Continental Coal Ltd

ABN 13 009 125 651 ASX Code CCC AIM Code COOL

28 February 2014

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Continental Coal Limited ("**Continental**" or "**the Group**") is pleased to provide its operations and financial report for the half-year ended 31 December 2013.

Post 31 December 2013, of major significance to Continental and its shareholders is the recapitalisation of the Company with an initial $5 million bridge funding being received and larger recapitalisation plans well advanced, as previously announced.

Continental has made key payments to current creditors and negotiated a 3 month standstill period to recapitalize the Group and restructure its financial arrangements.

Importantly the Group will focus on, and ensure, stability at an operational level with the Group'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 reconstituted Board of Directors have complete faith in the assets and operational management of the Company, and are optimistic that a range of strategic and financing opportunities will be advanced so as to stabilise the Group's balance sheet and focus on significant growth following completion of a proposed rights issue.

The reconstituted Board of Directors has received interest from a number of globally recognised energy investors/traders to participate in the Company going forward, and terms are currently being negotiated.

As at the date of this report Continental's securities on both the ASX and AIM markets continue to be suspended. The reconstituted Board of Directors will consider a decision on seeking to lift the suspension of the shares pending the provision of further clarification of its financial position to the market.

For and behalf of the Board

Dr Paul D'Sylva
Interim Executive Chairman

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL) is a South African thermal coal producer with a portfolio of projects located in South Africa's major coal fields including 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 with a mining right granted in September 2013.

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.

Continental Coal Ltd

ACN 009 125 651

AND CONTROLLED ENTITIES

APPENDIX 4D
FOR THE HALF-YEAR ENDED

31 DECEMBER 2013

GIVEN IN ACCORDANCE WITH ASX LISTING RULE 4.2A.

CONTINENTAL COAL LIMITED
ACN 009 125 651
AND CONTROLLED ENTITIES

For the half-year ended 31 December 2013

Results for Announcement to Market

SUMMARY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2013

The following is a summary of the financial results for the period ended 31 December 2013 (previous corresponding period 31 December 2012). Unless otherwise stated all figures are provided in AUD.

	Increase/ (Decrease) %	Six months ended 31 December 2013 $'000	Six months ended 31 December 2012 $'000
Revenue and other income from ordinary activities	28%	39,900	31,210
Profit/(Loss) before Interest and Tax **(EBIT)** from ordinary activities	225%	(3,688)	(1,134)
Income tax benefit/(expense)	(130%)	194	(638)
Profit /(Loss) for the period attributable to members (**NPAT)**	146%	(15,788)	(6,412)

Brief Explanation of above figures
Refer to the Review of Operations on page 4 of the attached Half Yearly Report for the period ended 31 December 2013.

Dividends
There were no dividends declared or paid during the period and the directors do not recommend that any dividend be paid.

Earnings Result

The net loss of Continental Coal Limited for the half-year ended 31 December 2013 after providing for income tax was $16,698,000 (31 December 2012: loss of $7,291,000).

Earnings Per Share (EPS)	31 December 2013 Cents	31 December 2012 Cents
Basic loss per share (cents per share)	(2.29)	(1.37)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	688,466,982	467,682,357

The amount used as the numerator in calculating basic EPS is the same as the net profit/(loss) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Net Tangible Asset (NTA) Backing Per Share	31 December 2013 Cents	31 December 2012 Cents
Net tangible asset backing per share (cents per share)	(12.74)	(17.76)

Peter Landau
Interim Executive Director

Dated this 28th day of February 2014

ACN 009 125 651

AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2013

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Continental Coal Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

CONTENTS

CORPORATE DIRECTORY

Directors

Dr Paul D'SYLVA
(Interim Executive Chairman)

Peter LANDAU
(Interim Executive Director)

Connie MOLUSI
(Non-Executive Director)

Dr Lars SCHERNIKAU
(Non-Executive Director)

Company Secretary

Jane FLEGG
(Company Secretary)

Registered Office

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

Country of Incorporation

Australia

Auditors

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

Share Registry

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

Home Exchange

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

ASX Code: CCC
AIM Code: COOL

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Continental Coal Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

DIRECTORS

The names of the Directors who held office during or since the end of the half year:

Dr Paul D'Sylva	Interim Executive Chairman *(appointed 13 February 2014)*
Mr Peter Landau	Interim Executive Director *(appointed 13 February 2014)*
Mr Connie Molousi	Non-executive Director
Dr Lars Schernikau	Non-executive Director *(appointed 13 February 2014)*
Mr Mike Kilbride	Independent Non-executive Chairman *(resigned 13 February 2014)*
Mr Don Turvey	Chief Executive Officer and Executive Director *(resigned 13 February 2014)*
Mr Johan Bloemsma	Non-executive Director *(resigned 13 February 2014)*
Mr Bernard Swanepoel	Non-executive Director *(resigned 13 February 2014)*
Mr Ron Chamberlain	Non-executive Director *(appointed 14 October 2013, resigned 13 February 2014)*
Mr Jason Brewer	Non-executive Director *(resigned 15 November 2013)*
Mr James Leahy	Non-executive Director *(resigned 31 July 2013)*

REVIEW OF OPERATIONS

Principal Activities

The principal activity of the Group during the period was the acquisition, exploration, development and operation of thermal coal mines and properties in Southern Africa. There were no significant changes in the nature of the activities of the Group during this period.

Overview

In the 6 months to 31 December 2013 the Group continued its program of establishing itself as a successful thermal coal mining, production, exploration and development Group in Southern Africa focusing on the ramp up of its flagship Penumbra Coal Mine and advancing the De Wittekrans coal project with the granting of its mining right.

