Continental Coal Ltd

(Formerly Continental Capital Limited)

ANNUAL REPORT

for the year ended 30 June 2009

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors

Peter LANDAU
(Executive Chairman)

Andrew MACAULAY – appointed 21 May 2009
(Executive Director)

Bruce BUTHELEZI – appointed 21 May 2009
(Executive Director)

Manuel LAMBOLEY
(Non-Executive Director)

Simon DURACK – appointed 21 May 2009
(Non-Executive Director)

Company Secretary

Anthony EASTMAN
(Joint Company Secretary)

Jane FLEGG
(Joint Company Secretary)

Registered Office

Level 3, 1 Havelock Street
West Perth
Western Australia 6005
Telephone: (08) 9488 5220
Facsimile: (08) 9324 2400

Principal Place of Business

Level 3, 1 Havelock Street
West Perth
Western Australia 6005
Telephone: (08) 9488 5220
Facsimile: (08) 9324 2400
Email: **admin@conticoal.com**
Website: **www.conticoal.com**

Country of Incorporation

Australia

Auditors

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
Telephone: (08) 9380 8400
Facsimile: (08) 9380 8499

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: CCC formerly CNF

EXECUTIVE CHAIRMAN'S REPORT

Dear Shareholder,

On behalf of the Board of Directors of Continental Coal Limited I am pleased to report on the Company's activities during the 2008/2009 financial year.

In a year of world economic turbulence, your Company has embarked upon a strategy of investing in the emerging coal resources industry in South Africa. Culminating in the successful acquisition of 74% of Continental Coal Ltd (SA), a company focused on growth through investment in sustainable mining opportunities with high quality production and advanced-stage exploration assets within established coal mining regions in South Africa, as well as a change in name in order to more closely identify with the interests of the Company.

Principal benefits include:

- Near term production with early projected positive cash flows
- Resources located within one of the world's largest and most developed coal mining regions
- Access to well established infrastructure and coal mining support services
- The increasing demand for coal in South Africa to meet power generating requirements
- Growing coal export potential
- Established BEE partner – Masawu Investments (Pty) Ltd

In addition, Continental Coal Ltd (SA) appointed Mr Petrus Snyders as its Chief Operating Officer. Mr Snyders brings 28 years of experience in the South African Mining industry to the Company.

With the successful acquisition of 74% Continental Coal Ltd (SA), Andrew Macaulay and Bruce Buthelezi were appointed to the Board. Together with the existing Board (who I thank for their efforts), Continental is well positioned to deliver significant growth over the next 12 months.

Capital raising for the acquisition and development of coal projects has not been easy in these difficult times. However, the Board has succeeded in securing $20m in a debt financing instrument plus successfully raising $11m in two strategic placements. These capital raisings, together with the Sale of Vanmag for US$10m, will allow the Company to pursue its strategic goal in assembling a portfolio of sustainable assets by investing in highly prospective coal resources within South Africa, in order to emerge as a diversified mid-tier mining house with potentially excellent returns on shareholder funds.

The Board joins me in thanking you for your support during the past year as a shareholder of Continental and we look forward to a successful year ahead.

PETER LANDAU
Executive Chairman

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Continental Coal Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The names of the directors in office and at any time during, or since the end of, the year are:

Mr Peter Landau		
Mr Bruce Buthelezi	appointed	21/05/09
Mr Andrew Macaulay	appointed	21/05/09
Mr Manuel Lamboley		
Mr Simon Durack	appointed	21/05/09
Dr Richard Napier	resigned	21/05/09
Mr Anthony Eastman	resigned	21/05/09

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following persons held the position of joint company secretary at the date of this report

Mr Anthony Eastman	appointed	21/05/09
Ms Jane Flegg		

Principal Activities

The principal activity of the group during the financial year was investment in the mining resource industry. During the year, the group focused on investing in highly prospective coal resources in South Africa.

Operating Results

The consolidated loss of the group for the financial year after providing for income tax amounted to $14,905,526 (2008: $7,546,804).

Dividends Paid or Recommended

The directors recommend that no dividend be paid for the year ended 30 June 2009, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

Review Of Operations

Acquisition of Continental Coal Limited, South Africa

During the year, Continental successfully acquired a 74% interest in Continental Coal Limited, a company with interests in high quality production and advanced-stage exploration assets in established coal mining regions of South Africa. A summary of each of the projects is set out below.

Shareholder approval was obtained for the transaction at the Company's Annual General Meeting on 28 November 2008. Aggregate consideration payable for the acquisition is the issue of 360m shares and 120m options in the Company. As at 30 June 2009 the Company had issued 180m shares and 120m options in consideration for this acquisition. The second tranche of 180m shares was issued on 29 July 2009.

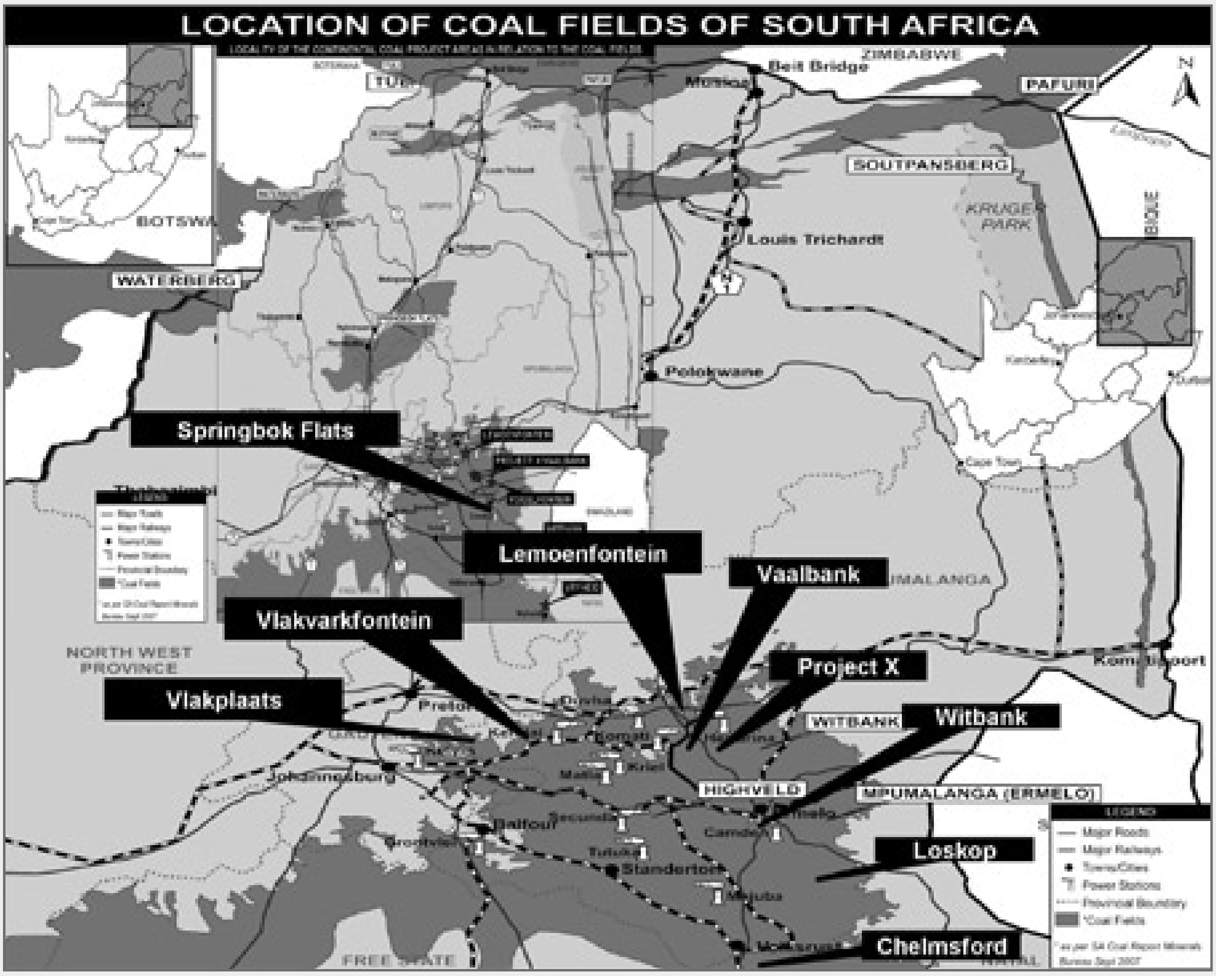
The acquisition and development costs of the coal projects are to be funded by way of a A$20m debt financing instrument. As at the date of this report the Company had successfully obtained commitments for the A$20m raising. As at the date of this report $13 million has been advanced to the Company.

In addition, the Company successfully completed a placement of 160m shares to sophisticated and professional investors at $0.05 to raise $8m with an additional 80m free attaching options ($0.05, 13 February 2013). The placement was completed in two tranches (65m shares up front to raise $3.25m) with the balance (95m shares and 80m options) approved by shareholders at the Company's General Meeting on 10 July 2009. The funds will be used to expedite the development of the coal projects.

Despite the state of the world financially, the Board is encouraged with the development of the projects and the short term prospects for local met coal in South Africa and export thermal coal demand from India and China.

Existing Project Portfolio Summary

Project	Gross Insitu Tonnes (Mt)			Coal Product	Prodution Date
	Inferred	Measured	Total		
Near-term Production					
Vlakvarkfontein (MR)	-	17	17	Eskom/Export B Grade	Oct 2009
Chelmsford (MR)	-	61	61	Export Thermal/Eskom/Anthracite	Dec 2009
Witbank (MR)	-	28	28	Export Thermal/Local Met	2010
Short-term JV potential					
Project X (MR lodged)	-	33	33	Export Thermal/Local Met	2H 2010
Vaalbank (MR lodged)	-	86	86	Export Thermal/Local Met	2010
Significant Development Partner Potential					
Vlakplaats	122	-	122	Coking/Export Thermal/Eskom	2011
Other Mid-term Production Assets					
Loskop	1	10	11	Export Thermal/Local Met/Coking	1H 2010
Lemoenfontein	21	16	37	Export Thermal/Local Met	2H 2010
TOTAL	144	251	395		



Existing Project Portfolio Locations

Vanmag Iron Ore Project, South Africa

Continental entered into a sales agreement in respect of the disposal of its interest in the Vanmag Iron Ore Project in South Africa. The agreement is subject to completion of due diligence and necessary regulatory approvals.

The key terms of the Share Sale Agreement for Continental are US$10m cash (US$1m deposit with the balance on completion of due diligence and regulatory approvals).

As at the date of this report, settlement is scheduled for the end of October 2009.

Investment in JCI Limited

Continental finalised the sale of its investment in JCI Limited and received A$948,364.

Change of Company Name

With the Company's acquisition of South African registered Continental Coal Limited, the Board believed that the change of name to "Continental Coal Limited" more closely identified with the interests of the Company. Shareholders approved the change at the Company's General Meeting on 10 July 2009. The Company's ASX code also changed from "CNF" to "CCC".

Financial Position

The net assets of the group have increased by $16,179,671 from $9,046,436 at 30 June 2008 to $25,226,107 in 2009. This increase has largely resulted from the following factors:

- Acquisition of 74% of Continental Coal Ltd (SA);
- Accelerated purchases of strategic near term coal project acquisitions; and
- Sale of JCI Investment.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent company occurred during the financial year:

An increase in contributed equity of $10,945,052 (from $43,209,546 to $ 54,154,598) as a result of:-

Placement issue of 5,003,333 ordinary fully paid shares at 8 cents each	400,000
Issue of 8,365,000 ordinary fully paid shares to consultants at 6.1 cents each in consideration for services provided to the company	510,265
Issue of 180,000,000 ordinary fully paid shares in consideration for the 74% acquisition of Continental Coal Ltd at 4 cents each	7,200,000
Placement issue of 65,000,000 ordinary fully paid shares at 5 cents each	3,250,000
Less share issue costs	(415,213)
	10,945,052

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the economic entity in future financial years except as follows:-

- Change of company name to Continental Coal Limited, approved by shareholders at the company's general meeting on 10 July 2009. The Company's ASX code changed from "CNF" to "CCC".
- Successful completion of a placement of 160m ordinary fully paid shares at an issue price of 5 cents with a one for two free attaching option (5 cents, 13 February 2013) to sophisticated and institutional investors, raising $8m, to allow the rapid development of existing projects and further strategic acquisitions. The placement was completed in two tranches (65m shares up front to raise $3.25m) with the balance (95m shares and 80m options) approved by shareholders at the Company's general meeting on 10 July 2009. The options were listed on 16 July 2009; ASX code CCCO.

- Continental entered into a sales agreement in respect of the disposal of its interest in the Vanmag Iron Ore Project in South Africa for US$10m plus US$3m over the life of the mine, subject to the necessary regulatory approvals.
- The group is currently in the process of formalising an agreement to acquire 100% of the equity in Future Coal (Pty) Limited.
- The Company's South African subsidiary, Continental Coal Limited (SA), reached an important milestone in its path to production by way of securing logistics support, rail and Richards Bay port allocation by forming an alliance with local company Ulwazi Coal.
- The above allocation triggered the milestone share issue of 180m shares as approved by shareholders at the Company's annual general meeting on 28 November 2008. These shares were issued on 27 July 2009.
- A second successful placement completion of 60m ordinary fully paid shares at an issue price of 5 cents and 30,000,000 listed options (5 cents, 13 February 2013) to sophisticated and institutional investors raising A$3m to develop the Company's South African Chelmsford Coal Project.
- 80,000,000 unlisted options (5 cents, 6 August 2013) were issued on 6 August 2009 to participants of the Company's debt facility.
- 20,000,000 unlisted options (5 cents, 11 September 2013) were issued on 11 September 2009 to participants of the Company's $1.6m loan.

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 is actively seeking coal investment opportunities predominantly in South Africa.

(ii) Develop these investments to production through its South African subsidiary Continental Coal Ltd (SA).

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.

Environmental Issues

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Information on Directors

Mr Peter Landau	Executive Chairman	
Qualifications	Bachelor of Law, Bachelor of Commerce.	
Experience	Mr Landau is a corporate lawyer and corporate advisor, providing general corporate, capital raising, transaction and strategic advice to numerous ASX listed and unlisted companies. Mr Landau has project managed a significant number of mining exploration and development transactions around the world including capital raisings, M & A, joint ventures and financings. Mr Landau is a director of a number of ASX listed companies with particular focus on mining resource and oil and gas exploration and development on the African continent.	
Interest in shares and options	Mr Landau holds 5m options exercisable at 15 cents on or before 31 December 2009 and 5m options exercisable at 20 cents on or before 31 December 2009.	
Special Responsibilities	Mr Landau is Chairman of the Continental Coal Audit Committee.	
Directorships held in other listed entities	Range Resources Limited	From: 8 November 2005
	Nkwe Platinum Limited	From: 14 September 2006
	Cape Lambert Iron Ore Limited	From: 15 May 2007 To: 17 June 2009
	BioProspect Limited	From: 29 May 2007 To: 24 November 2008
	Blaze Limited	From: 21 May 2004 To: 19 April 2007
	Konekt Limited	From: 21 May 2004 To: 14 July 2006
	Nuenco NL	From: 27 September 2004 To: 12 October 2006
	Poseidon Nickel Limited (formerly Niagara Limited)	From: 17 June 2005 To: 4 April 2007
	View Resources Limited	From: 21 April 2004 To: 11 September 2007

Information on Directors (cont.)

Mr Andrew Macaulay	**Executive Director** (appointed 21 May 2009)
Qualifications	Bachelor of Science
Experience	Mr Macaulay has been involved in the African oil & gas and natural resource sector since the 1980's. He was previously an executive with HSBC Bank. He is a founding director of Continental Coal Ltd (SA).
Interest in shares and options	Mr Macaulay holds no shares or options in the Company.
Directorships held in other listed entities	During the past three years, Mr Macaulay has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Bruce Buthelezi	**Executive Director** (appointed 21 May 2009)
Qualifications	Diploma of Industrial Engineering
Experience	Mr Buthelezi has held senior management positions in the oil & gas and financial services sectors. He was strategic advisor to TSX listed coal junior, Homeland Energy Group with coal operations in South Africa. He is a founding director of Continental Coal Ltd (SA).
Interest in shares and options	Mr Buthelezi holds no shares or options in the Company.
Directorships held in other listed entities	During the past three years, Mr Buthelezi has not served as a director of any other companies listed on the Australian Securities Exchange.

