Continental Coal Ltd

31 January 2011

REPORT FOR THE QUARTER ENDING 31 DECEMBER 2010

The Board is pleased to provide the following commentary.

COMPANY HIGHLIGHTS

- Acquisition of initial 64% interest in unlisted South African thermal coal mining and export coal producing company Mashala Resources ("**Mashala**") completed following receipt of final South African government approvals and financial settlement;
- First export coal sales from the Ferreira Coal Mine and Delta Processing Operations with 97,546 tonnes railed over the Quarter from the Anthra rail siding and delivered to Richards Bay Coal Terminal;
- Quarterly ROM production of 289,889 tonnes of coal from the Vlakvarkfontein and Ferreira Coal Mine open cast operation;
- Vlakvarkfontein quarterly Run-of-Mine ("**ROM**") production increases 24% to 204,778 tonnes at free-on-truck ("**FOT**') costs of ZAR114/t;
- Completion of A$61m capital raising with US$30m received from an oversubscribed placement to sophisticated and institutional investors, US$20m from the coal loan facility from EDF Trading and the first A$10m from an A$25m convertible note facility;
- Further off-take agreement entered into with EDF Trading for export thermal coal;
- Execution of Joint Development Agreement with South Korea's State-owned minerals exploration and mining company, Korea Resources Corporation ("**KORES**") for the acquisition and development of the Vlakplaats Coal Project;
- Bankable Feasibility Study ("**BFS**") on the De Wittekrans Coal Project commenced to optimise a planned 30 year operation producing 3.6Mtpa ROM coal with 1.1Mtpa of export coal sales and 1.5Mtpa of domestic coal sales;
- Board approved the commencement of the Penumbra Coal Mine for construction of the ZAR284m project into a 750,000tpa ROM operation producing 500,000tpa of exports over an initial 13 year mine life;
- Board approved an initial ZAR20m exploration budget for its Botswana projects and an increased 90 hole drill program to commence in the March 2011 quarter.

ASX Code –	***CCC***		
Issued Shares	***2.993 Bn*** *(31 Dec 2010)*	*Closing Price*	***A$0.072*** *(31 Dec 2010)*
Market Cap	***A$215m*** *(31 Dec 2010)*		

The second quarter saw the Company establish itself firmly as a South African export thermal coal producer, following the settlement by the Company's South African subsidiary Continental Coal Limited's ("**CCL**") of its acquisition of an initial 64% interest in Mashala.

During the quarter the Company commenced the delivery of export thermal coal to Richards Bay Coal Terminal with its first train from the Ferreira Coal Mine and Delta Processing Operations loaded on 2 November 2010 and subsequent to the Quarters end the Company was also able to announce the first shipment of 32,910t of thermal coal from the Richards Bay Coal Terminal that was destined for India.

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OPERATIONS

Ferreira Coal Mine and Delta Processing Operations

The Ferreira Coal Mine and Delta Processing Operations have maintained a very strong health and safety record since opencast mining activities commenced at the Ferreira Coal Mine. The rolling 12 month Lost Time Injury Rate is 0 and compares extremely well to the world class benchmark (which is a frequency rate of less than 2). The Ferreira Coal Mine and Delta Processing Operations have each achieved 466 and 715 calendar days without Lost Time Injury.

Open cast mining at Ferreira commenced in August 2008. Continental assumed operating control on 1 November 2010, following its acquisition of Mashala. Mining activities continued throughout the Quarter from both the Southern Pit and the newly developed Northern Pit up to 15 December 2010 when mining activities were stopped for the planned contractors break. Mining activities re-commenced subsequent to the Quarter end on 3 January 2011. Coal processing operations at the Delta Processing Operations continued throughout the Quarter.

ROM production for the months of November and December of 71,214 tonnes was in line with Continentals' forecasts for the operation. Open cast mining in the Southern Pit ceased during the Quarter in October 2010 whilst pre-stripping and development of the box-cut for the Northern Pit commenced in November 2010.

Although the full quarter's production of 85,111 tonnes of coal was below the previous quarter's production of 121,139 tonnes, this was due to one-off events following a number of key operational decisions which the Company believes will have a significant positive impact on the mines future performance. The lower ROM coal production from the previous Quarter was due to poor operational performance of the mining contractor throughout October 2010 and the previous quarter. The Company made a decision to replace the mining contractor and to also commence development of the new box cut for the Northern Pit opencast operations. Production has been impacted during this Quarter by the changeover of the mining contractor which delayed the box-cut development and the time to reach steady state mining operations in the Northern Pit.

