

18 April 2011

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

By e-lodgement

UPDATE ON OPERATIONS AND NEW MINE DEVELOPMENTS

Key points

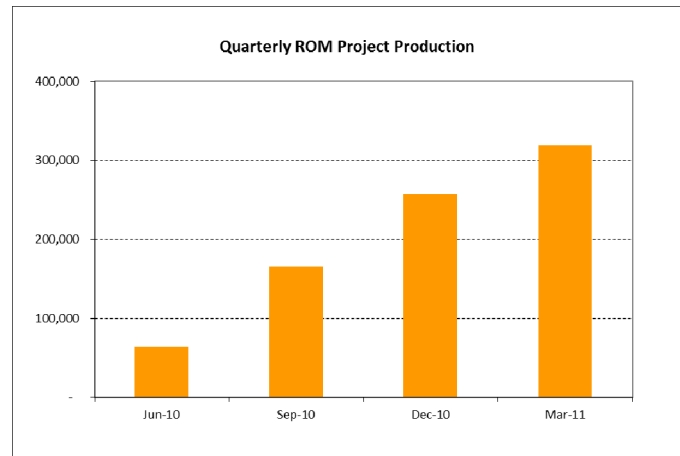
- **Run-of-mine production at the Ferreira mine increases by 50% quarter on quarter to 128,232 tonnes for the March quarter**
- **Export thermal coal sales from Continental's Ferreira and Delta Operations increase by 53% quarter on quarter to 129,971 tonnes for the March quarter**
- **Average gross export thermal coal sales price of US\$121.25/tonne realised on sales during the quarter**
- **Domestic sales from Vlakvarkfontein increases by 91% quarter on quarter to 200,195 tonnes for the March quarter with a further closing stockpile balance of 191,788 tonnes**
- **Detailed engineering and optimisation work undertaken by the Company's Penumbra project manager has resulted in relocation of the portal entry and initial decline development with construction now forecast to commence in the current quarter**
- **Bankable Feasibility Study on the De Wittekrans project proceeding on schedule with preliminary results due to be announced in July 2011**
- **Review of newly acquired and historical geological data on the Company's Botswana projects proceeding on schedule with the initial exploration program to be submitted later this month with drilling to commence shortly thereafter**

South African focused coal mining producer Continental Coal Limited (ASX: CCC) "**Continental**" or "**the Company**") is pleased to provide shareholders with an update on operating performance at its coal mining operations and key exploration and development projects in South Africa and Botswana.

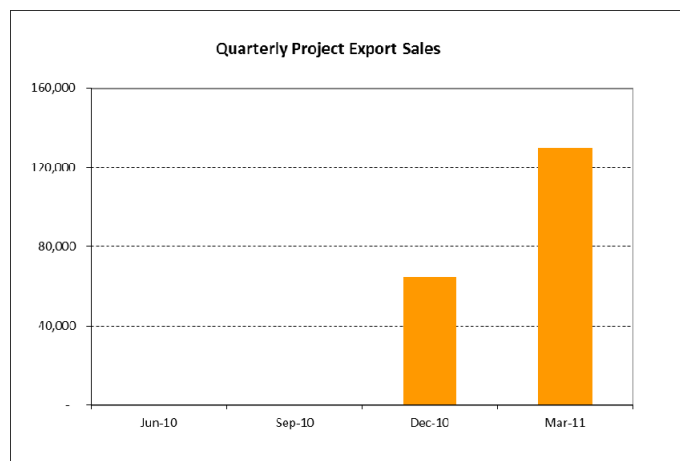
The Company's continued focus on optimising its existing open pit thermal coal mining operations at Vlakvarkfontein and Ferreira has resulted in increased production and sales for the fourth successive quarter. In addition the Company continues to advance its development projects, with key contractors selected and scheduled to be mobilised on the Penumbra mine site during the current quarter.

Vlakovarkfontein and Ferreira Mines and Delta Processing Operations

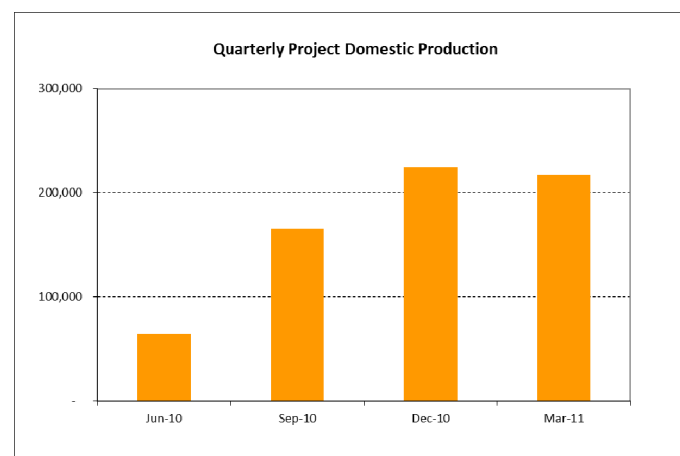
Total run-of-mine ("ROM") for the March quarter from the Vlakovarkfontein and Ferreira mines was 318,800 tonnes a 24% increase on the 257,380 tonnes produced in the December quarter.



