29 July 2011

Continental Coal Ltd

ABN 13 009 125 651 ASX Code CCC

REPORT FOR THE QUARTER ENDING 30 JUNE 2011

The Board is pleased to provide the following commentary.

COMPANY HIGHLIGHTS

- Fifth successive quarterly increase and record run-of-mine thermal coal production
- Third successive quarterly increase and record sales of export thermal coal
- Run-of-mine coal production at the Ferreira and Vlakvarkfontein Coal Mines increases by 75% and 38% respectively quarter on quarter to record 512,000 tonnes
- Export thermal coal sales and railings from the Ferreira Mine and Delta Processing Operations increase to record 136,400 tonnes and come despite a 20 day shutdown of the main coal line for maintenance by South Africa's rail operator
- Initial JORC compliant coal reserves of 19.9Mt at Ferreira and Vlakvarkfontein Coal Mines and Penumbra Coal Project
- Total JORC compliant measured resources at the Penumbra and De Wittekrans Coal Projects increase by 63% and 182% respectively with total JORC compliant measured resources for the Company's projects increased by 80% to 88.8Mt
- Agreement reached with Broad Based Black Economic Empowerment Group ("BBBEE") to acquire the existing 26% BEE interest in the Company's South African subsidiary, and repay approx. US$20 million of intercompany loans
- US$65 million of bank funding negotiated with ABSA Capital, one of South Africa's largest financial institutions, for the development of the Penumbra Coal Project
- Planned listing on London Stock Exchange's AIM Market announced and trading in the United States commences on OTCQX International under the symbol CGFAY
- Appointment of London based, senior mining and finance executive Mr James Leahy to the position of non-executive director
- Initial exploration drilling program finalised for the Company's Botswana coal projects
- Financial settlement and South African government approvals received for the acquisition of the Vlakplaats Coal Project
- Finalisation of the sale of the Company's shareholding in Vanadium and Magnetite Exploration and Development Co (SA) (Pty) Limited with settlement now remaining subject only to South African governmental approvals

ASX Code –	***CCC / CCCO***		
Issued Shares	***3.073 Bn*** *(30 Jun 2011)*	*Closing Price*	***A$0.038*** *(30 Jun 2011)*
Market Cap	***A$117m*** *(30 Jun 2011)*	*Cash*	***A$11.8m*** *(30 Jun 2011)*

The final quarter of the 2010/11 financial year saw the Company continue to increase production from its two opencast thermal coal mining operations in South Africa and further consolidate its position as an established and reliable export thermal coal producer, with three coal shipments made during the Quarter from the Richards Bay Coal Terminal under the Company's export thermal coal off-take agreement with EDF Trading.

OPERATIONS

Health and Safety

Continental has an exemplary health and safety record at its operations. Providing a safe working environment for all its employees is central to the Company's ongoing performance targets. Building a culture of safety awareness is key to the continuous improvements that are being achieved at all of the Company's operations in South Africa.

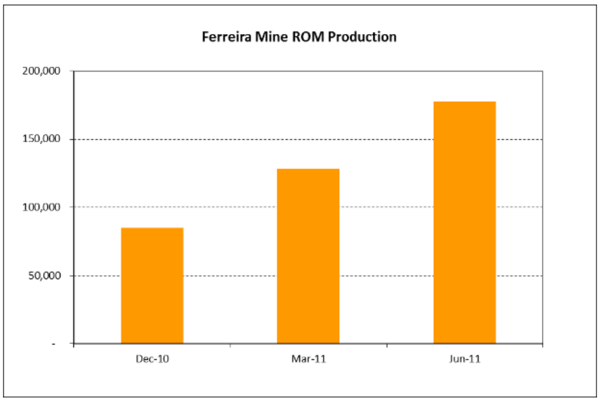
During the Quarter the Ferreira Coal Mine and Delta Processing Operations continued to maintain their exceptional health and safety record. The rolling 12 month Lost Time Injury Frequency Rate remains at zero. The Ferreira Coal Mine and Delta Processing Operations have each now achieved 647 and 896 calendar days without Lost Time Injury.

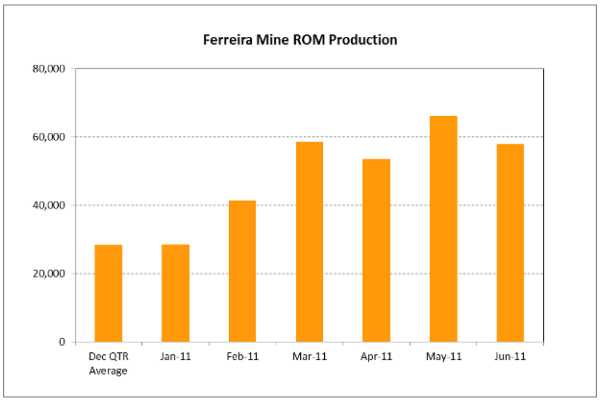
The Vlakvarkfontein Coal Mine had an accident during the quarter where an operator sustained a fractured thumb that led to a lost time injury. This is the first and only accident to have occurred at Vlakvarkfontein since development activities commenced in February 2010. The current Lost Time Injury Frequency rate is 3.5.

Ferreira Coal Mine and Delta Processing Operations

During the Quarter the Company continued to achieve improvements in its operational performance at the Ferreira Coal Mine and Delta Processing Operations.

ROM production of 177,547 tonnes at the Ferreira Mine for the Quarter increased by 38% on the previous quarter's production of 128,232 tonnes and has increased by 109% from the December 2010 quarter during which the Company assumed control of the operation.





