

14th September 2011

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

By e-lodgement

US\$65M in funding secured with ABSA Capital for Penumbra mine development

Key points:

- **Committed financing offer received from ABSA Capital for development of Penumbra Coal Mine in South Africa,**
- **Final credit approval received and due diligence completed, with legal documentation nearing completion,**
- **Loan draw down schedule has been agreed between parties,**
- **Principal earthworks contractor has mobilised to site and commenced civil and construction earthworks, including initial ground breaking taking place in the proposed box-cut area, and**
- **Run-of-mine production from the Penumbra Coal Project is forecast to increase to the targeted annual rate of 750,000t in Q3 2012.**

South African focused coal mining company Continental Coal Limited (ASX: CCC) ("Continental" or "the Company") is pleased to advise it has finalised its debt funding and related coal, foreign exchange and interest risk management facilities (the "Facility") to be used for the development of the Company's Penumbra Coal Project, its third coal mine, in South Africa.

This committed US\$65M financing offer has been received 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 offer of finance comprises:

1. A secured 7 year term loan facility of US\$35 million to be made available to fund the development of the Penumbra Mine
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

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 facilities have received credit approval and ABSA Capital has completed all necessary due diligence. Final documentation is nearing completion, with the parties having already the loan drawdown schedule.

ABSA Capital is a division of ABSA Bank Limited and is mandated within the Barclays Group to lead corporate and investment banking activity in Sub-Saharan Africa. ABSA Capital has a fully local, fully global investment banking model. ABSA Capital's domestic expertise and network taps into Barclays Capital's global capabilities and product knowledge providing its clients with tailored financing and risk management solutions across Africa.

As announced on 12 September, 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.

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.

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 transported through to RBCT under existing rail contracts and sold to EDF Trading and other export off-take agreements.

Commenting on the finalisation of the funding package for the Penumbra Mine development, Continental Coal Limited CEO, Mr Don Turvey said, "the development of the Penumbra Mine, our third coal mine in South Africa, is of strategic importance for our overall growth plans and therefore to have secured funding for this project is very important to the Company and its shareholders."

"The fact that we received two very attractive financing offers for this mine is testament to the feasibility studies we conducted and the subsequent mine development plan chosen."

"This finance package has optimised our ongoing funding arrangements, and proven that as an emerging coal producer we are able to raise debt at attractive levels for our aggressive growth plans."

Key financing terms of the facilities are summarised below. The facilities have been structured to reduce dilution to existing shareholders and importantly there no share or option equity participation rights under the facility terms

1. US\$35 million Secured Term Loan Facility

Borrower: Penumbra Coal Mining Pty Limited
Guarantor: Continental Coal Limited (Australia)
Purpose: To fund construction of the Penumbra Coal Mine
Term: 7 years
Repayments: Quarterly repayments commencing after 12 months
Interest Rate: LIBOR + 4.61% p.a (pre-completion) LIBOR + 4.11% p.a (post-completion)
Hedging: Approx. 30% of export thermal coal production over the facility term Approx. 50% of the interest rate exposure

2. US\$15 million Secured Term Loan Facility

Borrower: Continental Coal Limited (South Africa)
Guarantor: Continental Coal Limited (Australia)
Purpose: To refinance existing secured indebtedness
Term: 3 years
Repayments: Quarterly repayments commencing after 12 months
Interest Rate: LIBOR + 4.61% p.a (pre-completion) LIBOR + 4.11% p.a (pre-completion)

3. ZAR 100 million Secured Working Capital Facility

Borrower: Continental Coal Limited (South Africa)
Guarantor: Continental Coal Limited (Australia)
Purpose: To fund general corporate working capital requirements
Term: Annually renewable
Repayments: Revolving credit facility settled on maturity date or renewed annually
Interest Rate: Absa's Prime Overdraft Lending rate p.a. (currently 9.00% p.a.)

Ends

For and on behalf of the Board



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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 Wesseltown 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.