



18 March 2013

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

By e-lodgement

CONTINENTAL AGREES TRANSFORMATIONAL STRATEGIC DEAL WITH VILLAGE MAIN REEF LIMITED

Highlights:

- **Continental Coal enters into binding financing agreements with South African based diversified mining company Village Main Reef Limited**
- **Village Main Reef to acquire up to a 19.9% strategic cornerstone interest in Continental Coal through a private placement, and through purchasing the shareholdings of shareholders holding parcels of shares with a market value of less than A\$500, and through subsequent on market share purchases**
- **Placement of 100m shares to Village Main Reef at an issue price of A\$0.08 per share, subject to shareholder approval being obtained at the Company's General Meeting on 28 March 2013 and approval from the South African Reserve Bank**
- **Funds raised to be applied to debt reduction, working capital requirements and overall strengthening of the Company's balance sheet**
- **On completion of the transaction, Village Main Reef will be invited to appoint a representative to the Board of Continental Coal**
- **Transaction further positions the Company to advance its discussions on a strategic partnership and off-take funding agreement for its proposed 4th mine development, the De Wittekrans Coal Project, and progress its other corporate transactions and growth and consolidation opportunities in South Africa**

Continental Coal Limited (**ASX: CCC AIM: COOL**) ("**Continental**" or "**the Company**") the South African thermal coal production, development and exploration company, is pleased to announce it has entered into binding funding agreements with Village Main Reef Limited (**JSE: VIL**) ("**VMR**"), a South African-based diversified mining company that it believes will further strengthen the Company's growth strategy and operating credentials in South Africa.

A\$8m Private Placement

Continental has secured a private placement transaction with VMR under which they have agreed to subscribe for 100 million ordinary shares in Continental at an issue price of A\$0.08 per share, raising a total of A\$8.0m ("**Placement**").

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Independent Non-Executive Chairman Mike Kilbride **Chief Executive Officer** Don Turvey **Executive Director** Jason Brewer
Non-Executive Directors: Johan Bloemsma Peter Landau James Leahy Connie Molusi

The A\$0.08 per share issue price under the Placement represents a premium to the Company's last traded share price on the ASX and a 30% premium based on the Company's 90 Day VWAP share price of A\$0.0613.

Completion of the transaction with VMR follows a detailed technical and financial due diligence, that was successfully undertaken and has endorsed the Company's growth strategy and its underlying coal mining, development and exploration business in South Africa.

Key terms of the transaction to be concluded with VMR include:

- VMR is a successful JSE listed diversified mining company, headed by joint CEOs Mr. Bernard Swanepoel and Mr Marius Saaiman
- VMR has entered into an agreement under which they have agreed to acquire all of the shares held by Minority Members at a price per share that is equal to the minimum sale price of \$A0.0521
- A Placement of 100m shares at an issue price of A\$0.08c
- Issuance of a further 25m unlisted options with an exercise price of A\$0.10 per option and an expiry date of 31 March 2016
- VMR has already advanced A\$2.0m of the Private Placement as a secured interim loan, which will convert into shares upon shareholders approval at the General Meeting
- The Placement is conditional upon shareholders approval being obtained at the General Meeting to be held on 28 March 2013 (see resolution 3 in the Amended Notice of Meeting – ASX Announcement dated 1 March 2013) and South African Reserve Bank approval
- VMR will be entitled to nominate one board member to the Board of Continental

The Board recommends unanimously that Continental's shareholders approve resolution 3 at the General Meeting on 28 March 2013 which will authorise the Company to allot and issue the shares under the Placement to VMR.

Commenting on the private placement, Continental CEO Don Turvey said:

"I am pleased to welcome the strategic investment and partnership that we have now established with Village Main Reef. The private placement and purchase of small shareholdings, will have a significant impact on our business in the short term."

