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CEO on Project Update

Open Briefing interview with CEO Don Turvey and Executive Director Jason Brewer

Continental Coal Limited
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Continental Coal Limited (ASX Code: CCC) is a South African thermal coal producer with a portfolio of producing and advanced coal projects located in South Africa's major coal fields.

Market Capitalisation: $72.5 million

In this Open Briefing®, Don Turvey and Jason Brewer discuss:

- **Commencement of construction at the Penumbra Coal Project**
- **Listing on the London Stock Exchange's AIM market on 19 September 2011**
- **Progress of the Bankable Feasibility Study for the De Wittekrans Coal Project**

Open Briefing interview:

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Continental Coal Limited (ASX: CCC) recently confirmed Sishen Iron Ore Company Community Development Trust (SIOC-cdt) as the new Broad Based Black Economic Empowerment Partner (BBBEE) of its 74 percent owned South African subsidiary Continental Coal Limited (CCL). SIOC-cdt will acquire the existing 26 percent Black Economic Empowerment Partner (BEE) equity interest in CCL and repay approximately US$20 million of the existing inter-company loan between CCL and its previous BEE partner. What is the significance of SIOC-cdt's interest in CCL and how will SIOC-cdt contribute to CCL's project pipeline, capital requirements and growth prospects?

CEO Don Turvey
This partnership agreement is potentially one of the most significant transactions for Continental since it acquired its initial portfolio of coal assets. SIOC-cdt is one of South Africa's most established, respected and successful broad based empowerment groups, and will add significant credibility to our profile in South Africa. Its 3 percent shareholding in SIOC, operator of some of South Africa's largest coal mines, means it brings insight into the many challenges currently facing the mining industry in South Africa.

Under the terms of the agreement, SIOC-cdt will assume ZAR215 million of the inter-company loan that has accrued between CCL and Masawu Investments (Pty) Limited since October 2008, and has to repay ZAR140 million (approx. US$20 million) of the loan upfront.

SIOC-cdt clearly has the financial capacity to support our future growth initiatives and has already demonstrated its willingness to invest to secure its position alongside Continental.

SIOC-cdt has joined us at a critical time in our ambitious growth plans in South Africa and we believe that our partnership positions us to become a very significant player in the future development of South Africa's coal sector.

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When do you expect to receive the US$20 million loan repayment and what are your plans regarding the re-investment of these funds into CCL?

CEO Don Turvey
We expect execution of the agreements and other documentation to be completed in the coming weeks, with receipt of the funds during September 2011. We will be using these funds to advance several of our projects in South Africa. We are starting development at the Penumbra Coal Project and will be looking to finalise the permitting process for the De Wittekrans Coal Project and accelerate the various studies for our Vlakplaats Coal Project in joint venture with KORES. In addition we see the opportunity to push ahead with our exploration program in Botswana as being of major importance to us in the coming year.

There are also a number of nearby thermal coal mines and project assets at various stages of development that we are reviewing. This funding will allow us to move quickly to secure these opportunities at attractive price levels, should we decide to proceed.

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You plan a staged increase of CCL' s current 64.1 percent interest in Mashala Resources (Pty) Limited to a 100 percent interest, thereby moving to 100 percent ownership of projects including the Ferreira Coal Mine, Penumbra and De Wittekrans Projects. This increase in interest will be funded through an approximately US$20 million equity investment in Continental Coal by Socius Capital Group, who will take an initial 6.7 percent stake in Continental rising to over 12.3 percent. What is the rationale for structuring the funding of the investment in this way and what is the expected timetable for moving to 100 percent interest in Mashala?

Executive Director Jason Brewer
When we entered into the Mashala transaction in August 2010 it was our intention to move towards 100 percent ownership and the 12 month option agreement was structured to allow for this. Moving to consolidate our position and ensure that CCL holds a minimum 75 percent interest in Mashala allows us to finalise the approximately US$65 million debt funding arrangement with ABSA Capital and conclude the approximately US$20 million inter-company loan repayment transaction with SIOC-cdt. With both of these transactions scheduled for completion in August 2011, CCL will look to move to 100 percent ownership of Mashala over the course of this quarter.

