CONTINENTAL COAL LIMITED

A.B.N.13 009 125 651

Appendix 4E – Preliminary Final Report

Year ended 30 June 2010

Results for announcement to market

Under ASX Listing Rule 4.3A

Results for Announcement to the Market

				Year Ended 30 June 2010 $	Year Ended 30 June 2009 $
Revenue from ordinary activities	Up	99%	to	14,632	7,338
Profit/(loss) before Interest, Tax, Depreciation and Amortisation **(EBITDA)**	Up	22%	to	(13,485,919)	(11,061,192)
Profit/(loss) before Interest and Tax **(EBIT)** from ordinary activities	Up	20%	to	(13,408,489)	(11,086,619)
Net profit/(loss) for the period attributable to members (**NPAT)**	Up	67%	to	(24,937,455)	(14,905,526)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-

DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid for the year ended 30 June 2010, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

OPERATING RESULTS

The consolidated loss of the group for the financial year after providing for income tax amounted to $24,937,455 (2009: $14,905,526).

ANNUAL REPORT AND ANNUAL GENERAL MEETING

Continental expects to mail its Annual Report and Notice of Annual General Meeting to shareholders during the second week of October 2010. The Annual General Meeting is to be held during the last week of November 2010.

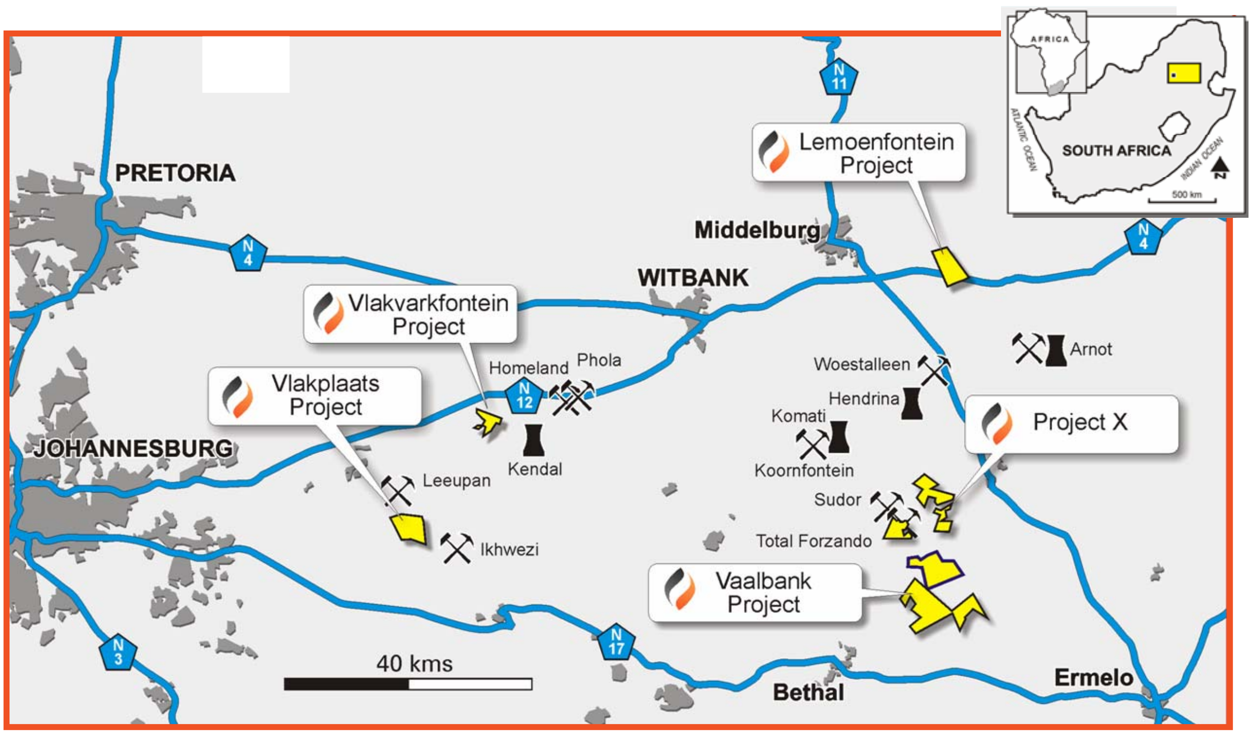
REVIEW OF OPERATIONS

This financial year has been a highly successful one for the Company with a number of major operational milestones achieved by the Company in line with the Company's policy of aggressive asset acquisition and development to take advantage of the global demand for coal, including further strengthening of the board and executive management team in South Africa, the commencement of coal production and sales at Vlakvarkfontein, the advancing of its other projects through exploration and technical evaluation and securing key offtake agreements for the Company's planned production of export thermal coal.

During the year the Company made several key executive appointments. In May 2010, the Company appointed Lodewyk 'Don' Turvey, as its inaugural Chief Executive Officer and in January 2010 the Company appointed Mike Nell as Chief Operations Officer. The appointment of these highly experienced coal mining professionals was a significant step by the Company in ensuring it had the relevant experience and management capabilities to successfully advance the development of its project portfolio. Both senior executives possess significant coal mining industry experience in South Africa, proven track records and are great assets for the Company. In December 2009 the Company also appointed Jason Brewer to the Board. His experience in the natural resources sector and in investment banking has greatly assisted the Company in its financing activities over the financial year.

