

18 August 2011

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

By e-lodgement

## PENUMBRA PROJECT COMMENCEMENT AND AIM LISTING

### Key Points:

- Penumbra Coal Project mine development to proceed following tendering of final development contracts, with the mobilisation of contractors to site within two weeks, fully funded by ABSA Capital and proceeds from the SIOC-cdt transaction
- Continental to list on the London Stock Exchange's AIM Market on or about 19 September 2011
- Operating performance at the Company's Ferreira and Vlakvarkfontein Coal Mines continues to meet expectations with run-of-mine coal production of 149,155t in July 2011
- Exploration on the Company's Botswana thermal coal projects to commence with appointment of drilling contractors to be concluded
- Share consolidation to proceed with the last day for trading in pre-consolidated securities being the 25 August 2011.

South African focused thermal coal mining and production company Continental Coal Limited (ASX: CCC) ("Continental" or "the Company") is pleased to provide this corporate and operational update on the Company's activities including its listing on the London Stock Exchange's AIM Market and the commencement of the Penumbra Coal Project development.

### PENUMBRA COAL PROJECT DEVELOPMENT TO COMMENCE

The Company is pleased to confirm that it has proceeded with TWP Consulting, as its appointed EPCM contractor to manage the execution of the Penumbra Coal Project underground mine development, to finalise the award of the main outstanding construction contract for the civil contractor. Mobilisation of all key contractors to the development site and the commencement of civil works, the shaft portal excavation, terracing and pollution control measures will now commence with no further delays to the development activities anticipated by the Company.

Activities at the Penumbra Coal Project site are scheduled to increase significantly over the month of September and throughout the December quarter as excavation of the box-cut and major civil works and environmental and pollution control measures proceed. Production from the Penumbra Coal Project is forecast to achieve a targeted rate of 750,000tpa run-of-mine in the third quarter of 2012. The Company will provide regular updates to its shareholders on activities at site throughout the construction and development phase.

The Penumbra Coal Project is forecast to be developed at capital costs of ZAR284m (approx. A\$40m) as set out in the Bankable Feasibility Study. The major of the capital expenditure will be incurred in 2011/12 on development and infrastructure of the underground mine. There is no major additional capital expenditure associated with the coal wash plant, as the run-of-mine coal produced at the Penumbra Coal Project will be beneficiated through the existing Delta Processing Operations (which is currently processing production from the Company's Ferreira Coal Mine) and railed from the 1.2Mtpa Anthra Rail Siding through to RBCT under existing off-take agreements.

Mine development will commence in September with the box-cut followed by the sinking off the declines, which have been positioned in order to access good quality coal with as little on-seam development as possible. Excavation of the box-cut into un-weathered and competent bedrock and mining of twin declines at a 1:7 inclination from the high-wall will proceed down to the C-Lower coal seam. The declines will be approximately 300m long, one equipped with a conveyor and the second serving as a trackless equipment travelling route. The declines will also serve as the primary ventilation intakes of the mine. 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.

The mine development is to be fully funded from both secured debt facilities and existing cash from operations, from cash balances and from the proceeds of the recently announced Broad Based BEE transaction. The Company and its debt financiers ABSA Capital, a division of ABSA Bank Limited are progressing the aggregate secured debt funding facilities of approx. US\$65m that in addition to part funding the development costs of the Penumbra Coal Project will also be used to refinance the secured EDF Trading coal prepayment facility and provide general working capital for the Company in South Africa. Legal documentation and satisfaction of the outstanding due diligence sign offs is continuing and the Company anticipates commencement of the drawdown of funds late in the September 2011 quarter.

#### **LISTING ON THE LONDON STOCK EXCHANGE'S AIM MARKET**

The Company is pleased to advise that it has today lodged its "Pre-admission Announcement" for the admission of the Company's ordinary shares to trade on the London Stock Exchange's AIM Market ("**AIM Admission**"). Allowing for the required 20 business day notice period, it is anticipated that the Company will be admitted to AIM on or about 19 September 2011. The Company's ordinary shares will continue to be listed and trade on the ASX.

RFC Corporate Finance Ltd is acting as the Company's Nominated Adviser and GMP Securities Europe LLP and Renaissance Capital Ltd are acting as the Company's joint AIM Brokers in relation to the AIM Admission.

As part of the AIM Admission process, the Directors, other than Bruce Buthelezi who has announced his intention to resign prior to the AIM Admission, and their associates have agreed not to dispose of any of their securities currently held in the Company for one year from date of admission to AIM.

Further information is contained in the AIM Pre Admission Announcement and Appendix that has been submitted to the London Stock Exchange and will be available on the Company's website following release by AIM. This includes a Competent Person's Report prepared by SRK Consulting on the Company's coal projects.

The Company believes that the AIM Admission 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, in particular in Africa, since the turn of the last century.

#### **OPERATING PERFORMANCE AT THE FERREIRA AND VLAKVARKFONTEIN COAL MINES**

During the month of July the Company's operations at the Ferreira and Vlakvarkfontein Coal Mines continued to meet expectations.