The acquisition will provide Continental with improved operating efficiencies as well as simplified operating and reporting procedures and an aligned corporate structure. It will provide greater attributable cash flows from the export thermal coal producing Ferreira Coal Mine, at a time when export thermal coal prices are significantly higher than when the initial shareholding in Mashala was acquired and acquisition price determined.

The transaction will be funded via a two tranche equity placement, the first equity placement that Continental has completed in over nine months. While this equity raising and the resultant dilution of our existing shareholders is not the Board's preferred form of funding, it has been done in conjunction with the aggregate US$85 million of funding from ABSA Capital and SIOC-cdt, meaning that Continental has been able to successfully raise over US$100 million of funding to advance its assets in South Africa with less that 30 percent of that funding coming from equity. In addition the funding arrangement has allowed us to bring in what we hope will be the first of many major cornerstone shareholders.

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You have announced a maiden JORC compliant saleable coal reserve for the De Wittekrans Coal Project of 44 million tonnes (Mt). This project is targeting production of 3.6 to 4.0 million tonnes per annum (Mtpa) of run-of-mine (ROM) coal over a 30 year mine life. What is the expected timeline for completion of the Bankable Feasibility Study for this project, receipt of the required South African government project permits and approvals, and commencement of production from the mine?

CEO Don Turvey
With total proven and probable saleable reserves of 43.77 Mt and JORC compliant resources of 167 Mt, the De Wittekrans Coal Project is set to become our largest new mine development in the coming years.

The Bankable Feasibility Study is now nearing completion, with a number of the key constituent reports already completed and under review. The draft report will be completed by the end of August and we expect a final report will be submitted to the Board early in October 2011 with a decision on development of the project soon after.

A New Order Prospecting Right with an application for a New Order Mining Right has been lodged with the Department of Minerals and Resources which we anticipate will be granted later this year, with further governmental approvals expected through the first half of 2012. Assuming the Bankable Feasibility Study is approved by the Board, and the relevant governmental approvals are received in the expected time, we believe development of the De Wittekrans Coal Project will commence in the second half of 2012 with full production from the proposed initial open cast operation expected in 2013.

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This maiden reserve increases total JORC compliant proven and probable coal reserves managed by CCL at the Vlakvarkfontein, Ferreira, Penumbra and De Wittekrans projects from 20 Mt to 64 Mt. What is the significance of this increase for the value of your project portfolio and the importance of the De Wittekrans Coal Project within this portfolio?

CEO Don Turvey
Over the past three months we have announced increased measured resources and maiden reserves for the Vlakvarkfontein and Ferreira coal mines, and also for the next two planned mine developments, the Penumbra and De Wittekrans coal projects. We have been very successful in not just increasing resources but also converting resources to reserves. This is important to us, given our focus on developing resources into operating mines.

The maiden saleable coal reserves of approximately 20 Mt for the Vlakvarkfontein and Ferreira coal mines and the Penumbra coal project represent a conversion of 81 percent of the measured global in situ resources at the Vlakvarkfontein mine and a 62 percent and 45 percent conversion at the Ferreira mine and Penumbra project respectively. The saleable coal reserves of approximately 44 Mt represent a conversion of 100 percent of the measured global in situ resources at the De Wittekrans coal project.

Establishing total reserves of 64 Mt for these projects is a major milestone, demonstrating the significant additional value these projects will bring to Continental as they are brought into production. This is particularly so for the De Wittekrans project which accounts for over 66 percent of the total saleable reserves managed by CCL in South Africa.

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When do you expect to commence site works at the A$40 million Penumbra Coal Project and are you on target to achieve first coal production in the first quarter of CY2012, and full production of 750,000 tonnes per annum of ROM in the third quarter of CY2012?

CEO Don Turvey
Given the strategic importance of the Penumbra Coal Project we have undertaken a number of reviews of the previous Bankable Feasibility Study as well as preparatory tasks since late last year. In recent months these activities have progressed significantly and we expect to commence site development within the next 10 days and first production later next year.