Mr Manuel Lamboley	**Non-Executive Director**
Qualifications	Registered as a qualified stock/commodity broker (serie 3 and 7)
Experience	Mr Lamboley has extensive knowledge of the investment banking industry and long standing relationships with major investors and financial advisors worldwide. During 20 years of experience with investment banking firms in the US and Europe, Mr Lamboley was a director of UBS AG, head of the Geneva office of Williams de Broe, as well as holding senior positions at Bank Julius Bar, Kidder Peabody, Paine Webber International and Prudential-Bache Securities. He was founder of Eastern Capital Fund and Ocean Finance. He is a non-executive director of UK based African Aura Resources Limited.
Interest in shares and options	Mr Lamboley holds 2m options exercisable at 15 cents on or before 31 December 2009 and 2m options exercisable at 20 cents on or before 31 December 2009.
Directorships held in other listed entities	During the past three years, Mr Lamboley has not served as a director of any other companies listed on the Australian Securities Exchange.

Information on Directors (cont.)

Mr Simon Durack	**Non-Executive Director** (appointed 21 May 2009)
Qualifications	Bachelor of Commerce, CA, Post GradDip Bus, FCIS
Experience	Mr Durack is an experienced Chartered Accountant, practicing Company Secretary and Director, and brings to the Company over 29 years commercial experience gained working in Australia, South East Asia and Europe. Mr Durack has held many senior financial, secretarial and director positions with both large public and private entities in a diverse range of industries.
Interest in shares and options	Mr Durack holds no shares or options in the Company.
Directorships held in other listed entities	Millennium Minerals Limited From: 2 February 2009

Dr Richard Napier	**Non-Executive Director** (resigned 21 May 2009)
Qualifications	PhD in Gold Geology of Western Australia, BSc Geology, Fellow of Geol Soc (London)
Experience	Dr Napier has extensive hands on experience in a broad variety of projects and positions in numerous countries including Australia, South and Central America, Southern and Central Africa and Central Asia, in the mining and exploration sector.
Interest in shares and options	Dr Napier holds 3m options exercisable at 15 cents on or before 31 December 2009 and 3m options exercisable at 20 cents on or before 31 December 2009.
Directorships held in other listed entities	Contact Uranium Limited From: 9 January 2006 To: 27 June 2007

Mr Anthony Eastman	**Non-Executive Director** (resigned 21 May 2009) **Joint Company Secretary** (appointed 21 May 2009)
Qualifications	Bachelor of Commerce, CA
Experience	Mr Eastman is a Chartered Accountant with a number of years experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom. Mr Eastman is currently Joint Company Secretary of Range Resources Limited.
Interest in shares and options	Mr Eastman holds 70,000 shares in the company.
Directorships held in other listed entities	Range Resources Limited From: 15 June 2009

Ms Jane Flegg	**Joint Company Secretary**
Experience	Ms Flegg has over 20 years of experience in finance and administration. During the past decade she has been a Corporate Advisor to several ASX Public Listed Companies, specialising in corporate and financial management, compliance and company secretarial advice. Ms Flegg is currently Company Secretary of International Goldfields Limited and Joint Company Secretary of Range Resources Limited.
Interest in Shares and Options	Ms Flegg holds 20,000 shares in the company.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Continental Coal Limited, and for the executives receiving the highest remuneration.

The information provided in this report has been audited as required by Section 308(3c) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

A Remuneration Policy

B Details of remuneration

C Equity-based compensation

D Employment contracts of directors and senior executives

A Remuneration Policy

The remuneration policy of Continental Coal Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Continental Coal Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Key management personnel can be employed by the Company on a consultancy basis, upon Board approval, with remuneration and terms stipulated in individual consultancy agreements.
- The board reviews key management personnel packages annually based on market practices, duties and accountability. Currently there is no link between remuneration and shareholder wealth or company performance. The Board may, however, approve at its discretion, incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for their performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Remuneration Report (Audited) (cont.)

All remuneration paid to key management personnel is valued at the cost to the consolidated group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Committee

During the year ended 30 June 2009, the group did not have a separately established nomination or remuneration committee. Considering the size of the group, the number of directors and the group's early stages of development, the Board is of the view that these functions could be efficiently performed with full Board participation.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, and particular experience of the individual concerned. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

B Details of Remuneration

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the economic entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate currently stands at $250,000 per annum and was approved by shareholders at the Annual General Meeting on 28 November 2008.

Non-executive directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expenses incurred by directors on Company business.

Remuneration Report (Audited) (cont.)

Executive Director Remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those shareholders; and
- Ensure total remuneration is competitive by market standards

Currently there is no link between remuneration and shareholder wealth or company performance.

Structure

Executive directors are provided to the company on a consultancy basis with remuneration and terms stipulated in individual consultancy agreements.

Key Management Personnel Remuneration

Details of the remuneration for each director of the consolidated entity during the year was as follows:

The key management personnel of the group are the directors of Continental Coal Limited being:

• Peter Landau	Executive Chairman	
• Andrew Macaulay	Executive Director	*(from 21 May 2009)*
• Bruce Buthelezi	Executive Director	*(from 21 May 2009)*
• Manuel Lamboley	Non-Executive Director	
• Simon Durack	Non-Executive Director	*(from 21 May 2009)*
• Dr Richard Napier	Non-Executive Director	*(to 21 May 2009)*
• Anthony Eastman	Non-Executive Director	*(to 21 May 2009)*
• Anthony Eastman	Joint Company Secretary	*(from 21 May 2009)*
• Jane Flegg	Joint Company Secretary	

And the directors of the South African Subsidiary, Continental Coal Ltd

• Andrew Macaulay	Chairman	*(from 31 January 2009)*
• Bruce Buthelezi	Managing Director	*(from 31 January 2009)*
• Martin Van Der Poel	Non-Executive Director	*(from 31 January 2009)*

And those executives that report directly to the Managing Director of the South African Subsidiary, Continental Coal Ltd

• Martin Westerman	Chief Financial Officer	*(from 31 January 2009)*
• Petrus Snyders	Chief Operating Officer	*(from 1 April 2009)*

Remuneration Report (Audited) (cont.)

2009	Short-term benefits	Post-employment benefits	Share-based payments	Total	Performance Related	Options as Remuneration
Name	Cash, Salary and Commissions	Super-annuation	Options			
	$	$	$	$	$	%
Key Management Personnel						
Peter Landau	163,500	-	-	163,500	Nil	-
Andrew Macaulay (from 31 January 2009)	121,234	4,644	-	125,878	Nil	-
Bruce Buthelezi (from 31 January 2009)	157,587	4,644	-	162,231	Nil	-
Manuel Lamboley	63,006	-	-	63,006	Nil	-
Simon Durack (from 21 May 2009)	-	-	-	-	Nil	-
Anthony Eastman* (to 21 May 2009)	40,000	-	-	40,000	Nil	-
Richard Napier (to 21 May 2009)	84,996	-	-	84,996	Nil	-
Jane Flegg *	-	-	-	-	Nil	-
Martin Van Der Poel (from 31 January 2009)	278,937	-	-	278,937	Nil	-
Martin Westerman (from 31 January 2009)	121,787	3,096	-	124,883	Nil	-
Petrus Snyders (from 1 April 2009)	105,053	3,971	32,813	141,837	Nil	23%
	1,136,100	16,355	32,813	1,185,268	Nil	3%

**Jane Flegg and Anthony Eastman (from 21 May 2009) are employees of Okap Ventures Pty Ltd and are paid a salary through Okap's consulting agreement with Continental Coal Limited.*

Remuneration Report (Audited) (cont.)

2008	Short-term benefits	Post-employment benefits	Share-based payments	Total	Performance Related	Options as Remuneration
Name	Cash, Salary and Commissions	Super-annuation	Options			
	$	$	$	$	$	%
Key Management Personnel						
Peter Landau	176,000	1,125	721,500	898,625	Nil	80%
Dr Richard Napier	84,996	-	432,900	517,896	Nil	84%
Manuel Lamboley (from 1 August 2007)	73,163	-	288,600	361,763	Nil	80%
Anthony Eastman (from 17 June 2008)	-	-	-	-	Nil	-
Jane Flegg * (from 24 September 2007)	-	-	-	-	Nil	-
	334,159	1,125	1,443,000	1,778,284	Nil	81%

** Jane Flegg is an employee of Okap Ventures Pty Ltd and is paid a salary through Okap's consulting agreement with Continental Capital Limited.*

C Equity-based compensation

Options issued as part of remuneration for the year ended 30 June 2009

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Continental Coal Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Remuneration Report (Audited) (cont.)

Options Granted As Remuneration

Key Management Personnel	Vested No.	Granted No.	Date Granted	Date Vested & Exercisable	Last Exercisable Date	Exercise Price	Value per option at grant date $	Total Value $
Peter Landau	5,000,000	5,000,000	23/11/2007	23/11/2007	31/12/2009	15 cents	0.078	393,500
	5,000,000	5,000,000	23/11/2007	23/11/2007	31/12/2009	20 cents	0.065	328,000
Andrew Macaulay	-	-	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-	-	-
Manuel Lamboley	2,000,000	2,000,000	23/11/2007	23/11/2007	31/12/2009	15 cents	0.078	157,400
	2,000,000	2,000,000	23/11/2007	23/11/2007	31/12/2009	20 cents	0.065	131,200
Dr Richard Napier	3,000,000	3,000,000	23/11/2007	23/11/2007	31/12/2009	15 cents	0.078	236,100
	3,000,000	3,000,000	23/11/2007	23/11/2007	31/12/2009	20 cents	0.065	196,800
Simon Durack	-	-	-	-	-	-	-	-
Anthony Eastman	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
Martin Van Der Poel	-	-	-	-	-	-	-	-
Martin Westerman	-	-	-	-	-	-	-	-
Petrus Snyders	-	5,000,000	01/04/2009	2,500,000 01/04/2010 2,500,000 01/04/2011	31/3/2012	10 cents	0.035	175,000
	20,000,000	25,000,000						

All options were granted for nil consideration. No options have vested during the year, none have been forfeited.

Details of options over ordinary shares in the company provided as remuneration to each director of Continental Coal Limited are set out below. When exercisable, each option is convertible into one ordinary share of Continental Coal Limited. Further information on the options is set out in note 28 of the financial statements.

Remuneration Report (Audited) (cont.)

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
Peter Landau	-	10,000,000	-	10,000,000
Andrew Macaulay	-	-	-	-
Bruce Buthelezi	-	-	-	-
Manuel Lamboley	-	4,000,000	-	4,000,000
Dr Richard Napier	-	6,000,000	-	6,000,000
Simon Durack	-	-	-	-
Anthony Eastman	-	-	-	-
Jane Flegg	-	-	-	-
Martin Van Der Poel	-	-	-	-
Martin Westerman	-	-	-	-
Petrus Snyders	5,000,000	-	-	-

The assessed fair value at grant date of options granted to individuals is allocated over the period from grant date to vesting date, and the amount is included in the tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended included:

		2009	2008
(i)	exercise price:	10 cents	15 cents and 20 cents
(ii)	grant date:	1 April 2009	23 November 2007
(iii)	expiry date:	31 March 2012	31 December 2009
(iv)	share price at grant date:	7 cents	16 cents
(v)	expected volatility of the company's shares:	90%	77%
(vi)	expected dividend yield:	Nil	Nil
(vii)	risk-free interest rate:	3.25%	6.54%

Remuneration Report (Audited) (cont.)

Shares Issued on Exercise of Compensation Options

No options lapsed and no options were exercised during the year.

	2009	2009	2009	2008	2008	2008
	Options Granted as Part of Remuneration	Total Remuneration	Maximum Total Value of Grant yet to Vest	Options Granted as Part of Remuneration	Total Remuneration	Maximum Total Value of Grant yet to Vest
	$	$	$	$	$	$
Peter Landau	-	-	-	721,500	898,625	-
Andrew Macaulay	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-
Manuel Lamboley	-	-	-	288,600	361,763	-
Dr Richard Napier	-	-	-	432,900	517,896	-
Simon Durack	-	-	-	-	-	-
Anthony Eastman	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-
Martin Van Der Poel	-	-	-	-	-	-
Martin Westerman	-	-	-	-	-	-
Petrus Snyders	32,813	141,837	175,000	-	-	-
	32,813	141,837	175,000	1,443,000	1,778,284	-

D Employment Contracts of Directors and Senior Executives

Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for the Executive Chairman (Mr Peter Landau) and Non-Executive Directors (Dr Richard Napier, Mr Manuel Lamboley, and Mr Anthony Eastman) are formalised in consultancy agreements.

Major provisions of the agreement relating to remuneration are set out below.

As at the date of this report the agreements for Executive Director Mr Andrew Macaulay, Executive Director Mr Bruce Buthelezi and Non-Executive Director Mr Simon Durack have not been finalised.

Executive Chairman (Mr Peter Landau)

- Term of Agreement – The agreement commenced on 1 July 2007, for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $163,500 per annum plus GST payable monthly and reviewed annually, payable to Mr Peter Landau or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Remuneration Report (Audited) (cont.)

Non-Executive Director (Mr Manuel Lamboley)

- Term of Agreement – The agreement commenced on 7 August 2007 for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration US$72,000 per annum based on 78 days per annum payable monthly and reviewed annually, payable to Mr Manuel Lamboley or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-Executive Director (Dr Richard Napier)

- Term of Agreement – The agreement commenced on 1 December 2006 for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $85,000 per annum based on 78 days per annum payable monthly and reviewed annually, payable to Dr Richard Napier or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-Executive Director (Mr Anthony Eastman)

- Term of Agreement – The agreement commenced on 17 June 2008 for a term of three years or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration $40,000 per annum based payable monthly and reviewed annually, payable to Mr Anthony Eastman or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Trading in the company's securities by directors, officers and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, the directors, officers and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information and also prohibited from short term or "active" trading in the Company's securities. The directors, officers and employees should also prevent dealing in the Company's securities during specific blackout periods. The Company Secretary or a director must be notified upon a trade occurring.

The policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

This is the end of the Audited Remuneration Report.

Meetings of Directors

During the financial year, seven meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Director	Board Meetings		Audit and Compliance Committee	
	Held & Eligible to attend	Attended	Held	Attended
Mr P Landau	5	5	2	2
Mr A Macaulay	1	1	N/A	N/A
Mr B Buthelezi	1	1	N/A	N/A
Mr M Lamboley	5	4	N/A	N/A
Mr S Durack	1	-	N/A	N/A
Dr R Napier	4	3	N/A	N/A
Mr A Eastman	4	4	N/A	N/A

Indemnifying Officers or Auditor

In accordance with the constitution, except where prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the year, the Company paid a premium of $15,463 to insure the directors and officers of the Company.

Options

At the date of this report, the unissued ordinary shares of Continental Coal Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
22/10/2007	30/06/2010	$0.15	25,000,000
22/10/2007	30/06/2010	$0.20	20,833,333
23/11/2007	30/06/2010	$0.20	30,000,000
23/11/2007	31/12/2009	$0.15	10,000,000
23/11/2007	31/12/2009	$0.20	10,000,000
02/10/2008	30/06/2010	$0.20	15,000,000
03/10/2008	30/06/2010	$0.20	10,800,000
27/01/2009	19/10/2011	$0.15	60,000,000
27/01/2009	19/10/2011	$0.20	60,000,000
03/02/2009	19/10/2011	$0.05	50,000,000
01/04/2009	31/03/2012	$0.10	5,000,000
02/06/2009	13/02/2013	$0.05	80,000,000
16/07/2009	13/02/2013	$0.05	500,000
27/07/2009	13/02/2013	$0.05	30,000,000
27/07/2009	13/02/2013	$0.05	20,000,000
05/08/2009	06/08/2013	$0.05	80,000,000
05/08/2009	13/02/2013	$0.05	3,000,000
			510,133,333

During the year ended 30 June 2009, no ordinary shares of Continental Coal Limited were issued on the exercise of options nor have any shares been issued since that date.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year (if any) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no non-audit services provided by the auditors during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 as required under Section 307c of the Corporations Act 2001, is set out on page 23.