The Company has rapidly advanced its existing project portfolio over the financial year, culminating with first coal production at the Vlakvarkfontein Coal Project in May 2010. The Company believes that the combined portfolio of assets sets the company apart in the junior coal sector in South Africa, providing an outstanding platform to grow the Company far beyond its current operations and to deliver superior returns to shareholders and offering significant opportunities for the combined groups employees and key stakeholders.

Location of Existing Projects



First Coal Production at Vlakvarkfontein Coal Mine

TMS Mining undertaking topsoil pre-stripping in the box-cut area at the Vlakvarkfontein Coal Mine

Mining activities underway at Vlarkvarkfontein

Pre-split drilling activities underway at Vlarkvarkfontein

In February 2010, following a highly competitive bid process, the Company appointed South African coal mining contractor Trollope Ming Services "TMS" as the mining contractor at the Vlakvarkfontein coal mine. Under the terms of an initial 3 year contract mining agreement TMS is responsible for the management of the site and all mining and crushing activities, including the delivery of 100,000 tonnes of –run of mine coal per month from the No. 4 and No 2 seams. Site activities subsequently commenced in February following the mobilisation to site by TMS on 15 February.

Top soil stripping activities in the box cut area continued throughout February and March 2010 with the first blasting activities commencing in April 2010.

The first production blast at Vlakvarkfontein

The first coal being loaded at Vlakvarkfontein

The first coal production blast occurred at 1.00pm (SA time) on Thursday 27 May 2010.

Mine Operations Performance

In the financial year, coal production at Vlakvarkfontein of 63,877 tonnes was mined solely from the No 4 Seam. All coal was stockpiled at the run of mine stockpile on site.

Production statistics at Vlakvarkfontein for the financial year are summarised in the table below:

	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Year ended 30 June 2010
Top-Soil (M^3)	-	7,850	42,817	27,766	24,441	13,598	116,472
Sub-Soil (M^3)	-	-	95,993	106,153	113,436	60,811	376,393
Total Softs	-	*7,850*	*138,810*	*133,919*	*137,877*	*74,409*	492,865
Hards (+4 Seam)	-	-	15,366	100,486	82,704	153,572	352,128
Hards (+2 Seam)	-	-	-	-	-	-	-
Total Hards	-	-	*15,366*	*100,486*	*82,704*	*153,572*	352,128
4 Seam Coal	-	-	-	-	6,813	57,064	63,877
2 Seam Coal	-	-	-	-	-	-	-
Total Coal	-	-	-	-	*6,813*	*57,064*	63,877
Summary							-
Total Softs	-	7,850	138,810	133,919	137,877	74,409	492,865
Total Hards	-	-	15,366	100,486	82,704	153,572	352,128
Total Coal	-	-	-	-	6,813	57,064	63,877

First Sales Contracts For Vlakvarkfontein

In June 2010, the Company executed its first binding sales contracts for the sale of domestic quality coal produced from the Vlakvarkfontein Coal Mine.

Coal stockpile at Vlakvarkfontein on 18 June 2010

The sales agreements were executed on 21 June 2010 for the sale of run-of mine coal from the Vlakvarkfontein Coal Mine. The contracts were entered into with an existing established and nearby major coal mining operation and covered the first 100,000 tonnes of run-of mine coal. The coal is anticipated to be sold to the domestic coal market in South Africa.

The key terms of the sales agreement include:

Material:	Run-of-Mine (ROM) Coal	
Quantity:	Approximately 100,000mt	
Deliveries:	June-July 2010	
Quality:	Typically on an ISO "air dry" basis:	
	Calorific value	22MJ/kg min.
	Volatiles	20% min.
	Ash	27% max.

The coal is sold free-on-truck and transported to the buyers nearby operations for final weight determination and sampling and analysis.

Under the sales agreement the Company was able to receive an up-front payment of ZAR9 million on the first 100,000 tonnes, with the balance due on subsequent progressive deliveries.

Export Coal Offtake Agreements

In the financial year, the Company announced that it had signed a Heads of Agreement with EDF Trading under which EDF Trading would acquire the Company's production of export thermal coal from the Vlakvarkfontein, Vaalbank and Project X mines for a period of 20 years at a market API4 benchmark price FOB Richards Bay.

Under the terms of the Heads of Agreement EDF Trading also agreed to provide the Company with a US$20 million "coal loan" through an advance purchase of forecast thermal coal exports.

EDF Trading is a leader in the international wholesale energy markets. It is a wholly-owned subsidiary of EDF S.A., and with its own portfolio of assets, combined with those of the EDF Group businesses, it has the ability to source, supply, transport, store, blend and convert physical commodities across the wholesale energy markets.

Formal documentation of the Heads of Agreement was completed subsequent to year end.