Coal Mine and Processing Operations

Health and Safety

During the period, seven Dressing Station Case ("DSC") accidents were reported at the Company's mining and processing operations – six DSC accidents were reported at the Penumbra Underground Mine and one at the Vlakvarkfontein Mine. One reportable methane related incident and two reportable dam overflowing related incidents also occurred at the Penumbra Underground Mine and processing facility during the period due to excessive rain. The incidents had no material impacts on operations and their causes have been addressed.

DIRECTOR'S REPORT (cont'd)
Operational performance

	Operational performance (tonnes)	
	6 months ended 31 December 2013	6 months ended 31 December 2012
Run of Mine (ROM) production		
Vlakvarkfontein	728,983	735,748
Ferreira	247,129	258,037
Penumbra	223,327	2,694
Total ROM production	**1,199,439**	**996,479**
Feed to plant		
Ferreira	269,670	323,253
Penumbra	216,401	2,694
Total feed to plant	**486,071**	**325,947**
Export yields		
Ferreira	72.0%	68.0%
Penumbra	55.4%	26.2%
Export coal buy-in	**20,953**	**-**
Domestic sales	712,624	647,659
Export sales	320,696	209,750
Total sales	**1,033,320**	**857,409**

Total ROM coal production increased by 20% for the 6 months ended 31 December 2013 compared to the previous reporting period.

Feed to the Delta Processing Operations increased by 49% increase for the 6 months ended 31 December 2013 compared to the previous reporting period.

Total sales increased by 21% increased for the 6 months ended 31 December 2013 compared to the previous reporting period.

Export yields at Penumbra have shown a steady increase during the past 6 months with the average yield of 55.4% recorded for the 6 months ended 31 December 2013.

Vlakvarkfontein Coal Mine

Vlakvarkfontein Coal Mine produced 728,983t ROM for the half year, which was very similar to the production achieved for the 6 months ended 31 December 2012.

Total thermal coal sales for the 6 months ended 31 December 2013 from the Vlakvarkfontein Coal Mine were 712,624 and comprised 579,432t to Eskom and 133,192t of non-select coal.

Vlakvarkfontein remains on target to achieve its planned production of 1.3 Mt ROM at a cost of ZAR152/t (US$13.82) for FY2014.

Ferreira Coal Mine

ROM coal production at the Ferreira Coal Mine for the 6 months ended 31 December 2013, which was its last producing period, totalled 247,129t.

Export yields for Ferreira averaged 72.0% for the 6 months ended 31 December 2013.

DIRECTOR'S REPORT (cont'd)

Mining at Ferreira has now been terminated with only inventory clean-up to be completed. The Group is finalising the closure plan with all stakeholders and will commence the final rehabilitation of the mine site on approval of the closure plan by all stakeholders.

Penumbra Coal Mine
The commissioning of the permanent ventilation shaft in August 2013 was the last remaining infrastructure item required to reach the design capacity of 67,000 tonnes per month. With adequate ventilation in place since early September 2013, both continuous miner sections were fully operational and able to be deployed in the planned mining outlay of 9 road production sections. Production rates increased to an average of 37,221t ROM per month during the half year. A drill-and-blast section was added to the two continuous miner sections during the half year which will add additional flexibility to achieve and maintain the planned production rate. Each continuous miner section currently has two shuttle cars each with the third shuttle cars expected in February 2014.

ROM coal production at the Penumbra Coal Mine for the 6 months ended 31 December 2013 was 223,327t. Production build-up at Penumbra is now forecast to achieve its design capacity of 67,000t ROM per month by April 2014.

Export yields at Penumbra have shown a steady increase during the reporting period with the average yield of 55.4% recorded for the six months ended 31 December 2013. The yield is expected to improve to the planned 62% with the increase in production.

Penumbra is forecasting the delivery of 359 621t ROM during the 2014 financial year at a FOB cost of R580 (US$53) per sales tonne.

Development Project

De Wittekrans Coal Project

The Mining Right for De Wittekrans was granted in September 2013 and the Company expects the Integrated Water Use License (IWUL) to be granted in Q2 2014.

Exploration Projects

Botswana Coal Projects
Negotiations on the previously announced earn-in agreement on Prospecting Licences 339/2008 and 341/2008 were terminated during the half year. The Group is in early stage discussions with 2 unrelated parties to reach a commercial agreement on 2 of the Prospecting licences that have been awarded to the Group. The third license is in the process of being relinquished.

Corporate

Bridge finance and recapitalisation
Subsequent to half year end the Group executed a binding term sheet with UK corporate advisory firm Empire Equity Limited ("Empire Equity") to provide $5 million bridge funding and undertake a broader recapitalisation and restructure of the Group and its financial arrangements.

The Group received the $5 million bridge funding from Empire Equity and made key payments to current creditors and negotiated a 3 month standstill period to recapitalize the Group.

Empire Equity and/or its nominees (the "Investors") have invested in 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 redeemable upon successful completion of the Groups recapitalization. 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.

The Investors have also undertaken to assist the Group in undertaking a rights issue currently proposed to raise up to A$28 million with terms to be determined by the Group and the underwriter engaged. The proceeds will be used to settle amounts owed by the Group to various existing convertible note holders and other major creditors.

DIRECTOR'S REPORT (cont'd)

A condition to providing the funding was the resignation or termination of the CEO Mr Don Turvey, CFO Mr Lou van Vuuren and Non-Executive Directors Mr Mike Kilbride and Mr Johan Bloemsma. This occurred on 13 February 2014. Mr Ron Chamberlain and Mr Bernard Swanepoel 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 comprises:

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.

