest study that was completed in September 2013 by Emergence Growth indicates that the Executives and Senior Management of the Company are on average remunerated at the 50th percentile mark. Emergence Growth, through its various partnership agreements, is the largest supplier of compensation and benefits data in Africa with a capability in every African country.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were more than 25%. Accordingly, the Spill Resolution will be relevant for this Annual General Meeting if at least 25% of the votes cast on the Remuneration Report resolution are voted against adoption of the Remuneration Report. Refer to Resolution 2 and Section 3 of this Explanatory Statement for further information.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2 – SPILL RESOLUTION

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 2.

3.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2 of this Explanatory Statement.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

3.2 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the voting restrictions set out in Section 2.4 of this Explanatory Statement apply in the same manner to this Resolution.

4. RESOLUTIONS 3 AND 4 – ELECTION OF DIRECTORS – BERNARD SWANEPOEL AND RON CHAMBERLAIN

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Bernard Swanepoel (who is Village Main Reef Limited's representative on the Board pursuant to its investment in the Company), having been appointed on 1 May 2013 and Ron Chamberlain (who has been appointed as the Company's second Australian resident Director pursuant to section 201A(2) of the Corporations Act, having been appointed on 4 October 2013 will both retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and both being eligible, seek election from Shareholders.

5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – JASON BREWER

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

Clause 13.2 of the Constitution provides that:

- (i) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (ii) The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (iii) A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (iv) In determining the number of Directors to retire, no account is to be taken of:
 - (A) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and/ or
 - (B) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

The Company currently has seven Directors (three of whom are exempt from retirement from rotation) and accordingly one must retire.

Jason Brewer, the Director longest in office since his last election, retires by rotation and seeks re-election.

6. RESOLUTION 6 – ISSUE OF OPTIONS TO VILLAGE MAIN REEF LIMITED

6.1 General

As announced on 18 March 2013, Village Main Reef Limited (**VMR**), a South African based mining company agreed to subscribe for 100,000,000 Shares in the Company at \$0.08 per Share to acquire a cornerstone interest in the Company (**VMR Placement**). In consideration for subscribing for the Shares pursuant to the VMR Placement, the Company agreed to issue VMR with 25,000,000 free Options (**VMR Options**).

Shareholder approval for the VMR Placement was obtained at the Company's General Meeting held on 28 March 2013 but the notice of meeting materials for that General Meeting neglected to include details for the Options to be issued as part of the VMR Placement. The Shares were issued to VMR pursuant to the VMR Placement on 8 May 2013.

Resolution 6 now seeks Shareholder approval for the issue of the VMR Options to VMR.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Company to issue the VMR Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the VMR Options:

- (i) the maximum number of Options to be issued is 25,000,000;
- (ii) the VMR Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the VMR Options will occur on the same date;
- (iii) the VMR Options will be issued for nil cash consideration in consideration for VMR subscribing for Shares pursuant to the VMR Placement;
- (iv) the VMR Options will be issued to VMR, who is not a related party of the Company;
- (v) the VMR Options will be issued on the terms and conditions set out in Annexure A; and
- (vi) no funds will be raised from the issue of the VMR Options as they are being issued in consideration for VMR subscribing for Shares pursuant to the VMR Placement.

7. RESOLUTION 7 – APPROVAL FOR ISSUE OF CONVERTIBLE NOTES TO VILLAGE MAIN REEF LIMITED

7.1 General

As previously disclosed to the market, the Company and VMR have entered into two separate Deeds of Assignment and Convertible Notes (as amended) (**Agreements**).

Pursuant to the Agreements, VMR has conditionally agreed to subscribe for up to a maximum of 4,094,940 convertible notes (**Convertible Notes**) in the Company in consideration for assuming up to a maximum amount of \$3,412,450 of debt owed by the Company to various parties (**Deemed Issue Price**).

The Agreements (including the issue of the Convertible Notes) are subject to satisfaction of a number of conditions precedent including obtaining shareholder approval pursuant to ASX Listing Rule 7.1 from Shareholders. A summary of the terms of the Convertible Notes (including the conditions precedent) is set out in Schedule 1.