ROM production during March 2011 was the highest achieved over the past 12 months.



During the March quarter, the Ferreira mine and Delta operations produced 128,232 tonnes of export thermal coal, a 50% increase on the previous quarter's results.



During the March quarter, the Vlakovarkfontein and Ferreira mines produced domestic quality thermal coal of 216,533 tonnes a 3% decrease on the 224,140 tonnes in the December quarter.

The Company railed 129,971 tonnes of export thermal coal through to the Richards Bay Coal Terminal during the quarter, a 53% increase on the previous quarter. This is above the Company's budgeted 120,000 tonnes/quarter and comes despite a number of derailments during the quarter which limited the number of tonnes that could be railed by both the Company and other South African thermal coal exporters.

The average gross sales price received by the Company on export thermal coal railed to the Richards Bay Coal Terminal during the quarter was US\$121.25/tonne.

Penumbra Project Development

In December 2010 the Company announced that the Board had formally approved the commencement of the Penumbra underground coal mine development, located adjacent to the Company's Ferreira mine and Delta operations in Mpumalanga Province, South Africa.

The Company appointed TWP Consulting in December 2010 to manage and oversee all the construction work at the Penumbra project including the surface site construction, civils and earth works, the pollution and co-disposal dams, electrical supply, the decline development and procurement of all the underground machinery. In addition the Company appointed Greene Consulting Engineers to complete the design and plans of the Delta co-disposal dam, which has been approved by the Department of Water Affairs.

Over the quarter the Company and its contractors have completed further detailed engineering and optimisation work that has resulted in a relocation of the shaft portal excavation and initial decline development and an associated amendment to the Company's existing permits and development plans as well as further consultation with local landowners and other affected parties. As a result the mobilisation of contractors on site is now forecast to commence later this quarter following the finalisation of its consultation with local landowners and the associated acquisition of the necessary surface rights. The Company does not anticipate any further delays given that the matters outstanding are largely procedural and administrative in nature.

The Penumbra coal project is to be developed as a conventional underground bord and pillar mining operation at forecast cost of ZAR284m (approx. A\$40m). Several debt financing offers have been received by the Company from South African and international investment banks. These are currently being reviewed with the most optimal financing package and partner to be selected by the Company and announced to the market in May 2011.

The Penumbra coal project is budgeted to produce 750,000t of ROM coal production annually over an initial 13 year mine life. Penumbra has a New Order Mining Right and an approved Environmental Management Plan awarded by the Department of Minerals Resources in March 2010. The run-of-mine coal produced at Penumbra will be beneficiated through the existing Delta Processing Operations which comprises a 300tph coal processing plant and 1.2Mtpa railway siding and which also holds an Integrated Water Use Licence issued by the Department of Water Affairs in November 2010.

First coal production from Penumbra is now expected in early 2012, ramping up to reach full production in the third quarter of 2012.

De Wittekrans Bankable Feasibility Study

In December 2010 the Company announced that the Board had formally approved the commencement of the Bankable Feasibility Study ("**BFS**") on its De Wittekrans Coal Project located near Hendrina, in Mpumalanga Province, South Africa.

TWP Projects as the Study Manager is advancing the main components of the BFS study which is focused on the development of a conventional opencast and underground mine, targeting production of 3.6 – 4.0Mtpa ROM coal over an initial 30 year mine life.

The Company is pleased to confirm that the BFS study remains on track for completion with the preliminary results to be released to the market in July 2011.

Botswana Exploration Projects

In March 2011 the Company appointed independent South African consulting geologists, Gemecs (Pty) Ltd ("**Gemecs**") to consolidate and interpret newly acquired geological data on its Kweneng and Serowe thermal coal projects in Botswana. This review by Gemecs is currently in progress and the Company expects to receive from them in May 2011 an updated assessment of the coal potential within each of its projects as well as the planned exploration and drilling programs that are scheduled to commence in May 2011.

The Company is also in the process of identifying and appointing an in-country project manager and a drilling contractor to manage and complete the upcoming exploration programmes.

For and on behalf of the Board

Regards



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About Continental Coal Limited

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.

Forward Looking Statement

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the coal mining industry, expectations regarding coal prices, production, cash costs and other operating results, growth prospects and the outlook of Continental's operations including the likely commencement of commercial operations of the Penumbra and De Wittekrans, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding Company's development and exploration operations, economic performance and financial condition. Although Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in coal prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to the Company's most recent annual report and half year report. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.