In addition Ms Jane Flegg was appointed as Company Secretary following the resignations of Mr Dennis Wilkins and Mr John Ribbons as Joint Company Secretary.

Proposed listing on the Johannesburg Stock Exchange

The proposed listing has been postponed until such time as the recapitalisation of the Company has been completed.

ASX and Aim share trading suspension

As at the date of this report Continental's securities on both the ASX and AIM markets continue to be suspended. The reconstituted Board of Directors will consider a decision on seeking to lift the suspension of the shares pending the provision of further clarification of its financial position to the market.

ROUNDING

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than as set out above, there were no matters or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Group.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the half-year ended 31 December 2013 can be found on the following page.

This report is made in accordance with a resolution of the Board of Directors.

Peter Landau
Interim Executive Director

Dated this 28th day of February 2014

DIRECTORS' REPORT (cont'd)

Competent Persons Statement

The information in this release that relates to Coal Resources on Vlakvarkfontein, Vlakplaats and Wolvenfontein is based on resource estimates completed by Dr. Philip John Hancox. Dr. Hancox is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400224/04) as well as a Member and Fellow of the Geological Society of South Africa. He is also a member of the Fossil Fuel Foundation, the Geostatistical Association of South Africa, the Society of Economic Geologists, and a Core Member of the Prospectors and Developer Association of Canada. Dr. Hancox has more than 12 years' experience in the South African Coal and Minerals industries and holds a Ph.D from the University of the Witwatersrand (South Africa).

The information in this release that relates to Coal Resources on Penumbra, De Wittekrans, Knapdaar, Leiden and Wesselton II is based on coal resource estimates completed by Mr. Nico Denner, a full time employee of Gemecs (Pty) Ltd. Mr. Denner is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400060/98) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 15 years' experience in the South African Coal and Minerals industries.

The information in this release that relates to Coal Resources on Project X and Vaalbank is based on coal resource estimates completed by Mr. Coenraad van Niekerk, a full time employee of Gemecs (Pty) Ltd. Mr. van Niekerk is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400066/98) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 38 years' experience in the South African Coal and Minerals industries.

The information in this release that relates to Coal Resources on Mooifontein is based on coal resource estimates completed by Mr. Dawie van Wyk, a full time employee of Geocoal services (Pty) Ltd. Mr. van Wyk is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 401964/83) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 30 years' experience in the South African Coal and Minerals industries.

The Coal Reserves on Vlakvarkfontein, and is based on reserve estimates completed by Eugène de Villiers. Mr. de Villiers is a graduated mining engineer (B.Eng) Mining from the University of Pretoria and is professionally registered with the Engineering Council of South Africa (Pr.eng no – 20080066). He is also a member of the South African Institute of Mining and Metallurgy (SAIMM Membership no. 700348) and the South African Coal Managers Association (SACMA Membership no. 1742). Mr. de Villiers has been working in the coal industry since 1993 and has a vast amount of production and mine management as well as project related experience.