If these conditions precedent are satisfied before 30 November 2013, VMR will be issued with 3,412,450 convertible notes for assuming debt owed by the Company of \$3,412,450. If the conditions precedent are satisfied after 30

November 2013, VMR will be issued with 4,094,940 convertible notes for assuming debt owed by the Company of \$3,412,450.

The Agreements also contain a condition that all issues of Shares by the Company to VMR on conversion of the Convertible Notes must be in compliance with the Corporations Act.

The Convertible Notes will have a two year term and will be convertible, in whole or in part, and at VMR's election, into Shares at a conversion price of \$0.05 per share (such conversion price being subject to adjustment for certain prescribed events such as rights issues and corporate reconstructions).

Further, interest of 10% per annum is payable on the Convertible Notes, such interest being paid to Village Main Reef Limited half yearly in arrears in either cash or by being issued such Shares at the conversion price as is equal to the amount of interest owed, at the election of Village Main Reef Limited. As such, assuming the Convertible Notes are not redeemed or converted prior to the end of their two year term, the maximum amount of annual interest payable on the Convertible Notes will be \$409,494 in year one and \$409,494 in year two.

This means that the total amount payable by the Company under the Convertible Notes which can be converted into Shares will be \$4,913,928, consisting of \$4,094,940 of capital principal amount and \$818,988 of interest payable. This amount can be converted into Shares at a conversion price of \$0.05 per share (such conversion price being subject to adjustment for certain prescribed events such as rights issues and corporate reconstructions).

An estimate of the maximum number of Shares that may be issued to VMR on conversion of the Convertible Notes (including Shares issued to VMR in respect of the conversion of interest payable on the Convertible Notes by the Company), is set out below in section 7.3.

Resolution 7 therefore seeks Shareholder approval, for the purpose of ASX Listing Rule 7.1 and for all other purposes, for the issue of the Convertible Notes to VMR. If Shareholders approve Resolution 7, the Convertible Notes will become, and be deemed to be issued as, a convertible security on the terms and conditions set out in Schedule 1.

A summary of ASX Listing Rule 7.1 is set out in Section 6.1 of this Explanatory Statement.

The effect of Resolution 7 will be to allow the Company to issue VMR the Convertible Notes during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

In addition, if Shareholders approve Resolution 7, the Convertible Notes will be convertible into Shares, in accordance with their terms, without using the Company's placement capacity, in reliance on the exception in ASX Listing Rule 7.2 exception 4.

7.2 Technical information required by ASX Listing Rule 7.1

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Convertible Bonds:

- (i) a maximum of 4,094,940 convertible securities will be issued, being the Convertible Notes;

- (ii) the maximum number of Shares to be issued to VMR on conversion of the Convertible Notes is calculated as set out in Section 7.3 below;
- (iii) the Convertible Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (iv) each Convertible Bond will have a face value of \$1.00;
- (v) the Convertible Notes will be issued to VMR. VMR is not a related party of the Company;
- (vi) no funds will be raised from the issue of the Convertible Notes as they are being issued in consideration for VMR assuming up to a maximum amount of \$3,412,450 of debt owed by the Company to various parties.

7.3 Maximum Number of Shares and Dilution on conversion of the Convertible Notes

The maximum number of Shares that may be issued on conversion of the Convertible Notes depends on the conversion price and the amount of interest payable on the Convertible Notes.

As stated above, the conversion price pursuant to the Agreements is set at \$0.05 per Share, subject to adjustment for certain prescribed events.

Set out below is a worked example of the maximum number of Shares that may be issued on the conversion of the Convertible Notes (assuming a face value of \$4,094,940 and also assuming a maximum amount of interest payable on the Convertible Notes of \$818,988) based on an assumed Share price of 5 cents per Share (and also assuming no other Shares are issued or Options exercised).

Conversion Price	Maximum number of Shares	Current Shares on issue	Total Shares on issue	Dilution of existing Shareholders
5 cents	98,278,560	684,104,446	782,383,006	13%

The above workings are an example only and the actual conversion price and the interest payable on the Convertible Notes may differ. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

As at the date of this Notice, VMR holds approximately 111,752,818 Shares representing a shareholding of approximately 16.34%.

8. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE OF SHARES TO BAYCREST CAPITAL LLC PURSUANT TO CONTINUOUS INVESTMENT AGREEMENT

8.1 General

In December 2012, the Company entered into an agreement with Baycrest Capital LLC (**Baycrest**), pursuant to which Baycrest agreed to provide to the Company continuous investment of up to \$15,000,000 by way of subscription for Shares at the Company's election (**Continuous Investment Agreement**).