Events Subsequent to Reporting Date

Subsequent to the year end the Company announced that:

1. The Company had executed binding documentation for a 20 year coal off-take agreement and a US$20 million financing facility with EDF Trading;
2. The Company's 74% subsidiary CCL, entered into a binding heads of agreement to acquire 100% of the shares of unlisted South African thermal coal mining and export coal producing company Mashala Resources ("Mashala");
3. The Company had successfully completed a placement of 400m shares at 5.5 cents raising $22m before costs to sophisticated and institutional investors (50% subject to shareholder approval);
4. The Company has proceeded with a fully underwritten Share Placement Plan at 5.5 cents to raise a further $11m closing on 7 September 2010;
5. The Company announced its plans to raise a further A$25m through a convertible note to be completed on or before 15 September 2010.

These financing initiatives will be used to fund future mine development and working capital to significantly enhance the Company's portfolio of South African production assets and to complete the acquisition of Mashala Resources.

The Company considers the Mashala acquisition to be a Company maker and will further strengthen its position as an established and aggressively growing South African thermal coal producer and exporter.

The acquisition of Mashala will significantly increase the Company's resources as set out below, transforming the Company into a multi-mine operator and substantially enhance its growth and earnings potential bringing enhanced returns for shareholders.

Key aspects of the acquisition include:-

- Immediate export production of 500,000tpa from Ferreira opencast mine
- Development of the fully permitted Penumbra underground mine into a planned 840,000tpa run-of-mine operation to commence immediately;
- Project portfolio grows to two existing mining operations, two mines to be brought into production over the next 12 months and a further five projects with the potential to be developed into production by 2015;
- An exploration division with 6 drill rigs and support equipment ;
- Synergies of Continental's Vaalbank and Project X projects with Mashala's contiguous De Wittekrans and Knapdaar projects provide significant capital cost savings of approx A$30m and creates a highly strategic asset with approx 424Mt of total in situ resources;
- A strengthened executive and operational management team with the integration of all Mashala's key management into Continental's broadened management structure; and
- Acquisition cost of US$35m up-front for a majority 62% interest (balance of 38% interest in cash or shares within 12 months) represents a significant value proposition at A$0.17/resource

Continental completed all necessary legal, financial and technical due diligence/reviews in June 2010, and after its offer to acquire Mashala was accepted a binding heads of agreement was signed by all parties in South Africa on 26 July 2010.

The acquisition now only remains subject to receipt of all necessary South African regulatory approvals and conclusion of final comprehensive agreements. This is expected to occur by 30 September 2010.

Post Mashala Acquisition Project Summary

Project	Interest	Gross In Situ Resource Tonnes(Mt)			Production (Mtpa)	Mine Life years	Coal Product	First Production
		Inferred	Indicated	Measured				
Vlakvarkfontein	60%	-	-	17	1.2	10 - 15	Domestic	Current
Ferreira	100%	-	-	3	0.7	1 - 3	Export/ Domestic	Current
Penumbra	100%	3	14	8	0.9	10 - 20	Export/ Domestic	2011
Vaalbank	75%	-	-	54	2.4	20	Export/ Domestic	2011
Project X	70%	-	-	25	1.8	15 - 20	Export/ Domestic	2012
De Wittekrans	100%	157	37	12	3.6	30	Export/ Domestic	2012
Vlakplaats	100%*	122	-	-	1.8	30	Export/ Domestic	2012
Knapdaar	100%	139	-	-	3.6	30	Domestic	2013
Leiden	100%	12	2	4	0.7	15 - 20	Export/ Domestic	2013
Mooifontein	100%	-	-	3	0.6	3 - 5	Export/ Domestic	2014
Wesselton II	100%	11	5	4	1.2	10 - 15	Low Volatile	Market
TOTAL		444	58	130	18.5			
Possible option to acquire 100%								

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

To further improve the consolidated group's profit and maximise shareholders wealth, the following developments are intended to be implemented in the near future;

(i) The Company will continue to expand its coal interests in South Africa. It has established its first operating coal mine, namely Vlakvarkfontein, and has at the date of this report entered into a binding heads of agreement to acquire 100% of the shares in unlisted South African mining and export coal producing company Mashala Resources; and
(ii) The Company will develop these investments to production through its South African subsidiary Continental Coal Ltd.

These investment opportunities, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the group's medium-term goal of investing in highly prospective coal resources in South Africa, with early cash flow to fund its ongoing financial requirements and minimum equity dilution.

Preliminary Consolidated Income Statement
For The Year Ended
30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Revenue from continuing operations	2	14,632	7,338
Foreign exchange gain	2	353,016	-
Depreciation expense	3	(77,430)	(25,427)
Provision for impairment	3	(1,973,027)	(6,836,744)
Finance Costs	3	(11,528,966)	(3,818,907)
Other expenses	3	(11,725,680)	(3,881,267)
Loss before income tax		(24,937,455)	(14,555,007)
Income tax expense	4	-	-
Loss from continuing operations		(24,937,455)	(14,555,007)
Loss from discontinued operations	5	-	(350,519)
Loss for the year		(24,937,455)	(14,905,526)
Loss is attributable to:			
Equity holders of Continental Coal Limited		(24,937,455)	(14,905,526)
Minority Interest		-	-
		(24,937,455)	(14,905,526)
Basic loss per share			
(cents per share)	7	(2.46)	(5.31)
Diluted loss per share			
(cents per share)	7	-	-

The accompanying notes form part of these financial statements.