At the Ferreira Coal Mine monthly run-of-mine production for July of 60,830t exceeded the average monthly production of 59,812t for the June 2011 quarter and outstripped the previous 42,744t and 28,370t for the March 2011 and December 2010 quarters respectively. During the month the Delta Processing Operations washed a total of 81,562t of ROM coal, a 7% increase on the average monthly volume washed during the June 2011 quarter and a 25% increase on the average monthly volume washed in the March 2011 quarter. Production of 44,373t of a primary export thermal coal product from the Ferreira Coal Mine was achieved in July and 4,621t of a secondary domestic product. Total railings in July of 45,373t of an export thermal coal product were completed to the Richards Bay Coal Terminal and sold at an average nett realised price of US\$110/t FOB.

At the Vlakvarkfontein Coal Mine, run-of-mine production for July of 88,352t places the Company well on track to achieve the budgeted quarterly production. Domestic sales for July of 119,471t exceeded the average monthly sales of 83,337t for the June Quarter by 30%. Negotiations for a direct 3 year contract for thermal coal with Eskom Limited are at an advanced stage.

#### **COMMENCEMENT OF BOTSWANA EXPLORATION**

The Company has now finalised its discussions with its preferred Botswana based drilling contractor and is finalising agreements for their appointment this month. Drilling of the initial two phase exploration drilling program on the Company's Serowe and Kweneng Projects, that are located immediately north of Botswana's primary producing coal mine, the Morupule Coal Mine and 25kms west of CIC Energy's Mmamabula Coal Project, will commence in September 2011.

The Phase 1 drilling program will comprise 30 drill holes targeting the potential for shallow to moderate depth coal which may be economically exploitable across both of the Company's projects. Results from the Phase 1 drilling program will be released throughout the December 2011 quarter. The Company will proceed with its Phase 2 drilling program, which comprises a further 30 holes and up to 8,500m of drilling, with the final program determined by the results of the Phase 1 program.

#### **SHARE CONSOLIDATION**

The Company is pleased to advise that it is now proceeding with the 1 for 10 share consolidation that was approved by shareholders at the Company's General Meeting on June 29<sup>th</sup> 2011.

The decision to proceed with the share consolidation follows: confirmation of the Company's listing date on the London Stock Exchange's AIM Market; the announcement of the Sishen Iron Ore Company Community Development Trust ("SIOC-cdt") as the Company's new Broad Based Black Economic Empowerment partner (subject to finalisation of documentation); confirmation of the commencement date for the Penumbra Coal Project mine development; as well confirmation of the commencement of exploration in Botswana.

The share consolidation is considered necessary by the Company in order to establish a more efficient capital structure and to attract a wider range and larger number of institutional investors as it increases its international profile with the listing on the London Stock Exchange's AIM Market.

In accordance with the Company's announcement of 19 July 2011, 7 day's notice of the new timetable for the share consolidation is provided, with the 25 August 2011 being the last day for trading in the Company's pre-consolidated securities.

The key dates for the 1 for 10 share consolidation are as follows:

Event	Date
Last day for trading in pre-consolidated securities.	25 August 2011
Trading in the consolidated securities on a deferred settlement basis commences.	26 August 2011
Last day to register transfers on a pre-consolidation basis.	2 September 2011
Registration of securities on a post consolidation basis. First day for Company to register securities on a post-reorganisation basis and for issue of holding statements.	5 September 2011
Dispatch of new holding statements. Deferred settlement market ends. Last day for securities to be entered into the holder's security holdings and for the Company to send notice to each security holder.	9 September 2011

Any changes to these dates will be advised to the Australian Securities Exchange.

## RESIGNATION OF DIRECTOR

The Company has received notification from Executive Director, Mr. Bruce Buthelezi of his intention to resign from the Board prior to the Company's listing on the London Stock Exchange's AIM Market in September 2011. Mr Buthelezi is also a Founding Director of the Company's South African subsidiary and Executive Director of the Company's Black Economic Empowerment partner, Masawu Investments (Pty) Limited ("**Masawu**").

Mr Buthelezi's decision to resign from the Board follows the Company's announcement of its landmark transaction with SIOC-cdt which is set to acquire the 26% BEE interest in the Company's South African subsidiary currently held by Masawu, and to become the Company's new Broad Based Black Economic Empowerment partner in South Africa.

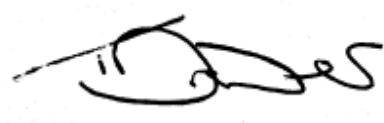
*"Bruce has played an instrumental role in the growth of the Company in South Africa over the past 2½ years. His influence has had a marked impact on both the culture within the Company and our successful transition as an established producer and exporter of thermal coal. On behalf of the Board I would like to thank him for all his hard work and effort and wish him all the best with his future business interests."* said Continental's Chairman Andy Macaulay.

Mr Buthelezi's position on the Board will be taken up by a non-executive representative of SIOC-cdt upon execution of the subscription and shareholder agreements that are scheduled to be completed later this month.

Ends

*For and on behalf of the Board*

Regards



Jason Brewer  
Executive Director

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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.

**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.