

26 August 2014

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

*Via E Lodgement*

### **Notice of General Meeting**

Continental Coal Limited ("**Continental**" or "**the Company**") is holding a General Meeting of Shareholders on Wednesday 24 September 2014.

Please see attached Notice of General Meeting as despatched to shareholders together with a personalised proxy form.

For and behalf of the Board



**Paul D'Sylva**  
**Interim Executive Chairman**

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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

## **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.

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## **CONTINENTAL COAL LIMITED**

**ACN 009 125 651**

### **NOTICE OF GENERAL MEETING**

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**TIME:** 2.00pm (WST)

**DATE:** 24 September 2014

**PLACE:** The University Club of Western Australia  
35 Stirling Highway  
CRAWLEY WA 6009

***This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9488 5220.***

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**CONTENTS PAGE**

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Business of the Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	5
Schedule 1 – Terms of Options	20
Glossary	22
Proxy Form	Attached

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the meeting of the Shareholders to which this Notice of General Meeting relates will be held at 2.00pm (WST) on 24 September 2014 at:

The University Club of Western Australia  
35 Stirling Highway  
CRAWLEY WA 6009

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**YOUR VOTE IS IMPORTANT**

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The business of the Meeting affects your shareholding and your vote is important.

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**VOTING ELIGIBILITY**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 22 September 2014.

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**VOTING IN PERSON**

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To vote in person, attend the Meeting at the time, date and place set out above.

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – APPROVAL OF ENTITLEMENT ISSUE

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*“That, as required by the ASX waiver, and for all other purposes, approval is given for the Company to offer and issue Shares at an issue price of \$0.005 per Share under a non-renounceable pro rata entitlement issue in a ratio of nine (9) Shares for every one (1) Share held on the record date, as set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any substantial Shareholder, any proposed underwriter or sub-underwriter of the Offer, any broker or manager of the Offer and their respective associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – APPROVAL FOR ISSUE OF INVESTOR SHARES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 100,000,000 Shares and 70,000,000 Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 76,000,000 Shares and 36,000,000 Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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DATED: 22 AUGUST 2014

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Paul D'Sylva', written in a cursive style.

PAUL D'SYLVA  
EXECUTIVE CHAIRMAN

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

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### 1. RESOLUTION 1 - APPROVAL OF ENTITLEMENT ISSUE

#### 1.1 General

Resolution 1 seeks Shareholder approval for the Company to undertake a non-renounceable entitlement issue (**Entitlement Issue or Offer**) to raise up to approximately \$35,176,172 (before the costs of the Offer), at an issue price of \$0.005 per Share. The Company is seeking this approval to satisfy a condition of the ASX waiver granted to the Company in relation to the Entitlement Issue (**ASX Waiver**).

ASX Listing Rule 7.11.3 provides that the ratio of securities offered by a listed entity for a pro rata issue must not be greater than one security for each security held, unless the offer is renounceable and the issue price is not more than the average market price for the securities in that class, calculated over the last 5 days on which the sales in securities were recorded before the day on which the pro rata issue was announced.

The Company has obtained the ASX Waiver to allow the Entitlement Issue to be non-renounceable, despite the Offer being at a ratio of greater than one Share for every one Share held at the record date. The ASX Waiver is conditional on Shareholders approving the Entitlement Issue (which approval is sought in this Resolution).

As the Company is currently suspended from trading, it was not able to make the Offer renounceable as it is not possible for Shareholders to trade rights that would be issued under a renounceable offer. As such, the Offer is being made on a non-renounceable basis.

#### 1.2 Offer Terms

The Company proposes to conduct the Entitlement Issue to raise up to approximately \$35,176,172 (before the costs of the Offer), at an issue price of \$0.005 per Share. Eligible shareholders may subscribe for nine new Shares for every one existing Share held as at the record date.

The terms of the Entitlement Issue will be contained in a prospectus to be lodged with ASIC and ASX shortly after the date of this Notice (**Prospectus**). The Offer under the Prospectus will be conditional on Shareholders approving the Entitlement Issue under this Resolution. If Shareholders do not approve the Resolution, the Company will not be able to proceed with the Entitlement Issue as intended.