Preliminary Consolidated Balance Sheet
As At
30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	39,807	89,782
Trade and other receivables	9	899,792	1,536,983
Prepaid borrowing costs	11	1,618,451	4,018,270
		2,558,050	5,645,035
Non-current assets classified as held for sale	10a	10,171,553	10,269,919
TOTAL CURRENT ASSETS		12,729,603	15,914,954
NON-CURRENT ASSETS			
Prepaid borrowing costs	11	189,085	1,711,852
Financial assets	10b	143,437	192,188
Exploration expenditures	13	47,588,978	34,713,415
Development expenditure	14	9,059,226	-
Property, plant and equipment	15	353,010	293,779
Other assets	16	8,835,750	-
TOTAL NON-CURRENT ASSETS		66,169,206	36,911,234
TOTAL ASSETS		78,899,089	52,826,188
CURRENT LIABILITIES			
Trade and other payables	17	8,321,171	4,295,200
Borrowings	18	6,594,871	8,159,845
		14,916,042	12,455,045
Accruals relating to held-for-sale assets		557,754	727,129
TOTAL CURRENT LIABILITIES		15,473,796	13,182,174
NON-CURRENT LIABILITIES			
Trade and other payables	17	9,958,172	1,214,907
Borrowings	18	13,200,000	13,203,000
TOTAL NON-CURRENT LIABILITIES		23,158,172	14,417,907
TOTAL LIABILITIES		38,631,968	27,600,081
NET ASSETS		40,267,121	25,226,107
EQUITY			
Issued capital	19	95,982,615	54,154,598
Shares and options to be issued		4,184,721	16,294,698
Reserves	21	17,287,669	7,027,241
Accumulated losses		(77,187,884)	(52,250,430)
Parent interest		40,267,121	25,226,107
Less: Amounts attributable to minority interests			-
TOTAL EQUITY		40,267,121	25,226,107

The accompanying notes form part of these financial statements.

Preliminary Consolidated Statement of Changes in Equity
As At
30 June 2010

	Share Capital Ordinary	Accumulated losses	Available for Sale Investments Reserve	Foreign Currency Translation Reserve	Option Reserve	Share Based Payment Reserve	Shares and Options to be Issued	Total
	$	$	$	$	$	$	$	$
Balance at 30 July 2008	43,209,546	(37,344,904)	(884,063)	(17,651)	652,602	3,430,905	-	9,046,435
Movement in available for sale investments reserve	-	-	884,063	-	-	-	-	884,063
Movement in foreign currency translation reserve	-	-	-	252,476	-	-	-	252,476
Net income recognised directly in equity	-	-	884,063	252,476	-	-	-	1,136,539
Loss attributable to members of the group	-	(14,905,526)	-	-	-	-	-	(14,905,526)
Total recognised income and expense for the year	-	(14,905,526)	884,063	252,476	-	-	-	(13,768,987)
Shares issued during the year	11,360,265	-	-	-	-	-	-	11,360,265
Transaction costs	(415,213)	-	-	-	-	-	-	(415,213)
Un-issued shares/options	-	-	-	-	-	-	16,294,698	16,294,698
Transfers to and from reserve								
- option reserve	-	-	-	-	-	-	-	-
- share based payment reserve	-	-	-	-	-	2,708,909	-	2,708,909
Balance at 30 June 2009	54,154,598	(52,250,430)	-	234,825	652,602	6,139,814	16,294,698	25,226,107
Movement in foreign currency translation reserve	-	-	-	(459,997)	-	-	-	(459,997)
Net income recognised directly in equity	-	-	-	(459,997)	-	-	-	(459,997)
Loss attributable to members of the group	-	(24,937,455)	-	-	-	-	-	(24,937,455)
Total recognised income and expense for the year	-	(24,937,455)	-	(459,997)	-	-	-	(25,397,452)
Shares issued during the year	43,670,596	-	-	-	-	-	-	43,670,596
Transaction costs	(1,842,578)	-	-	-	-	-	-	(1,842,578)
Un-issued shares/options	-	-	-	-	-	-	(12,109,977)	(12,109,977)
Transfers to and from reserve								
- option reserve	-	-	-	-	-	-	-	-
- share based payment reserve	-	-	-	-	-	10,720,425	-	10,720,425
Balance at 30 June 2010	95,982,615	(77,187,884)	-	(225,172)	652,602	16,860,239	4,184,721	40,267,121

The accompanying notes form part of these financial statements.