This report is made in accordance with a resolution of directors.

Peter Landau

Executive Chairman

Dated this 30th day of September 2009

AUDITOR'S INDEPENDENCE DECLARATION

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

30 September 2009
The Directors
Continental Coal Limited
Level 3, 1 Havelock Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF CONTINENTAL COAL LIMITED

As lead auditor of Continental Coal Limited for the year ended 30 June 2009, I declare that, to the

best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is made in respect of Continental Coal Limited and the entities it controlled during the period.

B. McVeigh

Brad McVeigh

Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd

Perth, Western Australia

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent Entity	
		2009 $	2008 (Re-stated) $	2009 $	2008 $
Revenue from continuing operations	2	7,338	61,769	198,551	61,705
Other income	2	-	116,422	46,214	147,448
Depreciation expense	3	(25,427)	(5,521)	(5,999)	(5,521)
Provision for impairment	3	(6,836,744)	-	(7,884,420)	-
Other expenses	3	(3,881,267)	(6,538,418)	(3,080,832)	(7,386,393)
Finance costs	3	(3,818,907)	(753,339)	(3,791,731)	(753,339)
Loss before income tax		**(14,555,007)**	**(7,119,087)**	**(14,518,217)**	**(7,936,100)**
Income tax expense	4	-	-	-	-
Loss from continuing operations		(14,555,007)	(7,119,087)	(14,518,217)	(7,936,100)
Loss from discontinued operations	5	(350,519)	(427,717)	-	-
Loss for the year		**(14,905,526)**	**(7,546,804)**	**(14,518,217)**	**(7,936,100)**
Loss is attributable to:					
Equity holders of Continental Coal Limited		(14,905,526)	(7,546,804)	(14,518,217)	(7,936,100)
Minority Interest		-	-	-	-
		(14,905,526)	**(7,546,804)**	**(14,518,217)**	**(7,936,100)**
Basic loss per share (cents per share)	9	(5.31)	(5.08)		
Diluted loss per share (cents per share)	9	n/a	n/a		

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	89,782	888,422	79,911	868,031
Trade and other receivables	11	1,536,983	174,021	191,074	173,510
Prepaid borrowing costs	12	4,018,270	-	4,018,270	-
		5,645,035	1,062,443	4,289,255	1,041,541
Non-current assets classified as held-for-sale	6	10,269,919	-	10,269,919	-
TOTAL CURRENT ASSETS		15,914,954	1,062,443	14,559,174	1,041,541
NON-CURRENT ASSETS					
Trade and other receivables	11	-	-	12,859,159	-
Prepaid borrowing costs	12	1,711,852	-	1,711,852	-
Financial assets	13	192,188	3,084,865	21,068,290	3,084,865
Investment in associates	14	10,723,624	-	-	-
Property, plant and equipment	17	293,779	6,094	1,654	6,094
Exploration expenditures	18	23,989,791	12,056,009	-	11,731,221
TOTAL NON-CURRENT ASSETS		36,911,234	15,146,968	35,640,955	14,822,180
TOTAL ASSETS		52,826,188	16,209,411	50,200,129	15,863,721
CURRENT LIABILITIES					
Trade and other payables	19	4,295,200	1,609,442	2,553,276	1,596,621
Borrowings	20	8,159,845	5,553,533	8,159,845	5,553,533
		12,455,045	7,162,975	10,713,121	7,150,154
Accruals relating to held-for-sale assets	6	727,129	-	727,129	-
TOTAL CURRENT LIABILITIES		13,182,174	7,162,975	11,440,250	7,150,154
NON-CURRENT LIABILITIES					
Trade and other payables	19	1,214,907	-	528,808	-
Borrowings	20	13,203,000	-	13,203,000	-
TOTAL NON-CURRENT LIABILITIES		14,417,907	-	13,731,808	-
TOTAL LIABILITIES		27,600,081	7,162,975	25,172,058	7,150,154
NET ASSETS		25,226,107	9,046,436	25,028,071	8,713,567
EQUITY					
Issued capital	21	54,154,598	43,209,546	54,154,598	43,209,546
Shares and options to be issued	22	16,294,698	-	16,294,698	-
Reserves	23	7,027,241	3,181,794	6,792,416	3,199,444
Accumulated losses		(52,250,430)	(37,344,904)	(52,213,641)	(37,695,423)
Parent interest		25,226,107	9,046,436	25,028,071	8,713,567
Less: Amounts attributable to minority interests		-	-	-	-
TOTAL EQUITY		25,226,107	9,046,436	25,028,071	8,713,567

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Share Capital Ordinary	Accum-ulated 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 1 July 2007	33,337,188	(29,798,100)	-	4,117	-	-	-	3,543,205
Movement in available for sale investments reserve	-	-	(884,063)	-	-	-	-	(884,063)
Movement in foreign currency translation reserve	-	-	-	(21,768)	-	-	-	(21,768)
Net expense recognised directly in equity	-	-	(884,063)	(21,768)	-	-	-	(905,831)
Loss attributable to members of the group	-	(7,546,804)	-	-	-	-	-	(7,546,804)
Total recognised income and expense for the year	-	(7,546,804)	(884,063)	(21,768)	-	-	-	(8,452,635)
Shares issued during the year	10,325,556	-	-	-	-	-	-	10,325,556
Transaction costs	(453,198)	-	-	-	-	-	-	(453,198)
Transfers to and from reserves								
- options issued for interest	-	-	-	-	652,602	-	-	652,602
- share based payment reserve	-	-	-	-	-	3,430,905	-	3,430,905
Balance at 30 June 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 (note 22)	-	-	-	-	-	-	16,294,698	16,294,698
Transfers to and from reserves								
- 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

The accompanying notes form part of these financial statements.

Parent Entity	Share Capital Ordinary	Accum-ulated losses	Available for Sale Investments Reserve	Option Reserve	Share Based Payment Reserve	Shares and Options to be Issued	Total
	$	$	$	$	$	$	$
Balance at 1 July 2007	33,337,188	(29,759,324)	-	-	-	-	3,577,864
Movement in available for sale investments reserve	-	-	(884,063)	-	-	-	(884,063)
Net expense recognised directly in equity	-	-	(884,063)	-	-	-	(884,063)
Loss attributable to members of parent entity	-	(7,936,100)	-	-	-	-	(7,936,100)
Total recognised income and expense for the year	-	(7,936,100)	(884,063)	-	-	-	(8,820,163)
Shares issued during the year	10,325,556	-	-	-	-	-	10,325,556
Transaction costs	(453,198)	-	-	-	-	-	(453,198)
Transfers to and from reserve							
- options issued for interest	-	-	-	652,602	-	-	652,602
- share based payment reserve	-	-	-	-	3,430,905	-	3,430,905
Balance at 30 June 2008	43,209,546	(37,695,424)	(884,063)	652,602	3,430,905	-	8,713,566
Movement in available for sale investments reserve	-	-	884,063	-	-	-	884,063
Net expense recognised directly in equity	-	-	884,063	-	-	-	884,063
Loss attributable to members of parent entity	-	(14,518,217)	-	-	-	-	(14,518,217)
Total recognised income and expense for the year	-	(14,518,217)	884,063	-	-	-	(13,634,154)
Shares issued during the year	11,360,265	-	-	-	-	-	11,360,265
Transaction costs	(415,213)	-	-	-	-	-	(415,213)
Un-issued capital (note 22)	-	-	-	-	-	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	(52,213,641)	-	652,602	6,139,814	16,294,698	25,028,071

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		7,338	61,769	7,338	61,705
Payments to suppliers and employees		(2,191,395)	(2,361,192)	(3,364,443)	(1,864,673)
Finance costs		(563,620)	(83,952)	(516,577)	(83,952)
Payments for exploration and evaluation		(6,906,929)	(8,353,696)	(2,589,872)	(8,719,353)
Net cash (used in) operating activities	27(a)	(9,654,606)	(10,737,071)	(6,463,554)	(10,606,273)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash acquired on acquisition of subsidiary	15(b)	517,190	-	-	-
Proceeds from sale of investments		948,365	40,000	948,365	40,000
Purchase of investments		-	(1,500,000)	-	-
Investment in equity account investee		(10,723,624)	-	-	-
Purchase of other non-current assets		(92,027)	(207,078)	(1,559)	(1,802,950)
Loan to subsidiary		-	-	(12,859,159)	(21,752)
Net cash (used in) investing activities		(9,350,096)	(1,667,078)	(11,912,353)	(1,784,702)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares, net of transaction costs		2,784,787	5,422,331	2,784,787	5,422,331
Proceeds from borrowings		15,425,534	5,533,901	14,803,000	5,533,901
Placement shares to be issued		-	400,000	-	400,000
Net cash provided by financing activities		18,210,321	11,356,232	17,587,787	11,356,232
Net (decrease) in cash held		(794,381)	(1,047,917)	(788,120)	(1,034,743)
Effect of the exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(4,259)	-	-	-
Cash at beginning of financial year		888,422	1,936,339	868,031	1,902,774
Cash at end of financial year	10	89,782	888,422	79,911	868,031

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

The financial report includes the consolidated financial statements and notes of Continental Coal Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Continental Coal Limited as an individual parent entity ('Parent Entity').

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, or other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The accounts have been prepared on the basis that the entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

At reporting date, the consolidated group had current assets of $15,914,954 and current liabilities of $13,182,174 and as disclosed in note 24, had commitments of $4,196,375. The directors believe the entity will be able to raise the funds necessary to meet their current liabilities and commitments on completion of the current debt facility, sale of Vanmag and further capital raising.

The ability of the company to continue as a going concern and settle its current liabilities is fundamentally dependant upon the ability of the company to raise funding for future activities or the sale of assets. The Directors consider that there are reasonable grounds to believe that the group will continue to raise equity and/or debt or sell necessary assets to meet its short to medium term funding requirements.

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity over which Continental Coal Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 16 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

Note 1: Statement of Significant Accounting Policies (cont.)

(a) Principles of consolidation (cont.)

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interest results in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statements and balance sheet respectively.

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Note 1: Statement of Significant Accounting Policies (cont.)

(b) Income tax (cont.)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probably that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and a settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rate
Australia	
Computer equipment	25%
South Africa	
Furniture & fittings	15%
Office equipment	10%
Computer equipment	33%

Note 1: Statement of Significant Accounting Policies (cont.)

(d) Property, plant and equipment (cont.)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

(e) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Note 1: Statement of Significant Accounting Policies (cont.)

(f) Investments and other financial assets (cont.)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) in the balance sheet.

(iii)Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv)Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Note 1: Statement of Significant Accounting Policies (cont.)

(f) Investments and other financial assets (cont.)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 31.

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(g) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Note 1: Statement of Significant Accounting Policies (cont.)

(h) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Note 1: Statement of Significant Accounting Policies (cont.)

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the originals terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of provision is recognised in the income statement in other expenses.

(n) Trade and other payables

These amounts present for liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and they are usually paid within 30 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Note 1: Statement of Significant Accounting Policies (cont.)

(o) Borrowings (cont.)

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

The South African subsidiary complies with the foreign tax/VAT regulations of South Africa.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result if a share buy-back, those instruments are deducted from the equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributed incremental costs (net of income taxed) is recognised directly in equity.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no considerations in relation to dilutive potential ordinary shares.

Note 1: Statement of Significant Accounting Policies (cont.)

(t) Share-based payments

Share-based compensation benefits to directors, employees and consultants are provided at the discretion of the board.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipient becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(u) Non-current assets held-for-sale and discontinued operations

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

Non-current assets classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(v) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 1: Statement of Significant Accounting Policies (cont.)

(w) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairments were recorded in relation to inter-company subsidiaries. Refer to note 13.

Key estimates – Exploration assets

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of exploration assets. Where an impairment trigger exists, the recoverable amount of the asset is determined based on historical knowledge and best available current information. $4m of exploration expenditure was written-off during the year as it was determined to be non-recoverable.

Note 2: Revenue

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Other revenue					
– Interest received – third party or other persons		7,338	61,769	198,551	61,705
Total other revenue		7,338	61,769	198,551	61,705
Total sales and other revenue from continuing operations		7,338	61,769	198,551	61,705
Other income					
- Gains on disposal of non-current investments		-	40,000	-	40,000
- Facility fee on inter-company loan		-	-	46,214	-
- Gains on foreign currency translation		-	24,507	-	55,533
- Recovery overheads		-	51,915	-	51,915
Total other income		-	116,422	46,214	147,448

Note 3: Profit/(Loss) for the Year

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(a) Loss before income tax includes the following specific expenses:				
Finance costs				
- Interest and finance charges paid	1,465,424	753,339	1,438,248	753,339
- Unwinding of prepaid borrowing costs	1,655,576	-	1,655,576	-
- Foreign currency translation losses on revaluation of USD and ZAR loans	697,907	-	697,907	-
Total finance costs	3,818,907	753,339	3,791,731	753,339
Impairment				
- Impairment of non-current investments - realised	2,109,207	-	2,109,207	-
- Impairment of non-current investments - unrealised	359,684		359,684	
- Impairment of investment in South African subsidiary	-	-	1,364,555	-
- Write off exploration expenses from continuing operations	4,368,053	-	4,051,174	-
Total impairment	6,836,744	-	7,884,820	-
Depreciation	25,427	5,521	5,999	5,521
Other expenses:				
- Employee related costs	397,634	-	-	-
- Pre-feasibility costs in relation to South African projects	48,351	633,297	38,943	633,297
- Consultants	546,422	206,977	528,388	206,977
- Legal fees	436,960	15,809	402,974	15,809
- Bad and doubtful debts	-	28,898	-	28,898
- Other expenses	2,451,900	5,653,437	2,110,527	6,501,412
Total other expenses	3,881,267	6,538,418	3,080,832	7,386,393
Discontinued operations (note 5)				
- Write off exploration expenses from discontinued operations	324,788	427,717	-	-
- Write off other assets from discontinued operations	25,731	-	-	-
Total discontinued operations	350,519	427,717	-	-

Note 3: Profit/(Loss) for the Year (cont.)

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(b) Significant revenue and expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Provision for write off the carrying value of the Gango project	-	427,717	-	-
Directors fees	351,502	334,159	351,502	334,159
Options issued to directors:				
10m 15c options, expiry 31 Dec 2009	-	787,000	-	787,000
10m 20c options, expiry 31 Dec 2009	-	656,000	-	656,000
Consulting fees	546,422	206,977	528,388	206,977
Consulting services (8,386,500 ordinary fully paid shares and 10,800,000 options exercisable at 20 cents on or before 30 June 2010)	636,362	-	636,362	-
Consulting services (2,225,981 ordinary fully paid shares)	-	500,027	-	500,027
Facilitation and co-ordination fee for Vanmag Project (15m ordinary fully paid shares)	-	2,450,000	-	2,450,000
Pre-feasibility costs in relation to South African projects	48,351	633,297	38,943	633,297
Loan interest (25m 15c options, expiry 30 Jun 2010)	-	1,987,904	-	1,987,904

Note 4: Income Tax Expense

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Recoupment of prior year tax losses	-	-	-	-
Under provision in respect of prior years	-	-	-	-
	-	-	-	-

Note 4: Income Tax Expense (cont.)

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:				
Profit/(loss) from continuing operations before income tax				
- Consolidated group	(14,905,526)	(7,546,804)	-	-
- Parent entity	-	-	(14,518,217)	(7,936,100)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)				
- Consolidated group	(4,471,658)	(2,264,041)	-	-
- Parent entity	-	-	(4,355,465)	(2,380,830)
Add:				
Tax effect of:				
- Sundry items	2,967,410	1,480,725	2,967,410	1,480,725
- Exploration expenditure	-	(3,115,152)	-	(3,115,152)
- Other temporary differences	1,466,609	187,039	1,350,416	187,039
	(37,639)	(3,711,429)	(37,639)	(3,828,218)
Deferred tax asset in relation to tax losses not recognised	37,639	3,711,429	37,639	3,828,218
Income tax attributable to entity	-	-	-	-
The applicable weighted average effective tax rates are as follows:	0.0%	0.0%	0.0%	0.0%
(c) Deferred tax asset not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1b occur				
- Temporary difference	305,142	(2,969,352)	305,142	(2,969,352)
- Tax losses				
Operating losses	2,552,260	5,707,704	2,552,260	5,707,704
Capital losses	1,674,326	1,676,359	1,674,326	1,676,359
	4,531,728	4,414,711	4,531,728	4,414,711

Note 4: Income Tax Expense (cont.)