FERREIRA PRODUCTION PERFORMANCE (tonnes unless stated)							
	Oct 10[1]	**Nov 10**	**Dec10**	**DEC QTR**[1]	**SEP QTR**	**DIFF (%)**	**YTD**[2]
Overburden (m^3)	158,503	278,239	214,968	**651,710**	**n.a.**	**n.a.**	**493,207**
Total Softs	***158,503***	***278,239***	***214,968***	**651,710**	**n.a.**	**n.a.**	**26,437**
B Lower Coal	-	9,507	16,930	**26,437**	**n.a.**	**n.a.**	**26,437**
C Upper Coal	2,790	11,533	3,235	**17,578**	**n.a.**	**n.a.**	**14,768**
C Lower Coal	11,107	17,166	12,823	**41,096**	**n.a.**	**n.a.**	**29,989**
Total Coal	***13,897***	***38,266***	***32,988***	**85,111**	**n.a.**	**n.a.**	**71,254**
Summary							
Overburden (m^3)	**158,503**	**278,239**	**214,968**	**651,710**	**n.a.**	**n.a.**	**493,207**
Coal	**13,897**	**38,266**	**32,988**	**85,111**	**n.a.**	**n.a.**	**71,254**

[1]Continental assumed operating control on 1 November 2010. [2] From 1 November 2010

The new mining contractor Stefanutti Stocks Mining ("**Steffanutti**") mobilised to site on 12 October 2010 and commenced mining activities in the Northern Pit. The general standard of operation in the Northern Pit is considered significantly better than that of the the former contractor and during the first month of operation for the quarter. Mine production at Ferreira has increased noticeably from October through November and December following the appointment of the new mining contractor and with the introduction of new mining equipment.

Continental has completed revised mining and scheduling plans for the Northern Pit in conjunction with Stefanutti that are forecast to result in a longer period of sustained production over the life of mine. Continued improvements are forecast throughout 2011 with increased productivity and a reduction in mine operating costs.

During the Quarter the Delta Processing Operations washed a total of 182,107 tonnes of coal. This comprised both ROM production from the Ferreira Coal Mine and ROM coal purchased from nearby operations, which is blended with the Company's own production.

Production of 62,333 tonnes of a primary export thermal coal product and a further 34,440 tonnes of a secondary product was achieved. A primary yield of 53% was achieved.

The Delta Processing Operations

The Anthra Rail Siding

Export coal product is loaded at the Company's 1.2Mtpa Anthra Rail Siding, located adjacent to the Delta Processing Operations. The Anthra Rail Siding is one of the closest rail sidings to the Richards Bay Coal Terminal capable of loading jumbo rail cars and is also located less than 1km from Transnet Freight Rail's main Ermelo shunting yard.

Mining in the Southern Pit at the Ferreira Coal Mine ceased in October 2010

During the Quarter 49,527 tonnes of a standard RB1 export coal product were railed to the NUA stockpile and sold under sales agreements with Mashala's offtake counterparty (1 October to 31 October) and to EDF Trading (1 November to 31 December). A further 48,037 tonnes of the higher sulphur product were sold under contract to another Richards Bay Coal Terminal exporter for blending with their own export production. Total export coal railed to Richards Bay Coal Terminal for the period 1 November to 31 December was 64,516 tonnes which was sold under contracts realising provisional average gross sales price of US$107.87/t. A further 29,783 tonnes of a lower domestic coal product were sold over the quarter under a long term contract with Eskom.

Continental Coal Ltd

Costs for the Quarter included a one-off charge associated with the cost to complete the box-cut for the establishment and development of the delayed Northern Pit and the increased pre-stripping and removal of top-soil and overburden material by the new mining contractor.

For the March 31 Quarter, the Company is forecasting ROM coal production of 175,000 tonnes and export coal sales of 141,000 tonnes at total FOB costs of between US$70-80/t.

Vlakvarkfontein Coal Mine

Vlakvarkfontein continued to maintain its strong safety record during the Quarter and has now achieved 200,529 man-hours since the start of the project without any lost time injuries. The current number of calendar days without Lost Time Injury is 288 days.

Mining activities at Vlakvarkfontein commenced in May 2010 with the first coal production blast taking place on 27 May 2010. Mining activities continued throughout the Quarter up until 15 December 2010 when mining activities were stopped for the planned contractors break. Mining activities re-commenced subsequent to the Quarter end on 3 January 2011.

During the Quarter, 204,778 tonnes of coal was mined (previous quarter 165,202 tonnes), a 24% increase in ROM coal production. In line with budget, pre-stripping and removal of softs reduced as the focus has moved towards mining of both the 4 and 2 seams.