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

As lead auditor for the review of Continental Coal Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated	
		31 December 2013 $'000	**31 December 2012 $'000**
Operating sales revenue	2	38,597	29,737
Operating expenses		(32,458)	(25,349)
Depreciation & amortisation		(3,531)	(1,704)
Cost of sales	3	(35,989)	(27,053)
Gross profit		**2,608**	**2,684**
Other income	2	1,303	1,473
Administration expenses	3	(4,050)	(4,461)
Finance expenses	3	(13,656)	(5,772)
Impairment expenses	3	(2,265)	-
Marketing expenses		(97)	(144)
Other expenses	3	(735)	(433)
Loss before income tax		**(16,892)**	**(6,653)**
Income tax benefit/(expense)		194	(638)
Loss for the half year from continuing operations		**(16,698)**	**(7,291)**
Other Comprehensive Income/(Loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		85	(3,373)
Changes in the fair values of cashflow hedges, net of tax		(580)	1,266
Other comprehensive loss for the half year, net of tax		(495)	(2,107)
Total comprehensive loss for the half year		**(17,193)**	**(9,398)**
Net loss is attributable to:			
Owners of Continental Coal Limited		(15,788)	(6,412)
Non-controlling interests		(910)	(879)
		(16,698)	**(7,291)**
Total comprehensive loss is attributable to:			
Owners of Continental Coal Limited		(16,430)	(7,577)
Non-controlling interests		(763)	(1,821)
		(17,193)	**(9,398)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Group:			
Basic loss per share *(cents per share)*		(2.29)	(1.37)
Diluted loss per share *(cents per share)*		(2.29)	(1.37)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Consolidated 31 December 2013 $'000	Consolidated 30 June 2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**4**	3,948	4,496
Trade and other receivables		6,239	7,744
Inventories		3,190	4,862
TOTAL CURRENT ASSETS		13,377	17,102
NON-CURRENT ASSETS			
Trade and other receivables		2,931	2,981
Other assets		2,217	1,658
Derivative financial instruments		1,820	2,400
Exploration expenditure	**5**	50,751	54,363
Development expenditure	**6**	72,579	76,344
Property, plant and equipment	**7**	12,511	11,933
Deferred tax assets		3,328	3,022
TOTAL NON-CURRENT ASSETS		146,137	152,701
TOTAL ASSETS		159,514	169,803
CURRENT LIABILITIES			
Trade and other payables	**8**	11,016	12,459
Deferred revenue	**9**	-	5,859
Income tax payable		796	1,115
Provisions		4,273	296
Borrowings	**10**	87,876	18,531
Derivative financial instruments		80	228
Other financial liabilities		4,419	3,633
Provision for rehabilitation		3,416	3,759
TOTAL CURRENT LIABILITIES		111,876	45,880
NON-CURRENT LIABILITIES			
Deferred revenue	**9**	-	5,467
Borrowings	**10**	212	52,141
Other financial liabilities		6,633	6,984
Deferred tax liability		21,699	23,009
Provision for rehabilitation		9,318	9,594
TOTAL NON-CURRENT LIABILITIES		37,862	97,195
TOTAL LIABILITIES		149,738	143,075
NET ASSETS		**9,776**	**26,728**
EQUITY			
Issued capital	**11**	236,533	236,032
Reserves		(3,480)	(2,838)
Accumulated losses		(214,775)	(198,987)
Capital and reserves attributable to owners of Continental Coal Ltd		18,278	34,207
Amounts attributable to non-controlling interests		(8,502)	(7,479)
TOTAL EQUITY		**9,776**	**26,728**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Share Capital Ordinary	Accumulated losses	Foreign Currency Translation Reserve	Other Reserve	Hedging Reserve	Share Based Payment Reserve	Total	Non-Controlling Interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**220,015**	**(164,739)**	**(19,189)**	**(9,944)**	**(508)**	**30,798**	**56,433**	**8,089**	**64,522**
Loss for the half year	-	(6,412)	-	-	-	-	(6,412)	(879)	(7,291)
Exchange differences on translation of foreign operations	-	-	(2,102)	-	-	-	(2,102)	(1,271)	(3,373)
Cashflow hedges, net of tax	-	-	-	-	937	-	937	329	1,266
Total comprehensive income/(loss) for the half year	-	(6,412)	(2,102)	-	937	-	(7,577)	(1,821)	(9,398)
Transactions with owners in their capacity as owners:									
Shares issued during the half year	3,654	-	-	-	-	-	3,654	-	3,654
Transaction cost recoveries	241	-	-	-	-	-	241	-	241
Options issued as share based payments	-	-	-	-	-	219	219	-	219
Transactions with non-controlling interests	-	-	-	333	-	-	333	-	333
Balance at 31 December 2012	**223,910**	**(171,151)**	**(21,291)**	**(9,611)**	**429**	**31,017**	**53,303**	**6,268**	**59,571**
Balance at 1 July 2013	**236,032**	**(198,987)**	**(23,931)**	**(12,182)**	**1,776**	**31,499**	**34,207**	**(7,479)**	**26,728**
Loss for the half year	-	(15,788)	-	-	-	-	(15,788)	(910)	(16,698)
Exchange differences on translation of foreign operations	-	-	(195)	-	-	-	(195)	280	85
Cashflow hedges, net of tax	-	-	-	-	(447)	-	(447)	(133)	(580)
Total comprehensive income/(loss) for the half year	-	(15,788)	(195)	-	(447)	-	(16,430)	(763)	(17,193)
Transactions with owners in their capacity as owners:									
Shares issued during the half year	501	-	-	-	-	-	501	-	501
Dividends paid	-	-	-	-	-	-	-	(260)	(260)
Balance at 31 December 2013	**236,533**	**(214,775)**	**(24,126)**	**(12,182)**	**1,329**	**31,499**	**18,278**	**(8,502)**	**9,776**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED
31 DECEMBER 2013

	Note	Consolidated	
		31 December 2013 $'000	31 December 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		40,832	30,020
Interest received		249	202
Other income		31	-
Proceeds from commodity hedge		561	346
Payments to suppliers and employees		(36,667)	(32,791)
Income tax paid		(1,126)	-
Net cash provided by/(used in) operating activities		3,880	(2,223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment in Vanmag		-	879
Proceeds from sale of property, plant and equipment		420	-
Exploration expenditure	**5**	(244)	(587)
Development costs	**6**	(1,783)	(15,605)
Purchase of property, plant and equipment		(1,593)	(7,402)
Payments in relation to SIOC transaction		-	(125)
Net cash (used in) investing activities		(3,200)	(22,840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		-	(11)
Interest and borrowing costs		(1,145)	(3,751)
Proceeds from borrowings		908	17,735
Repayment of borrowings		(491)	(1,231)
Royalty payments		(325)	(414)
Net cash (used in)/provided by financing activities		(1,053)	12,328
Net (decrease) in cash held		(373)	(12,735)
Effect of the exchange rate changes on the balance of cash held in foreign currencies at the beginning of the half year		(74)	(631)
Cash at beginning of half year		3,513	14,595
Cash at half year end	**4**	**3,066**	**1,229**

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

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Continental Coal Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Reporting Basis and Conventions
The half-year financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods. However, the adoption of AASB 13 *Fair Value Measurement* resulted in additional disclosures of the valuation techniques and inputs used by the Group in determining the fair value of its financial instruments.

Going Concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The loss of the Group for the half year amounted to $16,698,000; the Group had a net working capital deficit of $98,499,000; and the Group had a net decrease in cash of $373,000.

During the half year the Group undertook active discussions with its creditors, royalty holders, convertible note holders, and other financiers and investor Groups with a view to complete a recapitalisation of the Company. As the recapitalisation was not completed during the half year and the Group was otherwise unable to restructure or refinance its convertible notes prior to their maturity dates ranging from November 2013 to February 2014 the Group has contravened the terms of these convertible notes.