Operations during the Quarter proceeded in line with the Company's forecasts and the targeted increase in ROM production.

FERREIRA PRODUCTION PERFORMANCE (tonnes unless stated)							
	Apr 11	May 11	Jun11	JUN QTR	MAR QTR	DIFF (%)	YTD[1]
Overburden (m³)	427,836	476,972	469,002	**1,373,810**	**931,121**	**+48%**	**2,798,168**
Total Softs	**427,836**	**476,972**	**469,002**	**1,373,810**	**931,121**	**+48%**	**2,798,168**
B Lower Coal	18,023	17,663	20,795	**56,481**	**40,150**	**+41%**	**123,068**
C Upper Coal	5,680	10,594	8,994	**25,268**	**18,363**	**+38%**	**58,419**
C Lower Coal	29,880	37,926	27,992	**95,798**	**69,719**	**+37%**	**195,506**
Total ROM Coal	***53,583***	***66,183***	***57,781***	**177,547**	**128,232**	**+38%**	**376,993**
Summary							
Overburden (m³)	**427,836**	**476,972**	**469,002**	**931,121**	**931,121**	**+48%**	**2,798,168**
ROM Coal	**53,583**	**66,183**	**57,781**	**177,547**	**128,232**	**+38%**	**376,993**

[1]From 1 November 2010

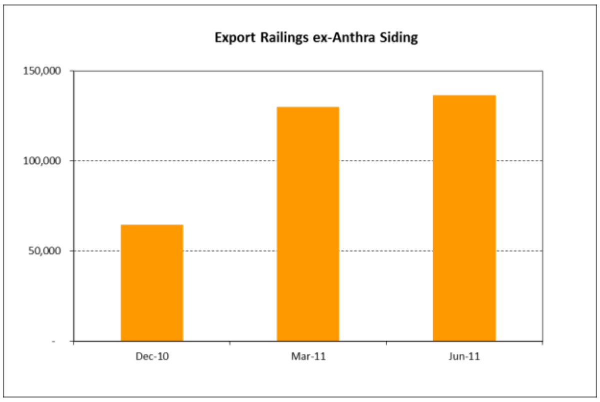
Average monthly production of 59,182 tonnes for the Quarter compares favourably to 42,744 tonnes and 28,370 tonnes for the March 2011 and December 2010 quarters respectively.

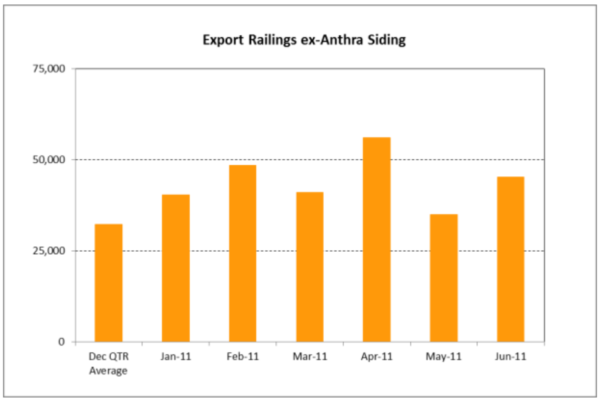
During the Quarter the Delta Processing Operations washed a total of 229,339 tonnes of ROM coal, a 25% increase on the previous quarters 183,194 tonnes. The increase was directly attributable to the increased production at Ferreira. The washed tonnes throughput comprised both ROM production from the Ferreira Coal Mine and coal purchased from nearby operations, which is blended with the Company's own production.

Delta Processing Operations with New Spiral Plant Installed

Crushing and Screening Operations at Delta

The Company achieved production of 136,514 tonnes of a primary export thermal coal product during the Quarter from the Delta Processing Operations. This represents a 72% increase on the 79,506 tonnes achieved in the March 2011 quarter and a 119% increase on the 62,333 tonnes in the December quarter. A further 21,902 tonnes of a secondary domestic product was achieved. An average primary yield of 62% for the Quarter was achieved, an increase on the 58% and 53% primary yields achieved in the previous two quarters. The increase in primary yield is a result of the successfully commissioning of a new spiral plant at the Delta Processing Operations completed during the Quarter.





Total railings of 136,400 tonnes of an export coal product were completed for the Quarter. This represents a 5% increase on the 129,971 tonnes exported in the March 2011 quarter and a 111% increase on the 65,516 tonnes for the December 2011 quarter. The increase in exports came despite a 20 day period of maintenance undertaken by Transnet on the dedicated coal line to the Richards Bay Coal Terminal ("RBCT").

A total 47,791 tonnes of a standard RB1 export coal product were railed to the NUA stockpile at RBCT during the Quarter that was sold under off-take agreements with EDF Trading. A further 88,609 tonnes of a slightly higher sulphur product were sold under contract to a major South African mining house for blending with its own export production.

The average gross sales price received on the 136,400 tonnes of export thermal coal railed to RBCT was US$121/tonne FOB (in line with the US$121/t received in the March 2011 quarter and a 12% increase on the average gross sales price of US$108/t received in the December quarter). The highest gross price realised during the Quarter was US$124/t and the lowest US$117/t. A further 23,756 tonnes (30,410 tonnes in the December quarter) of a lower domestic coal product were sold over the Quarter under a long term contract with Eskom.

The Ferreira Coal Mine and Delta Processing Operations incurred site costs of ZAR71.3 million during the Quarter (approx. US$60/t ROM). Export distribution costs of ZAR16.1 million (approx. US$17/t export sales) were also incurred during the Quarter.