VLAKVARKFONTEIN PRODUCTION PERFORMANCE (tonnes unless stated)							
	Oct 10	**Nov 10**	**Dec10**	**DEC QTR**	**SEP QTR**	**DIFF (%)**	**YTD**
Top-Soil (M^3)	4,969	-	1,260	**6,229**	**67,981**	**-91%**	**74,210**
Sub-Soil (M^3)	48,794	19,998	-	**68,792**	**83,403**	**-18%**	**152,195**
Total Softs	***53,763***	***19,998***	***1,260***	**75,021**	**151,384**	**-50%**	**226,405**
Hards (+4 Seam)	35,954	220,789	95,822	**352,565**	**391,257**	**-10%**	**743,822**
Hards (+2 Seam)	36,096	-	40,605	**76,701**	**74,142**	**+3%**	**150,843**
Total Hards	***72,050***	***220,789***	***136,426***	**429,265**	**465,399**	**-8%**	**894,664**
4 Seam Coal	79,368	33,168	32,387	**144,923**	**150,971**	**-4%**	**295,894**
2 Seam Coal	23,156	36,699	-	**59,855**	**14,231**	**+321%**	**74,086**
Total Coal	***102,524***	***69,867***	***32,387***	**204,778**	**165,202**	**+24%**	**369,980**
Summary							
Total Softs	**53,763**	**19,998**	**1,260**	**75,021**	**151,384**	**-50%**	**226,405**
Total Hards	**72,050**	**220,789**	**136,426**	**429,265**	**465,399**	**-8%**	**894,664**
Total Coal	**127,524**	**69,867**	**32,837**	**204,778**	**165,202**	**+24%**	**395,430**

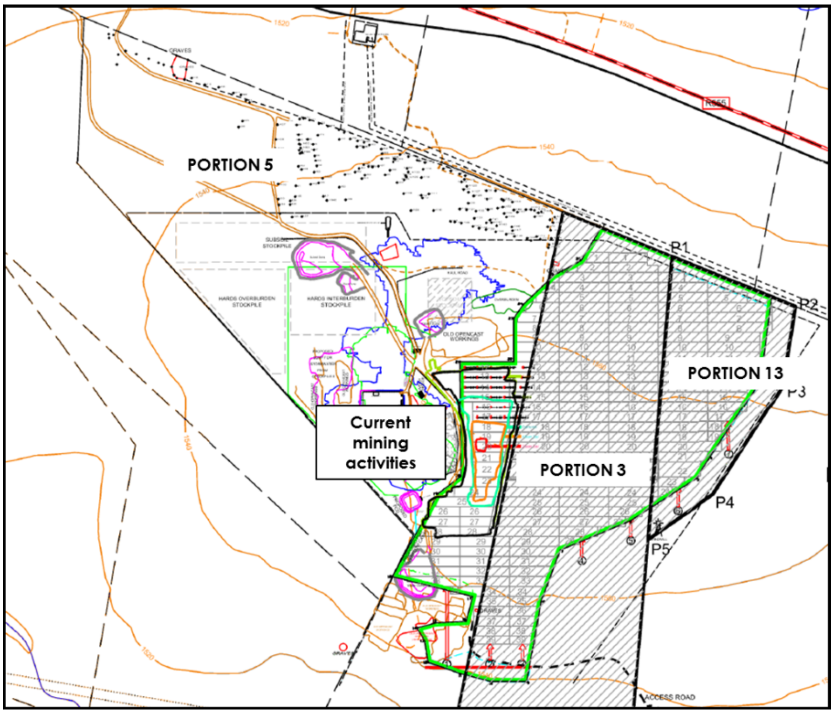
Mining activities were for the majority of the Quarter confined to the initial box-cut area, whilst final agreements for the acquisition of the adjacent farmland was concluded. Selective mining of the coal seams progressed over the Quarter. Mining of the 4 seam was focused on the lower 4.0m of the coal seam, where coal qualities in excess of a 20.0 CV had been determined from channel sampling and infill drilling. Mining of the 2 seam was focused on the central 4.5m, again where coal qualities in excess of a 20.0 CV had also been determined.

During the Quarter coal was mined from both the 4 and 2 seams in Portion 5 of the Farm Vlakvarkfontein 213 IR. First coal from the 2 seam, which averaged 6.5m in thickness, was mined in October 2010 and total production for the Quarter was 59,855 tonnes (previous quarter nil). Coal from the 4 seam, which averaged 5.85m in thickness, was mined throughout the Quarter with total production of 144,923 tonnes (previous quarter 150,971 tonnes).

Total mining costs for the Quarter were ZAR20.9m and averaged ZAR92/t (previous quarter ZAR15m and ZAR91/t), and the total free-on-truck ("**FOT**") costs per ROM production (including mining, haulage, crushing and screening) for the Quarter were ZAR23.3m and averaged ZAR114/t.

