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

2 October 2014

Company Announcements Office
Australian Securities Exchange
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Via E Lodgement

Amended Annual Financial Report

Please see attached an amended Annual Financial Report.

Due to administrative errors in data conversion for initial lodgement there were sections of the report not included.

Refer to Remuneration Report Section 5 and Related Party Note 33.

Yours faithfully

Peter Landau
Executive Director

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

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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

ABN 13 009 125 651

ANNUAL REPORT
For the year ended 30 June 2014

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors and Officers

Paul D'SYLVA
(Interim Executive Chairman)

Peter LANDAU
(Interim Executive Director)

Lars SCHERNIKAU
(Non-Executive Director)

Connie MOLUSI
(Non-Executive Director)

Company Secretary

Jane FLEGG

Share Registry

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Telephone: +61 8 6382 4600
Facsimile: + 61 8 6382 4601

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Australia

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Telephone: +61 8 9488 5220
Facsimile: +61 8 9324 2400

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Facsimile: +27 11 881 1423

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Australian Securities Exchange
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Perth WA 6000
Telephone: +61 8 9224 0000
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ASX Code: CCC
AIM Code: COOL

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

Competent Persons Statement

The information in this report that relates to the Coal Resources and Reserves has been prepared in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee (JORC Code). The Australasian Joint Ore Reserves Committee (JORC) and the JORC Code requires that Competent Persons must belong to the Australasian Institute of Mining and Metallurgy (AusIMM), or the Australian Institute of Geoscientists (AIG), or a Recognized Overseas Professional Organisation (ROPO). ROPOs are professional organisations that the ASX, acting on advice from JORC and its parent organisations, accepts as bodies to which Competent Persons may belong to for the purpose of preparing documentation on Exploration Results and Mineral Resources, on which reports to the ASX are based. The South African Council for Natural Scientific Professions (SACNASP) as well as the Geological Society of South Africa are considered as ROPOs by JORC.

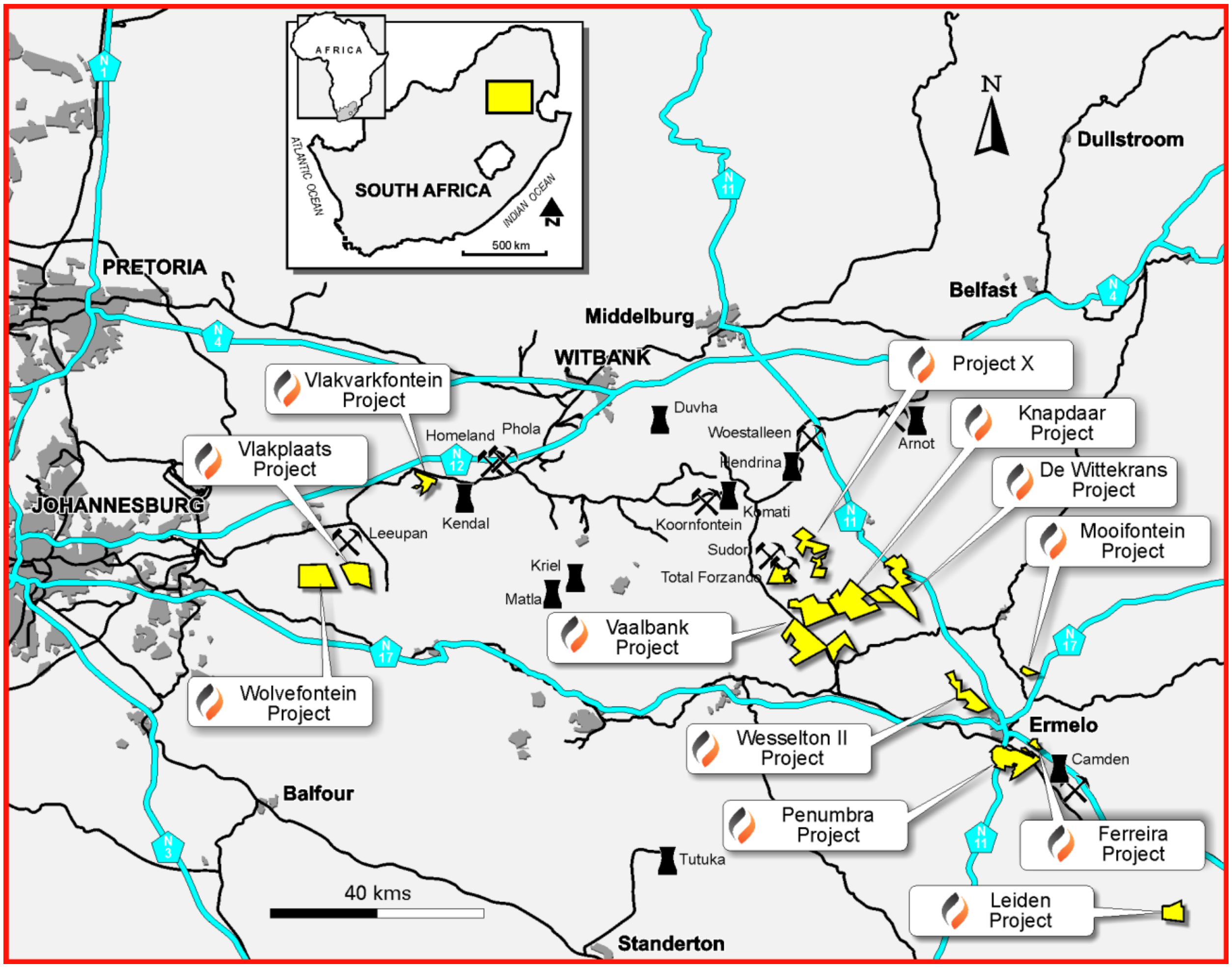
The information in this report that relates to Coal Resources on Vlakvarkfontein and Vlakplaats is based on resource estimates completed by Dr. Philip John Hancox. Dr. Hancox is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400224/04) as well as 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, holds a Ph.D from the University of the Witwatersrand (South Africa), and has authored a number of published and unpublished academic articles on the Karoo Basin and its contained coal, as well as over 50 peer reviewed scientific papers on various aspects of sedimentary geology and palaeontology. Dr. Hancox has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore reserves. Within the constraints mentioned above, all work undertaken by Dr. Hancox and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Dr. Hancox consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Coal Resources and Reserves on Penumbra, Ferreira, De Wittekrans, Knapdaar, Project X, Vaalbank, 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. Mr. Denner has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore reserves. Within the constraints mentioned above, all work undertaken by Mr. Denner and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Mr. Denner consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.

Forward Looking Statement

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

PROJECT LOCATION MAP



Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Continental Coal Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors and Officers

Directors

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

Dr Paul D'Sylva	Interim Executive Chairman	*(appointed 13 February 2014)*
Mr Peter Landau	Interim Executive Director	*(appointed 13 February 2014)*
Dr Lars Schernikau	Non-executive Director	*(appointed 13 February 2014)*
Mr Connie Molousi	Non-executive Director	
Mr Mike Kilbride	Independent Non-executive Chairman	*(resigned 13 February 2014)*
Mr Don Turvey	Chief Executive Officer	*(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 Lou van Vuuren	Chief Financial Officer	*(appointed 1 September 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)*

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

Company Secretary

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

Ms Jane Flegg (*appointed 13 February 2014*)

Principal Activities

The principal activity of the Group during the year ended 30 June 2014 was the acquisition, exploration, development and operation of thermal coal mines and properties in South Africa. There were no significant changes in the nature of the activities of the Group during the financial year.

Overview

During the year ended 30 June 2014 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 in September 2013.

Operating Results

The consolidated loss of the Group for the financial year after providing for income tax amounted to $34,525,583 (2013: $49,487,838).

It is important to note that the Group's mining operations were cashflow positive with the operating loss result being attributable to financing costs, depreciation and amortisation of mining assets, and other non-cash expenses which are considered by the Board to be necessary transactions as the Company's production activities are advanced. The Board believes that cashflows generated from the Group's mining operations will continue to increase in the coming financial years as demonstrated by the decrease in the loss compared to 2013.

Dividends Paid or Recommended

The directors recommend that no dividend be paid for the year ended 30 June 2014 nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

Review of Operations

Reserve and Resource Statement

The Group's Coal Resource and Reserve Statements are as follows:-

(i) Group Resources Statement as at 31 July 2014:-

PROJECT	RESOURCE CATEGORY	PROJECT GROSS TONNES IN SITU (GTIS) (t)	TOTAL PROJECT TONNES IN SITU (TTIS) (t)	CONTINENTAL'S ATTRIBUTABLE INTEREST
Vlakvarkfontein	Measured	8,703,480	6,803,316	44%
Penumbra		8,421,911	7,134,875	74%
De Wittekrans		52,330,387	47,097,100	74%
Wesselton II		4,201,199	3,570,800	74%
Leiden		4,309,133	3,862,500	74%
	Total Measured	**77,966,110**	**68,468,591**	
Vlakplaats	Indicated	38,176,346	34,258,000	37%
Project X		2,969,951	2,672,000	56%
Penumbra		6,725,373	6,052,000	74%
De Wittekrans		73,733,941	66,358,000	74%
Vaalbank		8,809,511	7,928,000	52%
Wesselton II		5,112,340	4,344,000	74%
Leiden		1,996,754	179, 500	74%
	Total Indicated	**137,524,217**	**121,791,500**	
Vlakplaats	Inferred	16,276,680	12,190,000	37%
Wolvenfontein		36,725,119	31,200,000	74%
Project X		11,687,034	10,517,000	56%
De Wittekrans		66,618,671	59,940,000	74%
Knapdaar		42,064,528	35,750,000	74%
Vaalbank		13,937,555	12,540,000	52%
Wesselton II		8,648,522	7,330,000	74%
Mooifontein		3,092,970	2,620,000	74%
Leiden		12,057,828	10,851,400	74%
Kweneng (1)		2,159,000	2,051,050	100%
	Total Inferred	**213,267,906**	**184,989,450**	
	GRAND TOTAL RESOURCES	**428,758,233**	**375,249,541**	

Notes:

(1) JORC compliant.

(ii) Group Reserves Statement as at 31 July 2014:-

PROJECT	RESERVE CATEGORY	MINEABLE TONNES IN SITU (MTIS) (t)	ROM TONNAGE (t)	PRIMARY MARKETABLE RESERVE (t)	SECONDARY MARKETABLE RESERVE (t)	CONTINENTAL'S ATTRIBUTABLE INTEREST
Vlakvarkfontein	Proven	6,770,000	6,310,000	6,310,000	-	44%
Penumbra		7,252,000	3,354,000	1,625,000	943,000	74%
De Wittekrans*		47,097,100	-	-	-	74%
	Total Proved	**61,119,100**	**9,664,000**	**7,935,000**	**943,000**	
Penumbra	Probable	5,399,400	4,828,000	2,637,000	939,000	74%
De Wittekrans*		66,358,000	70,865,000	19,052,000	19,395,000	74%
	Total Probable	**71,757,400**	**75,693,000**	**21,689,000**	**20,334,000**	
GRAND TOTAL RESERVES		**132,876,500**	**85,357,000**	**29,624,000**	**21,277,000**	

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

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

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

Coal Mine and Processing Operations

Health and Safety

The Group maintains a strong health and safety culture across all of its coal mining and processing operations and continues to improve its health and safety initiatives and policies across all of its operations. During the financial year, eleven Dressing Station Case ("DSC") accidents were reported at the Company's mining and processing operations – ten DSC accidents were reported at the Penumbra Underground Mine and one at the Vlakvarkfontein Open Cast Mine and one Medical Treatment Incident (MTI) was reported at the Penumbra Underground Mine. All the accidents were relatively minor with no material impacts and their causes have been addressed.

Operational Performance

	Year ended 30 June 2014	Year ended 30 June 2013
Run of Mine (ROM) Production		
Vlakvarkfontein	1,382,487	1,526,469
Ferreira	247,129	559,107
Penumbra	498,176	143,299
Total ROM Production	**2,127,792**	**2,228,875**
Feed to Plant		
Ferreira	269,670	627,329
Penumbra	491,424	143,299
Total Plant Feed	**761,094**	**770,628**
Export Yields		
Ferreira	72%	70.4%
Penumbra	57.2%	36.8%
Domestic Sales	1,401,080	1,315,701
Export Sales	523,906	453,582
Total Coal Sales	**1,924,986**	**1,769,283**

Total ROM coal production for the year ended 30 June 2014 of 2,127,792t was achieved with a full 12 months production at the Vlakvarkfontein Coal Mine, 6 months production at the Ferreira Coal Mine until end of life and ramp up production from the Penumbra Coal Mine.

Feed to the Delta Processing Operations for the year ended 30 June 2014 was 761,094t. The feed from the Penumbra Coal Mine has steadily increased during the year and is line with the ramp up of the Penumbra Coal Mine.

Export yields at the Penumbra Coal Mine have shown a steady increase during the past 12 months with the average yield of 57.2% recorded for the ended 30 June 2014.

Domestic sales from the Vlakvarfontein Coal Mine have increased on a year-end basis comparable to year ended 30 June 2013.

Vlakvarkfontein Coal Mine

Vlakvarkfontein Coal Mine produced 1,382,487t ROM for the year ended 30 June 2014, achieving its target production at a cost of ZAR 90.00/t (US$8.50/t) the year ended 30 June 2014.

An average strip ratio of 2.22:1 was achieved for the year ended 30 June 2014.

Total thermal coal sales for the year ended 30 June 2014 were 1,149,216t to Eskom and 251,861t non-select.

Ferreira Coal Mine

Ferreira Coal Mine produced 247,129t ROM for the year ended June 2014, before its end of life in December 2013, with export yields averaging 72%.

Inventory clean-up at the Ferreira Coal Mine was completed in the first Quarter of 2014. The rehabilitation work will commence upon finalisation of the closure plan and appointing contractors.

Penumbra Coal Mine

The Penumbra Coal Mine delivered 498,176t ROM for the year ended 30 June 2014 comparable to the revised forecast of 500,000t at a FOB cost of ZAR 841.13 (US$79.40) per sales tonne.

During the initial ramp up stage the Company encountered stone rolls that are displacing the coal seam in the current mining area and this is impacting on the production rate and the delivered yield due to added contamination. Management, in conjunction with mining consultants, have been reviewing the planned production lay-out in order to mitigate the impact of the stone rolls on the production rate of the continuous miners. As procedures are implemented the ROM and yield are increasing with the month of June 2014 producing 58,013t which is on track to the targeted 70,000t per month. Additional exploration drilling is currently being carried out to ascertain the extent of the stone rolls with the view to revising the production plan.

Export yields at the Penumbra Coal Mine averaged 57.2% for the year ended 30 June 2014. The yield is expected to improve to the planned 62% with the increase in production and the mitigation of the additional contamination caused by the stone rolls.

For the year ended 30 June 2014 ROM mining costs averaged ZAR 165.95/t (US$15.50/t) and FOB export sales tonnes costs averaged ZAR 748.24/t (US$70.35/t). Total FOB costs will reduce in the coming months given the forecast increase in production.

The Company received ZAR 10.1 million revenue for the year ended 30 June 2014 from the ABSA forward hedging contract at the Penumbra Coal Mine.

Development Project

De Wittekrans Coal Project

The De Wittekrans Development Project (De Wittekrans) is a potential underground export and domestic thermal coal mining project at a pre-development stage. Optimisation work on previous feasibility studies has identified the opportunity to develop De Wittekrans into a major mining operation with the potential to produce ~3.6Mtpa of ROM over the LOM.

A mining right was granted in September 2013 and the Integrated Water Use License (IWUL) application was submitted, the Company awaits approval.

With mining right successfully executed in May 2014, the Company now has 12 months to commence mining operations, however should the IWUL not be received within this 12 month period the mining right can be delayed.

