CELSIUS COAL
LIMITED

7 May 2015

The Manager
Companies Announcements Office
Australian Securities Exchange

NOTICE UNDER SECTION 708A(5)(e)

This notice is given by Celsius Coal Limited (ACN 009 162 949) (**Celsius** or the **Company**) (ASX:CLA) pursuant to Section 708A(5)(e) of the Corporations Act 2001 (Cth) (**Corporations Act**).

The Company announced on 27th April 2015 that it had raised $575,000 (before costs) via a Convertible note arrangement coordinated by CPS Capital Group. In addition, the Company advised that it had entered into agreements with several of its creditors who had agreed to take shares as consideration for monies owed to them. As a result Celsius Coal has today issued 23 Convertible Notes with a face value of $25,000 each (Convertible Notes) and has issued 111,010,237 fully paid ordinary shares (Creditor Shares) with an issue price of $0.0009.

The Company hereby gives notice that:

(a) The Creditor Shares are part of the class of ordinary shares quoted on ASX

(b) The Company issued the Convertible Notes and Creditor Shares without a disclosure to investors under Part 6D.2 of the Corporations Act, in reliance on section 708 and that notification is being given under Section 708A(5)(e) of the Act

1. EFFECT OF THE ISSUE ON THE COMPANY

(a) The intended use of the funds raised (A$575K) will be allocated towards budgeted listing and compliance costs for the forthcoming year, payment of some current trade creditors, limited exploration on the Company's WA nickel projects and basic working capital.

A summary of the rights and liabilities attaching to the Convertible Notes are set out in Section 2 below.

The effect on the issued share capital of the Company on conversion of the Convertible Notes is not discernible due to converting rate being as per placement price which determined as the price on a post-consolidation basis, at which the Company issues shares under the next equity raising completed after the date of the Convertible Notes Deeds

2. RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE NOTES

The following is a summary of the rights and liabilities attaching to the Convertible Notes:

2.1 Amount

A$575,000 (each individual Convertible Note has a face value of $25,000).

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2.2 Maturity Date

The first to occur of:

(a) The Date of Conversion

(b) 6 months from the date the Convertible Notes are issued; and

(c) Any earlier date on which the Company repays the Convertible Note in accordance with the Conditions, including, but not limited to, upon redemption of the Convertible Note.

2.3 Interest Rate

(a) On the Maturity Date, the Company agrees to pay each holder of a Convertible Note a fixed interest payment equal to 15% of the face value of the Convertible Notes held by those Noteholders.

(b) For so long as an Event of Default is outstanding:

(i) the Company also agrees to pay each Noteholder interest on each Convertible Note at the rate of 15% per annum;

(ii) interest will accrue daily from the date that an Event of Default occurs until the date that the Convertible Notes (and fees and interest) are repaid in full or otherwise converted into Shares and New Options in their entirety; and

(iii) interest on the Convertible Notes not paid when due shall compound.

2.4 Settlement of interest in Shares

(a) Subject to no Event of Default outstanding:

i. each holder of the Convertible Notes agrees that the fixed interest payment payable by the Company will, at the holder's election, be satisfied through either the issue of Shares or payment in cash; and

ii. the issue price per Share used in converting the fee into Shares will be the conversion price determined in accordance with the Placement Price detailed below; and

iii. in the case of Shares, the Shares will all be issued on the Maturity Date.

(b) In the event that there is an Event of Default outstanding, the fixed interest payment payable by the Company and any other interest payable by the Company must be paid to each Noteholder in cash on the Maturity Date.

2.5 Redemption

Subject to the above, a Convertible Note will be redeemed on the first to occur of the following:

(a) the receipt by the Company of a Redemption Notice in respect of the Convertible Note as a result of the exercise by the Trustee of its rights or by the Noteholder; or

(b) the receipt by the Company of a Redemption Notice in respect of the Convertible Note as a result of the exercise by the Noteholder.

2.6 Conversion

(a) A Noteholder will be entitled to convert all of the Notes held by that Noteholder by delivering a Conversion Notice to the Company, at any time from the date of issue of the Convertible Notes until the second Business Day prior to the Maturity Date.

(b) If the Maturity Date arrives and there is no Event of Default is outstanding, each Noteholder will be deemed to have delivered a Conversion Notice to the Company.

(c) A Noteholder may only exercise the Conversion Option in respect of the whole of the face value of each Note held by that Noteholder and not in respect of a proportion only of the face value of a Note held by that Noteholder.

(d) Within 5 Business Days of the date a Conversion Notice is received or deemed received the Company will proceed to issue and allot to the Noteholder that number of Shares and New Options as calculated in accordance with the Conversion Rate as detailed below.

(e) The issue and allotment of Shares (as fully paid) and the issue of New Options on conversion will be deemed for all purposes to be in full satisfaction and discharge of the principal amount owing to the Noteholder pursuant to the Convertible Notes the subject of the Conversion Notice but the conversion pursuant to this clause will in no way affect any liability of the Company for unpaid fees and interest accrued up to the Date of Conversion which the Company will pay to the Noteholder.

(f) The Shares issued and allotted will rank equally in all respects with all issued ordinary shares in the capital of the Company at the Date of Conversion.

(g) The Company will make application for official quotation by the ASX of all Shares issued and allotted upon the conversion. Such application will be made as soon as reasonably practicable after Shares are so issued and allotted.

