

20 December 2010

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By e-lodgement

MINE DEVELOPMENT AT PENUMBRA UNDERGROUND COAL MINE TO COMMENCE

Key points

- Continental Coal Board approves commencement of Penumbra mine development
- Pre-production works for the export coal focussed project already underway
- Tender process for the awarding of the ZAR284 million, 12 month mine development contract to full production well advanced
- The civil contract to be awarded in January 2011, with portal development to commence in February 2011, following mobilisation of contractor
- First coal from Penumbra underground mine is expected from Q4 2011
- Penumbra to be Continental's third coal mining operation, producing at a rate of 750,000 tonnes per annum of ROM coal

South African focused thermal coal mining producer Continental Coal Limited (ASX: CCC) ("Continental" or "the Company") is pleased to announce that the Board has formally approved the commencement of the Penumbra underground coal mine development, a key milestone in the Company's plans to significantly increase export quality coal production in the coming years.

Continental's Board approval, coming less than seven months after successfully completing the Vlakvarkfontein mine development, follows the completion of the acquisition of Mashala Resources in November 2010 and a detailed review by Continental's executive management of the Penumbra Underground Coal Mine Bankable Feasibility Study completed by leading independent South African mining consultants TWP Projects in April 2010.

Commenting on the commencement of pre-production activities at Penumbra Mr. Don Turvey, Continental's CEO stated: *"This achievement is an important milestone towards increasing our production of higher value export thermal coal and meeting our production goal of 7Mtpa ROM coal by 2012."*

"The commencement of pre-production activities at Penumbra reinforces the strategic importance of the Mashala acquisition to the Company and its shareholders. As a result of this transaction we have been able to immediately access the export coal market from our production at Ferreira and it is now very satisfying to see the Penumbra mine development commence so rapidly after the acquisition has settled and at a time when the export coal prices at Richards Bay are in excess of US\$110/tonne."

The Penumbra Coal Project is located in the Ermelo coalfield, just south of the town of Ermelo in Mpumalanga Province, South Africa. The project is located less than 3km from Continental's producing Ferreira Open Cast Mine and 2km from the Company's coal processing and Anthra railway siding on the coal-line to Richards Bay, where Continental is currently exporting approximately 40,000 tonnes/month of export thermal coal.

The Penumbra Coal Project is fully permitted with a New Order Mining Right awarded by the Department of Minerals and Resources and an Environmental Management Plan approved by the South African Department of the Environment in March 2010.

The project has total JORC compliant resources of 25Mt contained within the C-lower coal seam at an average seam height of 1.8m and a depth of between 50 and 115m. The project is to be developed as a conventional underground bord and pillar mining operation. Access to the coal seam will be achieved by establishing a portal and sinking twin declines at 8 degrees to the coal seam. The declines will be approximately 200m long, one equipped with a conveyor and the second serving as a men and material access route. The declines will also serve as the primary ventilation intakes of the colliery, each with airflow velocities within industry norms.

Two mechanised coal production sections are planned, each with a continuous miner, one section equipped with three shuttle cars, better suited to mid seam mining heights and one section equipped with battery haulers, better suited to low seam mining heights.

Penumbra Mine Development Costs	
	Cost (ZAR Million)
General site development	33
Decline development	96
Underground mining equipment	116
Other (incl DMR Guarantee)	38
TOTAL	284

The total forecast development cost of the project is ZAR284m, which includes a contingency of ZAR23m and is to be funded by Continental from existing equity funds and secured debt and equipment leasing facilities. The development costs cover all surface and underground infrastructure, construction, portal, decline as well as the equipping of two production sections with conveyor and services infrastructure as well as the continuous miners and shuttle cars or battery haulers.

Continental has provided the mine surface civil site contract tender documents to six shortlisted and highly experience civil contractors in South Africa. The civil contract includes the portal development, is valued at over ZAR32m and will be completed over a 4 month period. Contract submissions are currently being reviewed by Continental's executive management and the final award of the contract will be made early in January 2011 with the selected contractor required to mobilise to site in February 2011.

At full production, the Penumbra underground mine is forecast (under the Bankable Feasibility Study) to produce 750,000t of ROM coal production annually over an initial 13 year mine life. First coal production is expected in Q4 2011, ramping up to reach full production in the third quarter of 2012. The run-of-mine coal produced at Penumbra will be beneficiated in the existing 300tph coal processing plant and railed through the load-out facility located alongside the Anthra railway siding.

Penumbra is forecast to produce 500,000tpa of a primary export thermal coal product (27.5MJ/kg) and 120,000tpa of a secondary domestic quality thermal coal product (minimum 20MJ/kg). The overall yield is 81%.

The primary export coal product of 500,000tpa of thermal coal will be railed from the Anthra Rail Siding, through to the Richards Bay Coal Terminal under Continentals existing rail contracts with state owned rail operator Transnet Freight Rail and sold to EDF Trading under the Company's existing coal off take agreement. Average total FOB costs, for the primary export coal product, of ZAR418/t (approx. US\$61/t) in real terms are forecast over the mine life.