Although production for the Quarter was below the budgeted levels of 300,000 tonnes, this was due primarily to constraints within the box-cut area, the cessation of mining activities for the contractors break and a planned reorganisation of the stockpile area to accommodate ROM and saleable stockpiles. Coal sales during the Quarter continued to be sold under short-term contracts to three separate off-take parties. The contracts are with domestic end users and nearby mining operations. Negotiations with Eskom continued during the Quarter and a final off-take agreement to supply Eskom's power stations is expected to be completed in the current quarter.

During the Quarter the Company completed financial settlement of the acquisition of Portion 3 and 13 of the Farm Vlakvarkfontein 213 IR. This farm is situated immediately east of the current box-cut and current mining operations. During the Quarter mining activities commenced on this farm and have progressed in an easterly direction from the box-cut.



Mining layout at Vlakvarkfontein Coal Mine

The finalisation of the acquisition of this farm will allow the Company to maintain production rates in line with the quarterly targeted rates of 300,000 tonnes and also produce a higher quality domestic coal product for sale to Eskom and the broader domestic market.

With the Vlakvarkfontein Coal Mine now fully established and still in only its second full quarter of operations, during the Quarter management was focussed on optimisation of both the planned mining schedule over the remaining 10 year mine life, and improving coal qualities and optimising the sold coal product.

For the March 31 Quarter, the Company is forecasting ROM coal production of 300,000 tonnes. Sales of 450,000 tonnes are forecast with stocks to be drawn from the existing ROM stockpile.

DEVELOPMENT PROJECTS

Penumbra Coal Project

During the Quarter the Board formally approved the commencement of the development of the Penumbra Coal Project.

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 Coal Mine and 2km from the Company's Delta Processing Operations and Anthra railway siding on the coal-line to Richards Bay, where Continental is currently exporting thermal coal.

The Penumbra Coal Project has a New Order Mining Right and Environmental Management Plan awarded and approved by the Department of Mineral and Resources in March 2010.

The project has total 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 proposed 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.

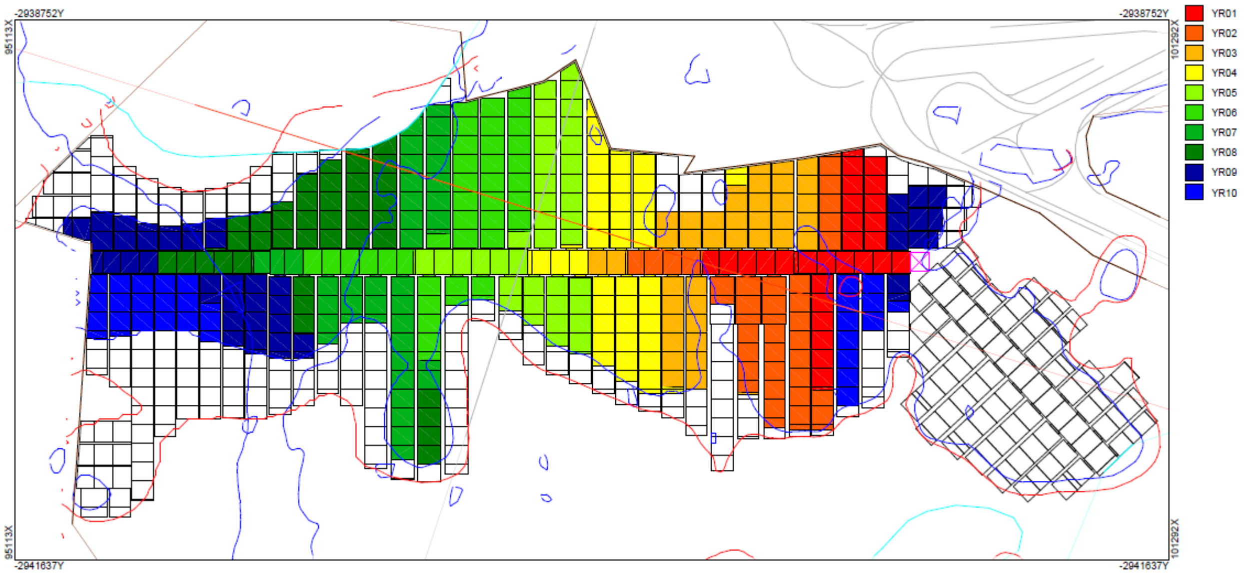
Two mechanised coal production sections are planned, each with a continuous miner, one section equipped with three shuttle cars, better suited to mid seam mining heights and one section equipped with battery haulers, better suited to low seam mining heights.