During the last quarter of the year ended 30 June 2014 two sites were selected for mining and these are now being evaluated as to which site will be selected for the first phase of mining.

Exploration Projects

Botswana Coal Projects

The Company is in advanced discussions in respect of the two remaining Prospecting licenses (PL 340/2008 and PL 341/2008). PL341 has been transferred and the transfer documents for PL340 have been submitted to the Botswana Ministry of Minerals, Energy.

Vlakplaats

Vlakplaats is a 50:13:36 joint venture between the Company, Big Match Trading 34 (Pty) Ltd and Korea Resources Corporation. Therefore the Company only has an effective interest of 37% in the project. A Prospecting Right has been granted for this project.

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

Other non-core assets

Project X, Vaalbank, Leiden.Knapdaar, Wolvenfontein, Wesselton II,Mooifontein have all been considered as non-core assets which the Company will keep in good standing order while it evaluates divestment opportunities.

Corporate

Bridge Finance and Recapitalisation

In February 2014 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. The standstill period was subsequently extended to 15 October 2014.

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.

A condition to providing the funding was the restructure of the Board which occurred on 13 February 2014.

The Investors also undertook to assist the Group in undertaking a rights issue with the proceeds to be used to settle amounts owed by the Group to various existing convertible note holders，loans and royalty holders, repay bridging finance, reduce the Group's other borrowings, provide funds towards the development of the Company's advanced coal mining projects and provide working capital.

Subsequent to year ended 30 June 2014 the Group announced a fully underwritten non-renounceable rights issue prospectus to raise approximately A$35.1m by way of the issue of up to 7,035,234,408 new shares at an offer price of $0.005 per new share which was approved by shareholders at a General Meeting on 24 September 2014.

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. In line with the timetable disclosed in the fully underwritten non-renounceable rights issue prospectus the Group anticipates lifting of the suspension of Continentals securities on ASX and AIM at completion of the Rights Issue on or about 2 October 2014.

Financial Position

The net assets of the Group have decreased by $33,832,592 from $26,727,746 at 30 June 2013 to ($7,104,846) at 30 June 2014. This decrease has resulted primarily from the increased finance costs, provisions on onerous contract and commencement of amortisation and depreciation of exploration and development assets in relation to the South African Subsidiary.

The directors believe that post rights issue the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes In State Of Affairs

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

An increase in contributed equity of $700,870 (from $236,031,934 to $236,732,804) as a result of:-

	$'000
Convertible note interest settled in 5,000,000,shares	155
Issue of 1,000,000 ordinary fully paid shares to Director in accordance with employment contract	20
Convertible note interest and extension fee settled in 15,588,266 ordinary fully paid shares	326
Issue of 40,000,000 ordinary fully paid shares in relation to Bridging loan	200
	$701

Matters Subsequent to the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years except as follows:-

- The Group announced a fully underwritten non-renounceable rights issue to raise approximately A$35.1m by way of the issue of up to 7,035,234,408 new shares at an offer price of $0.005 per new share.
- A general meeting of shareholders was held on 25 September 2014 to approve the fully underwritten non-renounceable rights issue. Valid acceptances have been received from shareholders to subscribe for new shares to the value of $3,206,562 (641,312,422 new shares) representing a take-up of approximately 10%.
- Notification of breach was received from ABSA Capital Limited in respect of the Completion test and EDF Trading Limited in respect of the Finance Loan Agreement. Negotiations to restructure the loans with ABSA Capital Limited and EDF Trading Limited are still in initial stages.
- The Group has obtained a further extension to the standstill arrangements.

Future Developments, Prospects and Business Strategies

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

(i) Key to moving forward after the recapitalisation and stabilisation of the Group is the development the De Wittekrans Coal Project. The Group has received several expressions of interest and continue to negotiate a strategic partnership and a long-term off-take agreement;
(ii) The Group will continue to review and negotiate its major contracts;
(iii) The Group is continuing to pursue the sale of non-core coal assets with a view to realise value from the Group's early stage exploration projects that are not currently in the short to medium term development pipeline; and
(iv) The Group will consider listing on the Johannesburg Stock Exchange, when the recapitalisation and stabilisation of the Company is completed, subject to receipt of the requisite regulatory approvals;

Environmental Management

The Group's environmental obligations are regulated under the Mineral and Petroleum Resource Development Act of South Africa. All environmental performance obligations are monitored by the Board and subjected from time to time to government agency audits and site inspections. The Group has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. No environmental breaches have occurred and no notifications alleging a breach have been received from any government agencies during the year ended 30 June 2014. The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

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

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

Community and Social Investment

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

During the year, the Group continued the development of the lavender farm established on part of its surface rights at Vlakvarkfontein. The irrigation system was tested and commissioned in January 2014 followed by the planting of 6,900 lavender plants, 15,000 spearmint plants and 6,000 lemon balm plants. The first Lavender harvest will be in 2017, the Spearmint will be in January 2015 and the Lemon Balm in February 2015. Further work for an additional two hectares of land preparation is in progress.

Information on Directors and Officers

Dr Paul D'Sylva	Executive Chairman *(appointed 13 February 2014)*	
Qualifications	PhD in Public Finance and Econometrics	
Experience	Dr. D'Sylva is a founding director of Empire Equity Limited, where he has led and arranged a number of funding transactions since 2008 for a diverse range of resource and energy companies in equity, debt and structured financings on a proprietary basis as well as from a network of institutional funding partners.	
Interest in shares and options	Nil	
Special responsibilities	Chairman of the Board	
Directorships held in other listed entities	Chairman- Alycone Resources Limited	From: 13 March 2013
	Chairman- Pluton Resources Limited	From: 1 June 2014
	Director- Kaboko Mining Limited	From: 9 September 2013

Mr Peter Landau	Executive Director *(appointed 13 February 2014)*	
Qualifications	B.Law, B.Com	
Experience	Mr Landau is the founding director of Okap Ventures Pty Ltd and Komodo Capital Pty Ltd, internationally focused project management, corporate advisory and venture capital firms based in Western Australia and London. Mr Landau is a former corporate lawyer and corporate advisor and has over 15 years' experience in providing general corporate, capital raising, transaction, and strategic advice to numerous ASX and AIM listed and unlisted companies.	
Interest in shares and options	Nil	
Directorships held in other listed entities	Citation Resources Limited	From: 7 February 2014
	Black Mountain Resources Limited	From: 23 August 2011
	Nkwe Platinum Limited	From: 14 September 2006
	Aus American Mining Limited	From: 1 August 2013
	Range Resources Limited	From: 8 November 2005, resigned 13 June 2014
	Paynes Find Gold Limited	From: 11 January 2012, resigned 4 October 2013
	Eclipse Metals Limited	From:19 March 2013, resigned 7 October 2013

Dr Lars Schernikau	Non-executive Director (appointed 13 February 2014)
Qualifications	PhD in Economics
Experience	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).
Interest in shares and options	Nil
Directorships held in other listed entities	During the past three years, Dr Schernikau has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Connie Molusi	Non-executive Director
Qualifications	B.Journ, MA
Experience	Mr Molusi has in excess of 26 years of broad experience in South Africa's business sector, including management experience both in the public and private sectors across policy, regulatory, corporate and operational roles. Mr Molusi is currently Chairman of Sishen Iron Ore Company Community Development Trust (the Group's Broad Based BEE partner in South Africa), Non-Executive Director of Petro SA, Non-Executive Director of Caxton CTP Printers and Publishers, and a member of the Board of Directors of Rhodes University.
Interest in shares and options	Mr Molusi holds no shares or options in the Group.
Special responsibilities	Mr Molusi is a member of the Remuneration and Nomination Committee.
Directorships held in other listed entities	During the past three years, Mr Molusi has not served as a director of any other companies listed on the Australian Securities Exchange.

Ms Jane Flegg	Company Secretary *(appointed 13 February 2014)*
Experience	Ms Flegg has over 20 years of experience in finance and administration. During the past decade she has been a Corporate Advisor to several ASX and AIM listed mining and oil and gas exploration companies, specialising in corporate and financial management, compliance and company secretarial advice. Ms Flegg is currently Company Secretary/CFO of Kaboko Mining Limited, Company Secretary/CFO of International Goldfields Ltd and Company Secretary/CFO of Black Mountain Resources Limited.
Interest in Shares and Options	Ms Flegg holds 2,000 shares in the Group.

Mr Mike Kilbride	Independent Non-executive Chairman (*resigned 13 February 2014*)
Qualifications	B.Sc. (Hons) Mining Engineering, Mine Managers Certificate, Mining Taxation Certificate
Experience	Mr Kilbride has over 36 years of diversified mining experience in the international mining sector encompassing various commodities, mining and benefication methods.
Interest in shares and options	At the date of his resignation, Mr Kilbride held 613,000 ordinary fully paid shares in the Group.
Directorships held in other listed entities	During the past three years, Mr Kilbride has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Don Turvey	Executive Director (*resigned 13 February 2014*)
Qualifications	B.Sc. Mining Engineering, Masters in Business Leadership, Mine Managers Certificate of Competence
Experience	Mr Turvey has more than 28 years of experience in the coal industry. His career includes senior management roles in production, project execution, business development, and minerals resource management mainly with BHP Billiton.
Interest in shares and options	At the date of his resignation, Mr Turvey held 3,258,175 ordinary fully paid shares in the Group.
Directorships held in other listed entities	During the past three years, Mr Turvey has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Jason Brewer	Non-executive Director (*resigned 15 November 2013*)
Qualifications	M.Eng (Hons), ARSM, LLB
Experience	Mr Brewer has over 20 years international experience in the natural resources sector and in investment banking. He is a mining engineer with a master's degree in mining engineering with honours from the Royal School of Mines, London.

Interest in shares and options	At the date of his resignation, Scooby Holdings Pty Ltd, a company of which Mr Brewer is a director, held 1,200,000 ordinary fully paid shares. Sash MB Holdings Pty Ltd, a company of which Mr Brewer is a director, held 2,750,000 ordinary fully paid shares.		
Directorships held in other listed entities	De Grey Mining Limited	From:	3 December 2010
	Kaboko Mining Limited	From:	30 August 2011
		To:	14 January 2013
	Black Mountain Resources Limited	From:	3 February 2012
	Altona Mining Limited	From:	2 October 2007
		To:	28 September 2011

Mr Johan Bloemsma	Non-executive Director (*resigned 13 February 2014*)
Qualifications	B.Sc. Mining Engineering, Grad Dip of Engineering, Master of Business Leadership, and Mine Managers Certificate
Experience	Mr Bloemsma has more than 41 years of experience of working in the coal mining industry. His extensive career has involved coal mining in all the major coal producing regions of the world.
Interest in shares and options	At the date of his resignation, Mr Bloemsma held no shares or options in the Group.
Directorships held in other listed entities	During the past three years, Mr Bloemsma has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Bernard Swanepoel	Non-executive Director (*resigned 13 February 2014*)
Qualifications	B.Com (Hons) and B.Sc. Mining Engineering (Hons)
Experience	Mr Swanepoel has over 30 years of experience in the mining industry culminating in holding the position of Chairman of the Village Main Reef Board.
Interest in shares and options	At the date of his resignation ,Mr Swanepoel held no shares or options in the Group.
Directorships held in other listed entities	During the past three years, Mr Swanepoel has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Ron Chamberlain	Non-executive Director (*appointed 14 October 2013*; *resigned 13 February 2014*)
Qualifications	B.Com
Experience	Mr Chamberlain has over 24 years of finance experience in the resources sector industry holding numerous executive and senior management positions during his career.
Interest in shares and options	At the date of his resignation, Mr Chamberlain held no shares or options in the Group.
Directorships held in other listed entities	Extract Resources Ltd to 14 April 2012.

Mr Lou van Vuuren	Chief Financial Officer (*resigned 13 February 2014*)
Qualifications	B.Com (Hons), CA (SA)
Experience	Mr Van Vuuren has a wealth of experience in international capital markets and their regulatory and governance requirements through his exposure to various global stock exchanges over the past 10 years.
Interest in shares and options	At the date of his resignation ,Mr Van Vuuren held no shares or options in the Group.
Directorships held in other listed entities	During the past three years, Mr Van Vuuren has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr James Leahy	Non-executive Director (*resigned 31 July 2013*)
Qualifications	Investment Advisor - Financial Services Authority London (FSA CF30)
Experience	Mr Leahy has more than 26 years of experience in the mining sector as a senior mining analyst and as a specialist corporate broker with expertise in international institutional and hedge funds, foreign capital and private equity

	markets.
Interest in shares and options	At the date of his resignation Mr Leahy held 1,144,006 ordinary fully paid shares in the Group.
Directorships held in other listed entities	Forte Energy Limited From: 26 April 2012

Mr Dennis Wilkins Joint Company Secretary (*resigned 13 February 2014*)

Mr John Ribbons Joint Company Secretary (*resigned 13 February 2014*)

Meeting of Directors

During the financial year, 12 meetings of the board of directors were held. Attendances by each director during the year were as follows:

		Board Meetings	
Director		**Attended**	**Held**(i)
Dr Paul D'Sylva	(*appointed 13 February 2014)*	1	1
Mr Peter Landau	(*appointed 13 February 2014)*	1	1
Dr Lars Schernikau	*(appointed 13 February 2014)*	1	1
Mr Connie Molousi		7	12
Mr Mike Kilbride	*(resigned 13 February 2014)*	10	11
Mr Don Turvey	*(resigned 13 February 2014)*	11	11
Mr Johan Bloemsma	*(resigned 13 February 2014)*	11	11
Mr Bernard Swanepoel	*(resigned 13 February 2014)*	9	11
Mr Ron Chamberlain	*(appointed 14 October 2013 resigned 13 February 2014)*	10	10
Mr Jason Brewer	(*resigned 15 November 2013)*	2	2
Mr James Leahy	(*resigned 31 July 2013)*	1	1

(i) Number held during period in which the director held office

Remuneration Report - Audited

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

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

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

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

1. Remuneration Policy

The remuneration policy of Continental Coal Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component, offering short-term incentives based on key performance areas affecting the consolidated Group's financial results, and offering long-term incentives in the form of options to increase goal congruence between executives, directors and shareholders and as an incentive to deliver shareholder returns. The Board of Continental Coal Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to oversee and manage the consolidated Group, as well as create goal congruence between directors, executives and shareholders. The policy is designed to attract the highest calibre of executives and reward them for their performance that results in long-term growth in shareholder wealth.

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

- The remuneration policy, setting the terms and conditions for key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation/retirement fund contributions, and fringe benefits.
- The board reviews key management personnel packages annually based on market practices, duties and accountability.
- Key management personnel can be employed by the Group on a consultancy basis, upon Board approval, with remuneration and terms stipulated in individual consultancy agreements.
- Key management personnel are also entitled to participate in employee share and option arrangements. The Board may also approve at its discretion incentives bonuses and options.

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

All remuneration paid to key management personnel is valued at the cost to the Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Shares issued to directors in lieu of cash directors' fees are valued at the amount of directors' fees extinguished through the issue of shares. Unlisted options are valued using the Black-Scholes methodology.

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

1.1 Remuneration and Nomination Committee

The Board has an established Remuneration and Nomination Committee (R&NC), which operates in accordance with its charter as approved by the Board. The charter includes but is not limited to:

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

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

The R&NC for the 2014 financial year consisted of the following members:

• Mr Mike Kilbride (*resigned 13 February 2014*)	Independent Non-executive Chairman
• Mr Don Turvey (*resigned 13 February 2014*)	Executive Director
• Mr Jason Brewer (*resigned 15 November2013*)	Non-executive Director
• Mr Connie Molusi	Non-executive Director
• Mr James Leahy *(resigned 31 July 2013)*	Non-executive Director

The Interim Board of Directors suspended the R&NC upon their appointment on 13 February 2014 with the view that these functions could be efficiently performed with full board participation until the company has been recapitalised and stabilised.