The proposed use of funds raised pursuant to the Offer is as follows:

Proposed application of funds	\$
Repayment of existing Company debt to convertible noteholders, lenders and royalty holders pursuant to a Standstill and Forbearance Deed <sup>1</sup>	18,560,738
Payment of bridging loan to financiers of the Company <sup>2</sup>	7,500,000



Payments to existing creditors of the Company	724,376
Repayment of debt to EDF pursuant to Finance Agreement	2,500,000
Working Capital	2,373,441
Costs of the Offer	3,517,617
<b>Estimated Total</b>	<b>35,176,172</b>

**Notes:**

- <sup>1</sup> It is intended that these repayments will be satisfied through the issue of 671,087,460 Shares of shortfall under the Entitlement Issue (to the value of \$3,355,437) and a cash payment of \$15,083,144 to the convertible noteholders and royalty holders of the Company.
- <sup>2</sup> It is intended that these repayments will be satisfied through the issue of 800,000,000 Shares of shortfall under the Entitlement Issue (to the value of \$4,000,000) and a cash payment of \$3,500,000 to the financiers of the Company.

In the event that there is insufficient shortfall under the Entitlement Issue to satisfy the equity portion of the Company's repayment obligations (as set out in the notes to the table above), those obligations will be settled by way of a cash payment out of the Offer proceeds.

The Board is of the view that the Entitlement Issue will provide the most certain outcome for the Company in the present circumstances and is preferable because it allows existing Shareholders the opportunity to participate in the funding of the Company at the substantial discount the Company must offer to attract sufficient funding.

The Company considers that the Offer must be on a 9:1 basis to enable sufficient funds to be raised to stabilise the Company's financial position. A raising on a one for one (1:1) basis or less is considered insufficient to achieve this objective. Eligible Shareholders who do not take their full entitlement under the Offer will not receive any value in respect of entitlements they do not take up. Shareholders who are not eligible to receive entitlements under the Offer will not receive any value in respect of entitlements they would have received had they been eligible.

### **1.3 Conditions of the Offer**

The Entitlement Issue is conditional upon Shareholders approving the Entitlement Issue at this General Meeting. If this Resolution is not passed then the Entitlement Issue will not proceed and the Company will refund all application money received (without interest) in accordance with the Corporations Act.

For the Company's Shares to be reinstated to official quotation following the Entitlement Issue, the ASX will need to be satisfied that the Company's financial position is adequate to warrant continued quotation under ASX Listing Rule 12.2. There is no minimum subscription under the Offer as the Offer will be fully underwritten.

### **1.4 Underwriting and Shortfall Facility**

Patersons Securities Limited (AFSL 239 052) has been appointed Lead Manager, Underwriter and Corporate Adviser to the Company in respect of the Offer.

The Offer will be fully underwritten with an underwriting agreement to be executed prior to lodgment of the Prospectus. The Offer will be fully sub-underwritten, details of which are set out below.

In addition to the Entitlement Issue, there will be a separate and independent offer of any shortfall from the Entitlement Issue made pursuant to the Prospectus. Both existing Shareholders and other investors who are not currently Shareholders may apply for Shares pursuant to the shortfall offer. Further details of the underwriting, sub-underwriting and shortfall offer will be contained in the Prospectus.

(a) **ISSAR Sub-Underwriting**

The Offer is priority sub-underwritten by ISSAR Global (or its nominee) (**ISSAR**) to a maximum amount of \$25,000,000. This means that ISSAR (or its nominee) will receive the first 5,000,000,000 Shares of shortfall under the Offer which are not taken up by existing shareholders of under the shortfall offer. ISSAR will not receive a fee in consideration for its underwriting commitment.

ISSAR seeks to develop a portfolio of investment interests in a variety of sectors, including the mining sector. ISSAR has considerable resources at its disposal to undertake investments of this nature and is an investment holding company with wholly owned subsidiaries providing a diverse range of services.

ISSAR is not presently a Shareholder of the Company. The extent to which Shares are issued to ISSAR pursuant to the sub-underwriting will increase ISSAR's voting power in the Company.

ISSAR is not a related party of the Company for the purpose of the Corporations Act. ISSAR's present relevant interest (which is nil) and changes under several scenarios are set out in the table below and are based on the assumption that ISSAR takes up the maximum amount of shortfall it can under its sub-underwriting arrangements.