Penumbra Mine Development Costs	
	Cost (ZAR Million)
General site development	33
Decline development	96
Underground mining equipment	116
Other (incl DMR Guarantee)	39
TOTAL	**284**

The total forecast development cost of the project is ZAR284m, which includes a contingency of ZAR24m. The development costs cover all surface and underground infrastructure, construction, portal, decline as well as the equipping of two production sections with conveyer 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 civil contractors. Following the award of the contract, the selected contractor is forecast 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.



Proposed Underground Mining Layout at Penumbra Coal Project

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.

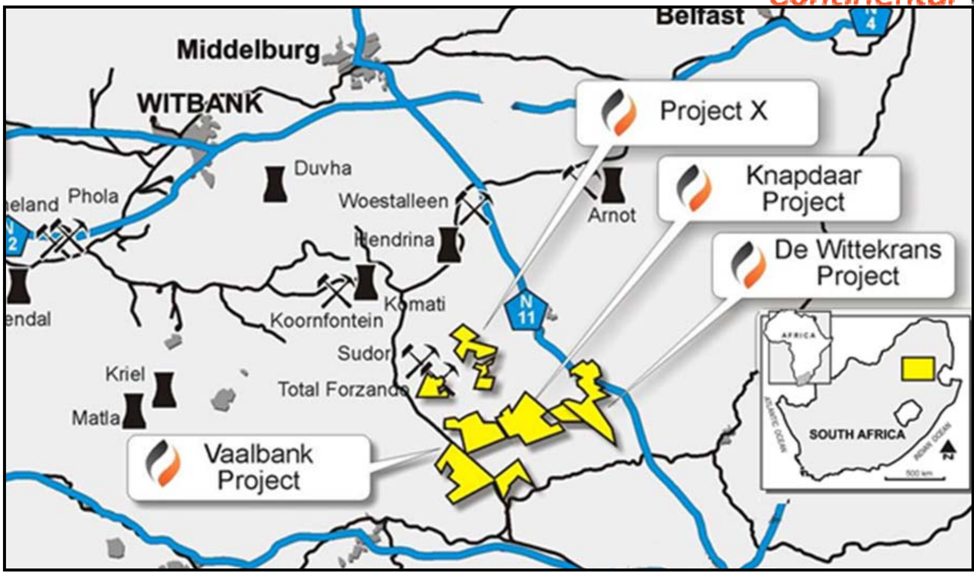
De Wittekrans Coal Project

During the Quarter, the Board formally approved the commencement of a Bankable Feasibility Study) on the De Wittekrans Coal Project.

The De Wittekrans Coal Project is located within the Company's De Wittekrans Complex which also includes the Vaalbank, Knapdaar and Project X coal projects that comprise over 400Mt of JORC compliant resources all located within a 15km radius and surrounded by major road and rail infrastructure as well as a number of adjacent major opencast and underground coal mining operations.

Independent mining consultants TWP Projects have been appointed as the Study Managers to complete the BFS. The appointment was made after the completion of the acquisition of Mashala and a review of the Pre-Feasibility Study and Mining Study completed in 2009 by SRK by the Company's executive management that confirmed the potential to develop a robust, long-life, low cost opencast and underground coal mining operation at De Wittekrans supplying both the export and domestic coal markets.

The De Wittekrans Coal Project is located in the Ermelo coalfield, 15km southeast of the town of Hendrina in Mpumalanga Province, South Africa. The project currently has a New Order Prospecting Right awarded by the Department of Minerals and Resources in 2005. An application for a New Order Mining Right was lodged with the Department of Minerals and Resources and is anticipated to be approved in H2 2011.



The De Wittekrans Complex

The Pre-Feasibility Study and Mining Study completed in 2009 confirmed that the De Wittekrans Coal project was economically and technically viable based on development of a conventional opencast and underground mine targeting production of 3.6 – 4.0Mtpa ROM coal from the 206Mt of JORC compliant resources contained within the A, B and C coal seams within the project area. The average seam width of the A seam is 0.7m and for the B and C coal seams, 2.7m and 2.1m respectively.

A summary of the Pre-Feasibility Study and Mining Study findings are provided below:

De Wittekrans Pre-Feasibility and Mining Study Summary Findings*	
ROM Production	3.6Mtpa
Export Sales	1.1Mtpa
Domestic Sales	1.50Mtpa
Mine Life	30 years
Total FOB Export Product Costs	US$61.00/t

* assumes 40% and 30% domestic and export yield, costs in real terms

Production from the opencast mining areas of the De Wittekrans Coal Project was scheduled in the Mining Study to be completed over an initial minimum 10 year period at an average strip ratio of 4.5:1. Opencast mining was to be subsequently replaced by underground conventional bord and pillar mining for a further 20 years with access to the underground from the highwalls remaining from the opencast mining operations. The A, B, and C Seams are planned to be targeted for opencast mining at the De Wittekrans Coal Project, and the B and C Seams are targeted for the underground mining areas. The A Seam has not been targeted as a primary seam, but will be recovered from the opencast operations where mining permits.

