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The Manager
Company Announcements
Australian Securities Exchange Limited
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SYDNEY NSW 2000

By e-lodgement

PENUMBRA DEVELOPMENT UPDATE



Development activities progressing at the Penumbra Coal Project

South African focused thermal coal mining and production company Continental Coal Limited (**ASX: CCC**) ("**Continental**" or "**the Company**") is pleased to provide an update on site construction works that are currently being undertaken by the Company's South African subsidiary at the Penumbra Coal Project.

Under the management of the Company's experienced Owners Team and TWP Projects, as the appointed EPCM contractor for the Penumbra Coal Project, the principal earth works contractor, Leomat (Pty) Limited ("Leomat") mobilised to site over the weekend of the 3-4 September 2011. Leomat commenced civil and construction works on site on 7 September with the initial ground breaking taking place in the proposed box-cut area.



Site development at the Penumbra Coal Project which is located adjacent to the main Richards Bay Coal Line

On 5 September following site health and safety inductions that were completed with all staff and contractors. Leomat was able to commence the off-loading of all major earthmoving and support equipment in the contractors lay down area on 6 September.



Leomat contractors have moved quickly to progress development in the box-cut area

Leomat is a highly experienced and established South African construction, earthmoving, materials handling and mining services contractor. Leomat has over 30 years of operating credentials in the South African mining sector with specialisation in mine contracting, civil works, mine establishment and opencast mining. Leomat's specific coal mining experience includes mine development and mine operations work at the civil and mining on various mines in the region including the Zululand Anthracite Colliery, the Tendele Coal Mine, the Somkhele Coal and the Springlake Coal Mine.



Top soil removal of the box-cut area

The site development and civils contract with Leomat includes civil construction for all site development works and surface coal handling facilities. It includes all earth works associated with the pollution control dam, security berm around the site and terrace for the site buildings, construction of the contractors lay down area as well as the access roads and associated stormwater drainage.



The Company's Project Engineer and General Manager



First Ground Breaking at the Penumbra Coal Project

On the rapid advancement of development activities at the Penumbra Coal Project, Continental Coal CEO, Don Turvey, said:

"The manner in which development activities at the Penumbra Coal Project, our third thermal coal mine, are advancing is very pleasing for the Company," Mr Turvey said.

"This project is strategically very important to Continental Coal, as when we reach full production in third quarter 2012, it will see us increase our overall production by a further 750,000t of ROM coal production annually," he added.



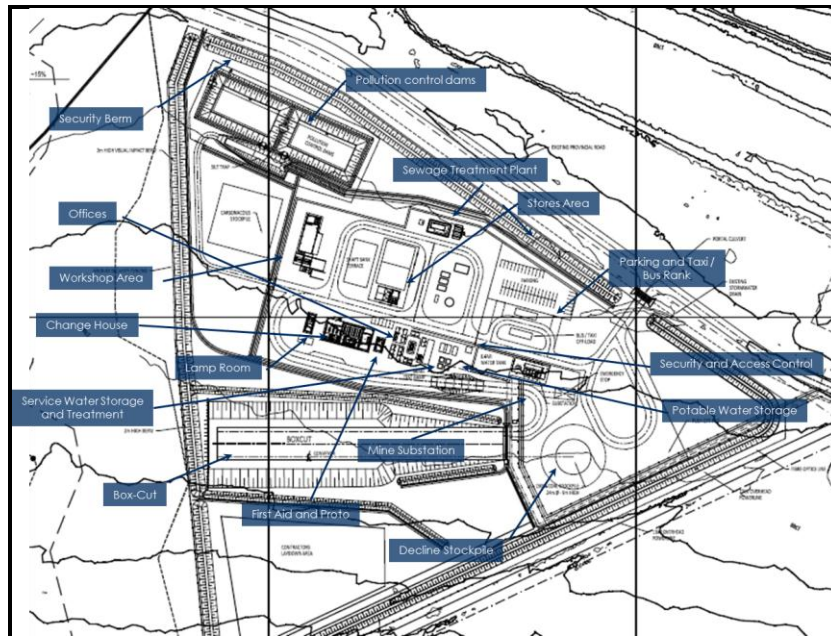
The Penumbra Coal Project area located just 3km from the Ferreira Coal Mine and Delta Processing Operations

The forecast costs of the general site development works and surface coal handling facilities completed under the Leomat contract are ZAR14.5m (approx. US\$2.1m), with a further approx. ZAR96m (approx. US\$13.5m) of forecast capital costs for completion of the decline development. A further approx. ZAR116m (approx. US\$16.3m) of costs will be incurred in equipping of the two production sections with the continuous miners and shuttle cars or battery haulers.



Development activities at the Penumbra Coal Project will intensify over the next 3 months

In addition, the contract will also include all civil works for the excavation of the box-cut for the decline development. The contract will extend over an initial period of three (3) months.



The Penumbra Coal Project Surface Layout with Infrastructure and Services

Development of the box-cut to a maximum depth of 18m is forecast to commence in October 2011 followed by development of the twin declines. The declines will be developed at a 1:7 inclination from the high-wall and will proceed down to the C-Lower coal seam. The declines will have a length of approx. 390m.

One of the declines will be equipped with a conveyor and the second serving as a trackless equipment travelling route. The declines will also serve as the 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. Each bord and pillar mining section will consist of nine roads, the centre road of which will contain the section conveyor.

Run-of-mine production from the Penumbra Coal Project is forecast to increase to the targeted annual rate of 750,000t in Q3 2012.

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 export thermal coal product will be railed through to RBCT under existing rail contracts and sold to EDF Trading and other export off-take agreements.

Ends

For and on behalf of the Board

Regards



Jason Brewer
Executive Director

For further information please contact:

Investors/ shareholders

Peter Landau/Jason Brewer
Executive Directors
T: +61 8 9488 5220

Don Turvey
Chief Executive Officer
T: +27 11 881 1420

E: admin@conticoal.com
W: www.conticoal.com

Media

David Tasker
Professional Public Relations
T: +61 8 9388 0944

E: david.tasker@ppr.com.au

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 commenced development of the Penumbra Coal Mine and will soon 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.