The 2009 consolidated entity tax disclosures are the same as the parent company in the above disclosure as South African subsidiary Continental Coal Limited's final 30 June 2009 tax position has not yet been reviewed by a South African tax agent. Based on the amount of operating losses that the subsidiary has incurred, the subsidiary's deferred tax asset on losses would be greater than any potential deferred tax liability that may arise in the subsidiary. This position has been reviewed by a South African tax agent. The potential deferred tax asset would not be recognised as it is not probable that it would be realised and therefore there is no impact on the amounts recognised in the 30 June 2009 financial report of the consolidated entity. The only impact would be an increase in an unrecognised deferred tax asset of an unknown amount which would be in the above 2009 consolidated entity tax disclosure.

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. Discontinued operations represent the write off of all interests and balances held in relation to the Philippine subsidiaries.

(b) Financial performance and cash flow information

	Consolidated	
	2009 $	2008 $
Revenue	-	-
Expenses	(350,519)	(427,717)
Loss before income tax	(350,519)	(427,717)
Income tax expense	-	-
Loss from discontinued operations	(350,519)	(427,717)
Net cash inflow/(outflow) from ordinary activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-

Note 6: Non-Current Assets Classified as Held-For-Sale and Discontinued Operations

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Investment in Vanmag	10,269,919	-	10,269,919	-
	10,269,919	-	10,269,919	-
Liabilities directly associated with Vanmag	727,129	-	727,129	-
	727,129	-	727,129	-

Note 6: Non-Current Assets Classified as Held-For-Sale and Discontinued Operations (cont.)

During the later part of the year, the Company negotiated and entered into a sales agreement in respect of the disposal of its interest in the Vanmag Iron Ore Project in South Africa. The asset was then transferred from exploration expenditure to non-current assets classified as held-for-sale. As at the date of this report settlement is scheduled for the end October 2009.

There are no expenses in relation to the Vanmag project included in discontinued operations in the Income Statement.

During the year, Continental acquired 49% of the issued capital of Vanadium and Magnetite Exploration Development Co (SA) "Vanmag" instead of direct interest in the area of interest and as a result the investment should be equity accounted for in accordance with AASB 128, *Investments in Associates*. Vanmag has not been equity accounted for as Continental has not been able to obtain the necessary books and records, and Continental are unsure of the impact equity accounting the investment would have on the 30 June 2009 accounts.

Note 7: Key Management Personnel Compensation

(a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person		Position
Peter Landau		Executive Chairman
Andrew Macaulay	(from 21 May 2009)	Executive Director
Bruce Buthelezi	(from 21 May 2009)	Executive Director
Manuel Lamboley		Non-Executive Director
Simon Durack	(from 21 May 2009)	Non-Executive Director
Dr Richard Napier	(to 21 May 2009)	Non-Executive Director
Anthony Eastman	(to 21 May 2009)	Non-Executive Director
Anthony Eastman	(from 21 May 2009)	Joint Company Secretary
Jane Flegg		Joint Company Secretary
Martin Van Der Poel		Non-Executive Director South African Subsidiary
Martin Westerman		Chief Financial Officer South African Subsidiary
Petrus Snyder		Chief Operating Officer South African Subsidiary

	Consolidated 2009 $	Consolidated 2008 $
(b) Key management personnel compensation		
Short-term employee benefits	1,136,100	334,159
Post-employment benefits	16,355	1,125
Share-based payments	32,813	1,443,000
	1,185,268	1,778,284

Note 7: Key Management Personnel Compensation (cont.)

(c) Options and rights holdings

Number of options held by Key Management Personnel

	Balance 1/7/08	Granted as compensation	Options exercised	Net change other*	Balance 30/6/09	Total vested 30/6/09	Total exercisable 30/6/09	Total unexercisable 30/6/09
Peter Landau	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
Andrew Macaulay	-	-	-	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-	-	-	-
Manuel Lamboley	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Simon Durack	-	-	-	-	-	-	-	-
Dr Richard Napier	6,000,000	-	-	-	6,000,000	6,000,000	6,000,000	-
Anthony Eastman	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
Martin Van Der Poel	-	-	-	-	-	-	-	-
Martin Westerman	-	-	-	-	-	-	-	-
Petrus Snyder	-	5,000,000	-	-	5,000,000	-	-	5,000,000
Total	20,000,000	5,000,000	-	-	25,000,000	20,000,000	20,000,000	5,000,000

** The Net Change Other column above includes those options that have been forfeited by holders as well as options issued during the year under review.*

	Balance 1/7/07	Granted as compensation	Options exercised	Net change other*	Balance 30/6/08	Total vested 30/6/08	Total exercisable 30/6/08	Total unexercisable 30/6/08
Peter Landau	-	10,000,000	-	-	10,000,000	10,000,000	10,000,000	-
Manuel Lamboley	-	4,000,000	-	-	4,000,000	4,000,000	4,000,000	-
Dr Richard Napier	-	6,000,000	-	-	6,000,000	6,000,000	6,000,000	-
Anthony Eastman	-	-	-	-	-	-	-	-
Jane Flegg	-	-	-	-	-	-	-	-
Total	-	20,000,000	-	-	20,000,000	20,000,000	20,000,000	-

** The Net Change Other column above includes those options that have been forfeited by holders as well as options issued during the year under review.*

Note 7: Key Management Personnel Compensation (cont.)

(d) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1/7/08	Received as compensation	Options exercised	Net change other*	Balance 30/6/09
Peter Landau	-	-	-	-	-
Andrew Macaulay	-	-	-	-	-
Bruce Buthelezi	-	-	-	-	-
Manuel Lamboley	-	-	-	-	-
Simon Durack	-	-	-	-	-
Dr Richard Napier	-	-	-	-	-
Anthony Eastman	70,000	-	-	-	70,000
Jane Flegg	20,000	-	-	-	20,000
Martin Van Der Poel	-	-	-	-	-
Martin Westerman	-	-	-	-	-
Petrus Snyder	-	-	-	-	-
Total	90,000	-	-	-	90,000

** The Net Change Other refers to shares purchased or sold during the financial year.*

	Balance 1/7/07	Received as compensation	Options exercised	Net change other*	Balance 30/6/08
Peter Landau	-	-	-	-	-
Manuel Lamboley	-	-	-	-	-
Dr Richard Napier	-	-	-	-	-
Anthony Eastman	-	-	-	70,000	70,000
Jane Flegg	20,000	-	-	-	20,000
Total	20,000	-	-	70,000	90,000

** The Net Change Other refers to shares purchased or sold during the financial year .*

(e) Consulting fees

Please refer to note 30(d) which details consulting fees to parties related to Key Management Personnel.

Note 8: Auditor's Remuneration

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Amounts paid or payable to:				
Remuneration of the auditor of the parent entity for:				
(BDO Kendalls Audit & Assurance (WA) Pty Ltd)				
– Auditing or reviewing the financial report	106,833	44,776	106,833	42,912
Remuneration of the auditor of the subsidiary Continental Coal Ltd for:				
(KPMG)				
– Auditing	69,929	-	-	-
	176,762	44,776	106,833	42,912

Note 9: Earnings/(Loss) per Share

	Consolidated	
	2009 $	2008 $
(a) Reconciliation of loss used in calculating loss per share		
Loss for the year	(14,905,526)	(7,546,804)
Loss used to calculate basic EPS	(14,905,526)	(7,546,804)
Loss used in the calculation of dilutive EPS	(14,905,526)	(7,546,804)

	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	280,526,554	148,651,718
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	280,526,554	148,651,718
(c) The Company's potential ordinary shares were not considered dilutive, and as a result, diluted EPS is the same as basic EPS.		
(d) Potential ordinary shares that could dilute EPS in the future		
Weighted average number of ordinary shares (basic)	280,526,554	148,651,718
Effect of share options on issue	510,133,333	-
Effect of milestone shares issued post year end	180,000,000	-
Effect of placement shares issued post year end	155,000,000	
Weighted average number of ordinary shares (diluted) at 30 June	1,125,659,887	148,651,718

Note 10: Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and in hand	89,782	888,422	79,911	868,031
	89,782	888,422	79,911	868,031
The weighted interest rate on Maxi Direct High Interest Account was 2.15% (2008: 6%); 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 (i)	89,782	888,422	79,911	868,031
	89,782	888,422	79,911	868,031

(i) Subsequent to year end and as disclosed in the Directors Report, $11m has been received after successful completion of two placements.

Note 11: Trade and Other Receivables

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
CURRENT					
Trade receivables		-	-	-	-
		-	-	-	-
Other receivables (i)		1,536,983	174,021	191,074	173,510
		1,536,983	174,021	191,074	173,510

(i) The majority of other receivables relates to the Chelmsford Coal asset in South Africa where management paid a deposit to guarantee the environmental liability and a refundable deposit to participate in the project.

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NON-CURRENT					
Amounts receivable from:					
- wholly-owned entities	**(i)**	-	-	12,859,159	-
		-	-	12,859,159	-

(i) The loan to the company's South African subsidiary is for the purpose of various acquisition costs, operating requirements and expenses of the business conducted. The loan includes a facility fee, up to a maximum amount of 1% advanced, accrues interest based on the RBA cash rate at the date of draw down; term of loan is 2 years from draw down and is repayable in Australian dollars. Repayment dates range from 12 December 2010 to 15 June 2011 based on draw down dates.

Note 11: Trade and Other Receivables (cont.)

(a) Past due but not impaired

As of 30 June 2009, none of the Company's receivables are past due (2008: nil). It is expected that these amounts will be received when due.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2009		2008	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Parent entity				
Amounts receivable from				
- Wholly-owned entities	12,859,159	15,359,816	-	-
	12,859,159	15,359,816	-	-

The fair value is the amount that would be due and payable if the loan was repaid as at balance date. The carrying value is the amortised cost as set out in accounting policy note 1(f)(i). The amortised cost was calculated by taking the net present value of the fair value at 3.71% (the weighted average interest rate) less the net present value at 13.5% (the Company's discount rate). If the discount rate increased by 2 basis points, the carrying value would be $693,775 lower than recorded. If the discount rate decreased by 2 basis points, the carrying value would be $198,290 higher than recorded.

(c) Risk exposure

Refer note 31.

Note 12: Prepaid Borrowing Costs

During the 30 June 2009 financial year, the company incurred certain costs to obtain the borrowings set out below. The group has recorded these costs over the life of the loans using the effective interest method in accordance with the accounting policy as disclosed in note 1(f).

There were no such costs incurred during the year ended 30 June 2008.

(a) Secured debt facility

At 30 June 2009, the group incurred the following borrowing costs to secure the $13 million AUD secured debt facility disclosed in note 20:

	Consolidated and Parent $
Share-based payments (i)	5,010,684
Brokerage and other fees	1,310,000
Total	6,320,684

Note 12: Prepaid Borrowing Costs (cont.)

(a) Secured debt facility (cont.)

The $6,320,684 has been amortised over the two year life of the loan, resulting in $1,448,490 of expense recognised at 30 June 2009 on top of interest that has been paid or accrued for on this loan at 30 June 2009.

The effective interest rate on this loan is 36%.

At 30 June 2009, the remaining amortisation period is approximately 1.5 years.

(i) includes 50 million options issued pre-year end with a value of $1,350,000 as disclosed in note 28(d) and 80 million options issued post year end with a value of $3,660,864 as disclosed in note 28.

(b) Secured loan other

At 30 June 2009, the group has incurred the following borrowing costs to secure the $1.6 million AUD loan disclosed in note 20:

	Consolidated and Parent $
Share-based payments [i]	944,014
Brokerage and other fees	121,000
Total	1,065,014

The $1,065,014 has been amortised over the 180 day life of the loan, resulting in $207,086 of expense recognised at 30 June 2009 on top of the interest that has been paid or accrued for on this loan at 30 June 2009.

The effective interest rate on this loan is 167%.

At 30 June 2009, the remaining amortisation period is approximately 0.4 years.

(i) includes 20 million options issued post year end with a value of $944,014 as disclosed in note 28.

(c) Reconciliation to the amounts shown in the balance sheet

	Consolidated and Parent		
	2009	2009	2009
	Secured debt facility	Secured loan other	Total
Total borrowing costs	6,320,684	1,065,014	7,385,698
Amortisation expense	(1,448,490)	(207,086)	(1,655,576)
	4,872,194	857,928	5,730,122

	Secured debt facility	Secured loan other	Total
Current	3,160,342	857,928	4,018,270
Non-current	1,711,852	-	1,711,852
	4,872,194	857,928	5,730,122

Note 13: Financial Assets

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NON-CURRENT				
Available-for-sale financial assets	192,188	3,084,865	21,068,290	3,084,865
	192,188	3,084,865	21,068,290	3,084,865
Available-for-sale financial assets comprise:				
NON-CURRENT				
Listed investments, at fair value				
- Shares in listed corporations	192,188	615,938	192,188	615,938
	192,188	615,938	192,188	615,938
Unlisted investments, at cost				
- Shares in controlled entities	-	-	22,240,657	-
- Interest in other corporations	359,684	359,684	359,684	359,684
- Less impairment provision (i)	(359,684)	-	(1,724,239)	-
	-	359,684	20,876,102	359,684
Unlisted investments				
- Shares in other corporations at cost	-	20,494,304	-	20,494,304
Less: impairment provision	-	(18,385,061)	-	(18,385,061)
	-	2,109,243	-	2,109,243
Total non-current available-for-sale financial assets	192,188	3,084,865	21,068,290	3,084,865

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.

(i) The investment in the Philippines subsidiaries was impaired due to the non recoverability of the assets and the investment in the South African subsidiary was impaired to reflect fair value.

Note 14: Investments in Associates

Consolidated

Name of company	Listed/ Unlisted	Country of Incorporation	2009	2008	2009	2008	2009	2008
			Percentage owned		Carrying amount		Fair value	
			%	%	$	$	$	$
Misty Sea 262 (Pty) Ltd	Unlisted	South Africa	49	-	10,723,608	-	10,723,608	-
City Square -Trading 437 (Pty) Limited	Unlisted	South Africa	50	-	8	-	8	-
Idada Trading 310 (Pty) Limited	Unlisted	South Africa	50	-	8	-	8	-
					10,723,624	-	10,723,624	-

In addition, the parent entity has a 49% interest in Vanadium and Magnetite Exploration Development Co (SA), which has been classified as held-for-sale at 30 June 2009. Refer note 6.

During the period, the consolidated entity entered into a purchase agreement to acquire a 49% share holding in Misty Sea Trading 262 (Pty) Ltd. The share holding only entitles the consolidated entity the right of ownership in the prospecting rights of MP30/5/1/1/2/1640 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 (SA) 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 (SA) 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:

	Consolidated 2009 $
Prospecting rights in respect of Project X	8,231,600
Deferred payment consideration accrued for	7,665,860
Adjustment to purchase price	949,800
Subsequent exploration costs capitalised for both Project X and Vaalbank [(i)]	2,566,738
	19,413,998
Liabilities in respect of deferred payment consideration and adjusted purchase price	(8,690,374)
	10,723,624

(i) Includes capitalised interest of $121,396.

Note 15: Business Combination

(a) Summary of acquisition

On 27 January 2009, the parent entity acquired 74% of the issued capital of Continental Coal Limited a company incorporated in South Arica.

The group recognised a net loss of $1,347,780 by the acquired business for the period 27 January 2009 to 30 June 2009. This loss included operating expenses and impairment of exploration and development costs for various coal properties.

This business combination has been provisionally accounted for in the 30 June 2009 financial report.

(b) Purchase consideration

The purchase is a non-cash transaction. As approved by shareholders at the Company's Annual General Meeting on 28 November 2008, the aggregate consideration payable for the acquisition is the issue of 360m ordinary fully paid shares and 120m unlisted facilitation options (60m exercisable at 15 cents on or before 19 October 2011 and 60m exercisable at 20 cents on or before 19 October 2011). As at 30 June 2009, 180m ordinary fully paid shares, 60m unlisted options exercisable at 15 cents on or before 19 October 2011 and 60m unlisted options exercisable at 20 cents on or before 19 October 2011 have been issued.