Pursuant to the Continuous Investment Agreement, the Company has the right but not the obligation to require Baycrest to subscribe for Shares having a total issue price of \$15,000,000. The issue price of Shares issued pursuant to the

Continuous Investment Agreement is an amount equal to 100% of the lowest daily VWAP of the Shares for the five day period commencing on the date the Company lodges a notice of drawdown under the Continuous Investment Agreement.

The Company has completed five drawdowns to date under the Continuous Investment Agreement as follows:

- (a) 8,741,573 Shares issued on 6 December 2012;
- (b) 7,500,000 Shares on 24 January 2013;
- (c) 6,250,000 Shares on 6 March 2013;
- (d) 3,750,000 Shares on 6 March 2013; and
- (e) 5,000,000 Shares on 9 April 2013,

for a total sum of \$1,442,000 (**Drawdown Amount**). The Drawdown Amount has been satisfied by the issue of a total of 31,241,573 Shares to Baycrest.

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Baycrest Ratification**).

A summary of ASX Listing Rule 7.1 is set out in Section 6.1 of this Explanatory Statement.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval

8.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Baycrest Ratification:

- (a) 31,241,573 Shares were issued;
- (b) the deemed issue price was:
 - (i) \$0.044 per Share on 6 December 2012;
 - (ii) \$0.051 per Share on 24 January 2013;
 - (iii) \$0.045 per Share on 6 March 2013;
 - (iv) \$0.045 per Share on 6 March 2013; and
 - (v) \$0.045 per Share on 9 April 2013;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (d) the Shares were issued to Baycrest, who is not a related party of the Company; and
- (e) the funds raised from this issue of Shares were used for the repayment of debt and accrued interest to creditors of the Company.

9. RESOLUTION 9 – RATIFICATION OF PRIOR ISSUE OF SHARES TO SUSQUEHANNA LLC

9.1 General

On 23 February 2011, the Company entered into a Convertible Note Deed with Susquehanna LLC (**Susquehanna**) for convertible notes with a total combined face value of US\$10,000,000 pursuant to a convertible note facility (**Susquehanna Convertible Note**).

The material terms of the Susquehanna Convertible Note were as follows:

- (i) a total of 10,000,000 convertible notes were issued at a face value of US\$1.00 each to raise US\$10,000,000;
- (ii) the redemption date is 23 February 2014;
- (iii) the convertible notes are convertible at the election of Susquehanna at any time prior to the redemption date. On conversion, Susquehanna was entitled to be issued Shares at an issue price being \$0.80;
- (iv) interest is payable on the Susquehanna Convertible Note at the rate of 10%;
- (v) the Susquehanna Convertible Note is unsecured.

In satisfaction of outstanding interest payable on the Susquehanna Convertible Note totalling \$500,000, the Company issued a total of 10,681,818 Shares to Susquehanna, being 5,000,000 Shares issued on 1 March 2013 and 5,681,818 Shares issued on 21 March 2013.

Resolution 9 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these Shares to Susquehanna pursuant to the Susquehanna Convertible Note (**Susquehanna Ratification**).

Summaries of ASX Listing Rules 7.1 and 7.4 are set out in sections 6.1 and 8.1 above respectively.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

9.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Susquehanna Ratification:

- (a) 10,681,818 Shares were issued;
- (b) the deemed issue price was:
 - (i) \$0.05 per Share on 1 March 2013;
 - (ii) \$0.044 per Share on 21 March 2013;

- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to Susquehanna, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Shares were issued in satisfaction of outstanding interest payable on the Susquehanna Convertible Note totalling \$500,000.

10. RESOLUTION 10 – ISSUE OF SHARES TO SUSQUEHANNA LLC

10.1 General

A summary of the Susquehanna Convertible Note is set out in section 9.1.

Resolution 10 seeks Shareholder approval for the issue of up to that number of Shares, when multiplied by the deemed issue price, will equal \$500,000, to Susquehanna in satisfaction of current outstanding interest payable on the Susquehanna Convertible Note (**Susquehanna Issue**).

