

21 October 2011

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

**By e-lodgement**

### **PENUMBRA COAL MINE DEVELOPMENT UPDATE**



*Development activities progressing in box-cut at the Penumbra Coal Mine*

#### **Key Points:**

- Development activities at the Company's 3<sup>rd</sup> thermal coal mine proceeding on schedule
- Box-cut already excavated to a depth of 5.5m with the first blast in the box-cut successfully completed on 15 October 2011
- Excavation of the pollution control dam almost completed
- Decline development tender finalised with the preferred contractor
- Development of the decline to commence on schedule in November 2011

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

The Company's principal earth works contractor, Leomat (Pty) Limited ("Leomat") has made substantial progress since mobilising to site over the weekend of the 3-4 September 2011 and since commencing civil and construction works on 7 September.

Leomat had excavated the box-cut at the Penumbra Coal Mine down to a depth of 5.5m prior to the first blast taking place in the box-cut on 15 October 2011. A second and final blast in the box-cut is scheduled to take place on 25 October 2011 after which decline development is scheduled to then commence following mobilisation of the contractor.



***Clearing and excavation of the Penumbra Coal Mine box-cut by Leomat on 7 September 2011***



***Excavation in the Penumbra Coal Mine box-cut by Leomat at the end of September 2011***

The Company's experienced Owners Team and TWP Projects, as the appointed EPCM contractor for the Penumbra Coal Project, have finalised the adjudication of the decline development tenders and have held two clarification meetings with the preferred contractor. The award of the ZAR96m (approx. US\$13.5m) decline development tender will be finalised in October 2011 and mobilisation to site is scheduled in early November 2011. In addition the underground mining equipment tenders for the Penumbra Coal Mine have been adjudicated by the Company and TWP Projects and meetings have been held with the preferred supplier for the approx. ZAR116m (approx. US\$16.3m) equipping of the two production sections with the continuous miners and shuttle cars or battery haulers.



***Security fencing and berms have been completed around the project site***

Fill material from the box cut excavation has been used by Leomat in the construction of the terraces for the site buildings, construction of the contractors lay down area, as well as the access roads and visual berms. This work is now 65% complete. Selected top soil has been used in the construction of designated top soil berms. Excavation of the pollution control dam is now 80% complete and the installation of the dam lining is scheduled to commence later this month.

The Penumbra Coal Mine is set to become the Company's third thermal coal mining operation in South Africa producing 500,000 tonnes per annum of a high quality export thermal coal product. First production from the underground mining operation is forecast to commence in Q2 2012 with full production targeted to be achieved in the third quarter of 2012. Production of 750,000t of ROM coal from the Penumbra Coal Mine will be beneficiated through the existing Delta Processing Operations which comprises a 300tph coal processing plant and the 1.2Mtpa Anthra Rail Siding. The export thermal coal product will be railed through to the Richards Bay Coal terminal under existing rail contracts and sold to EDF Trading and other export off-take agreements.

For and on behalf of the Board

Regards

A handwritten signature in black ink, appearing to read 'Jason Brewer'.

Jason Brewer  
Executive Director

Ends



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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, Vlakovarkfontein and Ferreira, producing 2Mtpa of thermal coal for the export and domestic markets. Continental commenced development of the Penumbra Coal Mine in September 2011 and completed 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 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.





**Continental Coal Ltd**