

31 October 2011

REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2011

The Board is pleased to provide the following commentary.

COMPANY HIGHLIGHTS

- Total run-of-mine thermal coal production of 462,530 tonnes at the Ferreira and Vlakvarkfontein Coal Mines
- Record total thermal coal sales for the Quarter of 515,438 tonnes from the Ferreira and Vlakvarkfontein Coal Mines
- Record production of 149,986 tonnes of a high quality export thermal coal product for the Quarter from the Delta Processing Operations
- Ferreira and Vlakvarkfontein Coal Mines generate unaudited aggregate EBITDA of ZAR28.8m for the Quarter
- Development of the Company's third mine, the Penumbra Coal Mine commences with mobilisation of contractors completed and civil and construction works underway
- JORC compliant coal reserves of 43.8Mt reported at the De Wittekrans Coal Project and Bankable Feasibility Study completed with the results to be released this quarter
- Committed financing offer of up to US\$65 million of bank debt funding from ABSA Capital (a subsidiary of Barclays Bank plc) for future growth and development
- Sishen Iron Ore Company Community Development Trust confirmed as Continental's new Broad Based Back Economic Empowerment partner with approx. US\$20 million to be received by the Company through a repayment of intercompany loans
- Diamond drilling program commenced on the Company's three Botswana coal prospecting licenses with 60 holes planned to be completed in 2011

The first quarter of the 2011/12 financial year saw the Company's investment in its South African thermal coal mining business perform strongly. Record thermal coal sales to the export and domestic markets of 515,438 tonnes from the Ferreira and Vlakvarkfontein Coal Mines were reported.

The Company's South African subsidiary reported unaudited sales revenue of ZAR160m and gross profit of ZAR36.0m for the Quarter.

OPERATIONS

Health and Safety

Continental through its South African subsidiary Continental Coal Limited ("CCL") has an exemplary health and safety record at its operations. Providing a safe working environment for all its employees is central to the Company's ongoing performance targets. Building a culture of safety awareness is key to the continuous improvements that are being achieved at all of the Company's operations in South Africa.

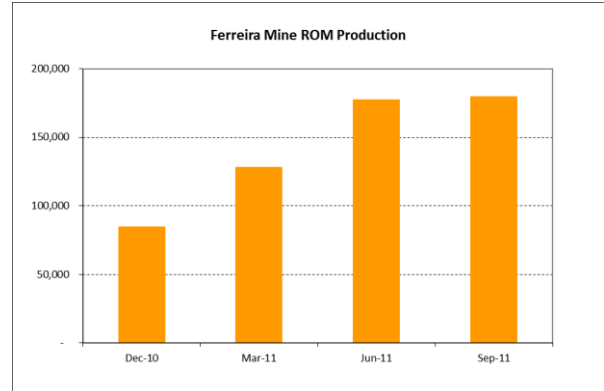
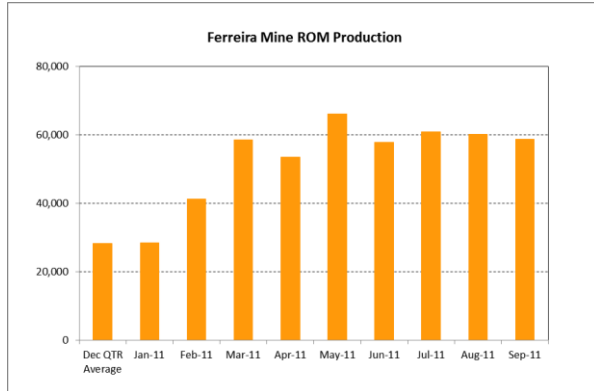
During the Quarter the Ferreira Coal Mine and Delta Processing Operations continued to maintain their exceptional health and safety record. The rolling 12 month Lost Time Injury Frequency Rate remains at zero. The Ferreira Coal Mine and Delta Processing Operations have each now achieved 739 and 988 calendar days without Lost Time Injury.

The Vlakvarkfontein Coal Mine reported no Lost Time Injuries for the Quarter. The operation has only had one lost time injury since development activities commenced in February 2010. The current Lost Time Injury Frequency rate is 2.87.

Ferreira Coal Mine and Delta Processing Operations

During the Quarter the Company continued to achieve improvements in its operational performance at the Ferreira Coal Mine and Delta Processing Operations.

ROM coal production of 179,795 tonnes at the Ferreira Mine for the Quarter increased by 2% on the previous quarter's production of 177,547 tonnes and has increased by over 110% from the December 2010 quarter during which the Company assumed control of the operation.



Operations during the Quarter proceeded in line with the Company's forecasts and the targeted ROM coal production levels of approx. 60,000 tonnes per month.