Vlakvarkfontein Coal Mine

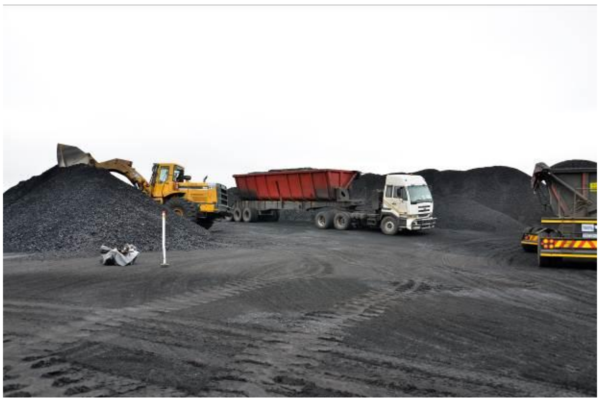
During the Quarter, Vlakvarkfontein achieved record ROM production of 334,410 tonnes of ROM coal. This ROM production exceeds the quarterly ROM production targets of 300,000 tonnes and represents a 75% increase in ROM coal production of 190,568 tonnes in the previous quarter.

The increase in ROM production follows access being secured to Portion 3 of the Farm Vlakvarkfontein 213 IR in the previous quarters and the increased pre-stripping and removal of softs that opened up more faces and has allowed mining operations to expand east and north and south of the previous quarters box-cut and associated mining operations.

VLAKVARKFONTEIN PRODUCTION PERFORMANCE (tonnes unless stated)							
	Apr 11	**May 11**	**Jun 11**	**JUN QTR**	**MAR QTR**	**DIFF (%)**	**YTD**
Top-Soil (M^3)	-	-	-	**-**	**-**	**-**	**74,210**
Sub-Soil (M^3)	21,374	39,585	10,301	**71,260**	**142,878**	**-50%**	**366,333**
Total Softs	***21,374***	***39,585***	***10,301***	**71,260**	**142,878**	**-50%**	**440,543**
Overburden	177,054	103,675	155,527	**436,256**	**181,892**	**+140%**	**1,361,970**
Interburden	8,934	109,587	63,196	**181,717**	**97,286**	**+ 87%**	**429,846**
Total Hards	***185,988***	***213,262***	***218,723***	**617,973**	**279,178**	**+121%**	**1,791,816**
4 Seam Coal	34,265	118,083	13,098	**165,446**	**159,420**	**+4%**	**620,760**
2 Seam Coal	62,260	34,569	72,135	**168,964**	**31,148**	**+442%**	**274,198**
Total Coal	***96,524***	***152,653***	***85,233***	**334,410**	**190,568**	**+75%**	**894,958**
Summary							
Total Softs	**21,374**	**39,585**	**10,301**	**71,260**	**142,878**	**-50%**	**440,543**
Total Hards	**185,988**	**213,262**	**218,723**	**617,973**	**279,178**	**+121%**	**1,791,816**
Total Coal	**96,524**	**152,653**	**85,233**	**334,410**	**190,568**	**+75%**	**951,556**

Mining during the Quarter was focused on both the 4 and 2 coal seams, with a significant increase (+442%) on the 2 seam where ROM production of 168,964 tonnes was achieved for the Quarter (31,148 tonnes for the previous quarter). Total 2 and 4 seam ROM coal production of 334,410 tonnes for the Quarter compared to 190,568 tonnes for the previous quarter.

Domestic sales from Vlakvarkfontein increased by 25% during the Quarter to 250,012 tonnes. Sales for the Quarter were from ROM production and from the existing ROM stockpile. ROM stockpile levels were reduced over the quarter by 80,190 tonnes from an opening balance of 283,334 tonnes to a closing stockpile balance of 203,144 tonnes.



Coal Loading at the Vlakvarkfontein Stockpiles

The New Weighbridge Installed at Vlakvarkfontein

Total mining, processing and administration costs for the Quarter were ZAR38.1 million and averaged ZAR114/t ROM (previous quarter ZAR21.8 million and averaged ZAR114/t ROM).

Negotiations continued during the Quarter with South Africa's power utility, Eskom with regards to a longer term off-take agreement for the majority of Vlakvarkfontein's domestic thermal coal production.

RESERVES AND RESOURCES

During the Quarter the Company announced an update to the JORC compliant Coal Resources and Reserves managed by the Company's South African subsidiary Continental Coal Limited ("CCL").

The update to the JORC compliant Coal Reserves and Coal Resources was undertaken as part of the Company's proposed listing on the London Stock Exchange's AIM Market and form part of an independent technical report on the Company's projects that is being completed by global mining experts SRK Consulting. Independent geological consultants, Gemecs (Pty) Limited, Ukwazi Mining and CCIC Coal (Pty) Ltd were retained to complete the updated Coal Resource and Reserve assessment, review and audit of the Company's South African thermal coal projects.

COAL RESERVES – January 2011						
Project	**CCL Interest**	**Saleable Reserves (Mt)**				
		Proven	**Probable**	**Total**	**Sold 31 Jan to 30 June**	**Total saleable reserves[3]**
Vlakvarkfontein	60%[1]	14.10	-	**14.10**	**0.40**	**13.70**
Ferreira	100%[2]	0.82	-	**0.82**	**0.23**	**0.59**
Penumbra	100%[2]	1.71	3.73	**5.44**	**-**	**5.44**
TOTAL		**16.63**	**3.73**	**20.36**	**0.63**	**19.73**

[1] CCL holds a 50% shareholding and a 60% economic interest; [2] Assumes CCL has completed the acquisition of the 35.9% balance of the interest in Mashala Resources currently outstanding. [3] As at 1 July 2011

Additional reserve upgrades are expected at the Penumbra Coal Project as development and initial mining activities commence and at the De Wittekrans Coal Project once the bankable feasibility study is completed.