Preliminary Consolidated Cash Flow Statement
As At
30 June 2010

	Note	Consolidated 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		14,632	7,338
Payments to suppliers and employees		(3,228,361)	(2,186,969)
Finance costs		(2,136,859)	(563,620)
Net cash (outflow) from operating activities		(5,350,588)	(2,743,251)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash acquired on acquisition of subsidiary		-	517,109
Proceeds from sale of investments		-	948,365
Payments for exploration and evaluation		(25,673,522)	(17,630,553)
Purchase of other non-current assets		(137,341)	(92,027)
Net cash (outflow) from investing activities		(25,810,863)	(16,257,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		24,729,091	2,784,787
Proceeds from borrowings		2,758,696	15,425,534
Repayment of borrowings		(498,064)	
Placement shares to be issued		4,157,906	-
Net cash inflow from financing activities		31,147,629	18,210,321
Net increase/(decrease) in cash held		(49,975)	(794,381)
Effect of exchange rate differences on the balances of cash held in foreign currencies at the beginning of the financial year		-	(4,259)
Cash at beginning of financial year		89,782	888,422
Cash at end of financial year *(i)*	8	39,807	89,782

(i) *Subsequent to year end $11m has been received after successful completion of tranche 1 of a placement to sophisticated and institutional investors, with tranche 2 of $11m expected to be completed on 10 September 2010 after the Company's General Meeting and a further $11m upon completion of the Company's Fully Underwritten Share Placement Plan closing on 7 September 2010*

The accompanying notes form part of these financial statements.

Note 1: Basis Of The Preparation Of The Preliminary Final Report

The preliminary final report has been prepared in accordance with the ASX Listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

As such this preliminary final report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2009, and with any public announcements made by Continental Coal Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated.

Note 2: Revenue

	Notes	Consolidated 2010 $	Consolidated 2009 $
Other revenue			
– interest received – third party or other persons		14,632	7,338
Total other revenue		14,632	7,338
Total sales and other revenue from continuing operations		14,632	7,338
Other income			
- Foreign exchange gain on revaluation of USD and ZAR loans		353,016	-
Total other income		353,016	-

Note 3: Loss for the year

		Notes	Consolidated 2010 $	Consolidated 2009 $
(a)	Loss before income tax includes the following specific expenses:			
	Finance costs			
	- Interest and finance charges paid		1,089,039	1,465,424
	- Unwinding of prepaid borrowing costs		10,333,657	1,655,576
	- Other borrowing costs		106,270	-
	- Foreign currency translation losses on revaluation of USD and ZAR loans		-	697,907
	Total finance costs		11,528,966	3,818,907
	Impairment			
	- Impairment of non-current investments – realised		-	2,109,207
	- Impairment of non-current investments – unrealised		48,751	359,684
	- Impairment of exploration expenditure		1,924,276	-
	- Write off exploration expenses from continuing operations		-	4,368,053
	Total impairment		1,973,027	6,836,744
	Depreciation		77,430	25,427
	Other Expenses:			
	- Employee related costs		1,983,572	397,634
	- Pre feasibility costs in relation to South African projects		551,275	48,351
	- Consultants		1,784,201	546,422
	- Legal fees		505,789	436,960
	- Facilitation fees		1,256,609	-
	- Other expenses		5,644,234	2,451,900
	Total other expenses		11,725,680	3,881,267
	Discontinued operations			
	- Write off exploration expenses from discontinuing operations		-	324,788
	- Write off other assets from discontinuing operations		-	25,731
	Total discontinued operations		-	350,519
(b)	Significant Revenue and Expenses			
	The following significant revenue and expense items are relevant in explaining the financial performance:			
	Directors fees		1,316,765	351,502
	Consulting fees		1,784,201	546,422
	Share based payment expense in relation to consulting services		416,525	636,362
	Pre feasibility costs in relation to South African Projects		551,275	48,351
	Facilitation fees in relation to project in subsidiary not capitalised		1,256,609	-

Note 4: Income Tax Expense

As the Groups accounts are currently under review no tax asset or tax liability has been booked as at the date of this report.

Note 5: Discontinued operations

(a) Description

In July 2008 it became apparent that the costs involved to bring the Gango Project back into good standing were uneconomical, therefore the Board decided to write off the exploration and other assets of controlled entities Philaus Holding Corporation and Norte-de-Oro as they were unrecoverable.

(b) Financial performance and cashflow information

	Consolidated	
	2010 $	2009 $
Revenue	-	-
Expenses	-	(350,519)
Loss before income tax	-	(350,519)
Income tax expense	-	-
Loss from discontinued operation	-	(350,519)
Net cash inflow/(outflow) from ordinary activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-

Note 6: Auditor's Remuneration

Remuneration of the auditor of the parent entity for: (BDO Audit (WA) Pty Ltd)		
– Auditing or reviewing the financial report	123,091	86,833
Remuneration of the auditor of the subsidiary Continental Coal Ltd for: (KPMG)		
– Auditing	122,647	69,929
	245,738	156,762
Remuneration of auditor for:		
– Taxation services	10,954	2,550
	10,954	2,550

Note 7: Earnings/(loss) per Share

		Consolidated	
		2010	2009
		$	$
(a)	Reconciliation of earnings to profit or loss		
	Loss for the year	(24,937,455)	(15,640,470)
	Loss used to calculate basic EPS	(24,937,455)	(15,640,470)
	Loss used in the calculation of dilutive EPS	(24,937,455)	(15,640,470)
		No.	No.
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,013,392,676	280,526,554
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,013,392,676	280,526,554