A summary of ASX Listing Rule 7.1 is set out in section 6.1 above.

The effect of Resolution 10 will be to allow the Company to issue the Shares pursuant to the Susquehanna Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Susquehanna Issue:

- (i) the maximum number of Shares to be issued is up to that number of Shares, which, when multiplied by the issue price, equals \$500,000;
- (ii) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (iii) the deemed issue price will be 95% of the average market price for Shares calculated over the 30 days on which sales in the Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 30 days on which sales in the securities were recorded before the date the prospectus is signed;
- (iv) the Shares will be issued to Susquehanna, who is not a related party of the Company;
- (v) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (vi) no funds will be raised from the Susquehanna Issue as the Shares are being issued in satisfaction of current outstanding interest payable on the Susquehanna Convertible Note totalling \$500,000.

11. RESOLUTION 11 – RATIFICATION OF PRIOR ISSUE OF SHARES TO LENDER

11.1 General

On 20 March 2011, the Company entered into a Loan Agreement with a third party lender (**Lender**) to borrow up to \$2,500,000 from the Lender (**Lender Loan**).

The material terms of the Lender Loan were as follows:

- (i) the maximum amount of the Lender Loan was \$2,500,000;
- (ii) the Lender Loan was due for repayment on 30 June 2013;
- (iii) interest was payable on the Lender Loan at the rate of 10%;
- (iv) the Lender Loan was unsecured.

In satisfaction of part payment of the principal amount of \$640,000 under the Lender Loan, the Company issued a total of 10,000,000 Shares to the Lender.

Resolution 11 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these Shares to the Lender pursuant to the Lender Loan (**Lender Ratification**).

Summaries of ASX Listing Rules 7.1 and 7.4 are set out in sections 6.1 and 8.1 above respectively.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

11.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Lender Ratification:

- (a) 10,000,000 Shares were issued;
- (b) the deemed issue price was \$0.064 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to the Lender, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Shares were issued in satisfaction of part payment of the principal amount of \$640,000 payable on the Lender Loan.

12. RESOLUTION 12 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS TO ROYALTY HOLDERS

12.1 General

On 16 January 2009, the Company entered into a Facility Agreement with various lenders in respect of a loan facility available to the Company of up to \$20,000,000 (**Facility Agreement**).

Pursuant to the Facility Agreement, the Company was obliged to pay various royalty holders a USD \$1 per tonne royalty on all coal produced by the Company's South African mining operations, capped at 15,000,000 tonnes (**Royalty**).

In satisfaction of outstanding royalty amounts due to certain royalty holders pursuant to the Facility Agreement totalling \$559,386, the Company issued a total of 11,802,894 Shares and 15,000,000 Options to certain royalty holders.

Resolution 12 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these Shares to the royalty holders pursuant to the Facility Agreement (**Royalty Ratification**).

Summaries of ASX Listing Rules 7.1 and 7.4 are set out in sections 6.1 and 8.1 above respectively.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

12.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Royalty Ratification:

- (a) a total of 11,802,894 Shares and 15,000,000 Options were issued pursuant to the Royalty under the Facility Agreement;
- (b) the deemed issue price of the Shares issued was \$0.0474 per Share;
- (c) the Options issued were issued for nil cash consideration in satisfaction of a fee associated with the Facility Agreement;
- (d) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Options issued were issued on the terms and conditions set out in Annexure B;
- (f) the Shares and Options were issued to royalty holders of the Company, none of whom are related parties of the Company; and
- (g) no funds were raised from this issue as the Shares were issued in satisfaction of outstanding royalty amounts due to certain royalty holders pursuant to the Facility Agreement totalling \$559,386 and the Options were issued in satisfaction of a fee associated with the Facility Agreement.

13. RESOLUTION 13 – ISSUE OF SHARES TO ROYALTY HOLDERS

13.1 General

A summary of the Facility Agreement and the Royalty is set out in section 12.1 of this Explanatory Statement.

Resolution 13 seeks Shareholder approval for the issue of up to that number of Shares, when multiplied by the deemed issue price, will equal \$500,000, to certain royalty holders of the Company in satisfaction of royalties that are due and payable pursuant to the Facility Agreement (**Royalty Issue**).

A summary of ASX Listing Rule 7.1 is set out in section 6.1 above.