Total Coal Resources managed by the Company's South African subsidiary total 565.4Mt and comprise 88.8Mt of measured, 110.6Mt of indicated and 366.0Mt of inferred resources.

Total measured Coal Resources for the Company's next mine development, the Penumbra Coal Project have increased by 63% and has the potential to extend the proposed mine life beyond that currently contemplated. Total measured resources for the De Wittekrans Coal Project, the Company's proposed 4th mine, have increased by 182% to 33.8Mt with total resources of 167.1Mt. Total inferred resources for the Vlakplaats Coal Project, which is subject to a joint venture agreement with KORES, Korea Resources Corporation, have also increased and now total 187.7Mt up from the previous 122Mt.

COAL RESOURCES – January 2011					
Project	**CCL Project Interest**	**Gross In Situ Project Resources Tonnes (Mt)**			
		Measured	**Indicated**	**Inferred**	**Total**
Vlakvarkfontein	60%[1]	17.4	-	-	**17.4**
Ferreira	100%[2]	1.3	-	-	**1.3**
Penumbra	100%[2]	13.0	30.3	25.0	**68.3**
De Wittekrans	100%[2]	33.8	64.4	68.9	**167.1**
Knapdaar	100%[2]			46.7	**46.7**
Project - X	70%	14.6	-	-	**14.6**
Vaalbank	75%	-	8.8	13.9	**22.7**
Vlakplaats	50%	-	-	187.7	**187.7**
Leiden	100%[2]	4.5	2.0	12.0	**18.5**
Mooifontein	100%[2]		-	3.1	**3.1**
Wesselton II	100%[2]	4.2	5.1	8.7	**18.0**
TOTAL		**88.8**	**110.6**	**366.0**	**565.4**

[1] CCL holds a 50% shareholding and a 60% economic interest; [2] Assumes CCL has completed the acquisition of the 35.9% balance of the interest in Mashala Resources currently outstanding.

DEVELOPMENT PROJECTS

Penumbra Coal Project

During the Quarter the Company and TWP Consulting, who were appointed in December 2010 to manage and oversee all the construction and commissioning work at the forecast ZAR284 million (approx. A$40 million) Penumbra Coal Project, advanced the tender process for the final key contract for the Penumbra underground mine development (36% of forecast total costs) and mining equipment (43% of total costs). This follows the awarding of key contracts in the previous quarter to the Leomat/Ingwenya Joint Venture as the principal earth works contractor and Greene Consulting Engineers to complete the design and plans of the Delta co-disposal dam, which is part of the approved Integrated Water Use Licence.

With the final construction and development contract to be awarded shortly, mobilisation of contractors to site and the commencement of civil works, the shaft portal excavation and initial decline development will allow first coal production from the Penumbra Coal Project development to commence in Q1 2012 ramping up to full production in the third quarter of 2012.

Drilling at the Proposed Ventilation Shaft in May 2011

View Over the Penumbra Coal Project

Production of 750,000t of ROM coal production annually is forecast. 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 the 1.2Mtpa Anthra Rail Siding. Production of 500,000tpa of a primary export thermal coal product is forecasted. The overall yield is 81%. The primary export coal product of 500,000tpa of thermal coal will be railed through to RBCT under existing rail contracts and sold to EDF Trading under the Company's Coal Off-take agreement.

During the Quarter the Company was also able to confirm that it had secured debt funding of approx. US$65 million from ABSA Capital, a division of ABSA Bank Limited, one of South Africa's largest financial service providers and a subsidiary of Barclays Bank PLC. The debt funding comprises:

1. A secured 7 year term loan facility of US$35 million to be made available to fund the development of the Penumbra Coal Project
2. A secured 3 year term loan facility of US$15 million to be made available to refinance existing secured indebtedness under the EDF Trading Coal Prepayment
3. A secured annually renewable working capital facility of ZAR100 million (approx. US$15 million) to fund general corporate working capital requirements

After the repayment of the EDF Trading Coal Prepayment, the Company will have approx. US$50 million available to fund the development costs of the Penumbra Coal Project and its general working capital requirements in South Africa. In addition ABSA Capital will provide risk management facilities to allow the Company and its subsidiaries to hedge a portion of its exposure to thermal coal prices and interest rate fluctuations.

The Company believes that the debt funding from ABSA Capital is a further indication of the Company's ability as an emerging junior mining company to raise debt on attractive terms. It also provides a completely independent third party validation of the technical fundamentals of the Company's business activities in South Africa and the proposed Penumbra Coal Project development.

The debt funding from ABSA Capital remains subject to completion of all necessary due diligences, conclusion of legal documentation and fulfilment of conditions precedent that are standard for facilities of this nature. Legal documentation and satisfaction of the outstanding due diligence sign offs has advanced and remains outstanding as at the report date. The Company will look to finalise all outstanding approvals with ABSA Capital with a forecast drawdown of funds in the September 2011 quarter following finalisation of documentation and satisfaction of all conditions precedent.

De Wittekrans Coal Project

During the Quarter, the Company and TWP Projects as Study completed further work on the Bankable Feasibility Study on the De Wittekrans Coal Project.

