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ASX Limited – Perth Office
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Via E-lodgement

Continental closes A\$5m bridge funding with larger restructure / funding solution well advanced

South African coal production company Continental Coal Limited (ASX: CCC; AIM: COOL) ("the Company") is pleased to announce it has closed the previously announced A\$5 million of limited recourse bridge funding, with the larger recapitalisation plans well advanced.

The funds have been received by the Company's escrow agent and all conditions met, allowing for the funds to be released so as to meet key payments to current creditors and ensure a 3 month standstill period to recapitalize the Company and restructure its financial arrangements.

Importantly the Company will focus on, and ensure, stability at an operational level with the Company's current mining operations whilst saving significant costs at the corporate level. As part of the restructure process, Continental will look to strengthen its BEE credentials in South Africa and generate additional synergies with key strategic partners including Eskom, Transnet and RBCT to ensure a significant growth profile moving forward.

The new Board of Continental includes Mr Peter Landau and Dr Paul D'Sylva, who have had considerable capital markets and junior resource sector experience, together with Dr Lars Schernikau who is a coal marketing specialist with many years of coal experience operating in South Africa, Asia and Europe. See below for further details on the board appointments.

Commenting on the closing of the bridge financing and the associated board changes, interim Chairman Dr Paul D'Sylva said, *"While it has experienced some balance sheet issues the Company is well positioned to supply the domestic/global coal markets from two operating mines.*

"We have received interest from a number of globally recognised energy investors/traders to participate in the Company going forward, which we expect to finalise shortly.

"We have complete faith in the assets and operational management of the Company, but believe a range of strategic and financing opportunities can be advanced so as to stabilise the Company's balance sheet and focus on significant growth following completion of the proposed rights issue," Dr D'Sylva added.

South Africa	Australia
T +27 11 881 1420 F +27 862064487 W www.conticoal.com	T +61 8 9488 5220 F +61 8 9324 3400 W www.conticoal.com
9th Floor Fredman Towers, 13 Fredman Drive, Sandton 2196	Ground Floor, 1 Havelock Street, West Perth, WA 6005
PO Box 787646, Sandton 2146	PO Box 684, West Perth, WA 6872

Interim Executive Chairman: Dr Paul D'Sylva Interim Executive Director: Mr Peter Landau
Non-Executive Directors: Mr Connie Molusi and Dr Lars Schernikau

Board and Management Changes

The following individuals have now been appointed to the Board as new directors of the Company:

- Mr Peter Landau, who is a former executive director of the Company, having resigned in May 2013. Mr Landau is the founding director of Okap Ventures Pty Ltd, an internationally focused project management, corporate advisory and capital raising firm based in Western Australia and London. Mr Landau is a Director of various ASX and AIM listed resource companies including Range Resources Limited, Nkwe Platinum Limited and Black Mountain Resources Limited;
- Dr Paul D'Sylva, who is a director of Empire Equity Ltd, the corporate advisory group that assisted to coordinate the bridge funding package. Dr D'Sylva has led and arranged a number of funding transactions since 2008 for a diverse range of resource and energy companies. Dr D'Sylva is Non-Executive Chairman of ASX listed silver producer Alycone Resources Limited; and
- Dr Lars Schernikau is a coal marketing specialist with many years of coal experience operating in South Africa, Asia and Europe. He is a co-founder of Frankfurt listed HMS Bergbau AG, has served on the supervisory board of Frankfurt listed South African coal producer IchorCoal NV for 2 years and has held director, board and advisor positions for various coal producers and coal marketing companies. He is also the author of "The Renaissance of Steam Coal" (Springer, 2010).

The Board representative from the creditors group has not been finalised as yet.

As previously announced as a condition to the funding, the resignation or termination of the current CEO Mr Don Turvey, CFO Mr Lou van Vuuren and Non-Executive Directors Mr Mike Kilbride and Mr Johan Bloemsma will occur on closing of the transaction. This has now occurred. Mr Ron Chamberlain and Mr Bernard Swanepoel have also tendered their resignations as Non-Executive Directors to the Board. Village Main Reef Ltd will nominate a new representative to the Board pursuant to the terms of their 2013 subscription agreement.