(c) Diluted earnings per share not disclosed due to options unable to be converted into ordinary shares as they were out of the money prior to year end and anti-dilutive

Note 8: Cash and Cash Equivalents

		Consolidated	
		2010	2009
		$	$
Cash at bank and in hand		39,807	173,658
Short-term bank deposits		-	-
		39,807	173,658

The effective interest rate on Maxi Direct High Interest Account was 2% (2009: 2.15%); these funds are on call.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		39,807	173,658
	(i)	39,807	173,658

(i) *Subsequent to year end $11m has been received after successful completion of tranche 1 of a placement to sophisticated and institutional investors, with tranche 2 of $11m expected to be completed on 10 September 2010 after the Company's General Meeting and a further $11m upon completion of the Company's Fully Underwritten Share Placement Plan closing on 7 September 2010*

Notes to the Preliminary Consolidated Financial Statements
For The Year Ended
30 June 2010

Note 9: Trade and Other Receivables

	Note	Consolidated 2010 $	Consolidated 2009 $
CURRENT			
Other receivables		899,792	3,076,420
		899,792	3,076,420

Note 10: Financial Assets

	Note	Consolidated 2010 $	Consolidated 2009 $
CURRENT			
Non-current assets classified as held for sale	10(a)	10,171,553	9,878,322
		10,171,553	9,878,322

(a) Continental has entered into a sales agreement in respect of its interest in the Vanmag Iron Ore Project in South Africa subject to the completion of due diligence and necessary regulatory approvals

	Note	Consolidated 2010 $	Consolidated 2009 $
NON-CURRENT			
Available-for-sale financial assets	10(b)	143,437	192,188
		143,437	192,188

(b) **Available-for-sale financial assets comprise:**

	2010 $	2009 $
NON-CURRENT		
Listed investments, at fair value		
- Shares in listed corporations	143,437	192,188
	143,437	192,188
Unlisted investments, at cost		
- Interest in other corporations	-	-
	-	-
Unlisted investments		
- shares in other corporations at cost	-	-
Less: impairment provision	-	-
	-	-
Total non-current available-for-sale financial assets	143,437	192,188

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments

Note 11: Prepaid Borrowing Costs

During the period, the group incurred certain costs to obtain borrowings, as set out below. These costs have been amortised over the life of their respective loans.

	Consolidated	
	2010 $	2009 $
a) Reconciliation of Prepaid borrowing costs		
Balance at the beginning of the period	5,730,122	-
Share-Based Payments[(i)]	2,620,452	5,954,698
Brokerage and other fees	-	1,431,000
Amortisation during the period[(ii)]	(6,543,038)	(1,655,576)
Balance at the closing of the half-year	1,807,536	5,730,122

As at 30 June 2010, the remaining amortisation period is approximately 0.75 years

(i) Relates to 70 million call options issued in obtaining an additional $7million debt facility during the period.
(ii) Includes immediate amortisation in relation to the reduction in liability.

b) Reconciliation of Prepaid Interest		
Balance at the beginning of the period	-	-
Share-Based Payments (i)	1,845,000	-
Amortisation during the period (ii)	(1,845000)	-
Balance at the closing of the half-year	-	-

(i) During the period, the group issued 70 million listed options in lieu of the additional $7 million of borrowings to be interest free. The value of the options issued has been treated as a prepayment, and amortised over the life of the loan
(ii) Includes immediate amortisation in relation to the reduction in liability.

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c) Reconciliation to the balance sheet		
Current		
Non-current	1,618,451	4,018,270
	189,085	1,711,852
	1,807,536	5,730,122

Note 12: Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2010	2009
Subsidiaries of Continental Coal Limited:			
Continental Coal Ltd	South Africa	74	74
Subsidiaries of Continental Coal Ltd			
Tsimpilo Trading 45 (Pty) Ltd	South Africa	100	100
Taboo Trading 137 (Pty) Ltd	South Africa	100	100

** Percentage of voting power is in proportion to ownership*

Note 13: Other Assets

	Consolidated 2010 $	Consolidated 2009 $
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases - direct	28,645,092	23,989,791
- Exploration and evaluation phases - in direct (i)	18,943,886	10,723,624
Total exploration expenditure	47,588,978	34,713,415

(a) Movements in carrying amounts

Movements in carrying amounts for exploration expenditure between the beginning and the end of the current financial year

	2010 $	2009 $
Balance at 1 July	23,989,791	12,056,009
Exploration expenditure capitalised	32,658,413	11,933,782
Transfers to development expenditure	(9,059,226)	
Carrying amount at 30 June	47,588,978	23,989,791

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 or sale.