1.2 Use of Remuneration Consultants

The R&NC has the authority to engage external remuneration advisors who are considered independent. The R&NC did not engage external remunerations advisors during the 2014 financial year.

1.3 Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct. The remuneration structure for key management personnel is based on a number of factors, including length of service, and particular experience of the individual concerned. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

1.4 Non-executive Director Remuneration

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

Structure
The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Group. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in a General Meeting. The maximum aggregate currently stands at $500,000 per annum and was approved by shareholders at the General Meeting on 28 March 2013.

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

1.5 Executive Remuneration

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

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

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

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

Operational and financial KPI's for 2014 were as follows:

- Don Turvey's bonus was earned based on South African subsidiary level net profit, CCC share performance and production targets.
- Rachel Hebron's bonus was earned based on South African subsidiary level EBITDA; cash flow management; stakeholder reporting; audit management;
- Johan Heystek's bonus was earned based on South African subsidiary level EBITDA; ROM production, saleable tons revenue, margin, and EBIT achieved at Ferriera; margin and EBIT achieved at Vlakvarkfontein; and progressing other projects of the Group including Penumbra, De Wittekrans, Botswana, and Vlakplaats.

Other executives have a target short term incentive opportunity ranging from 65% - 75% of the total value of their employment packages as follows:

Executive	% of base salary
Rachel Hebron	65%
Johan Heystek	75%

Targets are reviewed annually by the R&NC and approved by the Board prior to implementation. The R&NC is responsible for assessing the achievement of KPI's prior to submission to the Board for approval.

The committee has the discretion to adjust short-term incentives downwards in light of unexpected or unintended circumstances.

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

	Fixed Remuneration		Short Term Bonus Incentive at Risk	
Executive	2014	2013	2014	2013
Don Turvey	77%	67%	23%	28%
Rachel Hebron	68%	62%	32%	38%
Johan Heystek	70%	59%	30%	41%

Proportions of bonuses earned and forfeited for 30 June 2014 are as follows:

Executive	Earned	Forfeited
Don Turvey	43.75%	56.25%
Rachel Hebron	77.25%	22.75%
Johan Heystek	59.35%	40.65%

1.6 Group performance

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

	2014	2013	2012	2011	2010
Revenue ($'000)	68,706	62,230	82,105	50,834	-
Loss for the year attributable to the owners of Continental Coal Ltd ($'000)	(30,295)	(35,720)	(53,026)	(36,158)	(24,856)
Basic loss per share (cents)	(4.30)	(6.78)	(13.40)	(13.86)	(2.68)[1]
Dividends paid	-	-	-	-	-
30 June share price	0.020	0.034	0.09	0.38[2]	0.35[2]
30 June market capitalisation ($'000)	14,914	23,260	38,767	121,320	48,167
Total short-term KMP incentives ($'000)	456	614	318	480	87

[1]pre 10:1 equity consolidation
[2]Adjusted for 10:1 equity consolidation

2. Details of Remuneration

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

2.1 Key Management Personnel

The key management personnel of the Group in office at any time during the financial year are the directors and executives of Continental Coal Limited:

Dr Paul D'Sylva	Interim Executive Chairman	*(appointed 13 February 2014)*
Mr Peter Landau	Interim Executive Director	*(appointed 13 February 2014)*
Dr Lars Schernikau	Non-executive Director	*(appointed 13 February 2014)*
Mr Connie Molousi	Non-executive Director	
Mr Mike Kilbride	Independent Non-executive Chairman	*(resigned 13 February 2014)*
Mr Don Turvey	Chief Executive Officer	*(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 Lou van Vuuren	Chief Financial Officer	*(appointed 1 September 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)*
Ms Jane Flegg	Company Secretary	(*appointed 13 February 2014*)

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

Mr Connie Molusi	Non-Executive Chairman	
Mr Johan Bloemsma	Non-Executive Director	
Mr Johan Heystek	Chief Operating Officer	
Ms Rachel Hebron	Chief Financial Officer	
Mr Don Turvey	Chief Executive Officer	(resigned 13 February 2014)
Mr Jason Brewer	Non-Executive Director	(resigned 15 November 2013)

2.2 Key Management Personnel Compensation

2014	Short-term benefits		Termination payments [3]	Post-employment benefits	Share-based payments	Total	Options as Remuneration
Name	Cash, Salary and Commissions	Bonus's[2]		Superannuation	Shares[5]		
	$	$		$		$	%
Key Management Personnel			-				
Paul D'Sylva [4] (*from 13 February 2014*)	18,750	-	-	-	-	18,750	-
Peter Landau [4] (*from 13 February 2014*)	51,136	-	-	-	-	51,136	-
Lars Schernikau [4] (*from 13 February 2014*)	37,500	-	-	-	-	37,500	-
Connie Molusi	75,300	-	-	-	-	75,300	-
Mike Kilbride (*to 13 February 2014*)	72,291	-	-	-	-	72,291	-
Don Turvey (*to 13 February 2014*)	326,184	211,299	357,461	21,749	20,000	936,693	-
Johan Bloemsma (*to 13 February 2014*)	51,450	-	-	-	-	51,450	-
Bernard Swanepoel (*to 13 February 2014*)	29,531	-	-	-	-	29,531	-
Ron Chamberlain (*from 14 October 2013 to 13 February 2014*)	52,415	-	-	-	-	52,415	-
Jason Brewer (*to 15 November 2013*)	56,125	-	-	-	-	56,125	-
James Leahy *(to 31 July 2013)*	4,500	-	-	-	-	4,500	-
Lou van Vuuren (*to 13 February 2014*)	138,861	-	133,750	9,615	-	282,226	-
Rachel Hebron	193,407	98,141	-	14,358	-	305,906	-
Johan Heystek	322,886	146,449	-	22,876	-	492,211	-
Jane Flegg[1] *(from 13 February 2014)*	-	-	-	-	-	-	-
	1,430,336	**455,889**	**491,211**	**68,598**	**20,000**	**2,466,034**	

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

2 The bonus payments made to KMP's in South Africa were based on the achievement of financial and operational KPI's. Don Turvey's bonus was earned based on South African subsidiary level net profit, CCC share performance and production targets. Rachel Hebron's bonus was earned based on South African subsidiary level EBITDA; cash flow management; stakeholder reporting; audit management; Johan Heystek's bonus was earned based on South African subsidiary level EBITDA; ROM production, saleable tons revenue, margin, and EBIT achieved at Ferriera; margin and EBIT achieved at Vlakvarkfontein; and progressing other projects of the Group including Penumbra, De Wittekrans, Botswana, and Vlakplaats.

3 In accordance with employment contract.

4 No amounts have been paid – accrued only until recapitalisation and stabilisation of the Company

5 In accordance with employment contract

6 Includes consulting fees

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

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

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

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

4 In accordance with employment contract.

3. Equity Based Compensation

3.1 Options issued as remuneration

Options are issued to directors and executives as part of their remuneration. The options are issued to directors and executives of Continental Coal Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders and as an incentive to deliver shareholder returns. The options are not issued based on the achievement of an annual performance target, rather as an incentive to meet or exceed performance targets in future financial years. There were no options issued during the year ended 30 June 2014. There were no options issued in the current or previous years that affect remuneration in the current or future reporting years. The assessed fair value at grant date of options granted to individuals is allocated over the period from grant date to vesting date; as all options vested upon issue in prior financial years there was no pro-rata expense to be recorded in the 30 June 2014 year. The fair values of listed options at grant date are determined based on the market price of the listed options at the time services are provided to the Group. The fair values of unlisted options at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the expected dividend yield and the risk-free interest rate for the term of the option.

3.2 Shares issued on Exercise of Compensation Options

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

3.3 Number of Options held by Key Management Personnel

	Balance 1/7/13	Granted as compensation	Options exercised	Options expired	Balance at (resignation)/ appointment date	Balance 30/6/14	Total Vested 30/6/14	Total Exercisable 30/6/14	Total Unexercisable 30/6/14
Paul D'Sylva	-	-	-	-	-	-	-	-	-
Peter Landau	5,000,000	-	-	(5,000,000)	-	-	-	-	-
Lars Schernikau	-	-	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-	-	-
Mike Kilbride	-	-	-	-	-	-	-	-	-
Don Turvey	-	-	-	-	-	-	-	-	-
Johan Bloemsma	-	-	-	-	-	-	-	-	-
Bernard Swanepoel	-	-	-	-	-	-	-	-	-
Ron Chamberlain	-	-	-	-	-	-	-	-	-
Jason Brewer	5,000,000	-	-	(5,000,000)	-	-	-	-	-
James Leahy	1,000,000	-	-	(1,000,000)	-	-	-	-	-
Lou van Vuuren	-	-	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-	-
Total	11,000,000	-	-	(11,000,000)	-	-	-	-	-

3.4 Number of Shares held by Key Management Personnel

	Balance 1/7/13	Shares in lieu of cash directors' fees*	Received as compensation**	Options exercised	On market purchases/sales	Balance at (resignation)/ appointment date	Balance 30/6/14
Paul D'Sylva	-	-	-	-	-	-	-
Peter Landau	1,523,500	-	-	-	(1,523,500)	-	-
Lars Schernikau	-	-	-	-	-	-	-
Connie Molusi	-	-	-	-	-	-	-
Mike Kilbride	613,000	-	-	-	-	(613,000)	-
Don Turvey	1,743,275	-	1,000,000	-	514,900	(3,258,175)	-
Johan Bloemsma	-	-	-	-	-	-	-
Bernard Swanepoel	-	-	-	-	-	-	-
Ron Chamberlain	-	-	-	-	-	-	-
Jason Brewer	3,800,000	-	-	-	150,000	(3,950,000)	-
James Leahy	1,144,006	-	-	-	-	(1,144,006)	-
Lou van Vuuren	-	-	-	-	-	-	-
Rachel Hebron	-	-	-	-	-	-	-
Johan Heystek	-	-	-	-	-	-	-
Jane Flegg	2,000	-	-	-	-	-	2,000
Total	8,825,781	-	1,000,000	-	(858,600)	(8,965,181)	2,000

None of the shares above are held nominally by the directors or any other key management personnel.

4. Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors (Dr Paul D'Sylva and Mr Peter Landau) and Non-Executive Directors (*Current*: Dr Lars Schernikau and Mr Connie Molusi; *Resigned:* Mr Mike Kilbride, Mr Johan Bloemsma, Mr Bernard Swanepoel, Mr James Leahy, and Mr Jason Brewer) are formalised in consultancy agreements with the parent company.

Agreements for *Resigned* Executive Director Mr Don Turvey and Group Chief Financial Officer Mr Lou van Vuuren, and *Current* Subsidiary Chief Financial Officer Ms Rachel Hebron and Chief Operating Officer Johan Heystek are with the subsidiary Continental Coal Ltd in South Africa.

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

<u>Agreements with parent company</u>

Executive Chairman - Dr Paul D'Sylva (appointed 13 February 2014)

- Term of Agreement – The agreement commenced on 13 February 2014, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $50,000 per annum plus GST payable monthly and reviewed annually, payable to DrPaul D'Sylva or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Executive Director - Mr Peter Landau (appointed 13 February 2014)

- Term of Agreement – The agreement commenced on 13 February 2014, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $150,000 per annum plus GST payable monthly and reviewed annually, payable to Mr Peter Landau or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Director - Dr Lars Schernikau (appointed 13 February 2014)

- Term of Agreement – The agreement commenced on 13 February 2014, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $100,000 per annum plus GST payable monthly and reviewed annually, payable to Dr Lars Schernikau or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Director – Mr Connie Molusi

- Term of Agreement – The agreement commenced on 13 February 2012, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $50,000 per annum plus GST payable monthly and reviewed annually, payable to Mr Connie Molusi or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Chairman – Mr Mike Kilbride (resigned 13 February 2014)

- Term of Agreement – The agreement commenced on 23 February 2012, for an unspecified term until either party gives written notice of termination.
- Remuneration $101,817 per annum payable quarterly in arrears to Mr Kilbride or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Director - Mr Johan Bloemsma (resigned 13 February 2014)

- Term of Agreement – The agreement commenced on 21 March 2012, for an unspecified term until either party gives written notice of termination.
- Remuneration $53,458 per annum payable quarterly in arrears. Mr Bloemsma may receive additional consultancy fees in respect of work performed for the Company in excess of that expected of a non-executive director.
- Mr Bloemsma is entitled to earn additional consultancy fees should time devoted to the Group be above that expected of a non-executive director.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Director - Mr Bernard Swanepoel (resigned 13 February 2014)

- Term of Agreement – The agreement commenced on 14 May 2013, for an unspecified term until either party gives written notice of termination.
- Remuneration $50,625 per annum payable quarterly in arrears.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-executive Director - Mr Ron Chamberlain (appointed 14 October 2013; resigned 13 February 2014)

- Term of Agreement – The agreement commenced on 4 October 2013, for an unspecified term until either party gives written notice of termination.
- Remuneration $55,350 per annum payable quarterly in arrears.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non - executive Director - Mr Jason Brewer (resigned 15 November 2013)

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

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

- Term of Agreement – The agreement commenced on 27 May 2011 for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $54,000 per annum payable quarterly in arrears, payable to Mr James Leahy or nominee
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.193.

<u>Agreements with subsidiary</u>

Executive Director - Mr Don Turvey (resigned 13 February 2014)

- Term of Agreement – The agreement commenced on 10 May 2010 for an unspecified term or until either party gives 6 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 4,306,845 (AUD $455,000) per annum payable monthly and reviewed annually, payable to Mr Don Turvey or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

Subsidiary Chief Financial Officer – Ms Rachel Hebron

- Term of Agreement – The agreement transferred from Mashala upon acquisition on 1 November 2010 for an unspecified term or until either party gives 3 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 1,861,446 (AUD $200,000) per annum payable monthly and reviewed annually, payable to Ms Hebron or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

Chief Operating Officer - Mr Johan Heystek

- Term of Agreement – The agreement transferred from Mashala upon acquisition on 1 November 2010 for an unspecified term or until either party gives 3 month's written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration Rand 3,133,185 (AUD $330,000) per annum payable monthly and reviewed annually, payable to Mr Heystek or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the notice period.
- Agreement establishes right to receive additional short term incentives in accordance with annually reviewed R&NC policy.

5. Other Transactions with Key Management Personnel

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

	Consolidated 2014 $	Consolidated 2013 $
Consulting fees paid or payable to Okap Ventures Pty Ltd, a company of which Mr Landau is a director, for the provision of strategic and corporate advisory, capital raising, company secretarial, financial management, investor and public relations and associated services in fully serviced offices in both Perth and London	343,000	721,000
Amounts paid to Okap Ventures Pty Ltd for reimbursement of travel and meeting expenses	1,373,000	-
Fees paid to Okap Ventures Pty Ltd for services performed in relation to the rights issue and assistance with the annual report	104,494	-
Standstill fee paid to Okap in relation to Standstill agreement	51,613	-

Amounts payable at year end to related parties:	2014	2013
Okap Ventures Pty Ltd	590,828	519,000
Doull Holdings Pty Ltd	56,761	152,000
Scooby Holdings Pty Ltd	13,550	101,000
James Leahy	9,496	46,000
Connie Molusi	58,219	-
Mike Kilbride	79,823	-
Johan Bloemsma	42,469	-
B Swanepoel	32,625	-
R Chamberlain	31,060	-
Paul D'Sylva	18,750	-
Lars	37,500	-
L Van Vurren	53,500	-
D Turvey	142,984	-

6. Loans to Key Management Personnel

There were no loans made to directors of Continental Coal Limited and other Key Management Personnel of the Group, including their personally related parties during the 2013 or 2014 financial years.

Trading in the Group's Securities by Directors, Officers and Employees

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

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

There were no loans to directors during the financial year.