The run-of-mine coal produced at De Wittekrans is planned to be beneficiated through a 750 – 800tph two stage washing plant using an initial high density wash to remove the high density material, and a secondary wash to separate the export and Eskom coal products. Coal quality analyses completed indicated that the B and the C seams are amenable to washing for a 27.5MJ/kg primary export coal product at an average theoretical yield of some 35% to produce 1.1Mtpa of saleable export thermal coal and a product suitable for domestic sales has also been determined, with a quality of 21MJ/kg at a yield of approx. 40% to produce 1.5Mtpa of saleable domestic thermal coal.

The average total FOB costs for the primary export coal product of ZAR421/t (approx. US$61/t) in real terms are forecast over the 30 year mine life for the production of export coal.

The main components of the BFS study to be completed by 30 June 2011 includes:

- Infill reserve and resource definition drilling
- Mineral resource and reserve estimation
- Coal quality analyses
- Open pit and underground mine optimisation, design and scheduling based on updated reserve and resource models
- Process plant and discard design
- Infrastructure and rail load out facility studies
- Environmental studies
- BFS level capital and operating cost estimates
- Mine development timetable
- Detailed financial modelling

During the March 2011 quarter, the Company will complete a 38 diamond drill hole infill drilling program as part of the overall BFS study. This is required for detailed opencast and underground mine design to be finalised. The drilling program will further allow the Company to upgrade the existing resource over the initial 5 years of opencast mining and subsequent underground mining and enable the BFS to be based on a measured resource and/or proven and possible reserve.

Vlakplaats Coal Project

During the Quarter the Company's South African subsidiary CCL entered into an agreement with Korean government's minerals exploration and mining company Korea Resources Corporation ("**KORES**") to complete the acquisition of the Vlakplaats Coal Project. In addition CCL executed Joint Development and Shareholders Agreements with KORES.

CCL acquired its 50% interest in the project through payment of ZAR50m in 2009 and under the Joint Development and Shareholders Agreements, KORES has acquired a 37% interest in the project by funding ZAR96.2m (A$13.5m) of the ZAR130m (A$18.5m) balance of the ZAR180m (A$26m) total acquisition cost. CCL's BEE partner will contribute ZAR33.8m (A$5m) to secure the remaining 13% interest in the project. Settlement of the transaction remained outstanding as at the end of the Quarter.

Under the terms of the Joint Development and Shareholders Agreement between CCL, KORES and CCL's BEE partner, the parties have established a Special Purpose Vehicle to advance the Vlakplaats project through to completion of a Bankable Feasibility Study. CCL has been appointed as project manager and operator of the Vlakplaats Coal Project and will receive a 2% management fee. CCL is further required to maintain a minimum 30% interest in the project. Exploration, pre-feasibility and bankable feasibility study costs, as well as any development costs associated with the Vlakplaats Coal Project will be funded by the parties in proportion to their respective interests. Where the BEE party is unable to fund its proportionate costs, KORES and CCL will jointly fund the exploration and development activities and the funds will be recoverable from the project prior to the BEE participating in any cash distributions or dividends.

An initial ZAR32.5m budget has been agreed by CCL and KORES to meet the forecast exploration and development costs to take the project through to completion of a Bankable Feasibility Study.

Given the historical work completed and the data already available this is considered sufficient to complete the study within the next 12-18 months and allow a decision to mine to be made. Upon completion of the Bankable Feasibility Study and within 30 days of of a decision to mine being made, KORES will also enter into an arms-length coal sales and marketing agreement under which KORES will be granted an exclusive right to take 100% of the export thermal quality coal from the Vlakplaats Coal Project. CCL will similarly enter into an arms-length coal sales and marketing agreement for the sale of all domestic quality thermal coal from the project.

The Joint Development and Shareholders Agreement remains subject to satisfaction of standard conditions precedent including amongst other things approval from the South African Department of Mineral and Resources for the Section 11 transfer of the existing New Order Prospecting Right and finalisation of a subscription agreements with CCL's BEE partner for their ZAR33.8m (A$5m) acquisition of the 13% interest in the project.

KORES is wholly-owned by the Korean government and is focused on establishing itself as a global top 20 mining company by 2020 through participation in world class overseas resource development projects with suitably qualified strategic partners. Korea has designated coal as a strategic raw material for its economic growth and over the past 2 years KORES has been actively involved in various Korean consortiums that have invested over A$1 billion in coal projects worldwide. KORES currently has direct investment in 31 overseas resource projects in 13 countries, including interests in 10 coal mines in Australia producing in excess of 25Mtpa.