"We are delighted to be able to announce the commencement of pre-production and construction activities of the Penumbra Coal Mine. The Penumbra mine will use existing processing and rail and port infrastructure and will have a significant impact on the Company's future earnings and growth" Don Turvey said.

The Penumbra coal mine will be Continental's third coal mining operation, and it's development is in line with the Company's strategy of rapidly bringing robust, low cost projects into production to take advantage of strong domestic and export coal prices associated with sustained global thermal coal demand so as to create value to Continental Coal and its shareholders.

Please find attached Appendix's 3B and 3Y's

Yours faithfully



Peter Landau
Executive Director

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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 7Mtpa ROM by 2012. Continental was formed to take advantage of the robust domestic and global demand for coal, with particular focus on Southern Africa.

The information in this report that relates to the Mineral Resources on the Penumbra Coal Project is based on a resource estimates completed by NJ Denner who is a professional geologist with over 20 years of experience in the South African Mining Industry and sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore reserves. NJ Denner is a member of South African Council for Natural Scientific Professions (Membership No. 400060/98) and consents to the inclusion of this information in the form and context in which it appears in this report.

Appendix 3Y

Change of Director's Interest Notice

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 30/9/2001.

Name of entity	Continental Coal Limited
ABN	13 009 125 651

We (the entity) give ASX the following information under listing rule 3.19A.2 and as agent for the director for the purposes of section 205G of the Corporations Act.

Name of Director	Peter Neil Landau
Date of last notice	23 November 2007

Part 1 - Change of director's relevant interests in securities

In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust

Direct or indirect interest	Indirect
Nature of indirect interest (including registered holder) <small>Note: Provide details of the circumstances giving rise to the relevant interest.</small>	Doull Holdings Pty Ltd
Dates of change	20 December 2010
No. of securities held prior to change	Nil
Class	Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013
Number acquired	50,000,000
Number disposed	Nil
Value/Consideration <small>Note: If consideration is non-cash, provide details and estimated valuation</small>	\$616,148 - being Black and Scholes option valuation model

+ See chapter 19 for defined terms.

Appendix 3Y
Change of Director's Interest Notice

No. of securities held after change	
Nature of change Example: on-market trade, off-market trade, exercise of options, issue of securities under dividend reinvestment plan, participation in buy-back	Issue of Directors Options as approved by Shareholders at the Company's Annual General Meeting held on 19 November 2010.

Part 2 – Change of director's interests in contracts

Detail of contract	N/A
Nature of interest	N/A
Name of registered holder (if issued securities)	N/A
Date of change	N/A
No. and class of securities to which interest related prior to change Note: Details are only required for a contract in relation to which the interest has changed	N/A
Interest acquired	N/A
Interest disposed	N/A
Value/Consideration Note: If consideration is non-cash, provide details and an estimated valuation	N/A
Interest after change	N/A

Date of this Notice: 20 December 2010

+ See chapter 19 for defined terms.

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Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 30/9/2001.

Name of entity	Continental Coal Limited
ABN	13 009 125 651

We (the entity) give ASX the following information under listing rule 3.19A.2 and as agent for the director for the purposes of section 205G of the Corporations Act.

Name of Director	Jason Paul Brewer
Date of last notice	15 December 2009

Part 1 - Change of director's relevant interests in securities

In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust

Direct or indirect interest	Indirect
Nature of indirect interest (including registered holder) <small>Note: Provide details of the circumstances giving rise to the relevant interest.</small>	Scoby Holdings Pty Ltd as trustee for the Maynard Brewer Family Trust
Dates of change	20 December 2010
No. of securities held prior to change	Nil
Class	Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013
Number acquired	50,000,000
Number disposed	Nil
Value/Consideration <small>Note: If consideration is non-cash, provide details and estimated valuation</small>	\$616,148 - being Black and Scholes option valuation model

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Part 2 – Change of director's interests in contracts

Detail of contract	N/A
Nature of interest	N/A
Name of registered holder (if issued securities)	N/A
Date of change	N/A
No. and class of securities to which interest related prior to change Note: Details are only required for a contract in relation to which the interest has changed	N/A
Interest acquired	N/A
Interest disposed	N/A
Value/Consideration Note: If consideration is non-cash, provide details and an estimated valuation	N/A
Interest after change	N/A

Date of this Notice: 20 December 2010

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

CONTINENTAL COAL LIMITED

ABN

13 009 125 651

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Ordinary Fully Paid Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 324,664,990 Ordinary Fully Paid Shares
81,698,023 Listed options (5 cents, 13 February 2013)
100,000,000 Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 324,664,990 Ordinary Fully Paid Shares
81,698,023 Listed options (5 cents, 13 February 2013)
100,000,000 Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013 |

+ See chapter 19 for defined terms.