The default on these convertible notes has triggered cross default provisions in the Group's other borrowings, including its ZAR 253M (AUD $27,142,000) Penumbra project finance facility with ABSA.

Subsequent to half year end, the Company received $5m of limited recourse bridge funding and negotiated a 90 day stand still period with its convertible note holders and other creditors. The stand still arrangement is subject to various terms and conditions, including the achievement of certain recapitalisation milestones.

Note 1: Basis of Preparation (cont'd)

A condition to receipt of the $5m bridge funding facility was the resignation or termination of the CEO Mr Don Turvey, CFO Mr Lou van Vuuren and Non-Executive Directors Mr Mike Kilbride and Mr Johan Bloemsma. This occurred on 13 February 2014. Mr Ron Chamberlain and Mr Bernard Swanepoel 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 comprises:

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 reconstituted board of directors have concluded that the going concern basis is appropriate as the Company is well advanced in executing its plans for a larger recapitalisation. Completion of the proposed rights issue, in conjunction with the advancement of a range of strategic and financing opportunities, is expected to stabilise the Company's balance sheet and provide the Company with a solid foundation from which to move forward.

On this basis and considering the options available to the Group, the directors are of the opinion that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due. Should the Company fail to complete the proposed rights issue or alternate method of recapitalisation, the Group may not be able to continue as a going concern. It may be required to realise its assets and extinguish its liabilities other than in the normal course of business, and at amounts that differ from those in the financial statements.

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

Note 2: Revenue and other income

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
Revenue from continuing operations		
- Export coal sales	23,971	16,448
- Eskom coal sales	13,842	12,854
- Other coal sales	784	435
Total revenue from continuing operations	38,597	29,737
Other income		
- Recovery of costs	48	64
- Interest income	452	252
- Realised gains on derivative financial instruments	561	346
- Unrealised gains on derivative financial instruments	147	616
- Net foreign exchange gain	63	131
- Other income	32	64
Total other income	1,303	1,473

Note 3: Expenses

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
(a) Loss before income tax includes the following specific expenses:		
Cost of sales		
- Mining	17,455	15,488
- Processing	2,955	2,617
- Materials handling	2,013	1,728
- Indirect costs	2,128	675
- Export costs	4,775	3,019
- Bought in coal	1,076	-
- Administration costs	1,539	1,095
- Mining royalties tax	517	727
- Depreciation & amortisation	3,531	1,704
Total cost of sales	35,989	27,053
Finance costs		
- Interest expense	5,566	3,323
- Share based payments (note 12)	481	35
- Accretion of convertible note interest (note 10)	767	1,087
- Royalty expense	760	622
- EDF interest	2,140	642
- Other borrowing costs	3,942	63
Total finance costs	13,656	5,772

Note 3: Expenses (cont'd)

	Consolidated	
	31 December 2013 $'000	**31 December 2012 $'000**
Impairment Expenses		
- Exploration expenditure - Vaalbank	2,265	-
Administration & Other Expenses		
- Employee related costs	1,945	1,605
- Key management personnel	701	838
- Pre feasibility costs in relation to other projects	214	62
- Consultants	520	373
- Share based payments (note 12)	20	110
- Legal fees	372	154
- Occupancy	138	119
- Foreign exchange loss	117	-
- Depreciation & amortisation	19	33

Note 4: Cash

	Consolidated	
	31 December 2013 $'000	**30 June 2013 $'000**
CURRENT		
Cash at bank and in hand (i), (ii)	3,948	4,496
	3,948	4,496

Reconciliation of cash

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

Cash and cash equivalents	3,948	4,496
Bank overdrafts (note 10)	(882)	(983)
	3,066	3,513

(i) Includes cash restricted under guarantees in the amount of $67,000 (30 June 2013: nil).
(ii) At 31 December 2013 $3,884,000 of the Group's cash balance is held by the Group's South African subsidiary.

Note 5: Exploration Expenditure

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	43,752	45,957
- Exploration and evaluation phases – indirect	6,999	8,406
Total exploration expenditure	50,751	54,363

(a) Movements in carrying amounts

Balance at 1 July	54,363	86,314
Exploration expenditure capitalised	244	660
Exploration expenditure impaired (i)	(2,265)	(26,661)
Impacts of movements in foreign exchange rates on non AUD balances	(1,591)	(5,950)
Carrying amount at reporting date	50,751	54,363

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

(i) The impairment charge of $2,265,000 recognised during the half year to 31 December 2013 relates to the carrying value of Vaalbank. The impairment charge of $26,661,000 recognised in the year ended 30 June 2013 relates to the carrying values of Project X, Vlakplaats, and Wesselton II.

A number of the Group's South African exploration permits are in the process of being renewed at 31 December 2013. As the renewals lodged are compliant with the requirements of the Department of Mineral Resources of the Republic of South Africa and the Group has complied with the expenditure and other permit requirements stipulated by the Department, the Group expects the renewals to be granted to the Group in due course.