Voting on the Remuneration Report at the Company's 2013 Annual General Meeting

Continental Coal Limited's Remuneration Report for the year ending 30 June 2013 received more than 90% of "yes" votes at the Annual General Meeting held on 21 November 2013 as required by Section 250R(2) of *The Corporations Act 2001*.

This is the end of the audited Remuneration Report.

Options

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

Grant Date	Date of Expiry	Exercise Price	Number of Options
24/06/2013	30/06/2015	$0.50	65,679,134
16/05/2012	15/05/2015	$0.2216	12,500,000
15/03/2013	15/05/2016	$0.06	15,000,000
16/05/2012	16/07/2016	$0.20	8,000,000
18/11/2011	23/08/2016	$0.368	13,950,893
06/12/2012	06/12/2017	$0.057	6,000,000
18/12/2012	18/12/2017	$0.05382	5,000,000
Total			**126,130,027**

There were no shares issued on the exercise of options during the year. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Indemnifying Officers or Auditor

In accordance with the constitution, except where prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. During the year the Group paid a premium of $44,000 to insure the Directors and Officers of the Group.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the financial year.

Non-audit Services

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

BDO Perth provided non-audit services to the parent company of $26,000 (2013: $70,000) in relation to tax compliance during the year. BDO Johannesburg provided no non-audit services to the subsidiary during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 as required under Section 307c of the Corporations Act 2001 is set out on page 32.

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

Peter Landau
Executive Director

Dated this 30th day of September 2014

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

As lead auditor of Continental Coal Limited for the year ended 30 June 2014, 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 audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Operating sales revenue	2	68,706	62,230
Operating expenses		(59,537)	(55,181)
Depreciation & amortisation		(6,862)	(4,190)
Cost of sales	3	(66,399)	(59,371)
Gross profit		**2,307**	**2,859**
Other income	2	4,180	4,130
Administration expenses	3	(11,595)	(11,533)
Finance expenses	3	(26,939)	(13,888)
Impairment expenses	3	(2,208)	(28,126)
Marketing expenses		(225)	(266)
Other expenses	3	(1,384)	(2,618)
Loss before income tax		**(35,864)**	**(49,442)**
Income tax benefit	4	1,338	1,101
Loss after income tax from continuing operations		**(34,526)**	**(48,341)**
Loss from discontinued operation	10	-	(1,147)
Loss for the year		**(34,526)**	**(49,488)**
Net profit/(loss) is attributable to:			
Owners of Continental Coal Limited		(30,295)	(35,720)
Non-controlling interests		(4,231)	(13,768)
		(34,526)	**(49,488)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	6	(4.30)	(6.56)
Diluted loss per share (cents per share)	6	(4.30)	(6.56)

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Loss for the year		**(34,526)**	**(49,488)**
Other Comprehensive Income/(Loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(3,140)	(6,052)
Changes in the fair value of cashflow hedges, net of tax		2,679	3,087
Other comprehensive loss for the year, net of tax		**(461)**	**(2,965)**
Total comprehensive loss for the year		**(34,987)**	**(52,453)**
Total comprehensive income/(loss) is attributable to:			
Owners of Continental Coal Limited		(32,695)	(38,177)
Non-controlling interests		(2,292)	(14,276)
		(34,987)	**(52,453)**
Total comprehensive loss for the period attributable to owners of Continental Coal Limited arises from:			
Continuing operations		(32,695)	(37,030)
Discontinued operations		-	(1,147)
		(32,695)	**(38,177)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	3,619	4,496
Trade and other receivables	8	4,527	7,744
Inventories	9	1,166	4,862
		9,312	17,102
Non-current assets classified as held for sale	10	-	-
TOTAL CURRENT ASSETS		**9,312**	**17,102**
NON-CURRENT ASSETS			
Trade and other receivables	8	3,936	2,981
Other assets	11	2,411	1,658
Derivative financial instruments	12	7,047	2,400
Exploration expenditure	15	47,306	54,139
Development expenditure	16	63,988	75,040
Property, plant and equipment	17	13,792	13,462
Deferred tax assets	18	2,107	3,022
TOTAL NON-CURRENT ASSETS		**140,587**	**152,701**
TOTAL ASSETS		**149,899**	**169,803**
CURRENT LIABILITIES			
Trade and other payables	19	10,713	12,459
Deferred revenue	20	53	5,859
Income tax payable	4	501	1,115
Provisions	24a	7,610	296
Borrowings	21	69,531	18,531
Derivative financial instruments	12	80	228
Other financial liabilities	22	4,594	3,633
Provision for rehabilitation	24b	3,480	3,759
TOTAL CURRENT LIABILITIES		**96,562**	**45,880**
NON-CURRENT LIABILITIES			
Deferred revenue	20	-	5,467
Provisions	24a	3,688	-
Borrowings	21	22,792	52,141
Other financial liabilities	22	6,094	6,984
Deferred tax liability	23	19,503	23,009
Provision for rehabilitation	24b	8,364	9,594
TOTAL NON-CURRENT LIABILITIES		**60,441**	**97,195**
TOTAL LIABILITIES		**157,003**	**143,075**
NET ASSETS		**(7,104)**	**26,728**
EQUITY			
Issued capital	25	236,733	236,032
Reserves	26	(3,776)	(2,838)
Accumulated losses		(229,282)	(198,987)
Capital and reserves attributable to owners of Continental Coal Limited		3,675	34,207
Amounts attributable to non-controlling interests		(10,779)	(7,479)
TOTAL EQUITY		**(7,104)**	**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 YEAR ENDED 30 JUNE 2014

	Share Capital Ordinary	Accumulated losses	Foreign Currency Translation Reserve	Other Reserve	Hedging Reserve	Option Reserve	Share Based Payment Reserve	Shares and Options to be Issued	Total	Non-Controlling Interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**220,015**	**(164,739)**	**(19,190)**	**(9,944)**	**(508)**	**-**	**30,798**	**-**	**56,433**	**8,089**	**64,522**
Loss for the year	-	(35,720)	-	-	-	-	-	-	(35,720)	(13,768)	(49,488)
Exchange differences on translation of foreign operations	-	-	(4,741)	-	-	-	-	-	(4,741)	(1,311)	(6,052)
Cashflow hedges, net of tax	-	-	-	-	2,284	-	-	-	2,284	803	3,087
Total comprehensive loss for the year	-	(35,720)	(4,741)	-	2,284	-	-	-	(38,177)	(14,276)	(52,453)
Transactions with owners in their capacity as owners:											
Shares issued during the year	16,117	-	-	-	-	-	-	-	16,117	-	16,117
Transaction costs	(100)	-	-	-	-	-	-	-	(100)	-	(100)
Options issued	-	-	-	-	-	-	701	-	701	-	701
Transfers	-	1,472	-	(1,472)	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	(766)	-	-	-	-	(766)	(1,026)	(1,792)
Dividends paid	-	-	-	-	-	-	-	-	-	(266)	(266)
Balance at 30 June 2013	**236,032**	**(198,987)**	**(23,931)**	**(12,182)**	**1,776**	**-**	**31,499**	**-**	**34,207**	**(7,479)**	**26,728**
Loss for the year	-	(30,295)	-	-	-	-	-	-	(30,295)	(4,231)	(34,526)
Exchange differences on translation of foreign operations	-	-	(4,285)	-	-	-	-	-	(4,285)	1,145	(3,140)
Cashflow hedges, net of tax	-	-	-	-	1,885	-	-	-	1,885	794	2,679
Total comprehensive loss for the year	-	(30,295)	(4,285)	-	1,885	-	-	-	(32,695)	(2,292)	(34,987)
Transactions with owners in their capacity as owners:											
Shares issued during the year	701	-	-	-	-	-	-	-	701	-	701
Transaction costs	-	-	-	-	-	-	-	-	-	-	-
Options issued	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	1,462	-	-	-	-	1,462	-	1,462
Dividends paid	-	-	-	-	-	-	-	-	-	(1,008)	(1,008)
Balance at 30 June 2014	**236,733**	**(229,282)**	**(28,216)**	**(10,720)**	**3,661**	**-**	**31,499**	**-**	**3,675**	**(10,779)**	**(7,104)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 **$'000**	**2013** **$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		72,942	58,505
Payments to suppliers and employees		(70,782)	(70,488)
Interest received		358	249
Other income		196	2,196
Proceeds on settlement of commodity hedges	**12a**	1,026	336
Income tax paid		(1,978)	(1,080)
Net cash (used in)/provided by operating activities	**30**	**1,762**	**(10,282)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for additional ownership interest in subsidiary	**13**	-	(8,839)
Exploration expenditure	**15**	(474)	(660)
Development costs	**16**	(3,346)	(20,393)
Purchase of property, plant and equipment	**17**	(2,810)	(6,675)
Proceeds on disposal of property, plant and equipment		96	1,092
Payments in relation to SIOC transaction		-	(331)
Proceeds from sale of Vanmag	**10**	-	8,696
Proceeds from release of restricted cash		1,937	-
Payments for purchase of other assets		(957)	(642)
Net cash (used in) investing activities		**(5,554)**	**(27,752)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		-	8,597
Interest and borrowing costs		(380)	(1,227)
Payment of finance leases		(63)	-
Proceeds from borrowings		6,028	26,890
Repayment of borrowings		(975)	(3,537)
Payment to fund Penumbra standby facility		-	(1,930)
Payment of finance related royalty		(56)	(533)
Dividends paid to non-controlling interest		(1,008)	(266)
Net cash provided by financing activities		**3,546**	**27,994**
Net (decrease)/increase in cash held		(246)	(10,040)
Effect of the exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial year		(336)	(1,042)
Cash at beginning of financial year		3,513	14,595
Cash at end of financial year	**7**	**2,931**	**3,513**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies

The financial statements include Continental Coal Limited and controlled entities ("Consolidated Entity" or "Group"). Separate financial statements of Continental Coal Limited are no longer presented as a result of a change to the *Corporations Act 2001*. Financial information for Continental Coal Limited as an individual entity is disclosed in note 34. Continental Coal Limited is a listed public company, incorporated and domiciled in Australia.

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

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, or other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Continental Coal Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

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

The financial statements were approved by the Board of Directors on 30 September 2014.

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Continental Coal Limited's functional and presentation currency.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

The loss of the Group for the year amounted to $35 million (2013 $49 million) and the group has a working capital deficiency of $87 million (2013 $29 million) and a net liability position at 30th June 2014 of $7.1million.

Subsequent to the year end the Group has:

- extended the standstill arrangements with unsecured convertible note holders totalling $15 million as well as other unsecured short term loans; and

- agreed to undertake a fully underwritten rights issue to raise $35 million.

However, without:

- the successful capital raising from the rights issue;
- additional funds being raised through equity issues;
- the repayment or renegotiation of existing credit and debt facilities of the Group;
- the negotiation of new debt facilities;
- the Group generating profitable operations with positive cash flows; and/or
- the realisation of assets at amounts greater than their carry values

The group may not be able to continue as a going concern and therefore it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those in the financial statements.

On this basis and considering the options available to the Group, the directors' declared on page 107 that there are reasonable grounds to believe that the Group can pay its debts as and when they fall due.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

New and amended standards adopted by the Group

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. There has been no material impact on the financial statements upon the adoption of the new and revised standards, other than additional disclosure requirements, including:

- amendments made to AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements effective from 1 July 2013, now require the individual requirements of AASB 124 to be removed from the notes to the financial statements and these requirements will be disclosed in the Remuneration Report only;
- additional note disclosures are required under AASB 12 Disclosure of Interests in Other Entities effective from 1 July 2013; and
- additional note disclosures are required under AASB 13 Fair Value Measurement effective from 1 July 2013.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(a) Principles of Consolidation

Subsidiaries

A controlled entity is any entity over which Continental Coal Limited is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

A list of controlled entities is contained in note 13 to the financial statements.

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Income Statement and Consolidated Statement of Financial Position, respectively.

Changes in Ownership Interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(a) Principles of Consolidation (cont'd)

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

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

Business Combinations
The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

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

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

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

Acquisition related costs are expensed as incurred.

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

(b) Income Tax

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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

(b) Income Tax (cont'd)

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

(c) Segment Reporting

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

(d) Property, Plant and Equipment

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

The depreciation rates used for each class of depreciable asset are:

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

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

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

(e) Exploration expenditure

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

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

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

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

(f) Development expenditure

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(f) Development expenditure (cont'd)

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

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

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

(g) Rehabilitation

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

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

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

(h) Investments and Other Financial Assets

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

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

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

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

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

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

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

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

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

(i) Impairment of Assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

(j) Foreign Currency Transactions and Balances

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

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

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

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

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

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

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

(k) Employee Benefits

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

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

(l) Provisions

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

(m) Cash and Cash Equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(n) Revenue Recognition

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

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

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

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

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

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

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

(o) Trade Receivables

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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

(p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and they are usually paid within 60 days of recognition.

(q) Borrowings

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

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

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

(r) Convertible Note Liabilities and Derivatives

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(s) Borrowing Costs

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

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

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

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

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

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

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

(u) Contributed Equity

Ordinary shares are classified as equity.

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

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

(v) Earnings per Share

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

(w) Share Based Payments

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

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

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

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

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

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

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the Consolidated Statement of Financial Position.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(y) Derivatives and Hedging Activities

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

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

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

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

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

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

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

Amounts accumulated in equity are recognised in the Consolidated Income Statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(z) Comparative Figures

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

(aa) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprise direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes

borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(bb) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(cc) Parent entity financial information

The financial information for the parent entity, Continental Coal Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint ventures

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

Financial guarantees

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

Share-based payments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

(dd) Critical Accounting Estimates and Judgements

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

Key estimates – Exploration assets
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of exploration assets. Where an impairment trigger exists, the recoverable amount of the asset is determined based on historical knowledge and best available current information. During the 2014 year $2,208,000 of exploration expenditure was written-off as it was determined to be non-recoverable (2013: $26,661,000).

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

Key estimates – Development assets
The recoverable amounts of development assets have been assessed using discounted cashflow models, taking into account estimates of coal prices, operating costs, discount rates, royalty tax rates, and the yield and grade of coal produced. It is reasonably possible that the estimates used in the models may change, which may then impact on the carrying values of development assets. There was no impairment of development assets recorded during the years ended 30 June 2014 or 30 June 2013.

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

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

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

Derivative financial instruments
From time to time the Group may use derivative financial instruments to partially hedge its exposure to financial risks. At each reporting date, the fair value of outstanding derivative positions is measured using pricing models that require the exercise of judgement in relation to variables such as expected volatilities based on information available at the reporting date. As the underlying drivers for those judgements are constantly changing, the reported derivative financial assets and liabilities are an estimate that may materially change post balance date. The carrying value of derivatives is presented in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

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

Discount Rate	7.89%
Inflation	7.60%
Expected closure of Vlakvarkfontein mine	2019
Expected closure of Penumbra mine	2023

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

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

Onerous contract
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed economical benefits expected to be received from the contract.