<b>Event</b>	<b>Shares held by ISSAR</b>	<b>Voting power of ISSAR</b>
Date of Prospectus	Nil	Nil
Completion of Entitlement Issue		
• Fully subscribed	Nil	Nil
• 75% subscribed	1,758,808,602	22.50%
• 50% subscribed	3,517,617,204	45.00%
• 25% subscribed	5,000,000,000	63.96%
• 0% subscribed	5,000,000,000	63.96%

The number of shares held by ISSAR and its voting power in the table above show the potential effect of the sub-underwriting of the Offer. If ISSAR increases its voting power in the Company beyond 50%, it will then have the unilateral ability, by voting the Shares in which it has voting power, to defeat or pass resolutions at Shareholder meetings which may be passed by ordinary resolution. Examples of such ordinary resolutions

include resolutions to remove or appoint directors and approve the issues of securities. The effect of ISSAR having such voting power is that it would be able to control the composition of the Board.

However, it is unlikely that no Shareholders will take up entitlements under the Offer. The sub-underwriting obligation and therefore voting power of ISSAR (or its nominee) will reduce by a corresponding amount for the amount of entitlements under the Offer taken up by the other Shareholders.

Further, ISSAR (or its nominee) will only receive Shares under the sub-underwriting arrangements after all applications for Shares by existing Shareholders of the Company under the shortfall offer have been satisfied. However, while shortfall Shares will be issued to current Shareholders in priority to the issue of Shares to ISSAR (or its nominee), third party investors will not receive shortfall Shares in priority to ISSAR (or its nominee).

(b) **Komodo Sub-Underwriting**

The remaining 2,035,234,408 Shares (to a value of \$10,176,172) which make up the Offer are sub-underwritten by Komodo Capital Pty Ltd, a company controlled by Mr Peter Landau, an Executive Director of the Company, (or its nominee) (**Komodo**).

Komodo is an internationally focused corporate advisory and venture capital firm based in West Perth, Western Australia with offices in London. Komodo focuses on achieving successful outcomes for clients ranging from private start-up ventures to mid-cap listed entities, with a focus on the resource sector. Komodo holds an Australian Financial Services License – No. 344 234.

Komodo is not presently a Shareholder of the Company. The extent to which Shares are issued pursuant to the sub-underwriting will increase Komodo's (or its nominee's) voting power in the Company.

Komodo is a related party of the Company for the purpose of the Corporations Act.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The sub-underwriting arrangements between the Company and Komodo constitute giving a financial benefit and Komodo is a related party of the Company by virtue of being controlled by Peter Landau, a Director.

The Directors (other than Peter Landau who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Komodo's sub-underwriting of the Offer because the Shares will be issued to Komodo (or its nominee) under the sub-underwriting arrangements on the same terms as Shares issued to non-related underwriters and sub-underwriters of the Offer and as such the giving of the financial benefit is considered to be on arm's length terms.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Approval pursuant to ASX Listing Rule 10.11 is not required for Komodo's sub-underwriting of the Offer as it is an exception to the requirement to obtain shareholder approval where the issue of securities is to an underwriter in relation to a pro rata issue.

Komodo's present relevant interest (which is nil) and changes under several scenarios are set out in the table below and are based on the assumption that Komodo (or its nominee) takes up the maximum amount of shortfall it can under its sub-underwriting arrangements.

<b>Event</b>	<b>Shares held by Komodo</b>	<b>Voting power of Komodo</b>
Date of Prospectus	Nil	Nil
Completion of Entitlement Issue		
• Fully subscribed	Nil	Nil
• 75% subscribed	Nil	Nil
• 50% subscribed	Nil	Nil
• 25% subscribed	276,425,806	3.54%
• 0% subscribed	2,035,234,408	26.04%

The number of shares held by Komodo (or its nominee) and its voting power in the table above show the potential effect of the sub-underwriting of the Offer.

However, it is unlikely that no Shareholders will take up entitlements under the Offer. The sub-underwriting obligation and therefore voting power of Komodo (or its nominee) will reduce by a corresponding amount for the amount of entitlements under the Offer taken up by the other Shareholders.