The effect of Resolution 13 will be to allow the Company to issue the Shares pursuant to the Royalty Issue during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Royalty Issue:

- (i) the maximum number of Shares to be issued is up to that number of Shares, which, when multiplied by the issue price, equals \$500,000;
- (ii) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (iii) the deemed issue price will be 95% of the average market price for Shares calculated over the 30 days on which sales in the Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 30 days on which sales in the securities were recorded before the date the prospectus is signed;
- (iv) the Shares will be issued to royalty holders of the Company, none of whom are related parties of the Company;
- (v) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (vi) no funds will be raised from the Royalty Issue as the Shares are being issued in satisfaction of royalties that are due and payable pursuant to the Facility Agreement.

14. RESOLUTION 14 – ISSUE OF SHARES TO RELATED PARTY (MR DON TURVEY)

14.1 General

As approved by Shareholders on 19 November 2010 (resolution 5 of that year's AGM), the remuneration package of the Director Don Turvey as contained in his Employment Agreement with the Company includes a sign-on bonus of the issue of 1,000,000 Shares.

In accordance with ASX Listing Rule 10.13.3, these Shares should have been issued by 19 December 2010. However, due to an administrative oversight the 1,000,000 Shares were issued to Don Turvey on 26 April 2013, such date being later than 1 month after the date of the original meeting. The Company has notified ASX of this breach of the Listing Rules. To remedy this breach, ASX requires the 1,000,000 Shares to be sold on-market with all proceeds to be donated to charity. The Shares will be sold on-market at a reasonable time after the Company has given an adequate period of notice of the sale to the market.

Pursuant to the terms of Mr Turvey's Employment Agreement, the Company has now agreed, subject to re-obtaining Shareholder approval, to issue 1,000,000 Shares (**Related Party Shares**) to Don Turvey (or his nominee) in replacement of the 1,000,000 Shares he was previously issued (and which are to be sold on-market with all proceeds donated to charity) on the terms and conditions set out below.

Resolution 14 therefore seeks Shareholder approval for the issue of the Related Party Shares to Don Turvey (or his nominee).

14.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (ii) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Related Party Shares constitutes giving a financial benefit and Don Turvey is a related party of the Company by virtue of being a Director.

Mike Kilbride, Johan Bloemsmma, Connie Molusi, Bernard Swanepoel, Ron Chamberlain and Jason Brewer (being the Directors not having a material personal interest in Resolution 14) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Related Party Shares to Don Turvey because the issue is considered to be reasonable remuneration in accordance with Section 211(1) of the Corporations Act.

14.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Related Party Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

14.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Related Party Shares:

- (i) the related party is Don Turvey and he is a related party by virtue of being a Director;
- (ii) the maximum number of Related Party Shares (being the nature of the financial benefit being provided) to be issued to Don Turvey is 1,000,000;
- (iii) the Related Party Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Related Party Shares will occur on the same date;
- (iv) the Related Party Shares will be issued for nil cash consideration as part of Don Turvey's remuneration, accordingly no funds will be raised;
- (v) the deemed value of the Related Party Shares is \$42,000. This can be calculated by multiplying the deemed issue price of each Related Party Share, being \$0.042, by 1,000,000 to reach a total of \$42,000. The deemed issue price of the Related Party Shares (being \$0.042) is well in excess of the current price of the Shares (being \$0.031 on 15 October 2013).
- (vi) the Related Party Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Shares to Don Turvey as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Party Shares to Don Turvey will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Continental Coal Limited (ACN 009 125 651).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Managing Director means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2013.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Vacating Directors means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF THE VMR CONVERTIBLE NOTES

The terms and conditions of the Convertible Notes to be issued to Village Main Reef Limited are as follows.

