CELSIUS COAL LIMITED

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MARKET UPDATE

Funding Update

Celsius is pleased to advise that it has raised $575,000 (before costs) via a convertible note arrangement coordinated by CPS Capital Group. The funds will be used to cover budgeted listing and compliance costs for the forthcoming year, pay some current trade creditors, limited exploration on the Company's WA projects and basic working capital. The basic terms of the convertible notes are appended to this announcement.

Celsius continues to explore all future funding opportunities available to it and will update the market as and when these come to fruition.

Project Update

Due to depressed global coal prices and weak investor markets the Company has been unable to raise adequate funds to advance its Krygyz coal projects from existing or new investors. It has also tried, unsuccessfully, to monetize these assets through any sale process. The agreements under which the Company holds tenure over the projects require substantial ongoing commitments which the Company will be unable to meet both based on its current cash reserves and interest from potential offtake partners. As a result the licenses which contain the Company's coal projects are likely to be forfeited back to the Krygz Government. These projects are held via Hong Kong based subsidiary companies and as a result of the above these companies are now being put into liquidation with no likely return to Celsius shareholders.

This process will not affect the nickel projects held in Western Australia via its local subsidiary company. The Company is now actively seeking complementary and non-complementary assets, investments and businesses that have the potential to generate additional shareholder value. These other opportunities might include making investments in other sectors outside of resources. As at the date of this report, no commercial discussions are at a stage that would warrant any disclosure.

Corporate

The Company continues to reduce its cost base and is aggressively cutting back expenses to preserve cash. As a result a significant proportion of current creditors have agreed to take shares as consideration for monies owed to them, including the Directors, subject to shareholder approvals. The Board thanks these individuals and companies for their understanding in this difficult investment market.

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Terms of Convertible Notes

Interest: 15% of Gross Proceeds payable at the Maturity Date or on conversion. Interest to be paid in cash or shares at the election of the noteholder

Maturity Date: Notes to convert on completion of a successful corporate transaction or earlier at the election of the noteholder

Conversion Price Equal to pricing of the subsequent equity capital raising to be completed within Celsius

Options Shares on conversion of Convertible Note will have a 1:2 free attaching call option with an exercise price equal to the price of the subsequent equity raising and expiry of 30 December 2018.

Security: The note holders will take full form security over Celsius. Celsius has entered into a general security agreement with the note holders. The full form security will be extinguished when the notes convert or are repaid in full.

For more information, please visit www.celsiuscoal.com.au or contact Mr Ranko Matic, Company Secretary on +61 (08) 9226 4500.