Further, Komodo (or its nominee) will only receive Shares under the sub-underwriting arrangements after all applications for Shares by existing Shareholders of the Company under the shortfall offer and the issue of shortfall Shares to ISSAR (or its nominee) under its sub-underwriting arrangements have been satisfied.

In addition, Komodo proposes procuring that non-related third parties (including existing convertible noteholders and royalty holders of the Company) take up shortfall Shares under the Offer in satisfaction of moneys owing to such parties by the Company.

(c) **Rationale for underwriting and sub-underwriting arrangements**

The Company considered all reasonably available options to it to mitigate the potential control effects of the underwriting and the sub-underwriting (for example considering whether a number of separate underwriters or sub-underwriters could be appointed in respect of the Offer or whether the Offer could be renounceable). However, the underwriting and sub-underwriting arrangements summarised above and the Offer as structured were, in the Board's opinion, the most practical and suitable arrangements for the Company to enter.

The Board also considered alternative methods of raising funds including private placements (which would have a greater dilutionary effect on existing Shareholders) and debt funding (which, given the Company's existing debt position, was not available on commercially acceptable terms), however the Board decided that the Offer was the preferred form of capital raising as it provides the most certain outcome for the Company in the present circumstances and is preferable because it allows existing Shareholders the opportunity to participate in the funding of the Company at the substantial discount represented by the issue price which the Company has offered to attract sufficient funding. The Board also set the issue price of the Offer at an attractive discount to the market price of the Company's Shares to encourage Shareholders to take up their entitlement and thereby reduce shortfall under the Offer and the likelihood of control becoming concentrated with ISSAR or Komodo.

The Board is also of the opinion that the control effect of the underwriting/sub-underwriting does not exceed what is reasonably necessary for the capital raising the subject of the Offer given the Company's financial position and its urgent need for funds. The size of the Offer is, in the opinion of the Board, consistent with and does not exceed the Company's funding requirement – refer to Section 1.2 for details of the use of funds raised under the Offer.

## 1.5 Offer timetable

The indicative timetable for the Offer is set out below.

Events	Business Day	Date
Announcement of Offer		6 August 2014
Lodgement of Prospectus with the ASIC and ASX, lodgement of Appendix 3B with ASX and Notice sent to Optionholders	-1	26 August 2014
Notice sent to Shareholders	0	27 August 2014
Ex date	2	29 August 2014
Record Date for determining Entitlements	4	2 September 2014

Prospectus sent out to Shareholders & Company announces this has been completed	7	5 September 2014
Shareholder meeting	20	24 September 2014
Closing Date*	21	25 September 2014
Shares quoted on a deferred settlement basis	22	26 September 2014
ASX and Underwriter notified of under subscriptions	24	30 September 2014
Issue date/Shares entered into Shareholders' security holdings	25	1 October 2014
Anticipated lifting of suspension of Company's Securities and Quotation of Shares issued under the Offer*	26	2 October 2014

\*This is an indicative timetable only and is subject to change at the discretion of the Directors, subject to compliance with the ASX Listing Rules and the Corporations Act. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, and other dates without prior notice. As such the date the Shares are expected to commence trading on ASX may vary.

## 1.6 Securities to be issued

The maximum number of Shares to be issued pursuant to the Offer is 7,035,234,408 (based on there being 781,692,712 Shares on issue on the date of this Notice of Meeting and assuming no Options or other convertible securities are exercised or Shares issued).

## 1.7 Proposed Issue Date

Subject to completion of the Offer, the Company expects to issue the new Shares to applicants under the Offer on or about 1 October 2014.

## 1.8 Issue price

The issue price of the new Shares under the Offer will be \$0.005 per Share.

## 1.9 Eligible participants

Shares will be issued under the Offer to:

- (a) Shareholders who take up their entitlement in the Offer (either fully or in part); and
- (b) Shareholders or other investors who apply for additional Shares under the shortfall offer (in the event of a shortfall in applications due to other Shareholders not taking up their entitlement).

## 1.10 Terms of the new Shares

The Shares issued pursuant to the Offer will rank equally with all existing Shares.