(h) Within 10 Business Days of the issue and allotment of Shares and New Options to a Noteholder upon the conversion, the Company will deliver to the Noteholder a holding statement in respect of the fully paid Shares and New Options so issued and allotted.

2.7 Conversion Rate

(a) the number of Shares to which a Noteholder will be entitled on conversion of each Note will be equal to the face value of the Note divided by the Placement Price; and

(b) the number of New Options to which a Noteholder will be entitled on conversion of each Note is one (1) New Option for every two (2) Shares issued to a Noteholder on conversion.

2.8 Shares allotted on conversion

The Shares to be allotted on conversion under this Schedule 1 will be shares with respect to which no provision is made (whether by the Constitution of the Company or other instrument constituting or defining the constitution of the Company or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling, in accordance with any law relating to companies, the Consolidation and division of all or any of the share capital of the Company or of another company or the subdivision of all or any of the shares in the capital of the Company or of another company.

2.9 Reconstruction

Subject to the Law and the ASX Listing Rules, as applicable, if there is a reconstruction (including, Consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for conversion of the Notes set out in the Conversion Rate will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional

benefits being conferred on the Noteholder which are not conferred on the shareholders of the Company, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Notes will remain unchanged.

2.10 Company obligations

Subject to the Company not having complied with the ASIC Class Order at the time of issue of the Notes, each time Shares and New Options are issued:

(a) immediately issue a notice to ASX that complies with sections 708A(5)(e) and 708A(6) of the Corporations Act (and such notice must confirm that the Company has not withheld any excluded information for the purposes of section 708A(6)(e) of the Corporations Act); and

(b) sign all documents and do all acts and things (including by lodging an Appendix 3B with ASX and otherwise as required of it by ASX) to ensure that the Shares are quoted on the official list within three 3 Business Days.

(c) If a notice delivered for any reason is not effective to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors, the Company must no later than thirty (30) days after the date of issue of the Shares and New Options lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares and New Options does not require disclosure to investors.

2.11 Placement Price

Price on a post-consolidation basis, at which the Company issues shares under the next equity raising completed after the date of the Convertible Notes Deeds

2.12 Security

The Convertible Notes will be secured by a general security deed granted by the Company over all of the Company's present and after acquired property.

2.13 Right to attend meetings

A Noteholder is entitled to attend any shareholder meeting of the Company. A Note does not carry a right to vote at any shareholder meeting unless provided for by the ASX Listing Rules or the Corporations Act.

2.14 Foreign Holders

Where Convertible Notes are held by or on behalf of a person resident outside Australia, then, but despite any other terms or conditions applicable to such Convertible Notes, it will be a condition precedent to the right of the Noteholder to receive payment of any amount payable under this Schedule 1 or to obtain Shares on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment or conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Company.

2.15 Transferability

The Convertible Notes (in whole but not part) may be transferred or assigned by a Noteholder provided the transfer or assignment is notified to the Company at least 3 Business Days prior to the date of transfer or assignment.

3 RIGHTS AND LIABILITIES ATTACHING TO THE SHARES ISSUED ON CONVERSION

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders of the Company (**Shareholders**). To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares

which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

4. COMPLIANCE WITH REGULAR REPORTING AND DISCLOSURE OBLIGATIONS

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

The Company, as a disclosing entity under the Corporations Act states that:

(a) it is subject to regular reporting and disclosure obligations;

(b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

(c) it will provide a copy of each of the following documents, free of charge, to any person on request:

(i) the annual financial report most recently lodged by the Company with the ASIC;

(ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this notice with the ASIC; and

(iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this notice with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this notice with the ASIC are set out in the table below:

Date	Description of Announcement
9/10/2014	Change in substantial shareholding
29/10/2014	Notice of Annual General Meeting/Proxy Form
29/10/2014	Proxy Form for Annual General Meeting
31/10/2014	Quarterly Cashflow Report
31/10/2014	Quarterly Activities Report
05/11/2014	Expiry of Options
10/11/2014	Director Resignation
21/11/2014	Final Director's Interest Notice
28/11/2014	Results of Meeting
23/12/2014	Appendix 3Bh
23/12/2014	Change of Directors' Interest Notice x 3
05/01/2015	Change of interest of substantial holder
30/01/2015	Quarterly Cashflow Report
30/01/2015	Quarterly Activities Report
24/02/2015	Expiry of Options
03/03/2015	Appendix 3B
06/03/2015	Cleansing Notice
06/03/2015	Company Update
10/03/2015	Change of interest of substantial holder
17/03/2015	Half Year Accounts
27/04/2015	Market Update
30/04/2015	Quarterly Cashflow Report
30/04/2015	Quarterly Activities Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.celsiuscoal.com.au.

5. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

The market is fully informed of the Company's activities and the Company is not aware of any other information that:

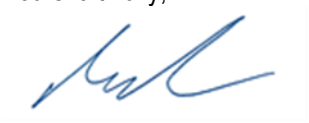
(a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and

(b) is information that investors and their professional advisers would reasonably require for the purposes of making an informed assessment of:

i. the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and

ii. the right and liabilities attaching to the Convertible Notes being offered.

Yours faithfully,



Ranko Matic
Non-Executive Director
Company Secretary