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

During the current year, the terms were renegotiated and deliveries of coal commenced during October 2013 and repayment was extended from 22 to 39 months as follows:

Year end	Contracted sales volume per ton	Contracted sales price per ton (ZAR)	Actual deliveries	Outstanding deliveries
2014	195 000	R585	49 247	145 753
2015	300 000	R585	-	300 000
2016	12 743	R585	-	12 743

Should the Group not be able to provide the appropriate quantities at maturity, then a market to market cash settlement would need to be paid. Continental Coal Ltd was unable to meet their commitments under this agreement and is therefore in default of the EDF 585 coal supply agreement which required the recognition of the onerous contract at the mark-to-market amount.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 2: Revenue and other income

	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue from continuing operations		
- Export coal sales	38,737	35,508
- Eskom coal sales	26,673	25,941
- Other coal sales	3,296	781
Total revenue from continuing operations	68,706	62,230
Other income		
- Foreign exchange gain	557	200
- Recovery of costs	1,736	2,196
- Interest received	684	502
- Net gain on fair values of derivative financial instruments (note 12e)	147	777
- Realised gains on commodity hedges	1,026	336
- Gain on debt settlement	-	119
- Miscellaneous income	30	-
Total other income	4,180	4,130

Note 3: Expenses

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

	2014 $'000	2013 $'000
Cost of sales		
- Mining	31,230	35,221
- Export costs	8,541	6,405
- Processing	4,773	5,265
- Materials handling	4,395	3,813
- Indirect costs	3,727	3,324
- Administration costs	3,024	-
- Stock on hand movement	-	-
- Mining royalties	873	1,153
- Depreciation & amortisation	6,862	4,190
- Bought in coal	2,974	-
Total cost of sales	66,399	59,371
Finance costs		
- Interest and borrowing costs	9,456	4,546
- Royalty expense (note 22)	1,042	3,639
- Convertible note interest accretion (note 21)	870	2,047
- EDF interest (note 21)	4,726	623
- Convertible note implementation costs (note 31)	-	1,712
- SION interest accrued (note 21j)	-	1,321
- Cost incurred under onerous contract (note 24a)	10,845	-
Total finance costs	26,939	13,888
Impairment		
- Impairment of exploration expenditure (i)	2,208	26,661
- Impairment of property, plant, and equipment (ii)	-	1,465
Total impairment	2,208	28,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 3: Expenses (cont'd)

	Consolidated	
	2014 $'000	2013 $'000
Administration & Other Expenses		
- Employee related costs	2,987	3,769
- Key management personnel	937	1,543
- Pre feasibility costs in relation to other projects	214	62
- Consultants	1,150	2,083
- Share based payments (note 31)	20	429
- Loss on debt settlement	-	626
- Legal fees	535	582
- Occupancy	268	276
- Foreign exchange loss	431	1,122
- Depreciation & amortisation	1,352	216

(i) The impairment charge of $2,208,000 recognised in the year ended 30 June 2014 relates to the carrying values 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 2.

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

Note 4: Income Tax Expense

	Consolidated	
	2014 $'000	2013 $'000
(a) The components of tax expense comprise:		
Current tax	1,446	1,696
Deferred tax	(2,784)	(2,797)
Income tax benefit recognised in Consolidated Income Statement	(1,338)	(1,101)
(b) The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:		
Loss before income tax		
- Consolidated Group	(35,864)	(49,488)
Prima facie tax payable on profit before income tax at 30% (2013: 30%)		
- Consolidated Group	(10,759)	(14,846)
Add:		
Tax effect of:		
- Non-deductible other expenditure	7,464	6,333
- Difference in overseas tax rate	392	695
- Share based payments	-	691
- Deferred tax asset in relation to tax losses and temporary differences not recognised	1,565	6,026
Income tax benefit attributed to entity	(1,338)	(1,101)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 4: Income Tax Expense (cont'd)

	Consolidated 2014 $'000	Consolidated 2013 $'000
(c) Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1b occur		
- Temporary difference	6,871	2,869
- Tax losses		
- Operating losses	16,837	5,948
- Capital losses	1,924	1,924
	25,632	10,741

Note 5: Auditor's Remuneration

	Consolidated 2014 $'000	Consolidated 2013 $'000
Amounts paid or payable to:		
Remuneration of the auditor of the parent entity for:		
(BDO Audit (WA) Pty Ltd)		
Auditing and reviewing the financial report	183	214
Other services – taxation compliance matters	26	70
Remuneration of the auditor of the subsidiary Continental Coal Ltd for:		
(BDO Audit – South Africa)		
Auditing and reviewing the financial report	235	282
	444	566

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 6: Loss per Share (EPS)

		Consolidated	
		2014 $'000	**2013 $'000**
(a)	**Basic loss per share**		
	From continuing operations attributable to owners of Continental Coal Limited	(4.30)	(6.56)
	From discontinued operation attributable to owners of Continental Coal Limited	-	(0.22)
		(4.30)	(6.78)
(b)	**Reconciliation of loss used in calculating loss per share**		
	Loss for the year from continuing operations attributable to owners of Continental Coal Limited	(30,295)	(34,573)
	From discontinued operation attributable to owners of Continental Coal Limited	-	(1,147)
	Loss used to calculate basic EPS	(30,295)	(35,720)
	Loss used in the calculation of dilutive EPS	(30,295)	(35,720)
		No.	**No.**
(c)	**Weighted average number of shares used as the denominator**		
	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	703,803,577	526,964,473
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	703,803,577	526,964,473
(d)	**Diluted earnings per share**		
	The Group's potential ordinary shares were not considered dilutive, and as a result, diluted EPS is the same as basic EPS.	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Cash and Cash Equivalents

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash at bank and in hand (i)	3,619	4,496
	3,619	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:

	2014 $'000	2013 $'000
Cash and cash equivalents	3,619	4,496
Bank overdrafts (note 21)	(688)	(983)
	2,931	3,513

(i) Includes cash restricted under guarantees in the amount of $343,508 (30 June 2013: 335,657).

Risk Exposure
Refer note 35.

Note 8: Trade and Other Receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
CURRENT		
Trade receivables (a)	2,996	4,588
Other receivables (b)	1,060	1,012
Prepayments	415	151
Restricted cash (c) (d)	56	1,993
Total current receivables	4,527	7,744
NON-CURRENT		
Other receivables (e)	3,936	2,981
Total non-current receivables	3,936	2,981

(a) The Group's trade receivables are generally settled within 30 days. No interest is charged on outstanding balances.
(b) The majority of other receivables relates to VAT recoverable by the South African subsidiary and deposits.

(c) An amount of ZAR 559,571 ($55,929) (2013: ZAR 533,454 ($53,319)) has been ceded to ABSA Bank Limited to cover the shortfall on guarantees issued to Department of Mineral Resources.

(d) The majority of the restricted cash balance for 2013 relates to the Penumbra equity standby facility of ZAR 17,500,000 ($1,930,000) funded by the Group.
(e) As part of the transaction to secure SIOC as the Group's Black Economic Empowerment (BEE) partner during the 2012 year, the Group transferred ZAR 75,000,000 (approximately $9,180,000) of its intercompany loan balance to the new BEE partner. The effect of this transfer was to increase the Group's external receivables and borrowings by the same amount. The receivable balance at year end is inclusive of principal and accrued interest at 3% per annum. It is denominated in South African Rand, and its fair value has been determined using a 16.5% discount rate and a repayment date of 30 June 2020 (2013: 16.5% discount rate and repayment date of 30 June 2022). An increase in the discount of $1,462,510 (2013: unwinding of discount of $838,000) has been recognised within transactions with non-controlling interests within equity and not in the Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 8: Trade and Other Receivables (cont'd)

Fair value and credit risk

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Ageing of receivables:		
Neither past due nor impaired	2,979	4,570
Past due but not impaired	17	18
	2,996	4,588

Fair values of current trade and other receivable balances approximate the carrying values at 30 June 2014 and 30 June 2013.

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

Note 9: Inventories

	Consolidated	
	2014	**2013**
	$'000	**$'000**
CURRENT		
Cost of stockpiles at cost	1,166	4,862
	1,166	4,862

Note 10: Non-Current Assets Classified as Held-for-Sale and Discontinued Operations

Discontinued operation

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

Financial performance and cashflow information

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Profit/(loss) after income tax	-	-
(Loss) on disposal of investment	-	(1,147)
(Loss) from discontinued operation	**-**	**(1,147)**
Net cashflow from operating activities	-	-
Net cash inflow from investing activities (proceeds from sale of investment)	-	8,696
Net cashflow from financing activities	-	-
Net increase in cash generated from the disposal of investment	**-**	**8,696**

Details of the sale

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 11: Other Assets

	Consolidated	
	2014 $'000	2013 $'000
Mining rehabilitation fund	2,411	1,658
	2,411	1,658

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

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

Amounts in the fund are held as security for a maximum guarantee facility o ZAR 45,429,605 provided to the Group by Lombard Insurance Company Ltd. Of the available ZAR 45,429,605, a total of ZAR 45,429,605 ($4,540,689) was used at 30 June 2014 (2013: ZAR 34,000,000 ($3,398,300)) to provide guarantees to Department o Minerals, Richard Bay Coal Terminal and Transnet Ltd.

Note 12: Derivative Financial Instruments

The Group has the following derivative financial instruments:

	Consolidated 2014 $'000	Consolidated 2013 $'000
CURRENT ASSETS		
Forward rand coal swap – cash flow hedge (a)	-	-
	-	-
NON-CURRENT ASSETS		
Forward rand coal swap – cash flow hedge (a)	7,047	2,084
Interest rate swaps – cash flow hedge (b)	-	316
	7,047	2,400
CURRENT LIABILITIES		
Derivative liabilities from convertible notes (c)	31	99
Option and share repricing derivative liability (d)	49	129
	80	228
NON-CURRENT LIABILITIES		
Forward rand coal swap – cash flow hedge (a)	-	-
Derivative liabilities from convertible notes (a)	-	-
	-	-

(a) Forward rand coal swap – cash flow hedge

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

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

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

The Group's coal swaps commenced in September 2012 and expire on various dates through August 2018, and cover 8% - 35% of monthly Penumbra production. At 30 June 2014 hedge contracts with a weighted average price of ZAR 1,075/t are in place for 559,086t of coal.

Realised gains for the year of $1,026,000 have been recognised within other income (2013: 336,000), representing the financial settlement of coal hedge contracts. Unrealised gains of $2,679,000 have been recognised within other comprehensive income (2013: $2,050,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 12: Derivative Financial Instruments (cont'd)

(b) Interest rate swap – cash flow hedge

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

As of 30 June 2014, the Group has drawn a total of ZAR 227,500,000 of the available ZAR 258,000,000 facility. Accordingly, the Group has entered into interest rate swaps in respect of ZAR 102,250,000 drawn down. Swaps entered into during the period oblige the Group to receive interest at variable rates and pay interest at fixed rates.

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

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

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

The gain or loss from remeasuring the interest rate swaps at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. There was no hedge ineffectiveness in the year to 30 June 2014, accordingly no loss was recognised in profit or loss during the year.

Unrealised gains are recognised within other comprehensive income.

(c) Derivative liabilities from convertible notes

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

	Consolidated	
	2014 **$'000**	**2013** **$'000**
Carrying amount at 1 July	99	912
Recognition of option derivative	-	-
Recognition of convertible note derivatives	-	439
De-recognition on derivatives on convertible noted settlements	-	(1,011)
Fair value movement (e)	(68)	(241)
Balance at 30 June	31	99

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 12: Derivative Financial Instruments (cont'd)

(d) Option and share repricing derivative liability

During the year ended 30 June 2012 the Group entered into an equity subscription agreement with SOCIUS CG II which stipulates the number of shares and options to be issued for the subscribed amount of $20,000,000 is dependent on share price movements, therefore making the ultimate number of shares and options to be issued a variable number and giving rise to a derivative financial instrument. The difference between the subscribed amount and the recognition of the derivative liability is recognised as the value of equity to be issued in accordance with the equity subscription agreement.

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

	Consolidated	
	2014 $'000	2013 $'000
Carrying amount at 1 July	129	665
Recognition of option and share repricing liability	-	-
Amounts settled (see note 25)	-	-
Fair value movement (e)	(80)	(536)
Balance at 30 June	49	129

At 30 June 2012, $6,391,000 of this derivative was settled by the issuance of shares to SOCIUS under the Subscription Agreement (see note 24). The liability amount outstanding of $49,000 (2013: $129,000) relates to the fair value of the option derivative.

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

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

2014

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on reporting date	Expected volatility annualised	Risk free interest rate	Dividend yield
16/05/2012	23/08/2016	13,950,893	$0.0035	$0.420	$0.020	110%	3%	-

2013

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on reporting date	Expected volatility annualised	Risk free interest rate	Dividend yield
16/05/2012	23/08/2016	13,950,893	$0.0093	$0.420	$0.036	110%	3%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 12: Derivative Financial Instruments (cont'd)

(e) Consolidated Income Statement impact

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

A net unrealised gain of $147,000 was recognised within other income during the year (2013: net unrealised gain of $777,000).

The $147,000 comprises an unrealised gain of $80,000 related to the option and share repricing derivative liability and an unrealised gain of $68,000 related to derivative liabilities from convertible notes.

The $777,000 for 2013 comprises an unrealised gain of $536,000 related to the option and share repricing derivative liability and an unrealised gain of $241,000 related to derivative liabilities from convertible notes.

(f) Risk exposures

Information about the Group's exposure to credit, foreign exchange, and interest rate risks are provided in note 35.

Note 13: Controlled Entities

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

Controlled Entities Consolidated	**Country of Incorporation**	**Percentage Owned (%)***	
		30 June 2014	**30 June 2013**
Subsidiaries of Continental Coal Limited ("CCC"):			
Continental Coal Ltd ("CCL SA")	South Africa	74	74
Subsidiaries of Continental Coal Ltd			
Tsimpilo Trading 45 (Pty) Limited	South Africa	100	100
Ayoba Taboo Trading 137 (Pty) Ltd	South Africa	100	100
Idada Trading 310 (Pty) Ltd	South Africa	70	70
Kebragen (Pty) Ltd	South Africa	75	75
City Square Trading 437 (Pty) Ltd	South Africa	50	50
Ntshovelo Mining Resources (Pty) Ltd *(i)*	South Africa	50	50
Ultimatum Challenge Trading (Pty) Ltd *(ii)*	South Africa	50	50
Mashala Resources (Pty) Ltd	South Africa	100	100
Subsidiaries of Mashala Resources (Pty) Ltd			
Namib Drilling (Pty) Ltd	South Africa	100	100
Wessleton Opencast (Pty) Ltd	South Africa	100	100
BW Mining (Pty) Ltd	South Africa	100	100
Copper Sunset Trading 148 (Pty) Ltd	South Africa	100	100
Mandla Coal Resources (Pty) Ltd	South Africa	100	100
Penumbra Coal Mining (Pty) Ltd	South Africa	100	100
Mashala Hendrina Coal Pty Ltd (Pty) Ltd)	South Africa	100	100
Weldon Investments (Pty) Ltd	Botswana	100	100

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 14: Subsidiaries and non-controlling interests

(a) Interests in subsidiaries

The following table sets out the group's interests in principal subsidiaries at 30 June 2014.

Name of entity	Place of business/ Country of incorporation**	Ownership interest held by the group*		Ownership interest held by non-controlling interest*		Principal activities
		2014 %	2013 %	2014 %	2013 %	
Continental Coal Limited (South Africa)	South Africa	74	74	26	26	Investment in coal operations
Mashala Limited	South Africa	74	74	26	26	Coal production
Penumbra Coal Mining (Pty) Ltd	South Africa	74	74	26	26	Coal production
Ntshovelo Mining Resources (Pty) Ltd	South Africa	44.4^	44.4	55.6	55.6	Coal production

* *Voting rights held equals ownership interest unless otherwise stated*
** *Country of incorporation is the same as place of business, unless otherwise stated*
^ *Ntshovelo is controlled by CCC's subsidiary CCL. CCL has a 60% economic interest and a 50% ownership interest.*

(b) Non-controlling interests (NCI)

The following table sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations.