A key appointment has been that of TWP Consulting, who along with our own capable team will manage and oversee all the construction and commissioning work forecast to be completed at a cost of ZAR284 million (approximately A$40 million). With the final construction and development contracts to be now awarded, actual 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 the first quarter of 2012, ramping up to full production in the third quarter of 2012.

This project is very important to Continental, with forecast annual production of 750,000 tonnes of ROM coal, including 500,000 tonnes of primary export thermal coal product. The ROM coal produced at Penumbra will be beneficiated through the existing Delta Processing Operations which comprises a 300 tonne per hour coal processing plant and the 1.2 Mtpa Anthra Rail Siding. The export thermal coal product will be railed through to the Richards Bay Coal Terminal and sold under the Company's export coal off-take agreements, the key one being with EDF Trading.

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You have announced a two-phase 60 drill-hole exploratory program at your two Botswana project, with the Phase 1 drilling program planned to commence in September 2011. What are your timetable and funding arrangements for the further drilling and exploration program for these licenses?

CEO Don Turvey
As announced, we are in the process of finalising agreements for the appointment of our preferred Botswana drilling contractor. Drilling of the initial two phase exploration drilling program on the Serowe and Kweneng Projects is scheduled to commence in the next two weeks.

The Phase 1 and Phase 2 drilling programs will comprise 30 drill holes each and are forecast to be completed at a cost of ZAR20 million (approximately A$2.8 million), to be funded from existing cash resources. The drilling is aimed at identifying shallow to moderate depth coal which may be economically exploitable across both the Serowe and Kweneng Projects. The potential of both these projects is significant, given their proximity to existing major coal mining operations and projects.

Over the December quarter we expect to release the results of the Phase 1 drilling program and commence and complete the Phase 2 drilling program.

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At your General Meeting on 29 June, shareholders voted in favour of a one-for-ten share consolidation. What is the reason for the delay in proceeding with this share consolidation and what is your revised timetable for its completion?

Executive Director Jason Brewer
The delay was to allow the Board to finalise and advance a number of key transactions. These included confirmation of Continental's AIM market listing; the announcement of SIOC-cdt as the new BBBEE partner; and confirmation of the commencement date for the Penumbra Coal Project mine development and exploration in Botswana.

Revised dates have now been announced for the one-for-ten share consolidation. Shareholders have been advised that the last day for trading in pre-consolidated securities will be 25 August 2011, with the record date being the last day to register transfers on a pre-consolidation basis being the 1 September 2011. Shareholders are not required to complete any documentation as part of the consolidation process, as this will be completed by Computershare, the Company's share registry.

We believe the share consolidation will result in a share price that better reflects the underlying value of the Company and its assets, particularly ahead of the upcoming AIM listing. It will also reduce the likelihood of opportunistic and short term trading in small value parcels of shares which has been seen over recent months, and provide a better platform for the stock to respond to positive developments. Having a more efficient capital structure and appropriate share price for a listed entity of Continental's size and market capitalisation will also enhance the Company's ability to attract significant investment from international institutional investors and investment funds.

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When do you expect to be admitted to the London Stock Exchange AIM market and why have you extended your planned listing date to September 2011?

Executive Director Jason Brewer
The 20 day Pre-Admission Document for our London Stock Exchange AIM market listing has now been released and we expect to commence trading on AIM on 19 September 2011.

The delay to the listing time-table was largely a result of the extended time-frame required by international mining consultants SRK Consulting to complete the independent Competent Person's Report on the Company's major coal projects, given the need to incorporate key data from recent major announcements including updated JORC compliant resources and maiden saleable reserves The AIM market listing process, involving RFC Corporate Finance Ltd, GMP Securities and Renaissance Capital has been very efficient and we are very excited about the opportunities the AIM listing offers.

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Thank you Don and Jason

For more information about Continental Coal Limited, visit www.conticoal.com or call +61 (0) 8 9488 5220

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