FERREIRA PRODUCTION PERFORMANCE (tonnes unless stated)							
	Jul 11	Aug 11	Sep 11	SEP QTR	JUN QTR	DIFF (%)	YTD
Overburden (m ³)	464,968	422,998	511,648	1,399,614	1,373,810	+2%	1,399,614
Total Hards/Softs	464,968	422,998	511,648	1,399,614	1,373,810	+2%	1,399,614
B Lower Coal	12,742	20,531	14,179	47,452	56,481	-16%	56,481
C Upper Coal	8,840	6,625	10,183	25,648	25,268	+2%	25,268
C Lower Coal	39,221	33,028	34,446	106,695	95,798	+11%	95,798
Total ROM Coal	60,803	60,184	58,808	179,795	177,547	+1%	179,795
Summary							
Overburden (m ³)	464,968	422,998	511,648	1,399,614	1,373,810	+2%	1,399,614
ROM Coal	60,803	60,184	58,808	179,795	177,547	+1%	179,795



Mining Activities at the Ferreira Coal Mine

Average monthly production of 59,932 tonnes for the Quarter compares favourably to the average monthly production levels of 59,182 tonnes, 42,744 tonnes and 28,370 tonnes achieved in the preceding 3 quarters.

During the Quarter the Delta Processing Operations washed a total of 261,013 tonnes, a 14% increase on the previous quarter's 229,339 tonnes and a 42% increase on the March 2011 quarter's 183,194 tonnes. The washed tonnes throughput comprised both ROM coal production from the Ferreira Coal Mine and raw coal purchases of 86,650 tonnes from nearby operations, which is blended with the Company's own production.

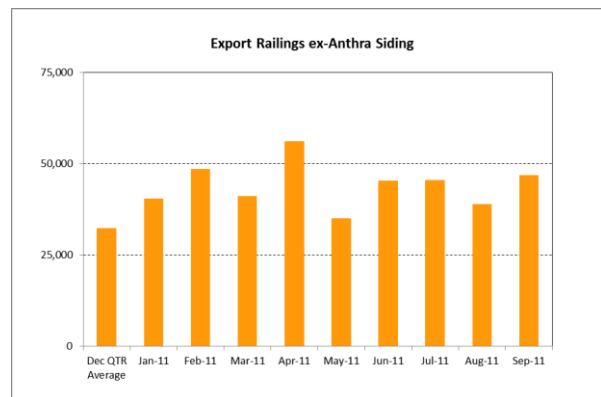
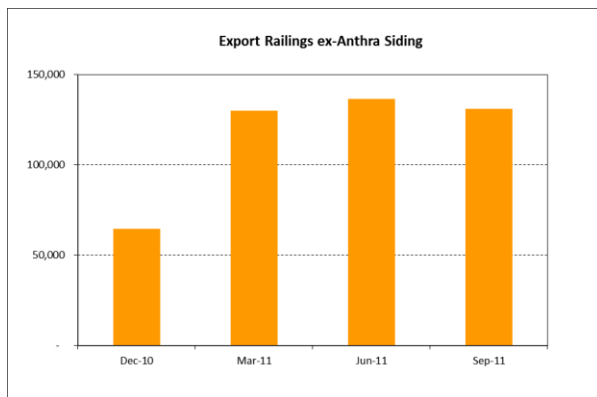


The Delta Processing Operations and Coal Stockpiles adjacent to the Company's Anthra Rail Siding and Transnet Freight Rail's Ermelo Shunting Yard

The Company achieved record production of 149,986 tonnes of a high quality primary export thermal coal product during the Quarter from the Delta Processing Operations. This represents a continued improvement on the 136,514 tonnes, 79,506 tonnes and 62,333 tonnes achieved in the previous three quarters. A further 7,807 tonnes of a secondary domestic product was achieved. An average primary yield of 61.5% for the Quarter was achieved, slightly below the 62% achieved in the previous quarter.

During the Quarter the Company railed 130,995 tonnes of high quality export thermal coal to the Richards Bay Coal Terminal ("RBCT"). This represents a 4% decrease on the 136,400 tonnes in the June 2011 quarter. As at 30 September a closing stockpile of 51,904 tonnes of export thermal coal was reported at the Delta Processing Operations.

The Company has now successfully railed 450,000 tonnes of high quality export thermal to RBCT since acquiring control of the Ferreira Coal Mine and Delta Processing Operations in November 2010.



The average gross sales price received on the 130,995 tonnes of export thermal coal railed to RBCT was US\$116/tonne FOB (compared to the US\$121/t received in the June 2011 quarter).

