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The Manager
Company Announcements
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By e-lodgement

CONTINENTAL BECOMES SOUTH AFRICAN EXPORT COAL PRODUCER

Completes financial settlement of US\$35M Mashala Resources acquisition as first drawdown of EDF Trading US\$20M "coal loan" occurs and first export coal railed to Richards Bay

Key Points:

- Financial settlement of the acquisition of Mashala Resources (64.1%) completed
- Execution of Coal Sales Agreement with EDF Trading for off-take of export thermal coal production from Ferreira, Penumbra and De Wittekrans mines
- First drawdown of EDF Trading US\$20m "Coal Loan" completed
- US\$15m drawn to fund outstanding acquisition costs of Mashala Resources
- Acquisition provides Continental with immediate export coal production, key Richards Bay Coal Terminal and Transnet Freight Rail contracts, extensive project portfolio to be developed over the next 5 years and strengthened management team
- Continental's first export coal already railed to Richards Bay pending sale to EDF Trading

South African focused coal mining company Continental Coal Limited (**ASX: CCC**) ("Continental" or "the Company") is poised to become the country's latest export coal producer, following the settlement of the Company's South African subsidiary Continental Coal Limited's ("CCL") acquisition of unlisted South African thermal coal mining and export coal producing company Mashala Resources ("Mashala").

The financial settlement of the acquisition of Mashala is a major milestone for Continental as it looks to establish itself as a successful mid-tier coal mining company producing 10Mtpa of run-of-mine thermal coal by 2015.

"The acquisition of Mashala will have a fundamental impact on Continental's development path and profile in South Africa and will now allow us to become a significant exporter of thermal coal much earlier than we had originally planned." Continental's CEO, Don Turvey said.

"This is an exciting time for Continental. Over the past six months we have undergone a major transformation from developer to coal producer, and with the acquisition of Mashala now settled, we have already railed our first export thermal coal to the Richards Bay Coal Terminal for sale to EDF Trading, one of the world's largest energy traders and the subsidiary of the world's largest energy utility," he added.

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The US\$35m acquisition costs for Mashala, the repayment of existing loans and the replacement of bank and environmental guarantees was funded from the first US\$15m tranche of drawings under the recently executed US\$20m EDF Trading "Coal Loan" and supplemented by existing equity funds.

Under a Coal Sales Agreement, EDF Trading will advance up to US\$20m through an advance purchase of thermal coal from the Ferreira, Penumbra and De Wittekrans, which the Company recently acquired an interest in following its acquisition of Mashala. Under the agreement EDF Trading has also agreed to an off-take agreement with Continental that will see them secure thermal coal production from these mines for an initial period of 20 years at a market API4 benchmark price FOB Richards Bay.

The initial drawdown of the "Coal Loan" from EDF Trading marks the completion of a pivotal period for the Company during which time it has commenced coal production at its Vlakvarkfontein mine, completed the acquisition of Mashala and strengthened both its executive management and key logistics capabilities with Richards Bay Coal Terminal (RBCT) export allocation and Transnet Freight Rail contracts in place.

The Company is also pleased to announce that under its contract with Transnet Freight Rail it has commenced the delivery of export thermal coal to Richards Bay Coal Terminal with its first train from the Ferreira Open Cut Mine. First sales under the Coal Sales Agreement with EDF Trading are expected shortly with a further three trains with an estimated 33,000 tonnes of export sales from Ferreira scheduled in the remainder of the December 2010 quarter.

"This is a significant step forward and further highlights the investment opportunity that Continental presents and really differentiates Continental from many other junior or mid-tier coal companies that are either still at the pre-production phase, are seeking development funding and joint venture partners or off-take agreements and major infrastructure investment," said Continental's CEO, Don Turvey

"Continental is now an established coal producer of approx. 2Mtpa of both domestic and export thermal coal and with a highly attractive pipeline of new projects to be developed in the coming years by an experienced management team."

Ends

Yours faithfully



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Continental Coal Limited (ASX:CCC : US-OTC:CGFAY) is a new Junior South African coal producer. Continental has a portfolio of producing and advanced coal projects located in South Africa's major coal fields. Following the commencement of production at the Vlakvarkfontein coal mine in May 2010, and its acquisition of Mashala Resources in October 2010, Continental is targeting production from its portfolio of predominantly export thermal coal mines of 10Mtpa ROM by 2015. Continental was formed to take advantage of the robust domestic and global demand for coal, with particular focus on Southern Africa.