Note 6: Development Expenditure

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
NON-CURRENT		
- Development expenditure at cost	90,671	91,132
- Accumulated depreciation	(18,092)	(14,788)
Total development expenditure	72,579	76,344

(a) Movements in carrying amounts

Balance at 1 July	76,344	65,843
Development expenditure capitalised	1,783	21,312
Depreciation charge for the period	(3,309)	(4,164)
Disposals	-	(726)
Impacts of movements in foreign exchange rates on non AUD balances	(2,239)	(5,921)
Carrying amount at reporting date	72,579	76,344

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

Note 7: Property, Plant & Equipment

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
PLANT AND EQUIPMENT		
Plant and equipment at cost	14,581	14,251
Accumulated depreciation	(2,070)	(2,318)
Net book amount	12,511	11,933

(a) **Movements in Carrying Amounts**

	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Consolidated Group:			
Balance at 1 July 2012	4,610	3,328	7,937
Additions	6,674	-	6,674
Disposals	(420)	-	(420)
Depreciation charge for the year	(93)	(149)	(242)
Impairment loss	-	(1,465)	(1,465)
Impacts of movements in foreign exchange rates on non AUD balances	(491)	(61)	(552)
Balance at 30 June 2013	10,280	1,653	11,933
Additions	1,100	487	1,587
Disposals	(418)	-	(418)
Depreciation charge for the half year	(202)	(38)	(240)
Impacts of movements in foreign exchange rates on non AUD balances	(292)	(59)	(351)
Balance at 31 December 2013	10,468	2,043	12,511

(b) **Security**

(i) The Group has granted EDF security over the Group's South African Mining interests apart from Penumbra. Refer to notes 9 and 10.

(ii) At 31 December 2013 the Group's royalty liability of $11,052,000 is secured over all assets of Australian parent Company Continental Coal Ltd.

(iii) Refer to borrowings note 10 for details of non-current assets of the Group that are pledged as security for the Group's borrowings.

Note 8: Trade and Other Payables

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
CURRENT		
Unsecured liabilities		
Trade payables	6,215	8,997
Sundry payables and accrued expenses	3,267	2,670
Accrued interest	1,534	792
	11,016	12,459

Note 9: Deferred Revenue

In previous financial years the Group received USD $20m sales proceeds in advance of the delivery of coal in accordance with the coal prepayment facility with EDF Trading. The prepayment facility was secured over all assets of the Group's South African mining interests apart from Penumbra.

During the half year the EDF coal prepayment facility was restructured into a financial loan repayable through 24 monthly instalments commencing in July 2014 (refer to note 10). EDF has retained its security over the Group's South African mining interests.

For the half year to 31 December 2013, approximately $2,564,602 (31 December 2012: $2,176,000) of the deferred revenue balance was earned and recognised on the delivery of coal to EDF Trading prior to the restructure.

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
Deferred revenue – current	-	5,859
Deferred revenue – non-current	-	5,467
Total deferred revenue	-	11,326

Note 10: Borrowings

	Consolidated	
	31 December 2013 $'000	30 June 2013 $'000
CURRENT		
Bank overdraft – secured	882	983
Convertible note – unsecured (a)	1,000	932
Convertible note – unsecured (b)	90	100
Convertible note – unsecured (c)	4,900	4,510
Convertible note – unsecured (d)	9,897	9,589
Convertible note – secured (e)	3,800	2,000
Other loans – unsecured (f)	441	160
Related party working capital facility (g)	250	257
Other facilities	450	-
Bank debt – secured (h)	26,588	-
EDF loan (note 9) (i)	15,228	-
Related party borrowings – unsecured (j)	24,350	-
	87,876	18,531
NON-CURRENT		
Bank debt – secured (h)	-	25,034
Related party borrowings – unsecured (j)	-	26,856
Other facilities	212	251
	212	52,141

Note 10: Borrowings (cont'd)

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

(b) The parent entity issued $100,000 of convertible notes on 26 November 2010. The notes are convertible at the option of the holder based upon the share price at the time of conversion. Interest is payable bi-annually at a rate of 10% per annum. The convertible notes matured on 26 November 2013. Refer to details of standstill arrangements below.

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

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

(e) The parent entity issued $3,800,000 of convertible notes in March 2013. The notes are convertible at the option of the holder based upon the share price at the time of conversion. The conversion rate is the lesser of 80% of the VWAP over the 10 days prior to conversion or 125% of the VWAP over the 10 days prior to note execution date. The convertible notes matured in September 2013 and are secured over all assets of the Australian parent company Continental Coal Ltd. Refer to details of standstill arrangements below.

(f) Loans are interest bearing at 10% per annum and were due to be repaid on or before 30 June 2013. Refer to details of standstill arrangements below.

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

Note 10: Borrowings (cont'd)

(h) The Group's initial drawdown of the ABSA Capital project finance facility occurred 12 December 2012, providing the Group with funding to meet outstanding capital development costs and underground mine equipment costs in relation to Penumbra. Of the ZAR 253,000,000 (AUD $27,142,000) available, ZAR 247,835,000 (AUD $26,588,000) had been drawn down as of 31 December 2013. The facility is denominated in South African Rand and is repayable in escalating amounts during the second month of each quarter commencing August 2014 and concluding November 2019. The percentage of the facility to be repaid each calendar year is as follows: 2014 – 2%; 2015 – 11.28%; 2016 – 15.64%; 2017 – 21.32%; 2018 – 24.88%; and 2019 – 24.88%. The facility is secured over all assets of Penumbra Coal Mining (Pty) Ltd ("Penumbra"), including project bank accounts, trade and other debtors, property and equipment, contractual rights to licences/permits, and Witbank farms. The facility is guaranteed by Continental Coal Ltd ("CCC"), the Group's South African subsidiary Continental Coal Ltd ("CCL"), and Mashala Resources (Pty) Ltd. Additionally, Mashala has provided its shareholding in Penumbra and its inter-company loan receivable from Penumbra as security for the facility. Half of the drawdown bears interest at JIBAR at drawdown date; the remaining half is fixed with interest rate swaps.

Subsequent to 31 December 2013 the Group received notice from ABSA that a default event had occurred. The directors are working with ABSA to rectify the default as part of the recapitalisation process.