Full terms of the securities to be issued will be set out in the Prospectus.

## **1.11 Directors' recommendation and intention**

Having regard to all the considerations discussed in this Notice, your Directors consider that, in the absence of a superior proposal, the expected advantages of the Entitlement Issue outweigh its potential disadvantages and risks.

Shareholders should be advised that if the Resolution is not passed by the required majority and the Entitlement Issue does not proceed, the Company may be unable to meet its payment obligations to its creditors. The failure to implement the Entitlement Issue and pay creditors may have significant implications for the Company, empowering creditors to take enforcement action, including appointing an administrator and the Company may become insolvent. In the option of the Board, the implementation of the Entitlement Issue significantly reduces this risk for the Company.

## **1.12 Possible advantages of the Entitlement Issue and reasons to vote in favour of the Entitlement Issue**

### **(a) Necessity to raise equity**

Given the Company's debt position, the Board considers that it has no other option than to raise additional equity to stabilise the Company's financial position and pay its existing creditors and to meet the Company's short-term working capital requirements. Shareholders should note that, in the absence of implementing the Entitlement Issue, the Company's ability to remain a going concern is likely to be dependent on its ability to pay its creditors and meet short-term working capital requirements.

The Board is of the view that the Entitlement Issue will provide the most certain outcome for Shareholders in the circumstances.

### **(b) Provide funding for the Company**

The Entitlement Issue, when implemented, will result in the raising of equity totalling up to approximately \$35,176,172 (before costs) which will provide funding for purposes identified in section 1.2 above.

### **(c) Opportunity to make a further investment in Shares and share in the Company's future**

The proposed Entitlement Issue provides Shareholders an opportunity to acquire further Shares, at an issue price of \$0.005 per Share.

By taking up their entitlement under the Entitlement Issue, Shareholders will be able to maintain or increase the extent of their participation in any upside in the Company's performance in the future and will avoid or reduce the extent of dilution that may occur to their shareholding following implementation of the Entitlement Issue.

However, the Company and the Directors cannot make any assurance as to the price at which Shares will trade after the Entitlement Issue is completed.

### **(d) Re-quotation of Shares on ASX**

It is expected that if the Entitlement Issue is implemented, trading in the Shares on ASX is anticipated to recommence on 2 October 2014. If the

Entitlement Issue is not implemented, the Directors are unsure as to when trading in the Shares on ASX will recommence. In order for trading of Shares on ASX to recommence, ASX will need to be satisfied that the Company's financial position is adequate to warrant continued quotation under ASX Listing Rule 12.2.

**1.13 Possible disadvantages and risks of the Entitlement Issue and reasons to vote against the proposed resolution**

**(a) Potential for significant dilution**

If the Entitlement Issue is fully subscribed, the number of Shares on issue will increase from 781,692,712 to 7,816,927,120. This means that each Share will represent a significantly lower proportion of the ownership of the Company and Shareholders who do not take up their full entitlement in the Entitlement Issue will have a substantially diluted percentage Shareholding in the Company. Further details will be set out in the Prospectus.

**(b) Risks associated with an investment in the Company**

If the Resolution is passed, Shareholders will have to consider whether to take up their entitlement under the Entitlement Issue taking into account the risks associated with such an investment. These include the following:

**(i) 'Going concern' risk**

While completing the audit review of the Company's half-year financial report for the half-year ended 31 December 2013, the Company's auditor noted that:

"the ability of the consolidated entity to continue as a going concern is dependent upon the success of the renegotiations with financiers and future successful raising of necessary funding through equity. These conditions 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."

Further, the Company is currently in urgent need of funding to stabilise its financial position and pay its existing creditors and to meet the Company's short-term working capital requirements. Refer to the Prospectus for further details of the current financial position of the Company.

Shareholders should note that, if the Offer is not fully subscribed, the Company may be unable to meet its payment obligations to its creditors and meet short-term working capital requirements and, as such may not be able to remain a going concern.

Any failure to pay creditors may have significant implications for the Company, empowering creditors to take enforcement action including appointing an administrator and the Company



may become insolvent. In the opinion of the Board, completion of the Offer significantly reduces this risk for the Company.