Mashala Resources, the Company's subsidiary that owns and operates the Ferreira Coal Mine and Delta Processing Operations reported unaudited revenue for the Quarter of ZAR103.7m and EBITDA of ZAR11.9m (after mining, processing, administration, materials handling, export, exploration closure and indirect costs).

Vlakvarkfontein Coal Mine

The Vlakvarkfontein Coal Mine produced its one millionth tonne of coal in July 2011. This was achieved in just over a year after first coal mining operations commenced on May 27 2010.

During the Quarter, the Vlakvarkfontein Coal Mine achieved ROM coal production of 282,735 tonnes, a 15% decrease on the record ROM production of 334,410 tonnes achieved in the June quarter and 6% below the budgeted quarterly ROM production target of 300,000 tonnes. ROM coal production was however 20% above the average quarterly ROM coal production achieved in the 2010/11 financial year.

The Vlakvarkfontein Coal Mine achieved record sales of 384,443 tonnes of thermal coal during the Quarter. This represented a 54% increase on the 250,012 tonnes of domestic sales achieved in the previous quarter. Sales for the Quarter were from ROM coal production and from the existing ROM stockpile.

The majority of the domestic thermal coal sales completed during the Quarter were of a "standard" -50mm Eskom thermal coal product. These were sold under recently concluded medium term sales contracts. Further sales of a "non-select" product were made to other domestic thermal coal users in South Africa.

During the Quarter the Company reduced total ROM stockpile levels by 81,872 tonnes from an opening balance of 203,144 tonnes to a closing stockpile balance of 121,272 tonnes.

VLAKVARKFONTEIN PRODUCTION PERFORMANCE (tonnes unless stated)							
	Jul 11	Aug 11	Sep 11	SEP QTR	JUN QTR	DIFF (%)	YTD
Top-Soil (M ³)	-	-	-	-	-	-	-
Sub-Soil (M ³)	-	85,003	43,486	128,489	71,260	+80%	128,489
Total Softs	-	85,003	43,486	128,489	71,260	+80%	128,489
Overburden	163,582	61,587	121,374	346,543	436,256	-21%	346,543
Interburden	25,179	38,717	59,742	123,638	181,717	-31%	123,638
Total Hards	188,761	100,304	181,116	470,181	617,973	-23%	470,181
4 Seam Coal	51,226	103,267	58,133	212,626	165,446	+29%	212,626
2 Seam Coal	37,127	-	32,982	70,109	168,964	-59%	70,109
Total Coal	88,353	103,267	91,115	282,735	334,410	-15%	282,735
Summary							
Total Softs	-	85,003	43,486	128,489	71,260	+80%	128,489
Total Hards	188,761	100,304	181,116	470,181	617,973	-23%	470,181
Total Coal	88,353	103,267	91,115	282,735	334,410	-15%	282,735

Mining during the Quarter was focused on both the 4 and 2 coal seams, with the majority of coal mined from the 4 seam where ROM production of 212,626 tonnes was achieved for the Quarter (165,446 tonnes for the previous quarter). ROM production from the 2 seam was 70,109 tonnes (168,964 tonnes for the previous quarter).



Mining at the Vlakvarkfontein Coal Mine

Ntshovelo Mining Resources, the entity that operates the Vlakvarkfontein Coal Mine, reported unaudited revenue for the Quarter of ZAR56.8m and EBITDA of ZAR16.9m (after mining, processing, administration, management fees to CCL and indirect costs).

DEVELOPMENT PROJECTS

Penumbra Coal Project

The Company commenced development activities at its proposed third thermal coal mining operation, the Penumbra Coal Mine, during the Quarter. The mobilisation of contractors to its 3rd planned mining operation has been achieved in less than 18 months after the Company mobilised contractors to its first mine development, the Vlakvarkfontein Mine, in February 2010.

Under the management of the Company's Owners Team and TWP Projects, as the appointed EPCM contractor for the Penumbra Coal Mine, the principal earth works contractor, Leomat (Pty) Limited ("Leomat") mobilised to site over the weekend of the 3-4 September 2011. 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.



Development activities progressing at the Penumbra Coal Project located adjacent to the main Richards Bay Coal Line

Leomat commenced the off-loading of all major earthmoving and support equipment in the contractors lay down area on 6 September. 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



Leomat contractors have moved quickly during the Quarter to progress development in 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 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 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.

Subsequent to the Quarter's end, the Company announced that development activities at the Penumbra Coal Mine were proceeding on schedule and Leomat had excavated the box-cut 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 has taken place ahead of schedule on 21 October 2011 after which decline development is scheduled to commence following mobilisation of the contractor.