The De Wittekrans coal project is located in the Ermelo coalfield, 15km southeast of the town of Hendrina in Mpumalanga Province and within the Company's De Wittekrans Complex which also includes the Vaalbank, Knapdaar and Project X coal projects. The De Wittekrans project 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 Company is proposing to develop the De Wittekrans Coal Project as a conventional opencast and underground mine, targeting production of 3.6 – 4.0Mtpa ROM coal over a 30 year mine life. Opencast mining of the A, B and C seams are proposed initially at a rate of 100,000 tonnes per month. Underground development is proposed to commence in the second production year with access from the highwall. Underground mining of the B and C seams is proposed with three continuous miner sections operating on each seam. Processing through a 600 tonne per hour Dense Medium Separation Wash Plant producing approx. 1.0Mtpa of an export thermal coal product and 2.0Mtpa of a domestic thermal coal product is planned.

During the Quarter, the following key study items were undertaken:

- Updated resource model completed
- Open pit and underground mine optimisation, design and scheduling 95% complete
- Wash Plant location completed
- Wash Plant and Discard design 90% complete
- Infrastructure and Rail Siding study completed – detailed design and permitting process to commence
- Initial financial modelling completed

At the end of the Quarter the Bankable Feasibility Study was approx. 60% complete.

Over the September 2011 quarter, the following key study items will be undertaken:

- General engineering drawings complete by end July 2011
- Capital cost and operating costs estimates complete by end July 2011
- Finalisation of detailed technical-financial modelling by end July 2011
- Draft Bankable Feasibility Study compilation report by end August 2011

The Company will also be progressing the project permitting process and associated approvals with the relevant South African government departments in the September 2011 quarter as well as negotiating land access. The Company plan to release the preliminary results from the Bankable Feasibility Study in the current quarter with the final report expected to be then completed and approved by the Board.

Vlakplaats Coal Project

During the Quarter the Company's South African subsidiary, KORES and the Company's Black Economic Empowerment partner, Masawu Investments (Pty) Ltd ("Masawu") received confirmation that Ministerial consent from the South African Department of Minerals and Resources (transfer of the mining right) had been received for the joint venture partners to complete the acquisition of the Vlakplaats Coal Project.

Ministerial consent and financial settlement (ZAR130m acquisition price and ZAR15.9m VAT payments were paid into the project vendors escrow account in the March quarter) followed the execution in the December 2010 quarter of a landmark Joint Development and Shareholders Agreement with KORES, Korea Resources Corporation that provided the opportunity to fast track a bankable feasibility study on the Vlakplaats Coal Project and accelerate development of an export and domestic thermal coal mining operation.

The Company believes that the Joint Development Agreement with KORES on the Vlakplaats Coal project is of particular strategic importance given it is KORES' first investment in South Africa's coal sector and follows substantial investment by KORES in coal projects worldwide, including interests in 10 coal mines in Australia producing in excess of 25Mtpa. The 54% increase in total inferred resources for the Vlakplaats Coal Project, to 187.7Mt up from the previous 122Mt, has further confirmed the strategic importance of the asset to the Company.

With financial settlement completed and Ministerial consent received, exploration and development work is progressing as part of the ZAR32.5 million budget to take the project through to completion of a Bankable Feasibility Study.

The Vlakplaats Coal Project is located approximately 80km east of Johannesburg in the Delmas District, Mpumalanga Province and 25km southwest of the Vlakvarkfontein coal mine. The project has a valid New Order Prospecting Right issued in 2008. Preliminary development studies of the Vlakplaats Coal Project have indicated that the project has the potential to be developed as an initial open cast operation followed by a bord and pillar underground operation mining both the 2 and 4 coal seams and producing up to 150,000 tpm of ROM coal for sales to the export and domestic market.

Vaalbank and Project X Coal Projects

During the Quarter the updated JORC compliant Coal Resource statement for the Vaalbank and Project X Coal Projects resulted in a reduction in total resources and measured resources for the projects. The Company is concerned with the discrepancies from earlier resource statements and is completing a review of the previous work undertaken by the Company's geological consultants.

The Project X and Vaalbank projects form part of the Company's "De Wittekrans Complex" which also includes the De Wittekrans and Knapdaar projects. Preliminary results for the De Wittekrans Project BFS are to be released in the current quarter.

EXPLORATION

Kenya

During the Quarter the Company completed two site visits to Kenya and held meetings with government officials as well as the Company's local in-country partners. In May 2011 the Company received the "Request for Proposals for Concession of Mui Coal Blocks" from the Kenyan Ministry of Energy.

The "Request for Proposals for Concession of Mui Coal Blocks" follows confirmation received by the Company in the March 2011 quarter that it was one of eleven shortlisted international coal mining companies selected to submit a detailed technical and financial proposal for the proposed exploration, exploitation and development of identified coal deposits contained within 4 concession blocks (Blocks A, B, C and D) within the Mui Coal Basin covering 490km^2 and situated in the Mutitu, Mwingi East and Mwingi Central Districts of Kenya.

Subsequent to the Quarters end the Company submitted its proposal to:

- Complete further exploration and feasibility work on Block C to enable a commencement of mine development within 18 months; and /or
- Complete further exploration, evaluation and feasibility work on one of Blocks A, B or D to allow the Company to move quickly towards a decision to mine

The Company has identified Kenya and the Mui Basin as a highly strategically important coal development and coal exploration opportunity for its shareholders and if successful with its proposal is committed to working with the Government of Kenya to develop Kenya's first major coal mining operation.

Exploration in the Mui Coal Basin has been conducted by Kenya's Ministry of Energy since 1999 and has included surface geological mapping, geophysical surveys, exploration drilling, detailed coal quality analyses and resource evaluation. The majority of the exploration work to date has been focussed in Block C, where 54 holes have been drilled to depths ranging from 75m to 445m and has confirmed the presence of six coal seams (C1 to C6) in the basin.