The joint development agreement with Continental for the Vlakplaats Coal Project is KORES' first investment in South Africa's coal sector.

The Vlakplaats Coal Project located approximately 80km east of Johannesburg in the Delmas District, Mpumalanga Province. The nearest towns are Delmas, Devon and Leandra. The project is located 25km southwest of the Company's operating Vlakvarkfontein Coal Mine and on the western edge of the Witbank Coalfield.

The Project has a valid New Order Prospecting Right issued in 2008 and valid for an initial period of 4 years. The Project is well serviced by railways and roads and power lines cross from west to east on the southern portion of the project.

Historical drilling on the Vlakplaats Coal Project has indicated the opportunity to develop both the No. 4 and No. 2 coal seams through conventional open cast and underground mining methods. The No. 2 seam is considered best developed in the central northern portion of the project area, where it has been determined to reach a maximum thickness of approx. 5.5m. Along the northern and eastern areas of the project area the No. 2 seam is considered amenable to open cast mining. The No. 4 seam varies from 0.6m to 8.7m in thickness, with an average thickness of +4.0m and at an average depth of 43m.

Preliminary development studies have indicated that the Vlakplaats Coal Project has the potential to be developed as an initial open cast operation followed by a bord and pillar underground operation mining both the No.2 and No. 4 coal seams and producing up to 150,000tpm of ROM coal for sales to the export and domestic market.

EXPLORATION

Botswana

Continental has interests in three prospecting licenses that cover an area of 964km² in Botswana. The projects include the Serowe Coal project (PL 339/2008 and PL 340/2008) and the Kweneng Coal Project (PL 341/2008).

In the September 2010 quarter the Company appointed independent South African consulting geologists, Gemecs (Pty) Ltd ("**Gemecs**") to complete an assessment of the potential of its projects. An Exploration Target of between 6-7 Bt of coal was determined by Gemecs, of which 2.7 Bt of coal at shallow to moderate depth was considered to have the potential to be exploited by conventional mining methods (It should be noted the Exploration Target is conceptual in nature as there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource. To delineate a resource on this project that is JORC Compliant significant levels of drilling is required).

Based on the Gemecs assessment, Continental agreed, that upon completion of the Mashala acquisition it would commit to Gemecs recommended 21 hole wide-spread regional drilling and coal quality analysis program in 2011 to enable an initial JORC compliant resource to be established at the Projects.

During the Quarter the Board approved an initial ZAR20m exploration budget for Botswana and increased the proposed exploration drilling program from recommended 21 holes to 90 holes.

The Board believe that the Company's two projects in Botswana represent a significant opportunity to participate in a potentially world class coal field that has attracted substantial interest from major Indian and Chinese parties looking to secure long-term supplies of thermal coal. During the Quarter TSX listed coal exploration company CIC Energy Corporation, who hold a 100% interest in the Mmamabula Coal Project, which has a resource of 2.66Bt of thermal coal, agreed to a C$422m acquisition by a major Indian power company. The Mmamabula Project is located immediately east of the Company's Kweneng Coal Project.

During the March 2011 quarter, the Company is proposing to have key executive management and its geological consultants in Botswana to meet with key government officials and all major stakeholders. In addition, the team will complete visits to both project sites. Mobilisation of the drilling contractors and the commencement of exploration drilling at the projects are scheduled to commence within the quarter.

Kenya

During the Quarter the Company submitted an Expression of Interest to the Kenyan Ministry of Energy to participate in coal exploration and development of Kenya's Mui Coal Basin.

The Mui Coal Basin is located 180km northeast of Nairobi and has been the subject of exploration by Kenya's Ministry of Energy since 1999. The Mui Coal Basin is considered by the Company to be a highly prospective and strategically located coal basin for the production of both domestic and export thermal coal. Its proximity to the Indian market is considered particularly important.

Subsequent to the Quarters end the Company received a "Notification of Successful Bidder" from the Ministry of Energy and will over the March 2011 quarter submit a detailed technical and financial proposal for the Company's proposed exploration, exploitation and development of identified coal deposits within the Mui Coal Basin.

Continental Coal Ltd

OTHER PROJECTS

During the Quarter the Company completed a review of a number of additional acquisition and development opportunities for advanced and producing thermal and coking coal assets in South Africa as well as projects in Mozambique, Zimbabwe, Madagascar and Tanzania. As yet no firm decision has been made on these opportunities.

CORPORATE

Capital Raising

During the Quarter the Company raised A$61m in new funding, via A$10m from a A$25m convertible note, a US$30m oversubscribed placement and a US$20 million coal loan facility from EDFT.