(i) During the half year, the EDF coal prepayment facility was restructured into a financial loan repayable through 24 monthly instalments commencing in July 2014. The loan bears interest at 10% per annum and interest will be capitalised until June 2014. Executing binding legal agreements for this restructure are dependent on the recapitalisation of the Group and EDF being provided a second ranking security over the Penumbra underground coal mine and its assets. EDF has retained its security over the Group's South African mining interests (apart from Penumbra).

(j) Related party borrowings of $24,350,000 relate to ZAR 140,000,000 received from SIOC-cdt, the Group's South African BEE partner during the 2012 financial year, and ZAR 75,000,000 transferred from the Group's inter-Group loan to SIOC-cdt during the 2012. The loan is repayable (pro-rata with the inter-company loan payable to the parent entity) as and when the Group has the necessary cash available having regard to the foreseeable cash flow requirements of the Group with reference to its budgeted expenditure requirements. In effect, while classified as a current liability, the SIOC financing would be paid pro-rata from distributions to the parent entity (74%) and SIOC (26%).

Standstill arrangements

On approximately 10 February 2014 the Company negotiated a 90 day standstill period with these parties and certain trade and other creditors of the Company. The Company must meet the specified recapitalisation milestones to ensure the standstill arrangements are in place during the standstill term.

Note 10: Borrowings (cont'd)

Fair values approximate the carrying values of borrowings at 31 December 2013 and 30 June 2013.

Movement in convertible notes is as follows:

	Consolidated	
	31 December 2013 $'000	**30 June 2013 $'000**
Carrying amount at 1 July	15,131	15,156
Convertible notes converted	-	(3,999)
Convertible notes repaid	-	(1,200)
Convertible notes forgiven	-	(50)
Proceeds on issue of convertible note(s)	2,000	3,000
Amount classified as convertible note derivative *(i)*	-	(439)
Amount classified as equity	-	(307)
Loss on debt settlement	-	923
Interest accretion	767	2,047
Balance at reporting date	17,898	15,131

Face values of convertible notes outstanding at reporting date is as follows:

CURRENT	19,800	16,000
NON-CURRENT	-	-
	19,800	16,000

Note 11: Issued capital

	Consolidated	
	31 December 2013 $'000	**30 June 2013 $'000**
705,692,712 (30 June 2013: 684,104,446) fully paid ordinary shares	236,533	236,032
	236,533	236,032

(a) Movement to 31 December 2013	**No.**	**$'000**
Balance at 1 July 2013	684,104,446	236,032
Shares issued during the half year:		
16/10/13 – Convertible note interest settled in shares	5,000,000	155
28/11/13 – To director in accordance with employment contract	1,000,000	20
06/12/13 – Convertible note interest and extension fee	15,588,266	326
Balance at 31 December 2013	**705,692,712**	**236,533**

(i)

Note 11: Issued capital (cont'd)

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

Note 11: Issued capital (cont'd)

(c) Ordinary shares

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

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

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

Date of Expiry	Exercise Price	Number of Options
30/06/2015	$0.50	65,679,134[1]
15/05/2016	$0.06	15,000,000
16/07/2016	$0.20	8,000,000
23/08/2016	$0.368	13,950,893
15/05/2015	$0.2216	12,500,000
06/12/2017	$0.057	6,000,000
18/12/2017	$0.05382	5,000,000
		126,130,027

[1] Listed Options

Note 12: Share-based Payments

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

Quantity	Security	$ Value '000	Purpose
5,000,000	Ordinary fully paid shares	155	Issued in lieu of cash payment of convertible note interest (i)
11,588,266	Ordinary fully paid shares	246	Issued in lieu of cash payment of convertible note interest (i)
4,000,000	Ordinary fully paid shares	80	Issued to convertible note holder – extension fee (ii)
		481	*Total share based payment expense included within financing costs*
1,000,000	Ordinary fully paid shares	20	Issued as director incentive options (iii)
		20	*Total director incentive share based payment expense*

(i) The value of these shares has been determined as the value of interest expense settled with their issue.
(ii) The value of these shares has been determined based on the value of the extension fee settled with their issue.
(iii) The value of these shares has been determined based on their market value at grant date.

Total share based payment expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2013 is $501,000 (31 December 2012: $145,000).

Note 13: Contingent Liabilities and Contingent Assets

The Group is not aware of any material change in the contingent liabilities and contingent assets from those reported in the annual report for the year ended 30 June 2013.

Note 14: Related Party Transactions

The following related party transactions occurred during the half year:

In April 2013 Mr Don Turvey received 1,000,000 fully paid ordinary shares in the Company that were not issued within 1 month of being approved at a shareholder meeting. This led to a breach of listing rule ASX Listing Rule 10.13.3, which provides that the date by which the Company shall issue the securities must not be more than 1 month after the date of the meeting at which such shareholder approval was obtained. As a consequence of the breach, ASX advised the Company that Mr Turvey was required to sell his shares as soon as practicable, with any loss on the sale being borne by himself and any gain on the sale being donated to a registered charity. In accordance with ASX requirements, Mr Turvey sold these shares on market during the half year. Subsequent to receipt of shareholder approval at the annual general meeting held 21 November 2013 Mr Turvey was issued 1,000,000 replacement shares having a value of $20,000 in accordance with the conditions of his employment contract.

Note 15: Segment Reporting

(a) Description of segments

Management has determined that the operating segments are based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors are as disclosed in the Directors Report.