Following the new appointments, the Board of the Company will be comprised of:

Dr Paul D'Sylva (Interim Executive Chairman)
Mr Peter Landau (Interim Executive Director)
Mr Connie Molusi (Non-Executive Director)
Dr Lars Schernikau (Non-Executive Director)
Creditors' representative (Non-Executive Director) – to be appointed
Village Main Reef representative (Non-Executive Director) – to be appointed

The management structure of the Company moving forward is still being considered by the reconstituted Board, but will initially be overseen by Mr Landau and Dr D'Sylva in temporary executive roles as well as current COO Mr Johan Heystek at an operational level.

The Company also advises that Ms Jane Flegg will be appointed as Company Secretary following the resignations of Mr Dennis Wilkins and Mr John Ribbons as Joint Company Secretary. Ms Flegg has over 20 years' experience in finance and administration. She has been a Corporate Advisor to several ASX and AIM listed and unlisted resource companies, specialising in corporate and financial management, compliance and company secretarial advice.

The Company's new registered office address and contact details are as follows:

Address: Ground Floor
1 Havelock Street
West Perth WA 6005

PO Box 684
West Perth WA 6005

Contact: Phone +61 8 9488 5220
Fax +61 8 9324 2400

ASX and AIM Share Trading Suspensions

The shares of the Company will remain suspended from trading on both the ASX and AIM markets. The reconstituted Board of Directors will consider a decision on seeking to lift the suspension of the shares following the closing of the transaction and pending the provision of further clarification of its financial position to the market.

Key Terms of the Bridge Funding

The funding has been provided by three unrelated institutional and industry investors (the "Investors"). The Investors subscribed for 7.5 million unsecured convertible promissory notes ("Notes") with a face value of A\$1.00 at a discounted issue price of A\$0.6667 per Note and with a maturity date of 4 months post closing. The Investors have also undertaken to assist the Company in undertaking a rights issue, currently proposed to raise up to A\$28 million at an offering price of A\$0.01 per share (terms to be finally determined by the Company and the underwriter engaged), including procuring underwriting of the rights issue, with proceeds to be used to settle amounts owed by the Company to various existing convertible note holders and other major creditors. The Notes are only redeemable upon successful completion of the rights offer, being full subscription including underwriter subscriptions, upon which the Investors will have the option to redeem the Notes by either conversion into shares in the Company (subject to obtaining necessary shareholder approvals) at a conversion price equal to the rights offering price or request payment of the A\$7.5 million face value in cash.

The existing convertible note holders, with outstanding principal and interest of A\$17 million, and certain other creditors of the Company, totaling approximately A\$4m, have entered into standstill agreements for up to 90 days to allow for the completion of the rights offering or other recapitalisation. Certain milestones relating to the proposed recapitalisation have been agreed by the Investors and creditors during this 90 day period with failure to meet these agreed milestones resulting in a default to the Standstill agreement.

The Investors will receive a 6% fee on the Investment Amount as well as 70 million options, subject to shareholder approval, for providing the \$5 million. Each option will be exercisable at the rights offering price with 3 years to expiry. In the event that shareholder approval is not obtained to deliver the options, \$500,000 in cash will become payable to the Investors in lieu of the options. 100 million shares will also be issued to a settlement agent and held in escrow as collateral, either to be sold in the event of default with proceeds to be paid to the Investors, or if no default occurs, transferred to applicants under the rights issue.

Dr Lars Schernikau is associated with entities that subscribed for \$2m of the bridge funding referred to above whilst Mr Landau has a direct or indirect beneficial interest in, or otherwise represents, approximately \$3m in financing creditors which have entered into the Standstill Agreements referred to above.

For and behalf of the Board



Dr Paul D'Sylva
Interim Executive Chairman

For further information please contact:

Media (Australia)

David Tasker
Professional Public Relations
T: +61 8 9388 0944

Nominated Advisor

Stuart Laing
RFC Ambrian Limited
T: +61 8 9480 2500

Brokers

Jonathan Williams
RFC Ambrian Ltd
T : +44 203 440 6817

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 two operating mines, the Vlakvarkfontein and Penumbra Coal Mines, producing approx. 2Mtpa of thermal coal for the export and domestic markets. A Feasibility Study was also completed on a proposed third mine, the De Wittekrans Coal Project.

Forward Looking Statement

This communication includes certain statements that may be deemed "forward-looking statements" and information. All statements in this communication, 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.