The placement, to institutional investors in Europe and South East Asia and investors in Australia is for 475,950,000 new shares at an issue price of A$0.064 per share to raise US$30m (before issue costs). Renaissance Capital, a leading investment bank who recently won the 2010 Investment Bank of the Year award from African Banker magazine and 2010 Best Africa Investment Bank, was the sole-bookrunner for the placement to investors outside Australia only.

In addition A$10m was made available under an A$25m convertible note facility that was approved by Shareholders at the General Meeting on 10 September 2010, and was placed to Asian and European based financial institutions. In addition, agreement was reached with EDF Trading for the advance of US$20m, with US$15 million to be drawn on completion of the Mashala acquisition and balance on satisfaction of certain milestones. The capital raising was completed to allow the Company to complete the Mashala acquisition.

Completion of Mashala Acquisition

On 1 November 2010 following receipt of all outstanding South African government approvals, including South African Reserve Bank approval and approval from the South African Department of Minerals and Resources, financial settlement of the acquisition of Mashala took place. In accordance with the terms of Share Sale Agreements executed on 15 September 2010 by CCL and Mashala's shareholders, CCL acquired a 64.1% shareholding in Mashala for a cash payment of US$35 million.

EDF Trading Offtake Agreements

On completion of the Mashala acquisition, the Company successfully completed off-take agreements with EDF Trading for export thermal coal production from the Ferreira Coal Mine and the proposed Penumbra and De Wittekrans Coal Projects. The offtake agreements were completed on terms consistent with the agreements entered into in July 2010 for its forecast export thermal coal production from the Vaalbank and Project X Coal Projects.

Strengthening of Executive Management

Immediately following the Mashala acquisition, Continental was able to strengthen its executive management team with the appointment of several senior mining executives. The appointment of these key executives, all of which come from Mashala's former executive management team, in the positions of Chief Operations Officer, Chief Financial Officer, Head of Marketing, Head Legal and Commercial, Head Human Resources and Project Manager both strengthened and complemented the Company's core management capabilities.

Research Reports

During the Quarter, a number of investment banks, brokers and research companies initiated coverage of Continental with the release of several comprehensive research reports on the Company and its South African operating and development projects. These reports are available on the Company's website or by contacting the Company directly.

AIM Listing

During the Quarter, a number of investment banks and brokers approached the Company in respect to a listing on the AIM Market. The Company will progress these discussions in the March 2011 quarter and will look to appoint joint brokers with a potential listing before 30 June 2011.

Repayment of Secured Debt Facility

During the Quarter, A$8.5m of the Company's A$13.2m debt facility was repaid following the early exercise of the attaching unlisted options and principal repayments. The outstanding balance of the facility is scheduled to be converted to equity prior to the end of the March 2011 quarter.

OUTLOOK FOR THE NEXT QUARTER

During the March 2011 quarter the Company looks forward to:-

- The first full quarter for export thermal coal sales from the Ferreira Mine and Delta Processing Operations
- An update on major logistics developments in respect of port allocation for the export of increased thermal coal production
- Updated reserve and resource statement for Continental's South African projects
- Mobilisation of contractors and commencement of mine development at the Penumbra Coal Project
- Progress on the Bankable Feasibility Study for the De Wittekrans Coal Project
- Mobilisation of drilling contractor to Botswana projects and commencement of detailed geological modelling of our tenements in Botswana with existing borehole data obtained during recent visit
- Submission of the Company's tender to participate in coal exploration and development of Kenya's Mui Coal Basin

ENDS

By order of the Board

Peter Landau
Executive Director

Continental Coal Ltd

For further information please contact:

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Continental Coal Limited (ASX:CCC : US-OTC:CGFAY) is a South African thermal 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 Vlakvarkfontein is based on a resource estimate completed PJ Hancox 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. PJ Hancox is a member of South African Council for Natural Scientific Professions (Membership No. 400224/98) and consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to the Mineral Resources on Project-X and Vaalbank as well as on the Mashala Projects is based on a resource estimates completed NJ Denner who is a professional geologist with over 17 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.

The information in this report that relates to the Mineral Resources on Vlakplaats is based on a resource estimates completed David le Roux van Wyk who is a professional geologist with over 25 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. David le Roux van Wyk is a member of South African Council for Natural Scientific Professions and consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to the Exploration Target for the Botswana Project is based on an exploration target completed by Mr Nico Denner who is employed by Geological and Mine Evaluation Computer Services. Mr Denner is a Geologist with 15 years experience in the Southern 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 in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and the Ore Reserves. Mr Denner is a Member of South African Council for Natural Scientific Professions (Membership No. 400060/98). Mr Denner consents to the inclusion of this information in the form and context in which it appears in this report.