The 180m milestone shares were issued after balance date as disclosed in the Directors Report, and have been provided for in the 30 June 2009 accounts as disclosed in note 22.

	2009 $'000
Purchase consideration	
Issue of 360m ordinary shares	18,540
- Issue of 60m unlisted facilitation options exercisable at 15 cents on or before 19 October 2011	660
- Issue of 60m unlisted facilitation options exercisable at 20 cents on or before 19 October 2011	540
Plus intercompany receivable discount	2,501
Total purchase consideration	22,241
Fair value of net assets acquired	8,576
Capitalised exploration expenditure	13,665

The value of the 360m ordinary shares was determined by share price on date of issue.

The value of the unlisted options was determined by using the Black-Scholes option pricing model; refer to note 28 for inputs.

There were no direct costs incurred in relation to the acquisition.

Note 15: Business Combination (cont.)

(b) Purchase consideration (cont.)

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	-	-	-	-
Balance acquired cash	517,190	-	-	-
Inflow of cash	517,190	-	-	-

(c) Assets and liabilities acquired

	Acquiree's carrying amount $	Fair Value $
Cash	517,190	517,190
Plant and equipment	226,726	226,726
Exploration and development	8,571,386	8,571,386
Investment equity accounted	8,466,429	8,466,429
Trade payables	(955,777)	(955,777)
Prepayments	36,169	36,169
Deposits	43,315	43,315
Foreign exchange	174,035	174,035
Payable to Continental Coal Limited	(8,503,388)	(8,503,388)
	8,576,085	8,576,085
Minority Interests	nil	nil

The fair values of assets and liabilities acquired are based on historical cost which is representative of the fair value. No acquisition provisions were created. There were no acquisitions in the year ending 30 June 2008.

Note 16: Controlled Entities

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries as disclosed in note 1(a).

Controlled entities consolidated	Country of incorporation	Percentage owned (%)*	
		2009	2008
Subsidiaries of Continental Coal Limited:			
Continental Coal Ltd (i) (ii) (iii)	South Africa	74	-
Subsidiaries of Continental Coal Ltd:			
Tsimpilo Trading 45 (Pty) Limited	South Africa	100	-
Taboo Trading 137 (Pty) Ltd	South Africa	100	-
Philaus Holding Corporation	Philippines	100	100
Philaus Holding Corporation was registered on 10 March 2005 and consolidated into the accounts. The Company currently owns 40% and has the sole and exclusive option to acquire the further 60% which is currently held by nominees for the purpose of Filipino law.			
Norte de Oro Mining and Industrial Corporation	Philippines	100	100
Norte de Oro Mining and Industrial Corporation was registered on 24 November 2005 and consolidated into the accounts. The Company currently owns 40% and has the sole and exclusive option to acquire the further 60% which is currently held by nominees for the purpose of Filipino law.			

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

(i) Restrictions on the ability of Continental Coal (SA) to transfer funds back to Continental Coal Limited are subject to South African Reserve Bank approval. Approval has been sought and granted for up to AU$20m.

(ii) At 30 June 2009, the 26% minority interest in Continental Coal had a value of nil due to the net liability position of Continental Coal Ltd (SA).

(iii) At 30 June 2009, a loss of $340,432 attributable to the minority interest is included within the consolidated entity results. As the value of the minority is nil, the loss is included within the consolidated entity.

Note 17: Property, Plant & Equipment

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Plant and equipment				
Plant and equipment:				
At cost	350,282	22,144	23,703	22,144
Accumulated depreciation	(56,503)	(16,050)	(22,049)	(16,050)
Accumulated impairment losses	-	-	-	-
Total plant and equipment	293,779	6,094	1,654	6,094
Total property, plant & equipment	293,779	6,094	1,654	6,094

(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 2007	11,615	11,615
Depreciation expense	(5,521)	(5,521)
Balance at 30 June 2008	6,094	6,094
Additions	1,559	1,559
On 74% acquisition of Continental Coal Ltd in South Africa	226,726	226,726
Subsequent to 74% acquisition of Continental Coal Ltd in South Africa	84,827	84,827
Depreciation expense	(25,427)	(25,427)
Balance at 30 June 2009	293,779	293,779
Parent entity:		
Balance at 1 July 2007	11,615	11,615
Depreciation expense	(5,521)	(5,521)
Balance at 30 June 2008	6,094	6,094
Additions	1,559	1,559
Depreciation expense	(5,999)	(5,999)
Balance at 30 June 2009	1,654	1,654

(b) Security

Refer to Borrowings note 20 for details of non-current assets pledged as security.

Note 18: Exploration Expenditures

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
NON-CURRENT					
Exploration expenditure capitalised					
- Exploration and evaluation phases		23,989,792	12,056,009	-	11,731,221
Total exploration expenditure		23,989,792	12,056,009	-	11,731,221

(a) Movements in carrying amounts

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

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Balance at 1 July		12,056,009	1,190,432	11,731,221	847,381
Exploration expenditure capitalised		4,330,670	10,865,577	2,589,872	10,883,840
On 74% acquisition of Continental Coal Ltd in South Africa		22,241,085	-	-	-
Exploration expenditure impaired (i) (ii)		(4,368,053)	-	(4,051,174)	-
Exploration transferred to held for sale assets	6	(10,269,919)	-	(10,269,919)	-
Carrying amount at 30 June		23,989,792	12,056,009	-	11,731,221

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.

(i) Abandonment of Bow River Diamond project created an impairment charge of $3,218,427;

Abandonment of Kandundwa project created an impairment charge of $46,882;

Abandonment of Nigeria Uranium created an impairment charge of $486,234;

Abandonment of Liberia Iron Ore created an impairment charge of $299,631; and

Abandonment of tenements held in Philiaus Holding Corporation and Norte de Oro Mining and Industrial Corporation created an impairment charge of $324,788.

(ii) Not economically viable or not able to prove ownership - in Loskop, Springbok Flats and Vlakplaats created an impairment charge of $316,879.

Note 18: Exploration Expenditures (cont.)

Mineral rights held by South African subsidiary

Region	Farm	Portion	Status
Project X			
Mpumalanga	Farm Kafferstad 195, Farm Uitgezocht 194, Farm Weltevreden 193	Portions 1, 3, 5, 7, 10, 11, 12, 14, 17, 18, 21, 22 and 23 of the Farm Kafferstad 195 IS, Portions 1, 3, 5 and 6 of the Farm Uitgezocht 194 IS and Portions 1, 2, 3, 4, 5, 8, 10 and 24 of the Farm Weltevreden 193 IS, measuring 3534, 6737 hectares in extent.	The purchase agreement has been signed. Section 11 application has been made to transfer the prospecting right to a 50% held subsidiary of Continental Coal.
Vaalbank			
Mpulanga	Farm Rietkuil 224 IS, Farm Vaalbank 233 IS, Farm Nooitgedacht 251 IS, Farm Kalabasfontein 232 IS and the Farm Killowen 465 IS.	Portions 1,3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and the Remaining Extent of the Farm Rietkuil 224 IS, Portions 1, 2, 4, 6, 8, 9, 10, 11 and the Remaining Extent of the Farm Vaalbank 233 IS, Portions 6, 7, 8, 10, 11 of the Farm Nooitgedacht 251 IS, Portions 5 and 6 of the Farm Kalabasfontein 232 IS and the Farm Killowen 465 IS, measuring 8221, 4371 hectares in extent.	The purchase agreement has been signed. Section 11 application has been made to transfer the prospecting right to a 50% held subsidiary of Continental Coal.
Lemoenfontein			
Mpumalanga	Farm Lemoenfontein 436 JS	A portion of Portion 1, Portions 3, 4, 5, 6 and the Remaining Extent of the Farm Lemoenfontein 436 JS, measuring 1778 ,1637 hectares in extent.	The purchase agreement has been signed. Section 11 application has been made to transfer the prospecting right to a 50% held subsidiary of Continental Coal.
Vlakplaats	Vlakplaats 268IR	Vlakplaats 268IR (specifically excluding portions 4, 5 and 6 of the remaining extent of the Farm Wolvenfontein 244IR.)	A purchase agreement has been signed to acquire 100% of the prospecting rights. The section 11 application has been lodged.

Note 19: Trade and Other Payables

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Unsecured liabilities				
Trade payables	2,810,777	552,047	1,543,465	552,047
Sundry payables and accrued expenses	745,816	1,057,396	271,204	1,044,575
Accrued interest	738,607	-	738,607	-
	4,295,200	1,609,442	2,553,276	1,596,621
Accruals relating to held-for-sale assets (note 6)	727,129	-	727,129	-
	5,022,329	1,609,442	3,280,405	1,596,621
NON-CURRENT				
Unsecured liabilities				
Option fee – Lemoenfontein (i)	4,810	-	-	-
Sundry payables and accrued expenses	681,289	-	-	-
Accrued interest	528,808	-	528,808	-
	1,214,907	-	528,808	-

(i) The company has granted an option to United Expansion Company Limited where they have the option to elect a 5% equity holding in City Square Trading 437 (Pty) Ltd or cash for services rendered in respect of the day to day trading of prospecting and development and submission of the mining license and general project management in respect of the Lemoenfontein prospecting right. United Expansion has the option to decide within two years from date of signature of the option agreement if they would choose the option of equity or cash.

Risk exposure

Refer note 31.

Note 20: Borrowings

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
CURRENT					
Secured loans from related parties (i)	**30(e)**	949,801	794,400	949,801	794,400
Unsecured loans other (iii) (iv)		4,581,094	4,759,133	4,581,094	4,759,133
Secured loan other (ii) (v)		2,628,950	-	2,628,950	-
		8,159,845	5,553,533	8,159,845	5,553,533

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

(ii) Loan is interest bearing at 10% per annum and repayable on or before 31 December 2009 in South African Rand 5,000,000. Part or all of the principal and interest may be converted to equity at the election of the Lender.

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

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

(v) Loan is interest bearing at a set amount of $400k and repayable on or before 20 October 2009 in AUD 1,600,000. Part or all of the principal and interest may be converted to equity at the election of the Lender. The loan becomes due and payable on the earlier of the due date or the completion of the Vanmag sale or Continental Coal, or any of its subsidiaries, raising no less than AUD $4m in debt or equity.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NON-CURRENT				
Debt facility – secured (i)	13,000,000	-	13,000,000	-
Loan other – unsecured (ii)	203,000	-	203,000	-
	13,203,000	-	13,203,000	-

(i) Debt facility is secured with pledge over the 74% shareholding in the Continental Coal Limited subsidiary, interest bearing at 12% per annum and repayable on or before 16 January 2011 in AUD $13,000,000. The lender also has a fixed and floating charge over all assets of the parent company. Upon exercise of the call options issued under this facility, the lender has the option to settle all or part of the debt with the proceeds.

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

Note 21: Issued Capital

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
446,285,001(2008: 187,916,668) fully paid ordinary shares	54,154,598	43,209,546	54,154,598	43,209,546
	54,154,598	43,209,546	54,154,598	43,209,546

	No.	$	No.	$
(a) Movement 2009				
Balance at 1 July 2008	187,916,668	43,209,546	187,916,668	43,209,546
Shares issued during year:				
8/10/08 - Placement with institutional and sophisticated investors at 8 cents per ordinary fully paid share (i)	5,003,333	400,000	5,003,333	400,000
8/10/08 – Issue to consultants at 6.1 cents per ordinary fully paid share (ii)	8,365,000	510,265	8,365,000	510,265
23/01/09 – Issue in consideration for the 74% acquisition of Continental Coal Ltd SA at 4 cents per share (iii)	180,000,000	7,200,000	180,000,000	7,200,000
2/06/09 - Placement with institutional and sophisticated investors at 5 cents per ordinary fully paid share (iv)	65,000,000	3,250,000	65,000,000	3,250,000
Less share issue costs	-	(415,213)	-	(415,213)
Balance at 30 June 2009	446,285,001	54,154,598	446,285,001	54,154,598

(i) During the year, the company offered various placements to institutional and sophisticated investors to raise money for the drilling and feasibility study of the Vanmag Iron Ore Deposit, investments and working capital.

(ii) On 8 October 2008, the company issued 8,365,000 ordinary fully paid shares as consideration for consultant's fees to the company.

(iii) As approved by shareholders at the Company's Annual General Meeting on 28 November 2008 180m ordinary fully paid shares were issued on 23 January 2009 in consideration for the 74% acquisition of Continental Coal Ltd in South Africa.

(iv) The company offered a placement to institutional and sophisticated investors to raise money to secure and develop the Company's South African Coal assets and working capital.

Note 21: Issued Capital (cont.)

	Consolidated		Parent Entity	
	2008 No.	2008 $	2008 No.	2008 $
(b) Movement 2008				
Balance at 1 July 2007	102,146,375	33,337,188	102,146,375	33,337,188
Shares issued during year:				
1/08/07 - Placement with institutional and sophisticated investors at 12 cents per ordinary fully paid share (i)	15,321,956	1,838,635	15,321,956	1,838,635
11/10/07 - Exercise of options	1,877,645	375,529	1,877,645	375,529
22/10/07 - Placement with institutional and sophisticated investors at 12 cents per ordinary fully paid share (i)	26,344,711	3,161,365	26,344,711	3,161,365
23/10/07 - Facilitation for the Vanmag Project at 17 cents per ordinary fully paid share (ii)	15,000,000	2,605,000	15,000,000	2,605,000
23/11/07 - Consultants at 16 cents per ordinary fully paid share (iii)	2,225,981	345,027	2,225,981	345,027
30/05/08 - Placement with institutional and sophisticated investors at 8 cents per ordinary fully paid share (i)	25,000,000	2,000,000	25,000,000	2,000,000
Less share issue costs	-	(453,198)	-	(453,198)
Balance at 30 June 2008	187,916,668	43,209,546	187,916,668	43,209,546

(i) During the year, the company offered various placements to institutional and sophisticated investors to raise money for the drilling and feasibility study of the Vanmag Iron Ore Deposit, investments and working capital.

(ii) On 22 October 2007, shareholders approved the issue of 15m ordinary fully paid shares for nil consideration for the facilitation and introduction of the acquisition of a 50% interest in the Vanmag Project.

(iii) On 23 November 2007, the company issued 2,225,981 ordinary fully paid shares as consideration for consultant's fees to the company.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to share options issued, exercised and expired during the financial year refer to the Directors Report.

Note 21: Issued Capital (cont.)

(e) Capital management

Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 0% and 52%.

The gearing ratios' for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Total borrowings	**20**	27,600,081	7,162,975	25,172,058	7,150,154
Less cash and cash equivalents	**10**	(89,782)	(888,422)	(79,911)	(868,031)
Net debt		27,510,299	6,274,553	25,092,147	6,282,123
Total equity		25,226,107	9,046,436	25,028,071	8,713,567
Total capital		52,736,406	15,320,989	50,120,248	14,995,690
Gearing ratio		52%	41%	50%	42%

Note 22: Shares and Options to be Issued

The following shares and options were issued post year end and contracted to be issued prior to year end. As a result, this has been treated as an adjusting post balance date event and the balances have been taken up in the 30 June 2009 accounts even though they had not been issued at 30 June 2009. The amounts have been classified as equity at 30 June 2009 in accordance with AASB 139, *Financial Instruments: Recognitions and Measurements*.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
180,000,000 (2008: nil) fully paid ordinary shares	11,690,000	-	11,690,000	-
80,000,000 (2008: nil) unlisted options (5 cents, 6/8/2013)	3,660,684	-	3,660,684	-
20,000,000 (2008: nil) unlisted options (5 cents, 11/9/2013)	944,014	-	944,014	-
	16,294,698	-	16,294,698	-

Note 22: Shares and Options to be Issued (cont.)

	Consolidated		Parent Entity	
	2009 No.	2009 $	2009 No.	2009 $
27/9/09 - milestone shares for the 74% acquisition of the Company's subsidiary [ii]	180,000,000	11,690,000	180,000,000	11,690,000
6/8/09 - unlisted options (5 cents, 6 August 2013) were issued on 6 August 2009 to participants of the Company's debt facility [i]	80,000,000	3,660,684	80,000,000	3,660,684
11/9/09 - unlisted options (5 cents, 11 September 2013) were issued to participants of the Company's $1.6m loan [i]	20,000,000	944,014	20,000,000	944,014

(i) Refer note 28 for calculation of value of share-based payments and refer note 12 for effective interest calculation.