Note 13: Other Assets (cont'd)

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

Consolidated

Name of company	Listed/ Unlisted	Country of Incorporation	30 June 2010 Percentage owned	30 June 2009	30 June 2010 Carrying amount	30 June 2009
			%	%	$	$
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa	49	49	18,943,870	10,723,608
City Square - Trading 437 (Pty) Limited	Unlisted	South Africa	50	50	8	8
Idada Trading 310 (Pty) Limited	Unlisted	South Africa	50	50	8	8
					18,943,886	10,723,624

In the prior period the company entered into a purchase agreement to acquire a 49% shareholding in Misty Sea Trading 262 (Pty) Ltd. The shareholding only entitles the company the right of ownership in the prospecting rights of MP30/5/1/2/1640 PR and MP30/5/1/1/2/1689 PR. The intention is that once the section 11 application is successful, the prospecting rights would be transferred to a new entity. Continental Coal would hold 50% equity share in the new entity and would sell their 49% share of Misty Sea to the original seller at a nominal value. The shareholders agreement indemnifies Continental Coal against any other liability of Misty Sea but also does not entitle them to any other asset of the company.

As the assets and liabilities are ringfenced the following list of assets and liabilities are acquired:-

Payments in respect of acquiring prospecting rights of Project X and Vaalbank	14,779,800
Deferred payment consideration accrued for	7,509,534
Adjustment to purchase price	918,000
Subsequent exploration costs capitalised for both Project X and Vaalbank*	3,274,190
Impairment of social development plan	(28,104)
	26,453,420
Liabilities in respect of deferred payment consideration and adjusted purchase price	(7,509,534)
	18,943,886

The company exercised their option to acquire an additional 20% in Project X and 25% in the Vaalbank project by increasing their shareholding in Idada (Pty) Limited and the proposed new company called Kebragen (Pty) Limited. Included in the payments above are prepayments for the increased shareholding. Management is finalising the purchase contracts and transfer of share certificates in the 2011 financial year.

*Includes capitalised interest of 374,806.

Note 14: Development Expenditure

	Consolidated 2010 $	Consolidated 2009 $
NON-CURRENT		
- Development expenditure at cost	9,059,226	-
Total development expenditure	9,059,226	-

(a) **Movements in carrying amounts**

Movements in carrying amounts for exploration expenditure between the beginning and the end of the current financial year

	2010 $	2009 $
Balance at 1 July	-	-
Transfers from exploration expenditure	9,059,226	
Carrying amount at 30 June	9,059,226	-

The Development expenditure relates mainly to the mining infrastructure assets under construction for the Vlakvarkfontein project and the environmental assets for closure costs

Recoverability of the carrying amount of development 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 or sale.

Note 15: Property, Plant & Equipment

	Consolidated 2010 $	Consolidated 2009 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	487,243	311,553
Accumulated depreciation	(134,233)	(25,427)
Accumulated impairment losses	-	-
Total plant and equipment	353,010	293,779
Total Property, Plant & Equipment	353,010	293,779

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $	Total $
Consolidated Group:		
Balance at 1 July 2008	6,094	6,094
Additions	1,559	1,559
On 74% acquisition of Continental Coal Ltd in South Africa	311,553	311,553
Depreciation expense	(25,427)	(25,427)
Balance at 30 June 2009	293,779	293,779
Additions	136,661	136,661
Depreciation expense	(77,430)	(77,430)
Balance at 30 June 2010	353,010	353,010

Note 16: Other Assets

	Consolidated 2010 $	Consolidated 2009 $
NON-CURRENT		
Deposit paid for equity investment	8,835,750	-
	8,835,750	-

Relates to the prepayment in respect of the Vlakvarkfontein project acquisition where the company's South African subsidiary Continental Coal South Africa, is to acquire a shareholding of 50% in Ntshovelo Mining Resources (Pty) Limited and a 60% economic interest. The additional 10% economic interest is for compensation in respect of managing the project.

Note 17: Trade and Other Payables

		2010	2009
CURRENT			
Unsecured liabilities:			
Trade payables		4,912,409	2,810,777
Sundry payables and accrued expenses		2,601,792	745,816
Accrued interest		806,970	738,607
		8,321,171	4,295,200
Accruals relating to held-for-sale assets		557,754	727,129
		8,878,925	5,022,329
NON-CURRENT			
Unsecured liabilities:			
Option Fee - Lemoenfontein		-	4,810
Sundry payables and accrued expenses		-	681,289
Accrued interest		-	528,808
Deferred purchase liability – Vlakvarkfontein	(i)	6,120,000	-
Deferred income	(ii)	1,606,500	-
Environmental liability - Vlakvarkfontein	(iii)	2,231,672	-
		9,958,172	1,214,907

(i) Relates to the balance of the acquisition cost.

(ii) Relates to the prepayment of the sale of the first 100,000 tonnes of run-of-mine coal from the Vlakvarkfontein coal mine.

(iii) Relates to environmental liability for the Vlakvarkfontein Coal Mine 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.