Term	Details
Maximum Deemed Subscription Amount	\$3,412,450 owed by the Company to various parties to be assumed by Village Main Reef Limited.
Number of Convertible Notes to be issued	If the Conditions Precedent noted below are satisfied before 30 November 2013, 3,412,450 Convertible Notes will be issued to Village Main Reef. If the Conditions Precedent noted below are satisfied after 30 November 2013, 4,094,940 Convertible Notes will be issued to Village Main Reef.
Face Value	\$1.00 per Convertible Note.
Maturity Date	2 years after issue
Conditions Precedent	The conditions precedent to the issue of the Convertible Notes include: <ul style="list-style-type: none"> • the Company becoming listed on the Johannesburg Stock Exchange; and • the Company obtaining all necessary shareholder and regulatory approvals pursuant to the Corporations Act, the ASX Listing Rules or any other law for the issue of the Convertible Notes to Village Main Reef Limited. <p>These conditions precedent are to be satisfied on or before 31 January 2014 (or such later date as agreed between the Company and Village Main Reef Limited).</p>
Interest	10% per annum on the principal amount outstanding on each Convertible Note until the Maturity Date. Such interest is paid to Village Main Reef Limited half yearly in arrears in either cash or by being issued such Shares at the conversion price as is equal to the amount of interest owed, at the election of Village Main Reef Limited. Any interest payment that is not paid to the noteholder accrues interest at 10% per annum from day to day from the relevant interest payment period until paid.
Security	The Convertible Notes are unsecured.
Conversion	Subject at all times to compliance with the Corporations Act and the ASX Listing Rules, each Convertible Note is convertible at Village Main Reef's election after its issue date and prior to the earlier of the date of redemption and the Maturity Date.
Conversion Price	\$0.05 per Share (such conversion price being subject to adjustment for a limited number of prescribed events).
Redemption	The Company must, if it has not received a notice of conversion from Village Main Reef Limited in respect of all the outstanding Convertible Notes prior to the Maturity Date, redeem in full by payment in cheque or draft the amount outstanding and the accrued interest at the Maturity Date in respect of such

	outstanding Convertible Notes (i.e. which have not been previously redeemed or converted by the Company). Village Main Reef can also elect to redeem outstanding Convertible Notes on the occurrence of an event of default or a change in control of the Company.
Default Events	<p>The Convertible Notes are subject to default events including:</p> <ul style="list-style-type: none"> • breach of the conditions of the Convertible Notes by the Company that is not rectified within 14 business days of written notice from Village Main Reef Limited; • non-payment of funds within 30 days of the relevant due date; • materially untrue or misleading representations by the Company; and • winding up or insolvency of the Company. <p>On the occurrence of a default event, Village Main Reef Limited may elect to require the immediate conversion of all of its Convertible Notes (and outstanding interest) into Shares or the immediate repayment of all of the amount outstanding under the Convertible Notes.</p>
Transferability	During the period which is 12 months from the date of issue, the Convertible Notes may only be transferred by Village Main Reef Limited to an accredited professional investor.
No Voting Rights	The Convertible Notes do not carry any voting rights at Shareholder meetings.
Governing Law	Western Australia

ANNEXURE A – TERMS AND CONDITIONS OF THE VMR OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on the date that is the third anniversary of their date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

ANNEXURE B – TERMS AND CONDITIONS OF THE OPTIONS ISSUED TO ROYALTY HOLDERS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.06 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 15 May 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.



Continental Coal Ltd

ABN 13 009 125 651



┌ 000001 000 CCC
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote and view the annual report online

Go to www.investorvote.com.au or scan the QR Code with your mobile device.
Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 3:00pm (WST) Tuesday 19 November 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Continental Coal Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Continental Coal Ltd to be held at Lower Pavilion, Next Generation, 21 Kings Park Road, West Perth, Western Australia on Thursday, 21 November 2013 at 3:00pm (WST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 2 and 14 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 2 and 14 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Resolution 2 where the Chairman of the Meeting will be voting against.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 2 and 14 by marking the appropriate box in step 2 below.

STEP 2 Items of Business PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain		For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8 Ratification of Prior Issue of Shares to Baycrest Capital LLC Pursuant to Continuous Investment Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9 Ratification of Prior Issue of Shares to Susquehanna LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Director - Bernard Swanepoel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10 Issue of Shares to Susquehanna LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Director - Ron Chamberlain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 11 Ratification of Prior Issue of Shares to Lender	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Re-election of Director - Jason Brewer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 12 Ratification of Prior Issue of Shares and Options to Royalty Holders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of Options to Village Main Reef Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 13 Issue of Shares to Royalty Holders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval for Issue of Convertible Notes to Village Main Reef Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 14 Issue of Shares to Related Party (Mr Don Turvey)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business with the exception of Resolution 2 where the Chairman of the Meeting will be voting against.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____