"The introduction of such a strategic and cornerstone investor to our share register, demonstrates the value proposition of our operating coal mining business and our coal project development opportunities. VMR is an established and profitable dividend paying mining company and as this is their first investment in the coal sector, is positively reflecting on the quality of our portfolio. We are pleased to have secured this strategic and long-term relationship with VMR and to have the opportunity to work with their dynamic and successful management team."

VMR Joint Chief Executive Officer Marius Saaiman said:

"Our investment in Continental reflects VMR's continued diversification strategy while maintaining our requirement to invest in strong, cash generating assets. We think Continental is at an inflection point in terms of its development. The Company has a strong portfolio of projects and has demonstrated its ability to develop and operate mines and we look forward to working and supporting the management team as production continues to increase and as greater value is recognised within the Company."

Sale of Small Shareholdings

The Company has further entered into an agreement with VMR and established a mechanism for the sale of parcels of shares held by shareholders with a market value of less than \$500 (being shareholdings less than a Minimum Shareholding as provided for in the Company's constitution).

As at the close of business on 11 March 2013 ('**Record Date**') the Company had 11,054 shareholders of which 5,614 held shareholdings less than a Minimum Shareholding and, as such, are described as 'Minority Members' in the Company's constitution. The holdings of the Minority Members totaled 19,352,630 shares.

In terms of the agreement VMR has agreed to acquire all of the shares held by Minority Members (other than those held by Minority Members who elect to retain their shares in the Company) on the Record Date at a price per share that is equal to the minimum sale price in accordance with the Company's constitution of \$A0.0521. The minimum sale price is equal to the simple average of the last sale prices of Continental's shares quoted on ASX for each of the ten trading days prior to 11 March 2013, being the date the offer was received from VMR.

The Company has elected to proceed with the sale of the shareholdings less than a Minimum Shareholding as it expects to benefit from a reduction in administrative costs and an improvement in efficiencies with managing a smaller shareholder base.

In addition it will give Minority Members, who may find it difficult or uneconomic to dispose of those shareholdings through the normal means, a cost effective and convenient way of selling their shareholdings without incurring brokerage fees.

Further information on the Sale of Small Shareholdings will be provided to shareholders and to all Minority Members who were shareholders on 11 March 2013 in due course.

On-Market Share Purchases

VMR has also indicated its intention to acquire further shares in Continental through on market purchases, however, this will be at the discretion (both in terms of timing and price) of VMR.

VMR has advised the Company that it is its intention to hold a 19.9% interest in the issued share capital of the Company.

"Following completion of these financings with Village Main Reef, Continental is now extremely well positioned to accelerate its other corporate transactions and in particular the proposed development of its 4th mine at the De Wittekrans Coal Project, to advance the associated off-take and funding agreements, and strategic partnership agreements for its development" Mr Turvey added.

About Village Main Reef Limited

VMR is a South African-based, mining and development company which is listed on the main board of the Johannesburg Stock Exchange (JSE) under the code VIL.

The Company's assets comprise Lesego Platinum, Cons Murch Antimony Mine, Buffelsfontein Gold Mines (which consists of Tau Lekoa Mine and Buffels Gold Mine) and Blyvooruitzicht Gold Mining Company (Blyvoor Gold Mine).

VMR's strategy is to invest in and develop self-sustaining, diversified socially-responsible mining entities. This is achieved by identifying and acquiring assets that represent value and unlocking opportunities from these assets in a way which realises their potential value.

For and on behalf of the Board,



Don Turvey
Chief Executive Officer

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL/US-OTCQX:CGFAY) 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, are set to produce at an annualised rate of 2.8Mtpa of thermal coal for the export and domestic markets. The Company's first underground mine, the Penumbra Coal Mine, commenced development in September 2011 and produced first coal in November 2012. In 2011, a Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project and further optimisation studies completed in 2012. The Company has further concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production, signed a joint development agreement with KORES, Korea Resources Corporation and secured debt funding from ABSA Capital to fund its growth.

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 of the Penumbra and De Wittekrans, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding 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.

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