



Continental Coal Ltd

ABN 13 009 125 651 ASX Code CCC AIM Code COOL

29 January 2014

ASX Limited – Perth Office
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Perth WA 6000

CONTINENTAL COAL EXECUTES BINDING TERM SHEET FOR \$5 MILLION OF LIMITED RECOURSE BRIDGE FUNDING

Continental Coal Limited (ASX: CCC; AIM: COOL) ("the Company") announces that it has executed a binding term sheet with UK corporate advisory firm, Empire Equity Limited ("Empire Equity"), to provide \$5 million ("Investment Amount") of limited recourse bridge funding. The funds raised will be applied towards general operating expenses and payments to creditors of the Company that do not otherwise agree to standstill agreements, allowing the Company to continue trading as a going concern while it continues to seek to undertake a broader recapitalisation and restructure of the Company and its financial arrangements.

Subject to finalising definitive documentation, Empire Equity and/or its nominees (the "Investors") will invest 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 post closing. The Investors have also undertaken to assist the Company in undertaking a rights issue currently proposed to raise up to A\$28 million at an offering price of A\$0.01 per share (terms to be finally determined by the Company and the underwriter engaged), including procuring underwriting of the rights issue, with proceeds to be used to settle amounts owed by the Company to various existing convertible note holders and other major creditors. The Notes are only redeemable upon successful completion of the rights offer, being full subscription including underwriter subscriptions, upon which the Investors will have the option to redeem the Notes by either conversion into shares in the Company (subject to obtaining necessary shareholder approvals) at a conversion price equal to the rights offering price or request payment of the A\$7.5 million face value in cash. The Investors are also required to procure standstill agreements for 90 days from convertible note holders and other major creditors of the Company to allow for the completion of the rights offering or other 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. Each option will be exercisable at the rights offering price with 3 years to expiry. In the event that shareholder approval is not obtained to deliver the options, \$500,000 in cash will become payable to the Investors in lieu of the options. 100 million shares will also be issued to a settlement agent and held in escrow as collateral, either to be sold in the event of default with proceeds to be paid to the Investors, or if no default occurs, transferred to applicants under the rights issue.

Proposed Board and Management changes

A condition to providing the funding is the resignation or termination of the CEO, CFO and non executive directors Mike Kilbride and Johan Bloemsma on closing. To join the Board on closing of the transaction and subject to any required regulatory approvals are:

- Peter Landau, who is a former executive director of the Company, having resigned in May 2013. It is also noted that companies of which Mr Landau is a director or major shareholder are significant trade creditors or the Company, being owed approximately \$2.8 million;
- Paul D'Sylva, who is the Venture Partner of Empire Equity;
- Mike Gibson, who is currently the CEO of Genet South Africa, a mineral resources and mining service company; and
- a nominee from the creditors group.

Further details on the proposed new directors, including information required under the AIM rules for

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Independent Non-Executive Chairman Mike Kilbride Chief Executive Officer Don Turvey Chief Financial Officer Lou van Vuuren
Non-Executive Directors: Johan Bloemsma Ron Chamberlain Connie Molusi Bernard Swanepoel

companies, will be provided on or prior to their appointment.

The management structure of the Company will be finalized after closing of the funding and further consideration by the new board.

ASX and AIM Share Trading Suspensions

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

Indicative timing

Closing is currently expected to take place with the delivery of the Investment Amount in cleared funds by Wednesday 29 January 2014 to a settlement/escrow agent who is to ensure payment to various trade creditors. The remaining funds will be deposited into the operating bank account of the Company to fund on-going operating expenses while it completes the proposed rights offering.

For and behalf of the Board



Don Turvey

Chief Executive Officer

For further information please contact:

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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 three operating mines, the Vlakvarkfontein, Ferreira and Penumbra Coal Mines, producing approx. 2.2Mtpa of thermal coal for the export and domestic markets. A Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project.

Forward Looking Statement

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