If the Company is successful in its tender for Block C, it has proposed to completed additional resource definition drilling and an updated feasibility study on Block C ahead of a mine development decision being made within 12-18 months. The Ministry of Energy commissioned a feasibility study on Block C in September 2010 based on a non-JORC compliant resource of 452Mt and a proposed combined conventional open pit and underground mining operation. Under the study, open cast mining of approximately 90Mt of coal from the C1 seam (average depth of 15m and seam thicknesses from 8m to 2m) and from the C2 seam (depth of between 20m to 63m and average seam thicknesses of 4m) was proposed. Subsequent development of a conventional bord and pillar underground operation mining approximately 360Mt from the C3, C4, C5 and C6 seams was proposed.

The Company has also submitted its proposal to complete further exploration and feasibility work on one of Blocks A, B or D. This would comprise an initial two phase exploration drilling program to investigate and quantify the indicated coal deposits on the Blocks followed by further pre-feasibility and feasibility study work.

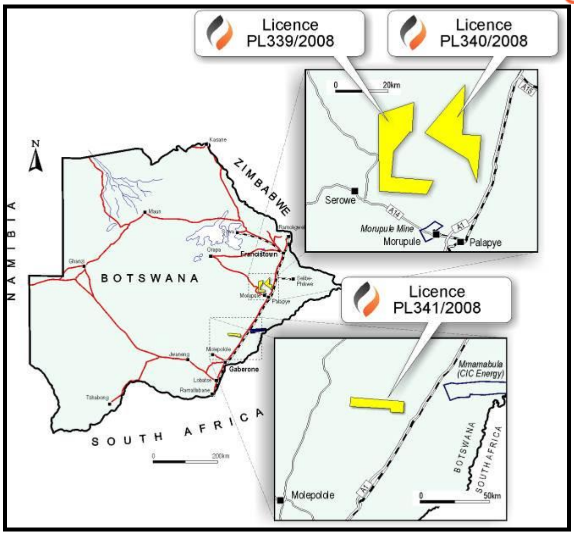
The Company and its consultants are proposing to have further meetings with the Ministry of Energy and other key stakeholders in Kenya in August 2011 ahead of the awarding of the coal blocks.

Botswana

During the Quarter the Company finalised an initial two phase exploration drilling program for its Serowe and Kweneng Coal Projects in Botswana. The two projects are located immediately north of Botswana's only producing coal mine, the Morupule Coal Mine and 25kms west of CIC Energy's Mmamabula Coal Project.

The Company had anticipated finalising the drilling contract, appointing key in-country personnel and commencing the Phase 1 drilling in June 2011, however this has now been re-scheduled to commence in August 2011.

An initial two phase exploration drilling program on the Botswana Projects has been prepared and finalised by the Company's geological consultants, Gemecs (Pty) Ltd ("Gemecs").



The exploratory drilling program has been prepared with the aim of determining the potential for shallow to moderate depth coal which may be economically exploitable within the project areas, will be conducted over a maximum 9 month period and will satisfy the Company's obligations under its Prospecting Rights to the Department of Geological Survey and allow the Company to determine which portions of the licenses to relinquish in 2012 as required under Botswana's mineral legislation.

At the Serowe Coal Project, 20 fully-cored boreholes to a maximum depth of 350m are proposed as part of Phase 1 program across the full project area. Phase 1 drilling is planned to intersect both the Serowe Bright coal seam and Morupule Main coal zones, which are expected to represent the principal horizons which have economic importance across the project area. For the Phase 2 drilling program, a further 20 boreholes and up to 5,500m of drilling is proposed to be completed by December 2011.

At the Kweneng Coal Project, located 25kms west of CIC Energy's Mmamabula Coal Project, a program of 10 fully-cored boreholes to a maximum depth of 350m are proposed as part of the Phase 1 exploration to determine the initial coal potential within the project area. Drilling is planned to intersect the "K", "A" and "E" coal seams, which have been identified as comprise the major coal zones that are expected to represent the principal horizons of economic importance. A further 10 boreholes and up to 3,000m of additional drilling is proposed in Phase 2 at Kweneng.

OTHER PROJECTS

During the Quarter the Company continued its review of advanced and producing thermal and coking coal assets in Southern and Eastern Africa. In addition several early stage and very preliminary discussions were held with Indian based power utilities in respect to the Company's projects in Botswana and opportunities in Kenya. These discussions have not led to any binding agreements and no firm decisions or commitments have been made on these opportunities.

CORPORATE

Landmark Broad Based Black Economic Empowerment Agreement

During the Quarter the company announced that it had reached agreement with a well established and highly respected Broad Based Black Economic Empowerment ("BBBEE") group for it to become the Company's new Black Economic Empowerment partner in South Africa.

Under the terms of the agreement, the BBBEE will acquire the 26% BEE interest in the Company's South African subsidiary currently held by Masawu. The BBBEE will assume the ZAR215 million intercompany loan that has accrued between CCL and Masawu since October 2008 and has further agreed to repay ZAR140 million (approx. US$20m) upon settlement of the transaction.

The Company will re-invest the approx. US$20m loan repayment directly back into its South African business to allow it to aggressively advance a number of its projects and other initiatives.