The ability of the Company to continue its normal business activities and continue as a going concern is dependent on the ongoing support of a number of the Company's creditors and the Company raising additional working capital as and when required. It is highly likely that further funding will be required to meet the medium to long term working capital costs of the Company. Refer to the Prospectus for further details.

(ii) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company will require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(iii) **International operations**

The Company's current assets are all located in South Africa. Any potential future South African operations of the Company's are subject to a number of risks, including:

- (A) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (B) potential difficulties in protecting rights and interest in assets;
- (C) increases in costs for transportation and shipping; and
- (D) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

South Africa experiences economic, social and political volatility. As a result, the Company's future operations may be impacted by currency fluctuations, political reforms, changes in South African government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

(iv) **Title**

The acquisition and retention of title to mineral rights in South Africa is a detailed and time-consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Although the Company believes it has taken and is taking reasonable measures to secure title to its projects, there is no guarantee that title to its projects will be granted, that prospecting rights will be converted into mining rights or that title will not be challenged or impaired.

Any successful challenges to the title of the Company's projects could stop, materially delay or restrict the Company from proceeding with exploration activities, any development, or future mining operations.

Certain of the Company's mining rights and prospecting rights may from time to time have technical defects, errors or breaches, have not been registered with the applicable authority or may have consents or approvals outstanding. These include, for instance, outstanding consents (**Section 11 Consents**) in terms of section 11 of the Mineral and Petroleum Resources Development Act, 2002 and/or outstanding registration of Section 11 Consents at the Mining and Petroleum Titles Registration Office established in terms of the Mining Titles Registration Act 1967, and/or discrepancies in related documentation.

(v) **Coal price volatility**

If the Company achieves success leading to mineral production, a significant proportion of the Company's revenues and cash flows are likely to be derived from the sale of coal. In this event, it is likely that the financial performance of the Company will be sensitive to coal prices. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, demand for the commodity, and forward selling and costs of production by other coal producers.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

If coal prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, the Company's exploration and production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's projects may require the Company to revise downwards its coal resources and will have a material adverse effect on the Company's financial position.

It is difficult to predict accurately future demand and price movements and how such movements may adversely impact

the Company's profitability, financial position and performance, prospects, future development and any future production.

Further details of the risks associated with an investment in the Company will be detailed in the Prospectus for the Entitlement Issue.

(c) **Other material information**

Except as set out in this Explanatory Statement, in the opinion of Directors, there is no other information material to the making of a decision in relation to the Entitlement Issue, being information that is within the knowledge of any Director, which has not been previously disclosed to Shareholders.

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## 2. **INFORMATION FOR RESOLUTIONS 2 AND 3**

On 29 January 2014, the Company announced that it had executed a binding term sheet with UK corporate advisory firm, Empire Equity Limited (**Empire Equity**), to arrange \$5 million (**Investment Amount**) of limited recourse bridge funding to the Company (**Term Sheet**).

The funds raised pursuant to the Term Sheet have been applied towards general operating expenses and payments to creditors of the Company that did not otherwise agree to standstill agreements, allowing the Company to continue trading as a going concern while it continued to seek to undertake a broader recapitalisation and restructure of the Company and its financial arrangements.

Empire Equity arranged for investors (**Investors**) to provide the Investment Amount to the Company. In consideration of the Investment Amount, the Investors have invested in 7.5 million unsecured convertible promissory notes (**Notes**) with a face value of A\$1.00 each at a discounted issue price of A\$0.6667 per Note and with a maturity date of 4 months post closing, which was subsequently extended to 15 October 2014.

The Investors have also undertaken to assist the Company in undertaking the Entitlement Issue, including procuring underwriting of the Entitlement Issue. The Notes are only redeemable upon successful completion of the Entitlement Issue, 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 at a conversion price equal to the Entitlement Issue issue price or request payment of the \$7.5 million face value in cash. As the Entitlement Issue is fully underwritten, the Company expects that it will be fully subscribed. The Investors also procured standstill agreements (at present ending on 15 October 2014) from convertible note holders and other major creditors of the Company to allow for the completion of the Entitlement Issue or other recapitalization.