(ii) As disclosed in note 14, the value of these shares has been calculated based on their market value at the time of issue.

Note 23: 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 cash consideration or that are free attaching.

Movements	Consolidated $	Parent Entity $
Available-for-sale investments reserve		
Balance 1 July 2007	-	-
Transfers to reserve during the year	(884,063)	(884,063)
Balance 30 June 2008	(884,063)	(884,063)
Movement in current year	884,063	884,063
Balance 30 June 2009	-	-

Note 23: Reserves (cont.)

Movements	Consolidated $	Parent Entity $
Foreign currency translation reserve		
Balance 1 July 2007	4,117	-
Transfers to reserve during the year	(21,768)	-
Balance 30 June 2008	(17,651)	-
Currency translation differences arising during the year	252,476	-
Balance 30 June 2009	234,825	-
Share-based payments reserve		
Balance 1 July 2007	-	-
Transfers to reserve during the year	3,430,905	3,430,905
Balance 30 June 2008	3,430,905	3,430,905
Options issued to Employees and Consultants during the year	2,708,909	2,708,909
Balance 30 June 2009	6,139,814	6,139,814
Option reserve		
Balance 1 July 2007	-	-
Transfers to reserve during the year	652,602	652,602
Balance 30 June 2008	652,602	652,602
Movement in current year	-	-
Balance 30 June 2009	652,602	652,602
Total reserves	7,027,241	6,792,416

Note 24: Capital, Leasing and Other Commitments

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(a) Capital expenditure commitments				
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:				
Intangible assets payable	4,196,375	990,000	-	990,000
	4,196,375	990,000	-	990,000
Payable:				
- Between 12 months and 5 years	4,196,375	990,000	-	990,000
	4,196,375	990,000	-	990,000

Note 24: Capital, Leasing and Other Commitments (cont.)

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 has been provided for in the financial statements.	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 2009, $2,164,308 had already been spent.
Vaalbank	As at year end, $41,790,195 based on an agreed price of ZAR 5 per ton and an estimated resource of 52,798,730 tons.	See above
Lemoenfontein	As at year end, $192,400 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.
Vlakplaats	$25,328,000 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 signing the annual financial statements, no shareholders sales agreement has been signed and no further monies paid.

The agreements for acquisition of Vlakvarkfontein, Chelmsford and Loskop have not yet been concluded.

(b) Other commitments

2,030,000 options with the exercise price of 10 cents expiring 4 years after issue, have been contracted to be issued at 30 June 2009 but not issued at the date of this report.

Note 25: 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 26: Segment Reporting

	Held-for-sale and discontinued operations $	Exploration $	Share trading/ investment $	Unallocated $	Consolidated $
2009					
Primary reporting – business segments					
REVENUE					
Operating revenue	-	-	-	7,338	7,338
Total revenue	-	-	-	7,338	7,338
RESULT					
Segment result	(350,519)	(5,360,528)	(3,833,246)	(5,361,231)	(14,905,526)
Loss after income tax	(350,519)	(5,360,528)	(3,833,246)	(5,361,231)	(14,905,526)
ASSETS					
Segment assets	10,269,919	36,407,568	192,188	5,956,513	52,826,188
Total assets	10,269,919	36,407,568	192,188	5,956,513	52,826,188
LIABILITIES					
Segment liabilities	727,129	17,996,797	-	8,876,155	27,600,081
Total liabilities	727,129	17,996,797	-	8,876,155	27,600,081
OTHER					
Impairment expense	-	4,368,053	2,468,691	-	6,836,744
Depreciation and amortisation of segment assets	-	-	-	25,427	25,427
Acquisitions of non-current segment assets during the year	-	-	-	-	-

Note 26: Segment Reporting (cont.)

	Held-for-sale and discontinued operations $	Exploration $	Share trading/ investment $	Unallocated $	Consolidated $
2008					
Primary reporting – business segments					
REVENUE					
Operating revenue	-	-	40,000	138,191	178,191
Total revenue	-	-	40,000	138,191	178,191
RESULT					
Segment result	-	-	40,000	(7,586,804)	(7,546,804)
Profit/(loss) after income tax	-	-	40,000	(7,586,804)	(7,546,804)
ASSETS					
Segment assets	-	12,056,009	3,084,865	1,068,537	16,209,411
Total assets	-	12,056,009	3,084,865	1,068,537	16,209,411
LIABILITIES					
Segment liabilities	-	1,209,442	-	5,953,533	7,162,975
Total liabilities	-	1,209,442	-	5,953,533	7,162,975
OTHER					
Depreciation and amortisation of segment assets	-	-	-	5,521	5,521
Acquisitions of non-current segment assets during the year	-	-	615,738	-	615,738

Note 26: Segment Reporting (cont.)

Secondary reporting – geographical segments

	Segment revenues from external customers		Carrying amount of segment assets		Acquisitions of non-current segment assets	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Geographical location:						
Australia	-	40,000	192,188	6,303,292	-	615,938
South Africa	-	-	46,677,487	8,512,794	-	-
Philippines	-	-	-	324,788	-	-
Unallocated	7,338	138,191	5,956,513	1,068,537	-	-
	7,338	178,191	52,826,188	16,209,411	-	615,938

Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment, exploration expenditure capitalised net of accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arms length. These transfers are eliminated on consolidation.

Business and geographical segments

Business segments

The consolidated group has the following three business segments:

– Exploration – conducting feasibility in relation to mining projects in South Africa
– Share trading / Investment - seeking investment opportunities in the resource industry
– Unallocated – corporate activities

Geographical segments

The economic entity's head office is in Australia, with exploration work carried out in South Africa.

Note 27: Cash Flow Information

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(a) Reconciliation of cash flow from operations with profit/(loss) after income tax				
Profit/(loss) after income tax	(14,905,526)	(7,546,804)	(14,518,217)	(7,936,100)
Non-cash flows in profit				
Depreciation	25,427	5,521	5,999	5,521
Written off exploration costs	4,368,053	(1,664,487)	4,051,174	(1,572,110)
GST	-	(13,200)	-	(13,200)
Unwinding of borrowing costs – non-cash	1,331,798	-	1,331,798	-
Interest not paid	-	16,785	-	16,785
Impairment provisions	2,468,691	-	3,833,246	-
Options expense	-	(2,095,602)	-	(2,095,602)
Share based expenses	158,909	-	126,096	-
Foreign exchange differences	421,064	157,652	697,907	157,652
Increase/(decrease) in trade payables & accruals	5,372,716	(54,096)	2,612,589	(54,096)
Increase/(decrease) in provisions	261,408	-	-	-
(Increase)/decrease in receivables	(1,605,993)	29,443	39,678	457,160
(Increase)/decrease in other assets	(5,816,569)	-	(5,787,362)	-
(Increase)/decrease in EEE	(1,734,554)	-	1,143,538	-
Impairment of investment & receivables	-	427,717	-	427,717
Cash flow (used in) operations	(9,654,606)	(10,737,071)	(6,463,554)	(10,606,273)

(b) Non-cash financing and investing activities

Non-cash financing and investing activities for the year ended 30 June 2009 totalled $18,640,000 (2008: $2,450,000). The Company issued 360m ordinary shares for the business combination as set out in note 14, also made Share Based Payments as set out in note 28.

(c) Credit standby arrangements with banks

there were no credit standby arrangements with the banks for year ended 30 June 2009.

Note 28: Share-Based Payments

The following share-based payment arrangements existed at 30 June 2009:-

On 22 October 2007, 25m options exercisable at 15 cents on or before 30 June 2010, were issued in consideration for the interest component of a loan facility provided by Findlay & Co (Underwriters) Pty Ltd. The options hold no voting or dividend rights. At balance date no share option has been exercised.

On 23 November 2007, 10m options exercisable at 15 cents on or before 30 June 2010 and 10m options exercisable at 20 cents on or before 30 June 2010, were issued to the Directors of Continental Coall Limited as an incentive in their appointment as Directors. The options hold no voting or dividend rights and are not transferable. At balance date no share option has been exercised.

On 30 June 2008, 20m options exercisable at 20 cents on or before 31 December 2010 were issued as consideration for the provision of loan facilities. The options hold no voting or dividend rights. At balance date no share option has been exercised.

On 8 October 2008 10,800,000 options exercisable at 20 cents on or before 30 June 2010 were issued to consultants of the Company in consideration for services performed.

On 27 January 2009, 60m facilitation options exercisable at 15 cents on or before 19 October 2011 were issued to the facilitator in consideration for introducing and facilitating the Company's 74% acquisition of Continental Coal in South Africa.

On 27 January 2009, 60m facilitation options exercisable at 20 cents on or before 19 October 2011 were issued to the facilitator in consideration for introducing and facilitating the Company's 74% acquisition of Continental Coal in South Africa.

On 3 February 2009, 50m call options exercisable at 5 cents on or before 19 October 2011 were issued to participants under the Company's debt facility.

On 1 April 2009, 5m ESOP options exercisable at 10 cents on or before 31 December 2011 were issued to Petrus Snyders. The options have a vesting period of 12 months for 50% and 24 months for remaining 50%.

Issued at 30 June 2009	Consolidated			
	2009		2008	
	Number of options	Exercise price $	Number of options	Exercise price $
Outstanding at the beginning of the year	65,000,000	-	-	-
(a) Granted – 08/10/08	10,800,000	0.20	-	-
(b) Granted – 27/01/09	60,000,000	0.20	-	-
(c) Granted – 27/01/09	60,000,000	0.15	-	-
(d) Granted – 03/02/09	50,000,000	0.05	-	-
(e) Granted - 01/04/09	5,000,000	0.10	-	-
(f) Granted – 22/10/07	-	-	25,000,000	0.15
(g) Granted – 23/11/07	-	-	20,000,000	0.18
(h) Granted – 30/06/08	-	-	20,000,000	0.18
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	250,800,000		65,000,000	
Exercisable at year end	245,800,000		65,000,000	

Note 28: Share-Based Payments (cont.)

	Parent Entity			
	2009		2008	
	Number of options	Exercise price $	Number of options	Exercise price $
outstanding at the beginning of the year	65,000,000	-	-	-
(a) Granted – 08/10/08	10,800,000	0.20	-	-
(b) Granted – 27/01/09	60,000,000	0.20	-	-
(c) Granted – 27/01/09	60,000,000	0.15	-	-
(d) Granted – 03/02/09	50,000,000	0.05	-	-
(f) Granted – 22/10/07	-	-	25,000,000	0.15
(g) Granted – 23/11/07	-	-	20,000,000	0.18
(h) Granted – 30/06/08	-	-	20,000,000	0.18
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	245,800,000		65,000,000	
Exercisable at year end	245,800,000		65,000,000	

(a) The options outstanding at 30 June 2009 had an exercise price of 20 cents and remaining contractual life of 1 year. Exercise price is 20 cents in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $126,096.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of the option	1.7 years
Underlying share price	$0.06
Expected share price volatility	95%
Risk free interest rate	5.63%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(b) The options outstanding at 30 June 2009 had an exercise price of 20 cents and remaining contractual life of 2.3 years. Exercise price is 20 cents in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $540,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of the option	2.7 years
Underlying share price	$0.04
Expected share price volatility	90%
Risk free interest rate	4.25%

Note 28: Share-Based Payments (cont.)

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(c) The options outstanding at 30 June 2009 had an exercise price of 15 cents and remaining contractual life of 2.3 years. Exercise price is 15 cents in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $660,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.15
Weighted average life of the option	2.7 years
Underlying share price	$0.04
Expected share price volatility	90%
Risk free interest rate	4.25%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(d) The options outstanding at 30 June 2009 had an exercise price of 5 cents and remaining contractual life of 2.3 years. Exercise price is 5 cents in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $1,350,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.05
Weighted average life of the option	2.7 years
Underlying share price	$0.05
Expected share price volatility	85%
Risk free interest rate	4.25%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(e) The options outstanding at 30 June 2009 had an exercise price of 10 cents and remaining contractual life of 2.8 years. Exercise price is 10 cents in respect of options outstanding at 30 June 2009.

The weighted average fair value of the options granted during the year was $175,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.10
Weighted average life of the option	3 years
Underlying share price	$0.07
Expected share price volatility	90%
Risk free interest rate	3.25%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Note 28: Share-Based Payments (cont.)

(f) The options outstanding at 30 June 2008 had an exercise price of 15 cents and remaining contractual life of 3 years. Exercise price is 15 cents in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was $1,987,905.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.15
Weighted average life of the option	3 years
Underlying share price	$0.16
Expected share price volatility	68.94%
Risk free interest rate	6.44%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(g) The options outstanding at 30 June 2008 had an exercise price of 18 cents and remaining contractual life of 1.5 years. Exercise prices range from 15 cents to 20 cents in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was $1,443,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.18
Weighted average life of the option	1.5 years
Underlying share price	$0.16
Expected share price volatility	77.25%
Risk free interest rate	6.54%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(h) The options outstanding at 30 June 2008 had an exercise price of 20 cents and remaining contractual life of 3 years. Exercise price is 20 cents in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was $652,602.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of the option	3 years
Underlying share price	$0.10
Expected share price volatility	90.00%
Risk free interest rate	6.72%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Note 28: Share-Based Payments (cont.)

Unissued at 30 June 2009	Parent Entity			
	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
outstanding at the beginning of the year	-	-	-	-
(a) Granted – 06/08/09	80,000,000	0.05	-	-
(b) Granted – 11/09/09	20,000,000	0.05	-	-
Unissued at year-end	100,000,000	-	-	-

(a) The options unissued at 30 June 2009 to participants of the Company's debt facility had a weighted average exercise price of 5 cents and a weighted average contractual life of 4 years. Exercise price is 5 cents in respect of these unissued options at 30 June 2009.

The weighted average fair value of the options granted during the year was $ $3,660,684

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.05
Weighted average life of the option	4 years
Underlying share price	$0.067
Expected share price volatility	85%
Risk free interest rate	3%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(b) The options unissued at 30 June 2009 to participants of the Company's $1.6m loan had a weighted average exercise price of 5 cents and a weighted average contractual life of 3.5 years. Exercise price is 5 cents in respect of these unissued options at 30 June 2009.

The weighted average fair value of the options granted during the year was $944,014

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.05
Weighted average life of the option	3.5 years
Underlying share price	$0.071
Expected share price volatility	85%
Risk free interest rate	3%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Note 28: Share-Based Payments (cont.)