Summarised statement of financial position	Continental Coal Limited (South Africa)		Mashala Limited		Penumbra Coal Mining (Pty) Ltd		Ntshovelo Mining Resources (Pty) Ltd	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets	2,936	1,737	4,334	5,159	1,807	5,342	4,695	4,628
Non-current assets	24,471	28,769	78,112	84,999	34,423	40,438	16,768	20,842
Total assets	**27,407**	**30,506**	**82,446**	**90,158**	**36,230**	**45,780**	**21,463**	**25,471**
Current liabilities	(18,198)	(6,109)	(1,968)	(7,357)	(6,318)	(6,798)	(2,542)	(8,643)
Non-current liabilities	(119,603)	(132,335)	(35,827)	(34,182)	(31,735)	(38,253)	(8,270)	(4,685)
Total liabilities	**(137,801)**	**(138,444)**	**(37,794)**	**(41,539)**	**(38,053)**	**(45,051)**	**(10,812)**	**(13,328)**
Net assets	**(110,394)**	**(107,938)**	**44,652**	**48,619**	**1,823**	**729**	**10,651**	**12,143**
Accumulated NCI	(28,702)	(28,064)	11,610	12,641	474	190	5,922	6,751

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Summarised statement of profit or loss and other comprehensive income	Continental Coal Limited (South Africa)		Mashala Limited		Penumbra Coal Mining (Pty) Ltd		Ntshovelo Mining Resources (Pty) Ltd	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Revenue	-	-	35,562	35,201	20,562	5,346	28,277	26,970
Profit for the period	(13,435)	(20,678)	781	(2,406)	(5,602)	(2,603)	1,435	3,888
Other comprehensive income	10,981	8,006	(4,746)	(3,613)	3,050	2,980	(1,113)	(904)
Total comprehensive income	**(2,454)**	**(12,672)**	**(3,965)**	**(6,019)**	**(2,552)**	**377**	**322**	**2,984**
Profit/(Loss) allocated to NCI	**(638)**	**3,295**	**(1,031)**	**(1,565)**	**(664)**	**98**	**179**	**1,659**
Dividends paid to NCI	**-**	**-**	**-**	**-**	**-**	**-**	1,008	266

Summarised cash flows	Continental Coal Limited (South Africa)		Mashala Limited		Penumbra Coal Mining (Pty) Ltd		Ntshovelo Mining Resources (Pty) Ltd	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Cash flows from operating activities	838	(945)	797	(3,832)	2,680	997	2,127	4,207
Cash flows from investing activities	(591)	(1,557)	(318)	(1,200)	(5,115)	(25,738)	861	(4,587)
Cash flows from financing activities	402	(6,631)	(751)	4,201	979	26,428	(2,415)	(677)
Net increase/ (decrease) in cash and cash equivalents	**649**	**(9,133)**	**(271)**	**(831)**	**(1,456)**	**1,687**	**573**	**(1,057)**

There were no material transactions with non-controlling interests in the year ended 30 June 2014 (nil; 30 June 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 15: Exploration Expenditure

	Consolidated	
	2014 $'000	2013 $'000
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases – direct	40,785	45,733
- Exploration and evaluation phases – indirect (c)	6,521	8,406
Total exploration expenditure	47,306	54,139

(a) Movements in carrying amounts

	Consolidated	
	2014 $'000	2013 $'000
Balance at 1 July	54,139	86,090
Exploration expenditure capitalised	474	660
Exploration expenditure impaired *(i)*	(2,208)	(26,661)
Reversal of previous impairments	-	-
Impacts of movements in foreign exchange rates on non AUD balances	(5,099)	(5,950)
Carrying amount at 30 June	47,306	54,139

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

A number of the Group's South African exploration permits are in the process of being renewed at 30 June 2014. As the renewals lodged are compliant with the requirements of the DMR and the Group has complied with the expenditure and other permit requirements stipulated by the DMR, the Group expects the renewals to be granted to the Group in due course.

(i) The impairment charge of $2,208,000 recognised in the year ended 30 June 2014 relates to the carrying values 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 2.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 15: Exploration Expenditure (cont'd)

(b) Mineral rights held by South African subsidiary

Project name	Prospecting or mining right reference	Current holder of mining or prospecting right	Holder of right once transaction is completed	Date Granted	Expiry Date
Vlakvarkfontein	MP 300 MR	Ntshovelo Mining Resources (Pty) Ltd	Ntshovelo Mining Resources (Pty) Ltd	2 February 2010	3 February 2025
Vaalbank	MP 1689 PR	Misty Sea Trading 262 (Pty) Ltd	Kebragen (Pty) Ltd	16 April 2008	17 April 2011 (renewal submitted on 3 February 2011 and awaiting approval from DMR)
Project X	MP 1640 PR	Misty Sea Trading 262 (Pty) Ltd	Idada Trading 310 (Pty) Ltd	16 April 2008	17 April 2011 (renewal submitted on 3 February 2011 and awaiting approval from DMR)
Vlakplaats	MP 1520 PR	Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal submitted in July 2012 and awaiting approval from DMR)
Wolvenfontein		Ultimatum Challenge Trading (Pty) Ltd	Ultimatum Challenge Trading (Pty) Ltd	15 July 2008	14 July 2012 (renewal submitted in July 2012 and awaiting approval from DMR)
Ferreira	MP 345 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	19 May 2010	19 May 2014, mine closed December 2013
Knapdaar	MP 1494 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	5 February 2008	4 February 2013 (renewal submitted in February 2013 and awaiting approval from DMR)
Leiden	MP 401 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2006	(awaiting execution with DMR)
Mooifontein Ptn 13 & 16	MP 713 PR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	17 October 2009	16 October 2009 (renewal for prospecting right granted)
Wesselton II	MP 231 MR	Mashala Resources (Pty) Ltd	Mashala Resources (Pty) Ltd	19 February 2009	18 February 2021
Penumbra	MP 247 MR	Penumbra Coal Mining (Pty) Ltd	Penumbra Coal Mining (Pty) Ltd	19 May 2010	18 May 2020
De Wittekrans	MP 97 PR MP 365 MR	Mashala Hendrina Coal (Pty) Ltd	Mashala Hendrina Coal (Pty) Ltd	26 April 2006	5 May 2044
Botswana		Weldon Investments (Pty) Ltd	Weldon Investments (Pty) Ltd	1 April 2009	31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 15: Exploration Expenditure (cont'd)

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

Consolidated

Name of company	Listed/ Unlisted	Country of Incorporation	30 June 2014	30 June 2013	30 June 2014	30 June 2013
			Percentage owned		Carrying amount	
			%	%	$'000	$'000
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa	49	49	6,521	8,406
City Square – Trading 437 (Pty) Limited	Unlisted	South Africa	50	50	-	-
Idada Trading 310 (Pty) Limited	Unlisted	South Africa	50	50	-	-
					6,521	8,406

The Group has completed the purchase agreement with Misty Sea (Pty) Ltd relating to the purchase of the prospecting rights for Project X & Vaalbank. The section 11 approval of the transfer of the rights to Idada Trading (Pty) Ltd and Kebragen (Pty) Ltd where the Group would have a 70% and 75% shareholding respectively was granted on 27 August 2013. At reporting date the group had not received the execution date from the Department of Mineral Resources.

Note 16: Development Expenditure

	Consolidated 2014 $'000	Consolidated 2013 $'000
NON-CURRENT		
- Development expenditure at cost	81,881	88,599
- Accumulated depreciation	(17,893)	(13,559)
Total development expenditure	63,988	75,040

(a) Movements in carrying amounts

	2014 $'000	2013 $'000
Balance at 1 July	75,040	64,539
Development expenditure capitalised	3,346	21,312
Depreciation charge for the year	(7,410)	(4,164)
Disposals	-	(726)
Impacts of movements in foreign exchange rates on non AUD balances	(6,988)	(5,291)
Carrying amount at 30 June	63,988	75,040

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 16: Development Expenditure (cont'd)

The recoverable amounts of development assets have been assessed using discounted cashflow models, taking into account estimates of coal prices, operating costs, discount rates, royalty tax rates, and the yield and grade of coal produced. It is reasonably possible that the estimates used in the models may change, which may then impact on the carrying values of development assets. There was no impairment of development assets recorded during the years ended 30 June 2014 or 30 June 2013.

The following key assumptions were used in the value in use calculations:

	Coal Price	Discount Rate	Yield	Exchange Rate
Penumbra	US$85	19.1%	62%	10.83
Vlakvarkfontein	R223-R316	19.1%	100%	1:1

Impact of possible changes in key assumptions

Penumbra cash generating unit

- Coal Price: a decrease in the coal price to US$79.10 would result in an impairment of $1,442,000
- Yield: a decrease in the yield to 51.67% would result in an impairment of $1,381,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Property, Plant & Equipment

	Consolidated	
	2014 $'000	2013 $'000
PLANT AND EQUIPMENT		
Plant and equipment at cost	16,524	15,780
Accumulated depreciation	(2,732)	(2,318)
Net book amount	13,792	13,462

(a) **Movements in Carrying Amounts**

	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Consolidated			
Balance at 1 July 2012	6,285	3,182	9,467
Additions	6,674	-	6,674
Accumulated depreciation on acquisition	(420)	-	(420)
Depreciation charge for the year	(93)	(149)	(242)
	-	(1,465)	(1,465)
Impacts of movements in foreign exchange rates on non AUD balances	(491)	(61)	(552)
Balance at 30 June 2013	11,955	1,507	13,462
Additions	2,430	380	2,810
Disposals	(97)	-	(97)
Depreciation charge for the year	(803)	(209)	(1,012)
Impacts of movements in foreign exchange rates on non AUD balances	(1,217)	(153)	(1,370)
Balance at 30 June 2014	12,268	1,525	13,792

(b) **Security**

Refer to borrowings note 21 for details of non-current assets of the Group that are pledged as security for the Group's borrowings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 18: Deferred Tax Assets

	Consolidated	
	2014 $'000	2013 $'000
Deferred tax asset		
Tax losses available for set off against future taxable income	2,107	2,045
Other	-	977
	2,107	3,022

	Consolidated	
	2014 $'000	2013 $'000
Reconciliation of deferred tax asset		
Opening balance	3,022	2,345
Foreign currency translation	(258)	(166)
Benefit recognised in Consolidated Income Statement	(657)	843
	2,107	3,022

Note 19: Trade and Other Payables

	Consolidated	
	2014 $'000	2014 $'000
CURRENT		
Unsecured liabilities		
Trade payables	5,670	8,997
Sundry payables and accrued expenses	2,394	2,670
Accrued interest	2,649	792
	10,713	12,459

Risk Exposure
Refer note 35.

Fair value approximates the carrying value of trade and other payables at 30 June 2014 and 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 20: 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 year ended 30 June 2014, the EDF coal loan was restructured into a financial loan.

	Consolidated	
	2014 $'000	2013 $'000
Deferred revenue – current	53	5,859
Deferred revenue – non-current	-	5,467
Total deferred revenue	53	11,326

Note 21: Borrowings

	Consolidated	
	2014 $'000	2013 $'000
CURRENT		
Bank overdraft – secured	688	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)	10,000	9,589
Convertible Note – unsecured (e)	3,800	2,000
Other loans – unsecured (f)	1,069	160
Related party working capital facility (g)	233	257
Bank debt – secured (h)	26,048	-
EDF loan (i)	14,678	-
Bridge funding (k)	7,085	-
	69,531	18,531
NON-CURRENT		
Bank debt – secured (h)	-	25,034
Related party loans – unsecured (j)	22,686	26,856
Other facilities	106	251
	22,792	52,141

Note 21: 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. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 21: 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. During the year ended 30 June 2014 the facility of the ZAR 253,000,000 was fully drawn down. 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.

The Group received notice from ABSA that a default event had occurred in March 2014, therefore, the loan has been classified as current. The directors are working with ABSA to rectify the default as part of the recapitalisation process.

(i) During the year ended 30 June 2014, 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). On the restructure of the coal prepayment to the financial loan, an expense of $3,465,000 arose and for the year ended 30 June 2014 interest of $1,261,000 has accrued. Both of these expenses have been recognised in finance costs in the consolidated income statement.

(j) Related party borrowings of $22,686,000 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, the SIOC financing (26%) can not be paid until pro rata distributions are also repaid to the parent entity (74%).

(k) On 14 February 2014, 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. 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. Refer to details of standstill arrangements below.

Standstill arrangements

On 10 February 2014 the Company negotiated a 90 day standstill period, subsequently extended to 15 October 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 22: Other Financial Liabilities

During the year ended 30 June 2012, the Group recorded a royalty liability in relation to a USD $1 per tonne royalty payable on all coal produced by the Group's South African mining operations, capped at 15,000,000 tonnes.

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

The royalty arises from a financing arrangement entered into in a prior financial year. Accordingly, the expense in relation to the royalty of $1,042,000 (2013: 3,639,000) is considered to be a financing cost and is included within financing expenses in the Consolidated Income Statement.

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Current		
Royalty liability – at cost	4,594	3,633
	4,594	3,633
Non-current		
Royalty liability – at cost	6,094	6,984
	6,094	6,984

Fair value approximates the carrying values at 30 June 2014 and 30 June 2013.

Note 23: Deferred Tax Liability

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Non-current		
Deferred tax arising on business combinations	19,503	23,009
	19,503	23,009
Reconciliation of deferred tax liability		
Opening balance	23,009	26,838
Benefit recognised in the Consolidated Income Statement	(1,370)	(1,954)
Impacts of movements in foreign exchange rates on non AUD balances	(2,136)	(1,875)
	19,503	23,009

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

The Group does not have a tax payable in relation to the deferred tax liability at 30 June 2014 or 30 June 2013 and as anticipated the deferred tax liability has reduced as the development expenditure is amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 24: Provisions

The Group's provision for rehabilitation relates to environmental liability for Vlakvarkfontein, Ferreira, and Penumbra. South African mining companies are required by law to undertake rehabilitation work as part of their ongoing operations. The expected timing of the cash outflows in respect of the provision is on the closure of the mining operations. Management has assessed that no environmental liability exists for the other projects as only exploration activities have been performed and rehabilitation has taken place as damages were incurred. Refer Statement of Significant Accounting Policies note 1(g).

		Consolidated	
		2014 $'000	**2013 $'000**
Current			
Onerous contract	**a**	7,610	-
Mining rehabilitation fund	**b**	3,480	3,759
		11,090	3,759
Non-current			
Onerous contract	**a**	3,688	-
Mining rehabilitation fund	**b**	8,364	9,594
		12,052	9,594

a. Onerous contract

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

During the current year, the terms were renegotiated and deliveries of coal commenced during October 2013 and repayment was extended from 22 to 39 months as follows:

Year end	Contracted sales volume per ton	Contracted sales price per ton (ZAR)	Actual deliveries	Outstanding deliveries
2014	195 000	R585	49 247	145 753
2015	300 000	R585	-	300 000
2016	12 743	R585	-	12 743

Should the Group not be able to provide the appropriate quantities at maturity, then a market to market cash settlement would need to be paid. Continental Coal Ltd was unable to meet their commitments under this agreement and is therefore in default of the EDF 585 coal supply agreement which required the recognition of the onerous contract at the mark-to-market amount.

b. Mining rehabilitation fund	**2014 $'000**	**2013 $'000**
Movement in the provision for rehabilitation during the financial year are set out below:		
Carrying amount at the start of the year	13,353	12,285
Additional provision recognised	-	1,922
Rehabilitation expenses for the year	(233)	-
Impact of movements in foreign exchange rates on non AUD balances	(1,276)	(854)
Carrying amount at the end of the year	11,844	13,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 25: Issued capital

	Consolidated 2014 $'000	Consolidated 2013 $'000
745,692,712 (2013: 684,104,446) fully paid ordinary shares	236,733	236,032
	236,733	236,032

(a) Movement 2014	No.	$'000
Balance at 1 July 2013	684,104,446	236,032
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
30/06/14 - Shares in relation to bridging loan	40,000,000	200
Balance at 30 June 2014	**745,692,712**	**236,733**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 25: Issued capital (cont'd)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 25: Issued capital (cont'd)

(c) Ordinary shares

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

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

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

Grant Date	Date of Expiry	Exercise Price	Number of Options
24/06/2013	30/06/2015	$0.50	65,679,134[1]
16/05/2012	15/05/2015	$0.2216	12,500,000
15/03/2013	15/05/2016	$0.06	15,000,000
16/05/2012	16/07/2016	$0.20	8,000,000
18/11/2011	23/08/2016	$0.368	13,950,893
06/12/2012	06/12/2017	$0.057	6,000,000
18/12/2012	18/12/2017	$0.05382	5,000,000
			126,130,027

[1] Listed Options

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

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

There are no externally imposed capital requirements.

