

6 August 2014

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

By e-lodgement

FINANCING UPDATE – UNDERWRITTEN RIGHTS ISSUE TO RAISE A\$35.1M

Key points:

- Non-renounceable pro-rata rights issue to raise circa A\$35.1m at an offer price of A\$0.005 per new share (“Offer”)
- The Offer will be fully underwritten with an underwriting agreement to be executed prior to lodgement of a prospectus in respect of the Offer (“Prospectus”)
- The Offer has received strong support from institutional and sophisticated investors in Australia, Europe and South Africa as well as a number of commodity trading groups and specialist coal mining investment funds
- A priority sub-underwriting agreement in respect of \$25m of any shortfall under the Offer (“Shortfall”) has been executed and general sub-underwriting agreements for an additional \$10.1m of the Shortfall also having been executed
- Proceeds from the Offer will be primarily used by the Company to:
 - repay unsecured convertible noteholders, 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.
- Fund raising will allow the Company to complete its planned recapitalisation and restructure of the Company’s balance sheet, substantially reducing the total indebtedness of the Company and its subsidiaries (“Group”)
- The Offer is being completed after reaching standstill agreements with key unsecured convertible note and royalty holders and advanced negotiations of its Coal Supply Agreement with EDF Trading and with ABSA Bank (in respect to the debt financing for the Penumbra Coal Mine) being ongoing and productive
- The Company anticipates that its securities will resume trading on both the ASX and AIM markets by the end of September 2014 following completion of the underwritten rights issue

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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

Continental Coal Limited (ASX:CCC / AIM:COOL) (“**Continental**” or “**the Company**”) the South African thermal coal mining company is pleased to provide an update on its recapitalisation and restructuring of the Company’s finances and announce a non-renounceable rights issue to raise approx. A\$35.1m (“**Rights Issue**”). The Rights Issue will be fully underwritten with an underwriting agreement to be executed prior to lodgement of the Prospectus. The proceeds will be used to repay Group borrowings and provide funds towards the development of the Company’s advanced thermal coal mining projects in South Africa.

Rights Issue

The non-renounceable Offer will be made to shareholders on a nine for one basis at the issue price of A\$0.005 to raise \$35.1m. The Rights Issue is subject to shareholder approval as a condition of the ASX granting the Company certain waivers to proceed with the offer and the Notice of Meeting will be despatched in due course.

The Company is very pleased with the strong demand received from Australian, European and South African institutional and sophisticated investors as well as a number of global commodity trading groups and specialist coal mining investment funds. The Company believes that the level of demand reflects the underlying value of the Company’s thermal coal mining operations and development assets in South Africa.

Patersons Securities Limited have been appointed Corporate Adviser to the Company in respect of the Offer. Further information on the underwriting and sub-underwriting arrangements will be set out in the Prospectus.

The Prospectus will be lodged with the ASX (and announced on AIM) on or about 15 August 2014 and will be sent to eligible shareholders together with a personalised entitlement and acceptance form on that date. A copy of the Prospectus will also be available for review on the ASX website (www.asx.com.au) and on the Company’s website (www.conticoal.com) after it is lodged with ASX.

The net proceeds of the offer, will be used to repay the Company’s unsecured convertible noteholders; repay short term loans and royalty holders; repay bridging finance secured in 2014, reduce the Group’s other borrowings; provide funds towards the development of the Company’s advanced coal mining projects including the De Wittekrans Coal Project; and provide additional working capital.

The Directors of the Company are extremely pleased that after several months of discussions and negotiations with its unsecured convertible noteholders, loan and royalty holders and other major debt providers that it has been able to advance its recapitalisation and restructure of the Company’s balance sheet. Through the proposed Rights Issue, the Company will be able to substantially reduce the Group’s total indebtedness and reposition the Company for sustainable growth and thermal coal production and sales in South Africa. Negotiations of the Coal Supply Agreement with EDF Trading and ABSA Bank (in respect to the debt financing for the Penumbra Coal Mine) are ongoing and are expected to be finalised before completion of the Rights Issue.

Summary

The Company has successfully arranged a fully underwritten non-renounceable pro-rata rights issue to raise approx. A\$35.1m that will allow the Company to recapitalise its balance sheet.

The offer will be fully underwritten and has received very strong support from institutional and sophisticated investors in Australia, Europe and South Africa as well as a number of commodity trading groups and specialist coal mining investment funds.

In conjunction with the Rights Issue the Company has reached agreement with key unsecured convertible note, royalty holders and bridge financiers to repay in amounts outstanding on a reduced basis. It has further negotiated a restructure of its EDF Trading Coal Supply Agreement.

The net effect of this will be the substantial recapitalisation and restructure of the Company's balance sheet, which will substantially reduce the Group's total indebtedness.

The Company is further advanced in discussions with both EDF and ABSA Bank in respect to a restructuring of the debt funding facilities for the Coal Supply Agreement and the Penumbra Coal Mine, that if completed will further improve the Company's balance sheet and financial position. Full particulars of the current EDF and ABSA arrangements will be set out in the Prospectus.

As a result of this recapitalisation, the Company anticipates that its securities will resume trading on both the ASX and AIM markets by the end of September 2014 following completion of the underwritten rights issue.

For and on behalf of the Board



Peter Landau
Executive Director

For further information please contact:

Investors / Shareholders

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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

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the coal mining industry, expectations regarding coal prices, production, cash costs and other operating results, growth prospects and the outlook of Continental's operations including the likely commencement of commercial operations at De Wittekrans, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding the Company's development and exploration operations, economic performance and financial condition.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in coal prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to the Company's most recent annual report and half year report. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.