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Options issued as consideration for the 74% acquisition of Continental Coal Ltd in South Africa				
20 cent options issued as consideration for the introduction and facilitation of the 74% acquisition of Continental Coal Ltd in South Africa	540,000	-	540,000	-
15 cent options issued as consideration for the introduction and facilitation of the 74% acquisition of Continental Coal Ltd in South Africa	660,000	-	660,000	-
Total options issued	1,200,000	-	1,200,000	-
Included as part of investment and will have no impact on the Company's income statement				
Options issued to participants under the Company's debt facility				
5 cent options issued as to participants under the debt facility agreements	5,010,684	-	5,010,684	-
Total options issued	5,010,684	-	5,010,684	-
Refer note 12, included in borrowing costs and amortised over the lives of the loans				
Options issued impacting the company's income statement				
Options issued as consideration for services provided to the Company	126,096	-	126,096	-
Options issued under the Company's ESOP	32,813	-		-
Options issued as consideration for interest component of loan facility	-	1,987,905	-	1,987,905
Options issued to Directors	-	1,443,000	-	1,443,000
Options issued as consideration for provision of loan facilities	-	652,602	-	652,602
Total options issued impacting the company's income statement	158,909	4,083,507	126,096	4,083,507
Total options issued	6,369,593	4,083,507	6,336,780	4,083,507

Note 29: Events Occurring after the Balance Sheet Date

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company except as follows

- Change of Company Name to Continental Coal Limited approved by shareholders at the company's general Meeting on 10 July 2009. The Company's ASX code changed from "CNF" to "CCC".
- Successful completion of a Placement of 160m Ordinary Fully Paid Shares at an issue price of 5 cents with a one for two free attaching option (5 cents, 13 February 2013) to Sophisticated and Institutional Investors raising $8m to allow the rapid development of existing projects and further strategic acquisitions. The Placement was completed in two tranches (65m shares up front to raise $3.25m) with the balance (95m shares and 80m options) approved by shareholders at the Company's General Meeting on 10 July 2009. The options were listed on 16 July 2009 ASX code CCCO.
- Continental entered into a sales agreement in respect of the disposal of its interest in the Vanmag Iron Ore Project in South Africa for US10m plus US$3m over the life of the mine subject to the necessary regulatory approvals.
- The Company's South African subsidiary Continental Coal Limited entered into an agreement to acquire a 100% interest in the Chelmsford Coal Asset that has a valid mining right in place by acquiring the equity of Future Coal (Pty) Limited. The group is currently in the process of formalising an agreement to acquire 100% of the equity in Future Coal (Pty) Limited.
- The Company's South African subsidiary Continental Coal Limited reached an important milestone in its path to production by way of securing logistics support, rail and Richards Bay port allocation by forming an alliance with local company Ulwazi Coal.
- The above allocation triggered the milestone share issue of 180m shares as approved by shareholders at the Company's Annual General Meeting on 28 November 2008. These shares were issued on 27 July 2009 at a value of $11,690,000 and are reflected in the 30 June 2009 accounts refer note 22.
- A second successful Placement completion of 60m Ordinary Fully Paid Shares at an issue price of 5 cents and 30,000,000 Listed Options (5 cents, 13 February 2013) to Sophisticated and Institutional Investors raising A$3m to develop the Company's South African Chelmsford Coal Project.
- 80,000,000 unlisted options (5 cents, 6 August 2013) were issued on 6 August 2009 to participants of the Company's debt facility at a value of $3,660,684 and are reflected in the 30 June 2009 accounts refer note 22.
- 20,000,000 unlisted options (5 cents, 11 September 2013) were issued on 11 September 2009 to participants of the Company's $1.6m loan at a value of $944,014 and are reflected in the 30 June 2009 accounts refer note 22.

Note 30: Related Party Transactions

(a) Parent entities

The parent entity within the group is Continental Coal Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 15.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 7.

Note 30: Related Party Transactions (cont.)

(d) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Consulting fees paid to Okap Ventures Pty Ltd, a company in which Mr Landau is a director, for the provision of strategic and corporate advisory, company secretarial, financial and associated services and overseas representation	476,000	768,015	476,000	768,015
Consulting fees paid or payable to Doull Holdings Pty Ltd, a company in which Mr Landau is a Director, for the provision of Mr Landau as an Executive Director.	163,500	163,500	163,500	163,500
Consulting fees paid or payable to M van der Poel for services rendered by his consulting company.	285,244	-	-	-
Amounts payable at year end to related parties:				
Okap Ventures Pty Ltd	606,151	224,082	606,151	224,082
Doull Holdings Pty Ltd	89,925	74,938	89,925	74,938
Azuris Limited	36,168	29,139	36,168	29,139

(e) Loans from other related parties

In May 2008, Continental Coal Limited entered into a loan agreement with Nkwe Platinum South Africa (Pty) Ltd, a company which Peter Landau is a Director and Company Secretary, in which $794,400 was advanced to Continental in consideration for Continental providing Nkwe with a first right of refusal in respect of certain Zimbabwean PGM projects facilitated by Continental. The loan is interest bearing and repayable on 31 Dec 2009. The loan is secured by first right of the proceeds from the held-for-sale asset Vanmag.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Balance at 1 July 2008	802,865	-	802,865	-
Loans advanced	-	794,400	-	794,400
Interest charged	96,377	8,465	96,377	8,465
Loan revalued	146,936	-	146,936	-
Balance at 30 June 2009	1,046,178	802,865	1,046,178	802,865

Note 30: Related Party Transactions (cont.)

(f) Transaction with Continental Coal Ltd (SA) related parties

Consolidated

Related party	Transaction type	2009 Transaction amount	2009 Outstanding balance
Loan from A Macaulay	Loan from shareholder/director	No interest paid	$25,820
Loan from MB Buthelezi	Loan from shareholder/director	No interest paid	$633
City Square Trading 437 (Pty) Ltd	Share-based payment	$255,180	-
Mbuyelo Investments	Related party loan	$596,081	-

(g) Transactions with subsidiaries

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Loans to subsidiaries				
Beginning of the year	-	-	-	-
Loans advanced	-	-	15,168,603	-
Loan repayments received	-	-	-	-
Interest charged	-	-	191,213	-
Interest received	-	-	(2,500,657)	-
End of year	-	-	12,859,159	-

Note 31: Financial Risk Management

This note presents information about the group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital (refer note 21(e)).

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries and borrowings.

The group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has an overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Note 31: Financial Risk Management (cont.)

The Group and Parent Entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Financial assets				
Cash and cash equivalents	89,782	888,422	79,911	868,031
Trade and other receivables	1,536,983	174,021	13,050,233	173,510
Held-for-sale assets	10,269,919	-	10,269,919	-
Available-for-sale financial assets	192,188	3,084,865	21,068,290	3,084,865
	12,088,872	4,147,308	44,468,353	4,126,406
Financial liabilities				
Trade and other payables	5,510,107	1,609,442	3,082,084	1,596,621
Accruals relating to held-for-sale assets	727,129	-	727,129	-
Borrowings	21,362,845	5,553,533	21,362,845	5,553,533
	27,600,081	7,162,975	25,172,058	7,150,154

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(i) Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

(a) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

Cash and cash equivalents

The group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Note 31: Financial Risk Management (cont.)

Trade and other receivables

Trade and other receivables as at the balance sheet date mainly comprise GST, VAT and short term loans to be refunded to the group. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relate to short term loans) and investments. The management does not expect any counterparty to fail to meet their obligations.

Exposure to Credit Risk

The carrying value of the group's financial assets represents the maximum credit exposure. The group's maximum exposure to credit risk at the reporting date was as summarised on page 65.

Impairment Losses

None of the group's other receivables are past due (2008: nil).

(b) Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The group does have external borrowings.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at the time.

The following are the contractual maturities of financial liabilities:

2009	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Consolidated						
Trade and other payables	5,510,107	5,510,107	4,295,200	-	1,214,907	-
Accruals relating to held-for-sale assets	727,129	727,129	727,129	-	-	-
Borrowings interest bearing	21,362,845	21,362,845	8,159,845	-	13,203,000	-
	27,600,081	27,600,081	13,182,174	-	14,417,907	-
2009						
Parent entity						
Trade and other payables	3,082,084	3,082,084	2,553,276	-	528,808	-
Accruals relating to held-for-sale assets	727,129	727,129	727,129	-	-	-
Borrowings interest bearing	21,362,845	21,362,845	8,159,845	-	13,203,000	-
	25,172,058	25,172,058	11,440,250	-	13,731,808	-

Note 31: Financial Risk Management (cont.)

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
2009						
Consolidated						
Trade and other payables	1,609,442	-	1,609,442	-	-	-
Borrowings interest bearing	5,553,533	-	4,053,533	1,500,000	-	-
	7,162,975	-	5,662,975	1,500,000	-	-
2008						
Parent entity						
Trade and other payables	1,596,621	-	1,596,621	-	-	-
Borrowings interest bearing	5,553,533	-	4,053,533	1,500,000	-	-
	7,150,154	-	5,650,154	1,500,000	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(d) Currency risk

The group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the group entities, which is primarily the Australian Dollar (AUD). The currencies in which these transactions are primarily denominated are United States Dollar (USD) and South African Rand (ZAR).

The group has not entered into any derivative financial instrument to hedge such transactions.

The group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The group's exposure to foreign currency risk at balance date was as follows:

	Consolidated				Parent Entity			
	30 June 2009		30 June 2008		30 June 2009		30 June 2008	
	USD	ZAR	USD	ZAR	USD	ZAR	USD	ZAR
Borrowings	3,081,094	1,978,751	2,597,133	1,473,185	3,081,094	1,978,751	2,597,133	1,473,185
Trade payables	308,110	1,956,990	-	463,400	308,110	215,066	-	463,400
	3,389,204	3,935,741	2,597,133	1,936,585	3,389,204	2,193,817	2,597,133	1,936,585

Note 31: Financial Risk Management (cont.)

Sensitivity analysis

A 10 percent strengthening of the Australian Dollar against the following currencies at 30 June 2009 would have increase/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008. 10 percent is management's assessment of the possible change in foreign exchange.

	Equity		Profit or Loss	
	2009 $	2008 $	2009 $	2008 $
Consolidated				
USD (i)	(338,920)	(259,875)	(338,920)	(259,875)
ZAR (ii)	(393,574)	(145,200)	(393,574)	(145,200)
	(732,494)	(405,075)	(732,494)	(405,075)
Parent Entity				
USD (i)	(338,920)	(259,875)	(338,920)	(259,875)
ZAR (ii)	(219,382)	(125,780)	(219,382)	(125,780)
	(558,302)	(385,655)	(558,302)	(385,655)

A 10 percent weakening of the Australian Dollar against the above currencies at 30 June 2008 would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(i) This is attributable to the exposure to the USD denominated Loan.

(ii) This is attributable to the exposure to the ZAR denominated Related Party Loan and outstanding ZAR payables.

(e) Interest rate risk

The group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The group does not use derivatives to mitigate these exposures.

Note 31: Financial Risk Management (cont.)

Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

	Weighted average effective interest rate		Floating interest rate		Fixed interest maturing		Non-interest bearing		Total	
Consolidated	2009 %	2008 %	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial assets:										
Cash and cash equivalents	5%	6%	89,782	888,386	-	-	-	-	89,782	888,386
Receivables			-	-	-	-	1,536,983	174,021	1,536,983	174,021
Held-for-sale assets			-	-	-	-	10,269,919	-	10,269,919	-
Investments			-	-	-	-	192,188	3,084,865	192,188	3,084,865
Total financial assets			89,782	888,386	-	-	11,999,090	3,258,886	12,088,872	4,147,272

	Weighted average effective interest rate		Floating interest rate		Fixed interest maturing		Non-interest bearing		Total	
Consolidated	2009 %	2008 %	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial liabilities:										
Trade and sundry payables			-	-	-	-	5,510,107	1,609,442	5,510,107	1,609,442
Accruals relating to held-for-sale assets			-	-	-	-	727,129	-	727,129	-
Amounts payable to related parties	10%	10%	-	-	949,801	794,400	-	-	949,801	794,400
Amounts payable other	10%	10%	-	-	20,413,044	4,759,133	-	-	20,413,044	4,759,133
Total financial liabilities			-	-	21,362,845	5,553,533	6,237,236	1,609,442	27,600,081	7,162,975

Note 31: Financial Risk Management (cont.)

Parent	Weighted average effective interest rate		Floating interest rate		Fixed interest maturing		Non-interest bearing		Total	
	2009 %	2008 %	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial assets:										
Cash and cash equivalents	5%	6%	79,911	868,031	-	-	-	-	79,911	868,031
Receivables			-	-	12,859,159	-	191,074	173,510	13,050,233	173,510
Held-for-sale assets			-	-	-	-	10,269,919	-	10,269,919	-
Investments			-	-	-	-	21,068,290	3,084,865	21,068,290	3,084,865
Total financial assets			79,911	868,031	12,859,159	-	31,529,283	3,258,375	44,468,353	4,126,406

Parent	Weighted average effective interest rate		Floating interest rate		Fixed interest maturing		Non-interest bearing		Total	
	2009 %	2008 %	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial liabilities:										
Trade and sundry payables			-	-	-	-	3,082,084	1,596,621	3,082,084	1,596,621
Accruals relating to held-for-sale assets			-	-	-	-	727,129	-	727,129	-
Amounts payable to related parties	10%	10%	-	-	949,801	794,400	-	-	949,801	794,400
Amounts payable other	10%	10%	-	-	20,413,044	4,759,133	-	-	20,413,044	4,759,133
Total financial liabilities			-	-	21,362,845	5,553,533	3,809,213	1,596,621	25,172,058	7,150,154

Fair value sensitivity analysis for fixed rate investments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at reporting date would not affect profit or loss.

An increase / (decrease) of 100 basis points in interest rates would have increased / (decreased) the group's equity by A$213,628 (2008: $16,446).

Note 31: Financial Risk Management (cont.)

Cash flow sensitivity analysis for variable rate investments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss	
	2009 $	2008 $
Economic entity		
Variable rate instruments	897	6,171
	897	6,171
Parent entity		
Variable rate instruments	799	6,171
	799	6,171

(f) Price risk

The group operates primarily in the exploration and evaluation phase and accordingly the group's financial assets and liabilities are subject to minimal commodity price risk.

Note 32: Change in Accounting Policy

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2009. They have not been adopted in preparing the financial report for the year ended 30 June 2009 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 July 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.

Note 32: Change in Accounting Policy (cont.)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 3 (reissued March 2008)	Business Combinations	Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.	Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later	As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted. However, due to the nature of some of the changes in the revised standard, business combinations that the entity undertakes after this date may in future impact negatively on the results of the entity. For example, acquisition costs will have to be expensed instead of being recognised as part of goodwill. Specific changes in respect of step acquisitions and sell downs may introduce situations whereby adopting the revised standard may improve profitability. Also, deferred tax assets that do not satisfy recognition criteria when a business combination is initially accounted for, but do subsequently qualify for recognition post acquisition date, will be recognised as a credit to the income statement and there will be no consequential write-down of goodwill for a similar amount, provided that the deferred tax assets are recognised outside the initial measurement period of 12 months from acquisition date.
AASB 127 (reissued March 2008)	Consolidated and Separate Financial Statements	The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale.	Periods commencing on or after 1 July 2009	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

Note 32: Change in Accounting Policy (cont.)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 2008-3 (issued March 2008)	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, AASB 2, AASB 4, AASB 5, AASB 7, AASB 101, AASB 107, AASB 112, AASB 114, AASB 116, AASB 121, AASB 128, AASB 131, AASB 132, AASB 133, AASB 134, AASB 136, AASB 137, AASB 138, AASB 139, Interpretation 9 and Interpretation 107]	Makes consequential amendments to 20 standards and 2 interpretations arising from the reissue of AASB 3 and AASB 127, including to AASB 128: Investments in Associates and AASB 131: Interests in Joint Ventures. When an investment ceases to be an associate or jointly controlled entity and is subsequently accounted for under AASB 139, the fair value of the investment at the date when it ceases to be an associate or jointly controlled entity is its fair value.	Periods commencing on or after 1 July 2009	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted. However, in future, if the group loses significant influence over associates or joint control in jointly controlled entities which are equity accounted, at that date such investments are recognised at fair value rather than at the carrying value of the equity accounted investment. Where the fair value of such investments exceed the equity accounted carrying amounts, this could result in a significant increase in earnings in the period when significant influence or joint control is lost. There will also be a number of additional/amended disclosures.
AASB 2008-1 (issued February 2008)	Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 July 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.
AASB 2008-5, (issued July 2008)	AASB 119, Employee Benefits	Short term employee benefits now include compensation for absences that are due to be settled within 12 months rather than those that are expected to be settled within 12 months. Accordingly, long service leave provisions will be calculated and discounted based on the contractual due date rather than when the employee is expected to take the leave.	Periods commencing on or after 1 July 2009	The standard is not expected to impact the historical results of the company as the company does not have any employees, however, there may be an impact going forward.

Note 32: Change in Accounting Policy (cont.)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 2008-5, (issued July 2008)	AASB 127, Consolidated and Separate Financial Statements	Previously, all investments in subsidiaries, associates or jointly controlled entities in the separate financial statements of the investor, that were classified as held-for-sale were to be measured under AASB 5, i.e. at the lower of carrying amount and fair value less costs to sell. The change now only permits such investments measured using the "cost" method under AASB 127 to be measured under AASB 5. Investments measured using the "fair value" method continue to be measured under AASB 139, even if they become classified as held-for-sale.	Periods commencing on or after 1 July 2009	This amendment will have no impact when this amendment is first adopted because the entity uses the cost method under AASB 127 to account for its investments in subsidiaries, associates and jointly controlled entities which will continue to be measured under AASB 5.
AASB 2008-5, (issued July 2008)	AASB 136, Impairment of Assets	Additional disclosure requirements about discounted cash flow assumptions used for the fair value less costs to sell method.	Periods commencing on or after 1 July 2009	There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.
AASB 2008-5, (issued July 2008)	AASB 138, Intangible Assets	Clarifies that the amortisation method for intangible assets could result in a lower amount of accumulated amortisation than under the straight line method.	Periods commencing on or after 1 July 2009	Initial adoption of this amendment will have no impact on the entity as the entity will continue to use the straight line basis as the most appropriate amortisation method for intangibles.
AASB 2008-6 (issued July 2008)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	If a parent entity is committed to a sale plan involving loss of control of a subsidiary that meets the criteria for classification as held-for-sale under AASB 5, all the assets and liabilities of that subsidiary must be classified as held-for-sale.	Periods commencing on or after 1 July 2009	There will be no impact as these requirements are only required to be applied prospectively to situations where there is a plan involving loss of control in annual periods commencing on or after 1 July 2009.