Note 18: Financial Liabilities

		Consolidated 2010 $	Consolidated 2009 $
CURRENT			
Loans from related parties	(i)	915,000	949,800
Loans other	(ii) (iii) (iv) (v)	5,679,871	8,193,096
		6,594,871	9,142,896

2010

(i) Loan is secured with pledge over shares, interest bearing at 10% per annum and repayable on or before 31 December 2010 in South African Rand 6,000,000

(ii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2010 in USD 2,500,000

(iii) Loan is interest bearing at 12% per annum and repayable on or before 30 June 2011 ins AUD 203,000

(iv) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2010 in AUD 2,558,696

2009

(v) Loan is secured with pledge over shares, interest bearing at 10% per annum and repayable on or before 31 December 2009 in South African Rand 6,000,000

(vi) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2009 in South African Rand 5,000,000

(vii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2009 in USD 2,500,000

(viii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2009 in AUD 1,500,000

(ix) Loan is interest bearing at a set amount of $400k and repayable on or before 20 October 2009 in AUD 1,600,000

	Consolidated 2010 $	Consolidated 2009 $
NON-CURRENT		
Debt Facility (i)	13,200,000	13,522,082
Loan other (ii)	-	209,726
	13,200,000	13,731,808

(i) Debt facility is secured with pledge over shares, interest bearing at 12% per annum and repayable on or before 4 years from draw down date in AUD $13,200,000.

(ii) Loan is interest bearing at 12% per annum and repayable on or before 30 June 2011 in AUD 203,000

Note 19: Issued capital

	Consolidated 2010 $	Consolidated 2009 $
1,260,965,915 (2009: 446,285,001) fully paid ordinary shares	95,982,615	54,154,598
	95,982,615	54,154,598

(a) Ordinary Shares

	2010 No.	2009 No.
At the beginning of the period	446,285,001	187,916,668
Shares issued during year	814,680,914	258,368,333
At reporting date	1,260,965,915	446,285,001

Note 20: Reserves

(a) Available for sale investments reserve
The available for sale investments reserve records revaluation of available for sale assets.

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

(c) 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.

(d) Option reserve
The option reserve records items recognised as expenses on fair valuation of options issued for facilitation of borrowings.

Note 21: Capital, Leasing and Other Commitments

	Consolidated 2010 $	Consolidated 2009 $
(a) Capital expenditure commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets payable	1,246,271	4,196,375
	1,246,271	4,196,375
Payable:		
- Between 12 months and 5 years	1,246,271	4,196,375
	1,246,271	4,196,375

During the period, Continental Coal entered into various sales agreements and incurred the following commitments and contingent liabilities:

Project	Outstanding purchase price	Committed exploration expenditure
Project X	Full purchase price for the 50% stake has been provided for in the financial statements. A balance of ZAR 61 million (A$9,333,000) remains for the additional 20%.	The company committed to contribute the first ZAR 40 million (A$6,332,000) of exploration capital, including the Vaalbank exploration costs. As at 30 June 2010 ZAR 21,872,018 (A$3,346,418) had already been spent.
Vaalbank	The previous agreement was based on a rand per ton mined. The payment consideration was renegotiated as ZAR 120m (A$18,360,000) for 50%. To acquire the additional 25% the company estimates to pay ZAR 56 million (A$8,568,000).	See above
Lemoenfontein	As at year end, ZAR 1,215,415 (A$185,958) based on an agreed price of ZAR 5 per ton and an estimated measured resource of 243,083 tons	The company committed to contribute the first ZAR 10 million (A$1,583,000) of exploration capital. At at 30 June 2010 ZAR 1 million (A$158,300) had already been spent.

Note 21: Capital, Leasing and Other Commitments (cont'd)

Project	Outstanding purchase price	Committed exploration expenditure
Vlakplaats	ZAR 130 million (A$19,890,000) is payable on the transfer of the prospecting right to Continental Coal.	

On 4 May 2009, the company signed a letter of intent to exercise the pre-emptive right in respect of Ntshovelo Mining Resources (Pty) Limited to acquire the "A" class ordinary shares in the above company from Reliant Coal Resources (Pty) Limited for ZAR 30 million in cash, of which ZAR 6 million has been paid as a non-refundable deposit, with the balance to be paid 30 days from the date of signing the SSA, but not later than 11 June 2009. As at the date of this report, no shareholders sales agreement has been signed and no further monies paid.

Note 22: Contingent Liabilities and Contingent Assets

- A royalty arrangement is in place with respect to the Company's $20m debt facility instrument equating to US$1 per tonne of all coal produced by Continental Coal Ltd in South Africa in proportion to the investment percentage of each Royalty holder.
- 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.

Note 23: Share-based Payments

The following share based payment arrangements existed at 30 June 2010:-

During the year 150m unlisted call options exercisable at 5 cents on or before 6 August 2013 were issued to participants under the Company's Debt Facility, of these 68m were exercised in the conversion of debt to equity leaving a balance of 82m as at 30 June 2010.

On 1July 2009, 9m unlisted options exercisable at 10 cents on or before 30 June 2012 were issued to employees of Continental Coal Ltd South Africa. The options have a vesting period of 12 months for 50% and 24 months for remaining 50%.

On 10 January 2010, 15m unlisted options exercisable at 5 cents on or before 31 December 2012 were issued to employees of Continental Coal Ltd South Africa. The options have a vesting period of 12 months for 50% and 24 months for remaining 50%.

Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

☐	The financial statements have been audited.	☐	The financial statements have been supplied to review.
☒	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.

PETER LANDAU
Executive Director

Date: 31 August 2010