The agreement, which has received all relevant due diligence and respective Board approvals, is subject to execution of relevant formal documentation and receipt of any applicable governmental approvals. Upon completion of the formal documentation process it is expected that a formal announcement of the BBBEE party will be made. Documentation is advanced between the respective parties and settlement of the agreement is anticipated to be completed in August 2011. Upon completion of the transaction, the BBBEE will have the right to appoint one director to the Company's board and two directors to the board of the Company's South African subsidiary.

During the Quarter the Company's shareholders voted in favour of a resolution at the General Meeting held on 29 June 2011 for the issuance to Masawu of A$5,400,000 of shares at an issue price of 5.5 cents per share on the basis the proposed BBBEE transaction is completed.

AIM Listing and Quotation on OTCQX International

During the Quarter the Company announced its intension to seek an admission of its shares to trading on the London Stock Exchange's AIM Market ("AIM"). The Company appointed GMP Securities Europe LLP and Renaissance Capital Limited as its joint UK brokers and RFC Corporate Finance Ltd as the Company's Nominated Adviser.

The Company is utilising the fast track "Designated Markets" route for the AIM listing that is available to ASX listed companies. The Company is currently not proposing to raise new equity when it completes its AIM listing.

During the Quarter the Company advanced its proposed listing on AIM with leading independent South African mining consultants, SRK Consulting, completing a Competent Persons Report on the Company's major projects in South Africa. Legal and financial due diligence has also been finalised by South African and Australian based lawyers and consultants. In addition AIM share registry documents have been executed.

The Company's Pre-Admission Document is undergoing its final review by our Nominated Advisor RFC, by our joint brokers in London, GMP and Renaissance Capital, and by our other consultants. The timing for releasing the 20 day Pre-Admission Document is being finalised but is expected to be in early August 2011 allowing for an AIM listing date in late August/early September 2011. The Company will immediately advise its shareholders when the final date has been determined.

The Company believes the AIM listing will greatly benefit shareholders. It will provide the Company with improved access to global investors and institutional support and to a market that has a proven record of having invested and supported resource project development since the turn of the last century. A number of the world's largest mining companies have their primary listing in London. The simultaneous rapid expansion of AIM has seen analytical coverage broaden substantially. There is a good understanding of investing in Africa, supported by geographical proximity and similar time zones.

The AIM listing is expected to significantly enhance our profile in the European markets and allow us to leverage our strategic and financial relationship with EDF Trading, part of Europe's largest power utility.

During the Quarter the Company also completed the quotation of its American Depository Receipts in the United States on the OTCQX International trading under the symbol CGFAY. The Company believes that gaining access to investors in the United States is very important to our future. Madison Williams, a privately held integrated capital markets and investment banking firm were the Company's advisor and Principal American Liaison sponsor. Madison Williams' has also been retained to provide a suite of capital markets services and will provide the PAL compliance function for the listing on the OTCQX International. The OTCQX is a highly visible trading platform that has attracted more than 195 companies since its inception in early 2007 and has grown to include more than $1 trillion in companies traded on the market.

Share Consolidation

During the Quarter the Company's shareholders voted in favour of a resolution at the General Meeting held on 29 June 2011 for the issued capital of the Company to be consolidated on the basis that every ten (10) shares be consolidated into one (1) share and every ten (10) options be consolidated into one (1) option.

The Company has been approached by an increasing amount of institutional investors and investment funds in Europe, North America, Asia and Australia regarding potential significant investments in the Company. The large majority of these institutions have made it very clear to the Company that, irrespective of the Company's growth potential and value proposition, their investment mandates preclude them from investing with the Company's shares trading at their current price level below 10c.

The Company believes that the consolidation of the Company's issued capital will enhance its ability to attract significant investment into the Company from international institutional investors and investment funds, through having a more efficient capital structure and share price for a listed entity of Continental's size and market capitalisation.

Subsequent to the Quarters end, the Company announced that that the Board had elected not to proceed with the indicative timetable for the share consolidation as set out in the Notice of Meeting dated 30 May 2011. The Company will proceed with the share consolidation pending finalisation of a number of key transactions that are expected to be completed in August 2011 and will then provide 7 day's notice of the revised share consolidation timetable.

Sale of Vanmag and Magnetite Exploration and Development Co (SA) (Pty) Limited

During the Quarter the Company announced that it had finalised the sale of its shareholding in Vanadium and Magnetite Exploration and Development Co (SA) (Pty) Limited ("Vanmag").

The sale of its shareholding in Vanmag will result in net proceeds of US$10 million to be received by the Company. Financial settlement of the sale now only remains subject to consent from the South African Department of Mineral Resources for the acquisition and the transfer of the interest. As at the reporting date this consent remains outstanding.

Board and Management

During the Quarter, the Board announced the appointment of London based, senior mining and finance executive Mr James Leahy to the position of non-executive director. Mr Leahy has more than 26 years experience in the mining sector as a senior mining analyst and as a specialist corporate broker with expertise in international institutional and hedge funds, foreign capital and private equity markets.

Mr Leahy was a founding partner of the natural resources team at Mirabaud Securities, one of the leading UK based stockbroking firms, offering specialised and quality stockbroking to corporate and institutional clients. Mr Leahy has advised a number of natural resource focused funds in the UK, raised more than US$2 billion in equity for resource companies and participated in over 30 IPO's.

EVENTS SUBSEQUENT TO THE END OF THE QUARTER

Moves to Acquire 100% of Mashala Resources (Pty) Limited

Subsequent to the end of the Quarter the Company announced that its South African subsidiary was accelerating payment of its option to acquire the outstanding 35.9% minority interests in Mashala Resources (Pty) Limited ("Mashala").