Note 32: Change in Accounting Policy (cont.)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 2008-7 (issued July 2008)	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136]	Removal of the definition of the "cost method" in AASB 127, meaning that pre and post-acquisition dividends no longer need to be differentiated and all dividends are to be recognised as revenue. However, whenever a dividend is received from a subsidiary, associate or jointly controlled entity, an impairment test will be required under AASB 136 where there is an indicator for impairment, i.e. where: • the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the net assets (including goodwill) of the investee in the consolidated financial statements; or • the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period that the dividend is declared. The change relates to situations where a parent entity reorganises a group such that a new entity is created as the parent entity, or a new entity is interposed in a group between a subsidiary and its parent, and the consideration for the transaction is equity instruments of the new entity. • In such cases, the new parent measures the cost of its investment at the carrying amount of its share of the net assets (equity) of the original parent (in its separate financial statements) at the date of reorganisation.	Periods commencing on or after 1 July 2009	There will be no impact as these requirements are only required to be applied prospectively for periods commencing on or after 1 July 2009. However, any pre-acquisition dividends received after this date may result in additional impairment charges on investments in subsidiaries, associates and jointly controlled entities. This is because such amounts would previously have been written off directly against the cost of the investment, whereas in future they will be recognised as revenue which may result in the investment being stated at an amount exceeding recoverable amount.
AASB 2009-5 (issued May 2009)	AASB 136, Impairment of Assets	Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 Operating Segments before aggregation.	Periods commencing on or after 1 July 2010	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

Note 32: Change in Accounting Policy (cont.)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application/ Effective date:	Impact on Initial Application
AASB 2008-13 (issued December 2008)	Amendments to Australian Accounting Standards Arising From AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners	Clarifies that the classification, presentation and measurement requirements of AASB 5 also apply to non-current assets (or disposal groups) that are classified as held-for-distribution to owners acting in their capacity as owners. Non-current assets (or disposal groups) are classified as held-for-distribution when the entity is committed to distribute the asset (or disposal group) to owners, i.e. the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.	Periods commencing on or after 1 July 2009	There will be no impact as these requirements are only required to be applied prospectively to annual periods commencing on or after 1 July 2009.
AASB 2009-2 (Issued April 2009)	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	Requires additional disclosures about financial instrument fair values and liquidity risk.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

Note 33: Company Details

The registered office of the company is:

Continental Coal Limited
Level 3
1 Havelock Street
West Perth WA 6005

The principal place of business is:

Continental Coal Limited
Level 3
1 Havelock Street
West Perth WA 6005

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in the directors report (as part of audited Remuneration Report) for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter Landau
Director

Dated this 30th day of September 2009

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONTINENTAL COAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Continental Coal Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO Kendalls

Basis for Qualified Auditor's Opinion

During the year Continental Coal Limited may have acquired a controlling interest in the shares of Golden Falls Trading 565 (Proprietary) Limited. BDO have been unable to obtain the financial statements of Golden Falls Trading 565 (Proprietary) Limited nor sufficient evidence to determine if Continental Coal Limited owns a controlling interest in the shares of Golden Falls Trading 565 (Proprietary) Limited. As a result, there is no investment in relation to Golden Falls Trading 565 (Proprietary) Limited recorded by Continental Coal Limited. Due to this limitation of scope, we have not been able to determine what effect, if any, the recording of this investment in Golden Falls Trading 565 (Proprietary) Limited would have on the 30 June 2009 accounts of Continental Coal Limited, nor what effect, if any, non-consolidation of Golden Falls Trading 565 (Proprietary) Limited would have on the 30 June 2009 accounts of the consolidated entity.

During the year Continental Coal Limited acquired a 49.33% interest in the shares of Vanadium and Magnetite Exploration Development Co (SA) (Proprietary) Limited, which gives Continental Coal Limited significant influence over Vanadium and Magnetite Exploration Development Co (SA) (Proprietary) Limited. BDO have been unable to obtain the financial statements of Vanadium and Magnetite Exploration Development Co (SA) (Proprietary) Limited, nor sufficient evidence to determine what amount, if any, should be recorded in relation to Continental Coal Limited's share of profit or loss of Vanadium and Magnetite Exploration Development Co (SA) (Proprietary) Limited. As a result, the investment in this company is carried at cost rather than at its equity accounted amount in the accounts of Continental Coal Limited and the consolidated entity, which is not in accordance with AASB 128, *Investments in Associates*. Due to this limitation of scope, we have not been able to determine what effect, if any, the recording of Continental Coal Limited's share of the profit or loss of Vanadium and Magnetite Exploration Development Co (SA) (Proprietary) Limited would have on the 30 June 2009 accounts of Continental Coal Limited or the consolidated entity.

Included within exploration expenditure of the consolidated entity is $961,047 related to South African coal project Vlakvarkfontein. BDO have been unable to obtain sufficient audit evidence to determine if the rights to this project are held by the consolidated entity and are therefore uncertain whether the amount should be carried as exploration expenditure. Due to this limitation of scope, we have not been able to determine what impact, if any, any required adjustment would have on the 30 June 2009 accounts of Continental Coal Limited or the consolidated entity.

Included within current borrowings of Continental Coal Limited and the consolidated entity is an amount due to another party in the amount of $1,500,000. Accrued interest of $59,874 in relation to this loan is recorded within trade and other payables. BDO have been unable to obtain sufficient audit evidence in relation to this loan and its accrued interest at 30 June 2009 and are uncertain what amount, if any, will ultimately be due and payable by Continental Coal Limited. We are also uncertain about the maturity date of the borrowings or accrued interest. Due to this limitation of scope, we have not been able to determine what impact, if any, any required adjustment would have on the 30 June 2009 accounts of Continental Coal Limited or the consolidated entity.

Qualified Auditor's Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, if any:

(a) the financial report of Continental Coal Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

BDO Kendalls

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 in the accounts which indicates that the consolidated entity had current assets of $15,914,954, current liabilities of $13,182,174. The ability to settle the current liabilities is dependent upon the consolidated entity obtaining additional funding, either through capital raisings, sale of assets, or incurrence of debt, or a combination of the three. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Material Uncertainty Regarding Recoverability of the Investment in Associate

Without qualification to the opinion expressed above, attention is drawn to the recoverability of the consolidated entity's investment in associate. As disclosed in Note 6, the recoverability of the investment in associate is dependant upon the successful development and commercialisation of the areas of interest held by the associate, or the sale of the investment in associate at an amount in excess of the consolidated entity's carrying value. This significant uncertainty may cast doubt about the consolidated entity's ability to realise the asset at the value recorded in the 30 June 2009 financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Continental Coal Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

B. McVeigh

BG McVeigh

Director

Dated this 30th day of September 2009

Perth, Western Australia

Shareholdings

The issued capital of the Company as at 24 September 2009 is 798,285,025 ordinary fully paid shares. There are 116,000,006 listed options ($0.05, 13 February 2013), 50,000,000 unlisted options ($0.05, 04 February 2013), 80,000,000 unlisted options ($0.05, 6 August 2013), 60,000,000 unlisted options ($0.15, 19 October 2011) and 60,000,000 unlisted options ($0.20, 19 October 2011).

Ordinary Shares at 24 September 2009	No. of Holders	No. of Shares
1 - 1,000	133	53,845
1,001 - 5,000	88	261,010
5,001 – 10,000	138	1,108,662
10,001 - 100,000	560	27,786,246
100,001 and over	502	769,075,262
	1,421	798,285,025
Number holding less than a marketable parcel	278	684,245

Options ($0.05, 13 February 2013) at 24 September 2009	No. of Holders	No. of Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 – 10,000	-	-
10,001 - 100,000	68	4,244,821
100,001 and over	191	111,755,185
	259	116,000,006
Number holding less than a marketable parcel	3	42,772

Top 20 Shareholders as at 24 September 2009	No. of Shares Held	% Held
1. ANZ Nominees Limited <Cash Income A/C>	107,139,764	13.42
2. Agip Resources Limited	79,308,612	9.93
3. Revecom International Limited	79,308,612	9.93
4. National Nominees Limited	54,926,450	6.88
5. HSBC Custody Nominees (Australia) Limited	28,942,736	3.63
6. J P Morgan Nominees Australia Limited	24,996,000	3.13
7. Maclure Capital Limited	19,989,502	2.50
8. Starland Nominees Pty Ltd <The Starland A/C>	11,380,750	1.43
9. Westcliff Management Limited	10,000,000	1.25
10. Captain Starlight Nominees Pty Limited	8,001,368	1.00
11. Gun Capital Management Pty Ltd	7,600,000	0.95
12. Noble Investments Pty Ltd	7,350,000	0.92
13. E&P Fund Limited	7,071,025	0.89
14. HSBC Custody Nominees (Australia) Limited - A/C 2	6,075,000	0.76
15. Spinite Pty Ltd	6,000,000	0.75
16. Nemo Asset Management Limited	5,656,820	0.71
17. Amerfin SA	5,656,820	0.71
18. Avatar Equities Pty Ltd <Avatar Share Trading A/C>	5,000,000	0.63
19. J & J Bandy Nominees Pty Ltd	5,000,000	0.63
20. New River Holdings Limited	4,999,498	0.63
Top 20 holders	**484,402,957**	**60.68**
Total Remaining Holders Balance	**313,882,068**	**39.32**

Top 20 Option Holders ($0.05, 13 February 2013) as at 24 September 2009	No. of Options Held	% Held
1. Spinite Pty Ltd	3,000,000	2.59
2. Avatar Equities Pty Ltd <Avatar Share Trading A/C>	2,500,000	2.16
3. Mr John Charles Holmes Clark + Mrs Rebecca Katrina Clark	2,500,000	2.16
4. Citicorp Nominees Pty Limited	2,240,000	1.93
5. Mrs Roslyne Sztar	2,150,000	1.85
6. Forbar Custodians Limited <Forsyth Barr Ltd-Nominee A/C>	2,144,000	1.85
7. Invia Custodian Pty Limited <Red A/C>	2,060,000	1.78
8. Medical Corporation Australasia Limited	2,000,000	1.72
9. Morgrae Pty Limited <Humphrey Super Fund A/C>	2,000,000	1.72
10. Mr David Segal	2,000,000	1.72
11. Yoix Pty Ltd <Oloughlin Family A/C>	2,000,000	1.72
12. Lonesearch Pty Ltd <Carnac A/C>	1,500,000	1.29
13. Seivad Investments Pty Ltd	1,500,000	1.29
14. Tck Investments Pty Ltd	1,500,000	1.29
15. Whitechurch Developments Pty Ltd	1,410,000	1.22
16. Mesuta Pty Ltd	1,350,000	1.16
17. Ms Alida Clark <R&C Investment Unit Fund Ac>	1,300,000	1.12
18. Mrs Catherine Diana Park	1,300,000	1.12
19. Mr Rocco Joseph Tassone	1,260,000	1.09
20. National Nominees Limited	1,200,000	1.03
Top 20 holders	**36,914,000**	**31.82**
Total Remaining Holders Balance	**79,086,006**	**68.18**

Substantial Shareholders as at 24 September 2009	No. of Shares Held	% Held
ANZ Nominees Limited <Cash Income A/C>	107,139,764	13.42
Agip Resources Limited	79,308,612	9.93
Revecom International Limited	79,308,612	9.93
National Nominees Limited	54,926,450	6.88

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the overall strategy, governance and performance of the Continental Group. The Company is an exploration company whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of coal projects in the Republic of South Africa. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Continental Coal Ltd is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Continental Coal Ltd has not followed a recommendation, this has been identified and an explanation for the departure has been given. Further details can be found on the Company's website.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	***Lay solid foundations for management and oversight***	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Satisfied. Refer the Corporate Governance section on the Company website.
1.2	Companies should disclose the process for evaluation the performance of senior executives.	Not satisfied. The Company has not yet established formal performance review measures for key executives given the size and stage of the Company's operations.
1.3	Provide the information indicated in *Guide to Reporting on Principle 1*.	Satisfied. Refer to Director's report and the Corporate Governance section on the Company website.
2.	***Structure the board to add value***	
2.1	A majority of the board should be independent directors.	Not satisfied. There are currently a majority of executive directors on the board (three executive and two non-executive), however the Board believes that it is able to exercise independence and judgement and does possess the necessary skills, expertise and experience required to effectively discharge their duties. The focus has been on the ability of the Board to add value by effectively exercising independence and discharging their duties, rather than on meeting the independence test in the guidelines.
2.2	The chairperson should be an independent director.	Not satisfied. The chairman of the Board is Executive Chairman. The Company does not currently consider it would benefit from a change from the existing approach given the size of the Company.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Satisfied. The roles of the Chairman and the Managing Director are exercised by Mr Landau and Mr Buthelezi respectively.
2.4	The board should establish a nomination committee.	Not satisfied. The Board considers that given the current size of the board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.

	BEST PRACTICE RECOMMENDATION	COMMENT
2.5	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Not satisfied. The Company has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Company's operations. The full Board will review the performance of key executives.
2.6	Provide the information indicated in *Guide to Reporting on Principle 2.*	Satisfied. Refer to Director's report and the Corporate Governance section on the Company website. In addition, The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.
3.	***Promote ethical and responsible decision-making***	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; and (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Refer the Corporate Governance section on the Company website.
3.2	The Company should establish a policy concerning trading in company securities by directors, senior executives and employees.	Satisfied. Securities trading policy is available in the Corporate Governance section on the Company website.
3.3	Provide the information indicated in *Guide to Reporting on Principle 3.*	Satisfied. Refer the Corporate Governance section on the Company website.
4.	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	Satisfied. Audit Committee Charter is available in the Corporate Governance section of the Company website.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Not satisfied. Refer 4.1.
4.3	The audit committee should have a formal charter.	Not satisfied. Refer 4.1.
4.4	Provide the information indicated in *Guide to Reporting on Principle 4.*	Satisfied. Refer to Director's report.

	BEST PRACTICE RECOMMENDATION	COMMENT
5.	***Make timely and balanced disclosure***	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available in the Corporate Governance section on the Company website.
5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	Satisfied. Refer 5.1
6.	***Respect the rights of shareholders***	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Satisfied. Communications with Shareholders policy is available in the Corporate Governance section on the Company website.
6.2	Provide the information indicated in *Guide to Reporting on Principle 6.*	Satisfied. Refer to the Company website.
7.	***Recognise and manage risk***	
7.1	The Company should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management policy is available in the Corporate Governance section on the Company website.
7.2	The Board should design and implement the risk management and internal control system to manage the company's material business risks and report on whether those risks are being managed effectively. The Board should disclose that management has reported to is as to the effectiveness of the Company's management of its material business risks.	Satisfied. Refer 7.1 & 7.3
7.3	The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Due to the size and scale of its operations, the Company does not have a designated CEO or CFO. The roles are performed by the Board as a whole.
7.4	Provide the information indicated in *Guide to Reporting on Principle 7.*	Satisfied. Refer 7.1 Not currently applicable. Refer 7.3
8.	***Remunerate fairly and responsibly***	
8.1	The board should establish a remuneration committee.	Not satisfied. The Board considered this recommendation and formed the view that it would not increase efficiency or effectiveness to have a separate committee, and that remuneration matters are of such significance that they should be considered by the full Board. The Board may call on outside consultants if it requires assistance in this area.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Details of executive and non-executive remuneration are outlined in the Directors' report.
8.3	Provide the information indicated in *Guide to Reporting on Principle 8.*	Satisfied. The Company has incorporated all information as required.

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