The Investors will receive a 6% fee on the Investment Amount as well as being issued 70,000,000 options as a fee for providing the Investment Amount of \$5 million. Each option will be exercisable at the Entitlement Issue issue price with 3 years to expiry (**Option**). The terms and conditions of the Options are set out in Schedule 1. In the event that Shareholder approval is not obtained to issue the Options, \$500,000 in cash will become payable to the Investors in lieu of the Options.

100,000,000 Shares will be issued to the Investors in consideration for the Investors agreeing to extend the maturity date of the Notes to 15 October 2014 (**Investor**

**Shares).** Resolution 2 seeks Shareholder approval for the issue of these 100,000,000 Investor Shares and 70,000,000 fee Options to the Investors for arranging the Investment Amount.

76,000,000 Shares and 36,000,000 Options have previously been issued by the Company as a corporate advisory and facility fee in respect of the arranging of the Investment Amount to be invested in the Company. Resolution 3 seeks shareholder approval for the ratification of the issue of these Shares and Options.

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### **3. RESOLUTION 2 – APPROVAL FOR ISSUE OF INVESTOR SHARES AND OPTIONS**

#### **3.1 General**

As set out in section 2 above, the Company has entered into the Term Sheet and has issued the Notes, pursuant to which the Company is required to issue the Investor Shares and the fee Options to the Investors.

Resolution 2 seeks Shareholder approval for the issue of 100,000,000 Investor Shares and fee 70,000,000 Options under the Term Sheet.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Investor Shares and Options pursuant to the Term Sheet and the Notes during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

#### **3.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Investor Shares and fee Options:

- (a) the maximum number of Investor Shares to be issued is 100,000,000 and the maximum number of fee Options to be issued is 70,000,000;
- (b) the Investor Shares and fee Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Investor Shares and fee Options will occur on the same date;
- (c) the Investor Shares will be issued for nil cash consideration to the Investors in consideration for the extension of the maturity date of the Notes and the fee Options will be issued for nil cash consideration to the Investors in lieu of financing fees pursuant to the Term Sheet;
- (d) the Investor Shares and fee Options will be issued to the Investors, none of whom is a related party of the Company;
- (e) the Investor Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (f) the fee Options will be issued on the terms and conditions set out in Schedule 1; and
- (g) no funds will be raised from this issue as the Investor Shares will be issued in consideration for the extension by the Investors of the maturity date of the Notes and the fee Options will be issued in lieu of financing fees in respect of the Investment Amount.

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## **4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS**

### **4.1 General**

As set out in section 2, the Company has entered into the Term Sheet and issued the Notes.

Pursuant to the Term Sheet, 76,000,000 Shares and 36,000,000 Options have been issued by the Company as a corporate advisory and facility fee for arranging for the Investment Amount to be invested in the Company.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options (**Ratification**).

A summary of ASX Listing Rule 7.1 is set out in section 3.1 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **4.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 76,000,000 Shares and 36,000,000 Options were issued;
- (b) the Shares and Options were issued for nil cash consideration as a corporate advisory and facility fee for arranging for the Investment Amount to be invested in the Company;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Options were issued on the terms and conditions set out in Schedule 1;
- (e) the Shares and Options were issued to parties who arranged for the Investment Amount to be invested in the Company, none of whom are related parties of the Company; and

- (f) no funds were raised from this issue as the Shares and Options were issued as a corporate advisory and facility fee for the arranging of the Investment Amount to be invested in the Company.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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**(a) Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

**(b) Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.005 (**Exercise Price**).

**(c) Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date which is the third year anniversary of their issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

**(d) Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

**(e) Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**(f) Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

**(g) Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**(h) Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

**(i) Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

**(j) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(k) Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

**(l) Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**(m) Unquoted**

The Company will not apply for quotation of the Options on ASX.

**(n) Transferability**

The Options are not transferable.



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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**ASX Waiver** has the meaning set out in section 1.1 of the Explanatory Statement.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Company** means Continental Coal Limited (ACN 009 125 651)

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Offer** or **Entitlement Issue** means the non-renounceable entitlement issue to raise up to approximately \$35,176,172 (before the costs of the Offer) at an issue price of \$0.005 per Share.

**Option** means an option to acquire a Share with the terms and conditions set out in Schedule 1.

**Optionholder** means a holder of an Option.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.