The Board of Directors considers the business from both a commodity type and geographical perspective and has identified three reportable segments.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

31 December 2013	Coal SA	Coal Botswana	Corporate Costs	Consolidated
	$'000	$'000	$'000	$'000
Total segment revenue and other income	39,549	-	351	39,900
Segment gross profit	2,608	-	-	2,608
EBITDA	1,680	-	(1,818)	(138)
Depreciation & amortisation	3,551	-	-	3,551
Total segment assets	155,215	1,246	3,053	159,514
Total segment liabilities	103,492	-	46,246	149,738

Note 15: Segment Reporting (cont'd)

Comparatives	Coal SA	Coal Botswana	Corporate Costs	Consolidated
	$'000	$'000	$'000	$'000
For the 6 months ending 31 December 2012:				
Total segment revenue and other income	30,011	-	1,199	31,210
Segment gross profit	2,684	-	-	2,684
EBITDA	1,891	-	(1,288)	603
Depreciation & amortisation	1,737	-	-	1,737
As at 30 June 2013:				
Total segment assets	163,828	1,200	4,775	169,803
Total segment liabilities	106,448	-	36,627	143,075

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment and exploration and development expenditure. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arms' length. These transfers are eliminated on consolidation.

EBITDA

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/ (losses) on financial instruments.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the consolidated entity.

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

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
EBITDA	**(138)**	**603**
Interest income	452	252
Finance costs	(13,655)	(5,772)
Depreciation & amortisation	(3,551)	(1,737)
Income tax (expense)/benefit	194	(638)
Loss from continuing operations	**(16,698)**	**(7,291)**

Note 16: Fair Value Measurement of Financial Instruments

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December and 30 June 2013 on a recurring basis:

At 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Assets				
Derivatives used for hedging				
Forward rand coal swap	-	1,820	-	1,820
Total assets	**-**	**1,820**	**-**	**1,820**
Liabilities				
Financial liabilities at fair value through profit or loss				
Convertible note derivative liabilities	-	31	-	31
Option and share repricing derivative liability	-	49	-	49
Total liabilities	**-**	**80**	**-**	**80**

At 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Assets				
Derivatives used for hedging				
Forward rand coal swap	-	2,084	-	2,084
Interest rate swap	-	316	-	316
Total assets	**-**	**2,400**	**-**	**2,400**
Liabilities				
Financial liabilities at fair value through profit or loss				
Convertible note derivative liabilities	-	99	-	99
Option and share repricing derivative liability	-	129	-	129
Total liabilities	**-**	**228**	**-**	**228**

Note 16: Fair Value Measurement of Financial Instruments (cont'd)

(a) Fair value hierarchy (cont'd)

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the end of the reporting period. There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2013.

(b) Valuation techniques used to derive level 2 fair values

The fair value of financial instruments that are not traded in an active market (for example, derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. An instrument is included in level 2 when all significant inputs required to fair value an instrument are observable.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group has no level 3 financial instruments at 31 December 2013 (30 June 2013: nil).

Specific valuation techniques used to value financial instruments include:

- The fair value of commodity hedges is determined by an independent third party based on the present value of the difference in exchange-quoted forward price curves and contractual settlement prices multiplied by notional quantities.
- The fair value of interest rate swaps is determined by an independent third party based on the present value of the estimated future cash flows based on observable yield curves.
- The fair values of the convertible note derivative liabilities and option and share repricing derivative liability is determined based on a black-scholes option pricing model and monte carlo simulation, based upon various inputs at the end of the reporting period.

During the period, the Group made no changes to the valuation techniques that were applied at 30 June 2013.

(c) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the Consolidated Statement of Financial Position. These had the following fair values as at 31 December 2013:

	Carrying amount $'000	Fair value $'000
Non-current receivables		
Trade and other receivables	2,931	2,931
Non-current borrowings		
Other facilities	213	213
Non-current other financial liabilities		
Royalty liability	6,633	6,633

Due to their short term nature, the carrying amounts of the current receivables, current payables, current borrowings, and current other financial liabilities is assumed to approximate their fair value.

Note 17: Events Occurring After the Reporting Date

Bridge finance and recapitalisation

Subsequent to half year end the Group executed a binding term sheet with UK corporate advisory firm, Empire Equity Limited ("Empire Equity"), to provide $5 million bridge funding and undertake a broader recapitalisation and restructure of the Group and its financial arrangements.

The Group received the $5 million bridge funding from Empire Equity and made key payments to current creditors and negotiated a 3 month standstill period to recapitalize the Group.

Empire Equity and/or its nominees (the "Investors") have invested in 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 redeemable upon successful completion of the Groups recapitalization. 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.

The Investors have also undertaken to assist the Group in undertaking a rights issue currently proposed to raise up to A$28 million with terms to be determined by the Group and the underwriter engaged. The proceeds will be used to settle amounts owed by the Group to various existing convertible note holders and other major creditors.

A condition to providing the funding was the resignation or termination of the CEO Mr Don Turvey, CFO Mr Lou van Vuuren and Non-Executive Directors Mr Mike Kilbride and Mr Johan Bloemsma. This occurred on 13 February 2014. Mr Ron Chamberlain and Mr Bernard Swanepoel 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 comprises:

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.

In addition Ms Jane Flegg was appointed as Company Secretary following the resignations of Mr Dennis Wilkins and Mr John Ribbons as Joint Company Secretary.

The directors of the Group declare that:

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

   (a) comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.

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

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

Peter Landau
Interim Executive Director

Dated this 28th day of February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Continental Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Continental Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Continental Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Continental Coal Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the success of the renegotiations with financiers and future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 28 February 2014