The decision to move towards 100% ownership of Mashala, ensure that the Company's South African subsidiary holds a minimum 75% interest in Mashala and the key operating mine and development projects prior to the establishment and drawdown of the proposed ABSA Capital debt financing and the conclusion of the BBBEE transaction scheduled for completion in August 2011.

The acquisition of the minority interests will provide the Company with improved operating efficiencies in South Africa as well as simplified operating and reporting procedures and an aligned corporate structure. It will provide greater attributable cash flows from the export thermal producing Ferreira Coal Mine, at a time when export thermal coal prices are over 30% above those levels when the initial shareholding in Mashala was acquired and acquisition price determined.

To complete the acquisition of the minority interests in Mashala, the Company entered into an agreement with Socius CG II, an established and highly successful United States based investment group and a wholly-owned subsidiary of Socius Capital Group for up to a US$20 million equity investment in the Company.

The Company completed an initial placement to Socius of 234,962,406 new shares at an issue price of A$0.043 per share to raise US$10 million (before issue costs). The placement was completed at a premium of 12% to the closing price on 30 June 2011. In addition the Company has issued Socius with 117,481,203 unlisted 5 year warrant options at an issue price of A$0.044 representing a 15% premium to the closing price on 30 June 2011.

OUTLOOK FOR THE NEXT QUARTER

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

- Continued thermal coal exports from the Ferreira Mine and Delta Processing Operations
- Continued improvements to operating efficiencies at both the Vlakvarkfontein Mine and Ferreira Mine and Delta Processing Operations
- Listing of the Company on the London Stock Exchange's AIM market
- Completion by the new Broad Based Black Economic Empowerment group of Masawu's 26% interest in the Company's South African subsidiary
- Approx. US$20 million repaid by the new Broad Based Black Economic Empowerment group to the Company
- Financial settlement of the US$10 million Vanmag asset sale

- Execution and drawdown of the approx. US$65 million debt funding from ABSA Capital
- Commencement of project development at Penumbra
- Confirmation of the Company's successful tender to explore and develop coal assets in Kenya's Mui Coal Basin
- Commencement of exploration drilling at the Company's Botswana projects

By order of the Board

Jason Brewer
Executive Director

For further information please contact:

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC : US-OTCQX:CGFAY) is a South African thermal coal producer with a portfolio of producing and advanced coal projects located in South Africa's major coal fields. Continental currently has two operating mines, Vlakvarkfontein and Ferreira, producing 2Mtpa of thermal coal for the export and domestic markets. In 2011 Continental is set to commence development of the Penumbra Coal Mine and complete a Bankable Feasibility Study on the De Wittekrans Coal Project. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production and recently signed a joint development agreement with KORES, Korea Resources Corporation.

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.

Competent Person Statement

The information in this report that relates to the Coal Resources and Reserves has been prepared in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee (JORC Code). The Australasian Joint Ore Reserves Committee (JORC) and the JORC Code requires that Competent Persons must belong to the Australasian Institute of Mining and Metallurgy (AusIMM), or the Australian Institute of Geoscientists (AIG), or a Recognized Overseas Professional Organisation (ROPO). ROPOs are professional organisations that the ASX, acting on advice from JORC and its parent organisations, accepts as bodies to which Competent Persons may belong to for the purpose of preparing documentation on Exploration Results and Mineral Resources, on which reports to the ASX are based. The South African Council for Natural Scientific Professions (SACNASP) as well as the Geological Society of South Africa are considered as ROPOs by JORC.

The information in this report that relates to Coal Resources on Vlakvarkfontein and Vlakplaats is based on resource estimates completed by Dr. Philip John Hancox. Dr. Hancox is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400224/04) as well as a Member and Fellow of the Geological Society of South Africa. He is also a member of the Fossil Fuel Foundation, the Geostatistical Association of South Africa, the Society of Economic Geologists, and a Core Member of the Prospectors and Developer Association of Canada. Dr. Hancox has more than 12 years' experience in the South African Coal and Minerals industries, holds a Ph.D from the University of the Witwatersrand (South Africa), and has authored a number of published and unpublished academic articles on the Karoo Basin and its contained coal, as well as over 50 peer reviewed scientific papers on various aspects of sedimentary geology and palaeontology. Dr. Hancox has 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. Within the constraints mentioned above, all work undertaken by Dr. Hancox and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Dr. Hancox consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Coal Resources and Reserves on Penumbra, Ferreira, De Wittekrans, Knapdaar, Project X, Vaalbank, Leiden and Wesselton II is based on coal resource estimates completed by Mr. Nico Denner, a full time employee of Gemecs (Pty) Ltd. Mr. Denner is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400060/98) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 15 years' experience in the South African Coal and Minerals industries. Mr. Denner has 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. Within the constraints mentioned above, all work undertaken by Mr. Denner and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Mr. Denner consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.

The Coal Reserve estimate for Vlakvarkfontein was prepared by Mr. JJ Lotheringen Pr Eng (Ukwazi). Mr. Lotheringen is a member in good standing of the Southern African Institute of Mining and Metallurgy (SAIMM), is a registered Professional Mining Engineer with the Engineering Council of South Africa (ECSA) and has a Mine Managers Certificate of competency for coal mines. He has more than thirteen (13) years' experience in the South African Coal and Minerals industries. Mr. Lotheringen has 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. Within the constraints mentioned above, all work undertaken by Mr. Lotheringen and related to the resource estimate was carried out following industry best practice standards using the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis. As such the resource statements contained in this report may be considered compliant with the JORC Code. Mr. Lotheringen consents to the inclusion in the ASX release of the matters based on his information in the form and context in which it appears.