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

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

The gearing ratios' for the year ended 30 June 2014 and 30 June 2013 are as follows:

	Note	Consolidated	
		2014 $'000	2013 $'000
Total borrowings	21	92,323	70,672
Less cash and cash equivalents	7	(3,619)	(4,496)
Net debt		88,704	66,176
Total capital		236,733	236,032
Gearing ratio		37%	28%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 26: Reserves

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 26: Reserves (cont'd)

Movements		**Consolidated $'000**
a.	*Foreign currency translation reserve*	
	Balance 30 June 2012	(19,190)
	Transfers to reserve during the year	(4,741)
	Balance 30 June 2013	(23,931)
	Transfers to reserve during the year	(4,285)
	Balance 30 June 2014	(28,216)
b.	*Share based payments reserve*	
	Balance 30 June 2012	30,798
	Options issued to Consultants during the year (Note 31)	701
	Balance 30 June 2013	31,499
	Options issued to Consultants during the year (Note 31)	-
	Balance 30 June 2014	31,499
c.	*Option reserve*	
	Balance 30 June 2013	-
	Balance 30 June 2014	-
d.	*Hedging reserve*	
	Balance 30 June 2012	(508)
	Fair value movement of cashflow hedges, net of tax	2,284
	Balance 30 June 2013	1,776
	Fair value movement of cashflow hedges, net of tax	1,885
	Balance 30 June 2014	3,661
e.	*Other reserve*	
	Balance 30 June 2012	(9,944)
	Impact of equity attributable to owners of Continental Coal Ltd in relation to transactions with non-controlling interests	(1,472)
	Transfer to accumulated losses	(766)
	Balance 30 June 2013	(12,182)
	Impact of equity attributable to owners of Continental Coal Ltd in relation to transactions with non-controlling interests	1,462
	Transfer to accumulated losses	-
	Balance 30 June 2014	(10,720)
	Total Reserves as at 30 June 2014	(3,776)
	Total Reserves as at 30 June 2013	(2,838)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 27: Capital, Leasing and Other Commitments

	Consolidated 2014 $'000	Consolidated 2013 $'000
(a) Capital expenditure commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets payable	4,355	6,537
	4,355	6,537
Payable:		
- Within 1 year	4,355	6,537
- Between 1 and 5 years	-	-
	4,355	6,537

2014 Capital expenditure commitments

	Penumbra $'000	Projects $'000	Admin $'000	Vlakvarkfontein $'000	Total $'000
Projects					
- De Wittekrans	-	42	-	-	42
- Lieden	-	302	-	-	302
- Mooifontein	-	26	-	-	26
-Vaalbank	-	65	-	-	65
Total Projects	-	434	-	-	435
Operational					
- Vlakvarkfontein	-	-	-	438	438
- Penumbra	3,474	-	-	-	3,474
- Computer equipment	-	-	8	-	8
Total Operational	3,474	-	8	438	3,920
Total Commitments	**3,474**	**434**	**8**	**438**	**4,355**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 27: Capital, Leasing and Other Commitments (Cont'd)

2013 Capital expenditure commitments

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 27: Capital, Leasing and Other Commitments (cont'd)

b) Operating lease commitments

	Consolidated	
	2014 $'000	**2013 $'000**
Operating lease payments		
Premises: Contractual amounts	713	-
Wash Plant: Contractual amounts	6,000	3,573
	6,713	**3,573**
Estimated operating lease payments for the following periods are:		
Year 1	2,894	3,062
Year 2 - 5	3,765	511
After 5 years	54	-
	6,713	**3,573**

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

The estimated operating premises lease payments for future periods are determined by using an average escalation of 9% for each year's projection.

Included in the lease commitment for the group is the lease of the wash plant from Fraser Alexander Mineral Processing where the agreement commenced on 1 September 2009 for a period of 96 months (ends August 2017). The monthly payments are dependent on the capacity processed by the plant each month. The lease commitments have therefore been based on the following table and the current capacity of 70 000 tons per month:

Capacity (Tons)	Variable cost (ZAR)	Fixed cost (ZAR)	Lease payment (ZAR)
27 500	6.07	1 330 700	1 497 625
70 000	6.07	1 435 500	1 860 400
118 000	6.07	1 592 646	2 308 906
150 000	6.07	1 731 600	2 642 100

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

c) Other commitments

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

During the current year, the terms were renegotiated and deliveries of coal commenced during October 2013 and repayment was extended from 22 to 39 months as follows:

Year end	Contracted sales volume per ton	Contracted sales price per ton (ZAR)	Actual deliveries	Outstanding deliveries
2014	195 000	R585	49 247	145 753
2015	300 000	R585	-	300 000
2016	12 743	R585	-	12 743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Should the Group not be able to provide the appropriate quantities at maturity, then a mark to market cash settlement would need to be paid. Continental Coal Ltd (South Africa) were unable to meet their commitments under this agreement and is therefore in default of the EDF 585 coal supply agreement which required the recognition of the onerous contract at the mark-to-market cash settlement amount.

Note 28: Contingent Liabilities

- A royalty equivalent to 2% of all sales of coal produced from the Project X, Vaalbank, Lemoenfontein, Witbank and Loskop projects is payable to the facilitator of the acquisition of Continental Coal Ltd.
- A royalty is payable by the subsidiary Continental Coal Limited in South Africa of between Rand 0.15 and Rand 3.00 per tonne of coal sold from the Mashala acquisition producing mines.
- A market related monthly royalty on each tonne of run-of-mine coal mined from the C-lower, C-upper, and B-lower coal seams is payable in respect of the acquisition of the Prospecting Right comprising Portion 25 of the farm Witbank 262 IT.
- As disclosed at Notes 27c, the Group has entered into a Coal Supply Agreement with EDF Trading. Should the Group not produce the required volumes of coal to deliver EDF monthly in accordance with the amortisation schedule, the Group may be required to buy in coal to fulfil its obligations under the Coal Supply Agreement.
- The Group has received a claim from the liquidators of a former mining service provider in the amount of ZAR 9,371,000 (AUD $936,632) in relation to services that the provider is alleging were rendered to the Group. The Group has lodged counterclaims totalling ZAR 58,306,288 (AUD $5,827,714) on the basis of the service provider's non-compliance with the mining agreement. At the date of this report, it is uncertain what amount, if any, the Group may be obligated to pay or entitled to receive.
- The Group entered into legal proceedings with Crede CG II Ltd (Crede) during the year relating to a 2011 finance agreement whereby Crede subscribed for shares and options in the Company. Crede is claiming the ability to surrender the options in the Company it received as part of the financing for cash. Crede calculated the value of these options to be $3.7 million. The Company is defending this claim on various grounds and the ultimate outcome of this matter remains uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 29: 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:

2014	Coal SA	Coal Botswana	Corporate Costs	Consolidated
	$'000	$'000	$'000	$'000
Total segment revenue and other income	71,922	-	964	72,886
Segment gross profit	2,307	-	-	2,307
Adjusted EBITDA	5,302	-	(4,489)	813
Depreciation	8,214	-	-	8,214
Impairment	2,208	-	-	2,208
Onerous contract	10,845	-	-	10,845
Total segment assets at 30 June 2014	144,479	1,263	4,159	149,899
Total segment liabilities at 30 June 2014	166,605	-	50,397	157,003

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

(i) **Adjusted EBITDA**

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

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

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

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Adjusted EBITDA	813	(3,524)
Interest revenue	684	502
Finance costs	(26,939)	(13,888)
Depreciation	(8,214)	(4,406)
Impairment	(2,208)	(28,126)
Loss before income tax from continuing operations	(35,864)	(49,442)

Note 30: Cash Flow Information

	Consolidated	
	2014	**2013**
	$'000	**$'000**
(a) Reconciliation of Cash Flow from Operations with loss after Income Tax		
Loss after income tax	(34,526)	(49,488)
Non-cash flows in profit		
Depreciation	8,422	4,406
Impairment	2,208	28,126
Reversal of previous impairments	-	-
Net loss/(gain) on sale of assets	2	-
Share based payment expenses	20	592
Foreign exchange differences	1,422	1,576
Assets written off	-	-
Gain on fair value of derivative financial instruments	-	(777)
Net loss on debt settlement	-	507
Investing & financing expenses		
Borrowing costs	15,197	13,265
Decrease/(increase) in trade and other receivables	1,064	2,120
Decrease/(increase) in inventory	3,180	(701)
Decrease/(increase) in deferred tax assets	657	(676)
(Decrease)/increase in trade and other payables	(2,783)	(3,484)
(Decrease)/increase in provisions	8,801	1,068
(Decrease)/increase in deferred revenue	-	(3,577)
Increase in current income tax payable	(532)	590
Decrease in deferred tax liabilities	(1,370)	(3,829)
Cash (outflow)/inflow from operating activities	1,762	(10,282)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(b) Non-cash financing and investing activities
Non-cash financing and investing activities have been disclosed in Note 31.

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

Note 31: Share-based Payments

The following share-based payment transactions occurred during the year ended 30 June 2014:

Quantity	Security	Value $'000	Purpose
1,000,000	Fully paid ordinary shares	20	Director incentive shares issued (iv)
		20	*Total director related share based payments*

Total share based payment expense recognised in the Consolidated Income Statement for the year ended 30 June 2014 is $20,000.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 31: Share-based Payments (cont'd)

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 31: Share-based Payments (cont'd)

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

	2014		2013	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	72,947,133	0.543	57,947,133	0.556
Granted	-	-	15,000,000	0.060
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(11,000,000)	0.750	-	-
Outstanding at year end	61,947,133	0.506	72,947,133	0.543
Exercisable at year end	61,947,133	0.506	72,947,133	0.543

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

Grant date	Expiry date	No. of Options Granted	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility annualised	Risk free interest rate	Dividend yield
15/03/2013	15/05/2016	15,000,000	$0.0321	$0.06	$0.049	110%	3.00%	-

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

There were no shares issued on the exercise of options during the year ended 30 June 2014 (2013: nil)

The weighted average remaining contractual life of options outstanding at the end of the year was 1.50 years (2013: 3.40 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 32: Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years except as follows:-

- The Group announced a fully underwritten non-renounceable rights issue to raise approximately A$35.1m by way of the issue of up to 7,035,234,408 new shares at an offer price of $0.005 per new share.
- A general meeting of shareholders was held on 25 September 2014 to approve the fully underwritten non-renounceable rights issue. Valid acceptances have been received from shareholders to subscribe for new shares to the value of $3,206,562 (641,312,422 new shares) representing a take-up of approximately 10%.
- Notification of breach was received from ABSA Capital Limited in respect of the Completion test and EDF Trading Limited in respect of the Finance Loan Agreement. Negotiations to restructure the loans with ABSA Capital Limited and EDF Trading Limited are still in initial stages.
- The Group has obtained a further extension to the standstill arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 33: Related Party Transactions

a) Parent entities

The parent entity within the Group is Continental Coal Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 13.

(c) Key management personnel

	Consolidated	
	2014 $'000	2013 $'000
Summary of Key Management Personnel Compensation		
Short-term employee benefits	1,886	2,204
Post-employment benefits	69	146
Share-based payments	20	163
Termination benefits	491	-
	2,466	2,513

(d) Other transactions with key management personnel

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

	Consolidated	
	2014 $	2013 $
Consulting fees paid or payable to Okap Ventures Pty Ltd, a company of which Mr Landau is a director, for the provision of strategic and corporate advisory, capital raising, company secretarial, financial management, investor and public relations and associated services in fully serviced offices in both Perth and London	343,000	721,000
Amounts paid to Okap Ventures Pty Ltd for reimbursement of travel and meeting expenses	1,373,000	-
Fees paid to Okap Ventures Pty Ltd for services performed in relation to the rights issue and assistance with the annual report	104,494	-
Standstill fee paid to Okap in relation to Standstill agreement	51,613	-
Amounts payable at year end to related parties:		
Okap Ventures Pty Ltd	590	519
Doull Holdings Pty Ltd	57	152
Scooby Holdings Pty Ltd	13	101
James Leahy	9	46
Connie Molusi	58	-
Mike Kilbride	79	-
Johan Bloemsma	42	-
B Swanepoel	32	-
R Chamberlain	31	-
Paul D'Sylva	19	-
Lars	37	-
L Van Vurren	54	-
D Turvey	143	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 33: Related Party Transactions (cont'd)

(e) Loans from other related parties

During the 2012 year and as disclosed at note 8, as part of the transaction to secure SIOC-cdt as the Group's BEE partner the Group transferred ZAR 75,000,000 (approximately AUD $9,180,000) of its intercompany loan balance to the new BEE Partner SIOC-cdt, a company of which Connie Molusi is a director. The effect of this transfer was to increase the Group's external receivables and borrowings by the same amount. The receivable balance bears interest at 3% per annum and has no set date of repayment. Total interest and foreign exchange movements of $ 545,802 in relation to the loan were recognised in the consolidated income statement. A net expense of $1,462,510 (2013: $838,000) in relation to this loan is recorded within other reserves within equity as it relates to a transaction with a non-controlling interest (see note 14).

During the 2012 year SIOC-cdt, the Group's BEE Partner and a company of which Connie Molusi is a director, advanced the Group ZAR 140,000,000 (approximately AUD $16,663,000). Since December 2012, the loan does not bear any interest and is repayable as and when the company has the necessary cash available having regard to the foreseeable cash flow requirements of the company with reference to its budgeted expenditure requirements. Total foreign exchange movement of $4,170,000 in relation to the loan was recognised within other reserves within equity.

Note 34: Parent Entity Information

The following details information related to the parent entity Continental Coal Limited, at 30 June 2014. The information presented here has been prepared in accordance using consistent accounting policies as presented in Note 1.

	2014 $'000	2013 $'000
Current assets	146	6,749
Non-current assets	46,694	128,480
Total assets	46,840	135,229
Current liabilities	47,850	24,176
Non-current liabilities	6,094	12,450
Total liabilities	53,944	36,626
Contributed equity	236,733	236,032
Accumulated losses	(271,206)	(163,336)
Share based payment reserve	31,499	31,499
Other reserve	(4,130)	(5,592)
Total equity	(7,104)	98,603
Loss for the year	(107,870)	(17,589)
Total comprehensive loss for the year	(107,870)	(17,589)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 35: Financial Risk Management

This note presents information about the Group's exposure to credit, liquidity and market risks; their objectives, policies and processes for measuring and managing risk; and the management of capital (refer note 25e). Further quantitative disclosures are included throughout this financial report.

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

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

The Group's derivative financial instruments consist of a forward rand coal swap, an interest rate swap, and other derivatives arising from convertible notes issued by the Group. The forward rand coal swap and interest rate swaps have been implemented to mitigate the impact a decrease in coal prices and/or an increase in interest rates may have on the Group's cashflows. Further details of the Group's derivative financial instruments can be found at note 12. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

	Consolidated	
	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	3,619	4,496
Trade and other receivables	8,048	10,725
Other assets	2,411	1,658
Derivative financial instruments	7,047	2,400
	21,125	19,279
Financial liabilities		
Trade and other payables	10,713	12,459
Borrowings	92,323	70,672
Derivative financial instruments	80	228
Other financial liabilities	10,688	10,617
	113,804	93,976

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

(a) Market Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 35: Financial Risk Management (continued)

(i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand (ZAR) and the United States Dollar (US$).