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes – ordinary shares Yes – listed options</p> <p>New Class of Options Unlisted Directors Options exercisable at 7.5 cents on or before 31 December 2013</p>
<p>5 Issue price or consideration</p>	<p>272,720 Ordinary Fully Paid Shares on conversion of 5 cent listed options exercisable on or before 13 February 2013.</p> <p>15,000,000 Ordinary Fully Paid Shares on conversion of call options exercisable at 5 cents on or before 4 February 2013.</p> <p>2,000,000 Ordinary Fully Paid Shares on conversion of call options exercisable at 5 cents on or before 6 August 2013.</p> <p>143,310,349 Ordinary Fully Paid Shares issued at 6.4 cents upon conversion of debt to equity.</p> <p>11,868,125 Ordinary Fully Paid Shares issued at 6.4 cents in lieu of services provided in respect of capital raisings and promotion of the Company.</p> <p>60,000,000 Ordinary Fully Paid Shares issued at 8 cents on conversion of convertible note as approved by shareholders at the Company's General Meeting on 10 September 2010.</p> <p>92,213,796 Ordinary Fully Paid Shares issued at 6.4 cents in lieu of introduction, corporate advisory, and facilitation fees in respect of the EDFT, KORES and Mashala transactions</p> <p>81,698,023 listed options (5 cents, 13/02/13) in lieu of services provided in respect of capital raising, project acquisition and promotion of the Company.</p> <p>4,500,000 Unlisted Options exercisable at 10 cents on or before 30 June 2012 issued to staff at the Company's South African subsidiary Continental Coal Limited South Africa.</p> <p>100,000,000 Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013 as approved by shareholders at the Company's Annual General Meeting on 19 November 2010.</p>

6

Purpose of the issue
(If issued as consideration for the acquisition of assets, clearly identify those assets)

272,720 Ordinary Fully Paid Shares on conversion of 5 cent listed options exercisable on or before 13 February 2013.

15,000,000 Ordinary Fully Paid Shares on conversion of call options exercisable at 5 cents on or before 4 February 2013.

2,000,000 Ordinary Fully Paid Shares on conversion of call options exercisable at 5 cents on or before 6 August 2013.

143,310,349 Ordinary Fully Paid Shares issued at 6.4 cents upon conversion of debt to equity.

11,868,125 Ordinary Fully Paid Shares issued at 6.4 cents in lieu of services provided in respect of capital raisings, project acquisitions and promotion of the Company.

60,000,000 Ordinary Fully Paid Shares issued at 8 cents on conversion of convertible note as approved by shareholders at the Company’s General Meeting on 10 September 2010.

92,213,796 Ordinary Fully Paid Shares issued at 6.4 cents in lieu of introduction and capital raising fees in respect of the EDFT, KORES and Mashala transactions

81,698,023 listed options (5 cents, 13/02/13) in lieu of services provided in respect of capital raising, project acquisition and promotion of the Company.

4,500,000 Unlisted Options exercisable at 10 cents on or before 30 June 2012 issued to staff at the Company’s South African subsidiary Continental Coal Limited South Africa.

100,000,000 Unlisted Director Options exercisable at 7.5 cents on or before 31 December 2013 as approved by shareholders at the Company’s Annual General Meeting on 19 November 2010.

7

Dates of entering +securities into uncertificated holdings or despatch of certificates

17/12/10

8

Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)

Number	+Class
2,993,049,255 *	Ordinary fully paid shares
602,161,301	Options (5 cents, 13 February 2013)

* Note 275,950,000 2nd Tranche Placement Shares have been approved by shareholders

+ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	60,000,000	Class One Facilitation Options (15 cents, 19 October 2011)
		60,000,000	Class Two Facilitation Options (20 cents, 19 October 2011)
		40,000,000	EDF Options (5 cents, 16 July 2016)
		40,000,000	EDF Options (10 cents, 16 July 2016)
		16,275,486 *	Warrant Options (6.4 cents, 31 October 2015)
		100,000,000	Director Options (7.5 cents, 31 December 2013)
		* Note 9,436,328 2 nd Tranche Warrant Options have been approved by shareholders	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the ⁺ securities will be offered	N/A
14	⁺ Class of ⁺ securities to which the offer relates	N/A
15	⁺ Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A

21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	N/A
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Despatch date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

⁺ See chapter 19 for defined terms.

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought

N/A

- 39 Class of +securities for which quotation is sought

N/A

- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?
- If the additional securities do not rank equally, please state:
- the date from which they do
 - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- | |
|-----|
| N/A |
|-----|
- 41 Reason for request for quotation now
- Example: In the case of restricted securities, end of restriction period
- (if issued upon conversion of another security, clearly identify that other security)
- | |
|-----|
| N/A |
|-----|
- 42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)
- | Number | +Class |
|--------|--------|
| N/A | N/A |

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 20 December 2010

Print name: Jane Flegg, Company Secretary

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+ See chapter 19 for defined terms.