Foreign exchange risk arises from the Group's exposure to coal prices that are globally denominated in US$. As disclosed at note 12, the Group has implemented a forward rand coal swap to protect the Group against an unfavourable movement in the ZAR:USD exchange rate. The forward rand coal swap is treated as a cash flow hedge and measured at fair value.

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

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

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

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

	Consolidated			
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	ZAR '000	ZAR '000	US$ '000	US$ '000
Cash and cash equivalents	-	-	-	-
Receivables	75,000	75,000	-	-
Borrowings	-	-	14,455	10,164
Trade payables	-	-	-	-
Other payables	-	-	-	-
Other financial liabilities	-	-	10,089	9,696
	75,000	75,000	24,544	19,860

Sensitivity Analysis

A 10 percent strengthening of the Australian Dollar against the following currencies at 30 June 2014 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013. 10 percent is management's assessment of the possible change in foreign exchange rates based on historical information.

	Equity		Profit or Loss	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Consolidated				
ZAR	-	-	(750)	(829)
US$	-	-	(2,600)	(2,172)
	-	-	(3,350)	(3,001)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

A 10 percent weakening of the Australian Dollar against the above currency at 30 June 2014 would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Note 35: Financial Risk Management (continued)

(ii) Commodity Price Risk

Commodity price risk is the risk that fluctuations in the price of coal will have an adverse effect on current or future earnings. The Group may use financial instruments to hedge some of its exposure to fluctuations in coal prices. In order to protect against a sustained fall in US$ coal prices, the Group enters into hedging transactions which provide a minimum price to cover non-discretionary operating expenses, repayments due under the Group's financing facilities, and sustaining capital.

The Group has implemented a forward rand coal swap upon the conclusion of the ABSA financing agreement as disclosed in note 12. The forward rand coal swap is treated as a cash flow hedge and measured at fair value.

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

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

(iii) Equity Price Risk

The Group is exposed to equity price risk on its derivative liabilities disclosed in note 12. The liabilities fluctuate with the Group's underlying share price until either the convertible notes are repaid by the Group or the option holder converts.

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

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

	Profit or loss	
	2014	**2013**
	$'000	**$'000**
Derivative financial instruments	80	228
	80	228

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 35: Financial Risk Management (continued)

(iv) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through:

- Receipt of interest at variable rates on interest bearing bank accounts;
- Payment of interest at variable rates on its Penumbra project finance facility with ABSA Capital.

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

To minimise its exposure to increasing interest rates, the Group has implemented an interest rate swap in relation to approximately 50% of the amounts drawn down on the Penumbra project finance facility provided by ABSA Capital. Further details can be found at note 12.

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

	2014		2013	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	10.8%	26,842	6.49%	26,017
Related party loan from SIOC	-	-	8.5%	26,856
Interest rate swaps (notional principal amount)	6.81%	(2,279)	6.81%	(11,302)
Net exposure to cash flow interest rate risk		24,563		41,571

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

Cash flow sensitivity analysis for variable rate investments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
	2014 $'000	2013 $'000
Consolidated		
Cash - variable rate instruments	-	-
Borrowings – variable rate loan	(138)	(326)
	(138)	(326)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 35: Financial Risk Management (cont'd)

Financial Instrument Composition and Maturity Analysis

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Maturing		Non-interest bearing		Total	
	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial Assets:										
Cash and cash equivalents	0.01%	1.27%	3,620	4,496		-	-	-	3,620	4,496
Receivables	0.001%	0.83%		-	3,936	2,981	4,112	7,774	8,048	10,725
Other financial assets		-	-	-	-	-	2,411	1,658	2,411	1,658
Derivative financial instruments		-	-	-	-	-	7,047	2,400	7,047	2,400
Total Financial Assets			**3,620**	**4,496**	**3,936**	**2,981**	**13,570**	**11,832**	**21,125**	**19,279**
Financial Liabilities:										
Trade and other payables		-	-	-	-	-	10,713	12,459	10,713	12,459
Borrowings		6.39%	26,842	39,373	34,868	30,059	30,613	257	92,323	69,689
Derivative financial instruments		-	-	-	-	-	80	228	80	228
Other financial liabilities		-		-	-	-	10,688	10,617	10,688	10,617
Total Financial Liabilities			**26,842**	**39,373**	**34,868**	**30,059**	**52,095**	**23,561**	**113,804**	**92,993**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 35: Financial Risk Management (cont'd)

(b) Credit risk

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

Cash and cash equivalents

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

	2014 $'000	2013 $'000
Counterparties with external credit ratings:		
BBB	3,619	4,496
	3,619	4,496

Trade and other receivables

Trade and other receivables as at the statement of financial position date include short term loans to be refunded to the Group. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. As disclosed at note 8, the Group has past due but not impaired receivables in the amount of $17,000 (2013: $18,000). The Group considers its exposure to credit risk on trade receivables immaterial based on the balance of past due but not impaired receivables.

(c) Liquidity Risk Management

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

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

Note 35: Financial Risk Management (cont'd)

The following are the contractual maturities of financial liabilities:

2014	Carrying amount $'000	Principle & Interest $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Total $'000
Consolidated							
Trade and other payables	10,713	10,713	10,713	-	-	-	10,713
Borrowings	92,323	94,972	72,119	31	106	22,686	94,972
Other financial liabilities	10,688	10,688	4,041	553	1,783	4,311	10,688

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

(d) Fair value measurements

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

AASB 13 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 35: Financial Risk Management (cont'd)

2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward rand coal swap	-	7,047	-	7,047
Interest rate swap	-	-	-	-
Total assets	-	7,047	-	7,047
Liabilities				
Convertible note derivative liabilities	-	49	-	49
Option and share repricing derivative liability	-	31	-	31
Total liabilities	-	80	-	80

2013

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

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

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

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 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 36: New Accounting Standards and Interpretations

Australian Accounting Standards/Amendments Released But Not Yet Effective: 30 June 2014 Year End

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014. The group's assessment of the impact of these new standards and interpretations are set out below. In all cases the entity intends to apply these standards from the date of application as indicated below.

AASB Reference	Title and Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.
AASB 2013-3 (issued June 2013)	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.	Annual reporting periods beginning on or after 1 January 2014	As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 37: Group Details

The registered office of the Group is:

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

The principal place of business is:

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

DIRECTORS DECLARATION

The directors of the Group declare that:

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

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

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.

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

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

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

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

Peter Landau
Executive Director

30 September 2014

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Continental Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Continental Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Continental Coal Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the successful capital raising from the rights issue, additional funds being raised through equity issues, the repayment or renegotiation of existing credit and debt facilities of the Group, the negotiation of new debt facilities, the Group generating profitable operations with positive cash flows, and/or the realisation of assets at amounts greater than their carry values. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Continental Coal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 30 September 2014

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

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

1. Scope and Responsibility of the Board of Directors

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

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

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

a) overseeing the Company, including its control and accountability systems;
b) appointing the Chief Executive Officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the Chief Executive Officer, or equivalent;
c) ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer and the Company Secretary;
d) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
e) reviewing the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
g) reviewing senior management's implementation of systems for managing material business risk including the making of additional enquiries and requesting assurances regarding the management of material business risk, as appropriate;
h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
i) ensuring appropriate resources are available to senior management;
j) delegating authority to board committees and executive management;
k) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
l) monitoring the financial performance of the Company;
m) approval and presenting of annual financial statements, interim reports and related disclosure requirements;
n) approving the Company strategy and annual budget and monitoring its implementation;
o) ensuring the integrity of the Company's financial (with the assistance of the Audit and Risk Management Committee, if applicable) and other reporting through approval and monitoring;
p) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
q) appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Management Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company;
r) engaging with the Company's external auditors and Audit and Risk Management Committee.

s) ensuring that the Company is a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;
t) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
u) making regular assessment of whether each non-executive director is independent in accordance with the Company's Policy on Assessing the Independence of Directors; and
v) facilitating Board performance reviews.

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

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

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

The Interim Board of Directors suspended all the committees upon their appointment on 13 February 2014 with the view that these functions could be efficiently performed with full board participation until the company has been recapitalised and stabilised.

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

2. Corporate Governance Guidelines and Best Practice Recommendations

The Board has assessed the Group's practice against the Australian Securities Exchange Corporate Governance Council's *'Corporate Governance Principles and Recommendations'* ("ASX Guidelines"). As explained in detail below, the Group has complied with all material aspects of the ASX Guidelines throughout the 2014 financial year.

Principle 1 – Lay solid foundations for management and oversight

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

Principle 2 – Structure the Board to add value

The Board currently comprises 2 executive directors and 2 non-executive directors.

The Board reviews its composition from time to time to ensure its members have an appropriate mix of skills and experience to enable the Group to achieve its strategic objectives. The Remuneration & Nomination Committee reviews the performance of directors and key management on an annual basis.

Principle 3 – Promote ethical and responsible decision making

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

The Code of Conduct provides sets out the principles and standards which the Board, management and employees of the Company are expected to apply when dealing with each other, shareholders, other stakeholders and the broader community. The Group recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Group's success is the quality, diversity, and skills of its people. Under the Group's Code of Conduct, employees must not harass, discriminate, or support others who harass and discriminate against colleagues or members of the public on the grounds of gender, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, or sexual preferences. The Group has established a Diversity Policy, and was pleased to have two women in senior executive positions during the 2014 year (Ms Jane Flegg as Company Secretary and Ms Rachel Hebron as Director and CFO of the South African subsidiary).

Principle 4 – Safeguard integrity in financial reporting

The Group has established the Audit & Risk Committee to focus on issues relevant to the integrity of the Group's financial reporting. Currently The Audit & Risk Committee responsibilities are being undertaken by the Board as a whole until the company has been recapitalised and stabilised. The Group is of the opinion that the input of the CEO and CFO is imperative in ensuring that any operational matters impacting the financial position of the Group are identified, appropriately reflected in the Group's accounting records, and disclosed if appropriate.

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

Principle 5 – Make timely and balanced disclosure

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

Principle 6 – Respect the rights of shareholders

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

Principle 7 – Recognise and manage risk

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

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

Principle 8 – Remunerate fairly responsible

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

Additional information on the remuneration of the Group's Key Management Personnel is set out in the Remuneration Report on pages 18 - 29. As required by the *Corporations Act 2001*, a resolution that the Remuneration Report be adopted will be put to the vote at the Company's Annual General Meeting; the vote will be advisory only and will not bind the directors of the Company.

3. Share Trading Policy

As required by Listing Rule 12.12, the Board has adopted a policy in relation to dealings in the securities of the Group which applies to all directors, officers and employees. Under the policy, the directors, officers and employees are prohibited from dealing in the Group's securities whilst in possession of price sensitive information and also prohibited from short term or "active" trading in the Group's securities. The directors, officers and employees should also prevent dealing in the Group's securities during specific blackout periods. The Company Secretary or CEO must be notified upon a trade occurring.

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

Shareholdings

The issued capital of the Company as at 29 September 2014 is 785,692,712 ordinary fully paid shares. There are 65,679,134 listed options ($0.50, 30 June 2015).

Ordinary Shares at 29 September 2014	No. of Holders	No. of Shares
1 - 1,000	350	204,384
1,001 - 5,000	1,029	3,158,978
5,001 – 10,000	1,154	10,330,479
10,001 - 100,000	3,501	119,842,109
100,001 – 9,999,999,999	722	648,156,762
	6,756	**781,692,712**
Number holding less than a marketable parcel	4,220	41,558,381

Options ($0.50, 30 June 2015) at 29 September 2014	No. of Holders	No. of Options
1 - 1,000	7	6,070
1,001 - 5,000	44	160,693
5,001 – 10,000	61	536,018
10,001 - 100,000	215	8,853,403
100,001 and over	130	56,122,950
	457	65,679,134
Number holding less than a marketable parcel	413	24,597,948

	Top 20 Shareholders as at 29 September 2014	No. of Shares Held	% Held
1.	VAXOMODE (PTY) LTD	111,752,818	14.3
2.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	76,302,250	9.76
3.	CHIMAERA CAPITAL LIMITED	76,000,000	9.72
4.	CITICORP NOMINEES PTY LIMITED	29,628,125	3.79
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,541,328	2.37
6.	MR WILLI MARMULLA + MRS BETTY MARMULLA	16,000,000	2.05
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED	14,960,766	1.91
8.	SATORI INTERNATIONAL PTY LTD <SATORI S/F A/C>	10,000,000	1.28
9.	PERPETUAL CAPITAL INVESTMENTS PTY LTD	7,607,884	0.97
10.	FANCHEL PTY LTD	7,600,000	0.97
11.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	5,931,878	0.76
12.	ARMCO BARRIERS PTY LTD	5,000,000	0.64
13.	MOJELI PTY LTD <MOJELI PTY LTD S/F A/C>	4,305,087	0.55
14.	MR RICHARD DAVID SIMPSON	3,846,130	0.49
15.	MR DAVID BRUCE PAUL	3,155,651	0.4
16.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	3,152,522	0.4
17.	HNC PTY LTD <THE SAGGERS SUPER FUND A/C>	2,802,025	0.36
18.	SASH MB HOLDINGS PTY LTD <SUPER FUND A/C>	2,750,000	0.35
19.	MR RAYMOND MATTHEW SCIBERRAS	2,600,000	0.33
20.	MR NICHOLAS PAUL BURGESS	2,546,965	0.33
	Top 20 holders	**404,483,429**	**51.74**
	Total Remaining Holders Balance	**377,209,283**	**48.26**

ASX ADDITIONAL INFORMATION

Top 20 Option Holders ($0.50, 30 June 2014) as at 29 September 2014		No. of Options Held	% Held
1.	MRS GINA CLARE FIALLA	6,000,000	9.14
2.	MR MICHAEL GARDNER PERCY	4,811,415	7.33
3.	MRS DANIA PERCY	4,591,674	6.99
4.	MRS MILLY ELKINGTON	2,839,000	4.32
5.	MRS JACQUI ROBERTS	1,589,900	2.42
6.	MR NEVILLE HINRICHSEN + MRS ANNETTE HINRICHSEN	1,580,542	2.41
7.	MRS DEBORAH LOUISE WHITECHURCH	1,328,500	2.02
8.	MR DANIEL RICHARDSON	1,317,357	2.01
9.	BLADES AUSTRALIA PTY LTD	1,173,063	1.79
10.	MR RONALD JAMES SCOTT	960,200	1.46
11.	MR SEFIK PANDZO + MRS ADISA PANDZO <ZOPAN FAMILY A/C>	916,153	1.39
12.	MR BRUCE HODGENS + MRS BARBARA SUSAN HODGENS	800,000	1.22
13.	BMB INDUSTRIES PTY LTD <B M BASSER FAMILY ACCOUNT>	750,000	1.14
14.	MRS KRISTIN EILEEN FRANCO	700,000	1.07
15.	NAH SUPERANNUATION PTY LTD <NAH SUPERANNUATION FUND A/C>	617,000	0.94
16.	EFFILON PTY LTD	600,000	0.91
17.	MRS SHERYL LEE IRESON <MERLEY FAMILY A/C>	537,994	0.82
18.	MR RENATO PAGCU	528,037	0.80
19.	ATTADALE WOOL COMPANY PTY LTD	500,000	0.76
20.	BEIRA PTY LTD <FRED BLACK SUPER FUND A/C>	500,000	0.76
Top 20 holders		**32,640,835**	**49.70**
Total Remaining Holders Balance		**33,038,299**	**50.30**

Substantial Shareholders as at 29 September 2014	No. of Shares Held	% Held
VAXOMODE (PTY) LTD	111,752,818	14.3
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	76,302,250	9.76
CHIMAERA CAPITAL LIMITED	76,000,000	9.72
CITICORP NOMINEES PTY LIMITED	29,628,125	3.79