Penumbra Coal Mine box-cut at 7 September 2011



Penumbra Coal Mine box-cut at end of September 2011

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 at a forecast total cost of US\$75/t fob and forecast annual EBITDA of approx. US\$20m based on current export thermal coal prices. First production from the development of 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.

De Wittekrans Coal Project

During the Quarter, the Company received a preliminary draft of the Bankable Feasibility Study on the De Wittekrans Coal Project from study managers TWP Projects. The report has confirmed that the De Wittekrans Coal Project is both technically and economically viable and has the potential to generate significant returns for shareholders.

The De Wittekrans coal project is located in the Ermelo coalfield, 15km southeast of the town of Hendrina in Mpumalanga Province and within the Company's De Wittekrans Complex which also includes the Vaalbank, Knapdaar and Project X coal projects. The De Wittekrans project has a New Order Prospecting Right awarded by the Department of Minerals and Resources in 2005. An application for a New Order Mining Right was lodged with the Department of Minerals and Resources and is anticipated to be approved in H2 2011.

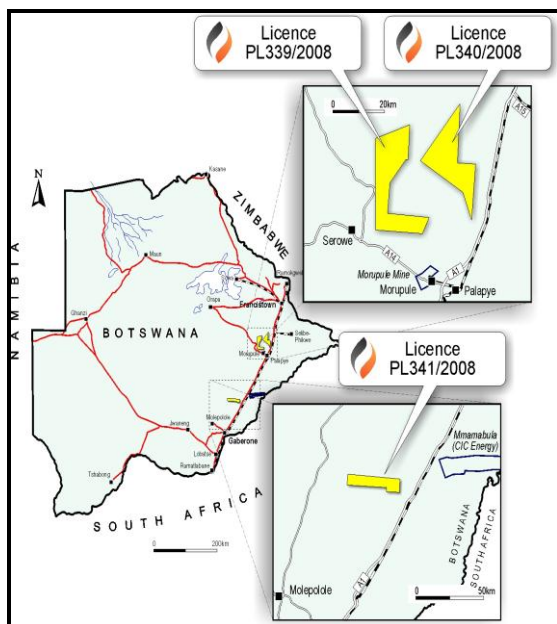
The Company is proposing to develop the De Wittekrans Coal Project as a conventional opencast and underground mine, targeting production of 3.6 – 4.0Mtpa ROM coal over a 30 year mine life. Opencast mining of the A, B and C seams are proposed initially at a rate of 100,000 tonnes per month. Underground development is proposed to commence in the second production year with access from the highwall. Underground mining of the B and C seams is proposed with three continuous miner sections operating on each seam. Processing through a 600 tonne per hour Dense Medium Separation Wash Plant producing approx. 1.0Mtpa of an export thermal coal product and 2.0Mtpa of a domestic thermal coal product is planned.

The Company is currently reviewing the preliminary draft of the Bankable Feasibility Study on the De Wittekrans Coal Project ahead of a submission to the Board for an investment decision later this quarter. The Company is planning to release the preliminary results from the Bankable Feasibility Study in the current quarter once this review is completed.

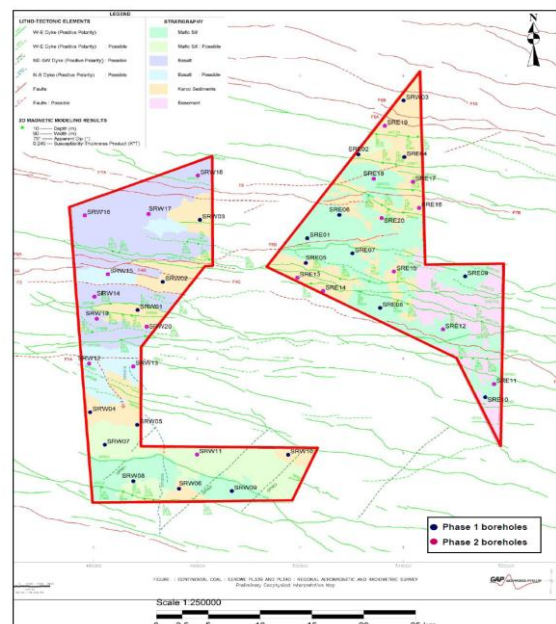
EXPLORATION

Botswana

During the Quarter the Company commenced an initial two phase and 60 hole diamond drilling exploration program for its Serowe and Kweneng Coal Projects in Botswana.



Location of Projects in Botswana



Phase 1 and Phase 2 Drill Holes at the Serowe Project

The Company through its Botswana subsidiary, Weldon Investment (Pty) Ltd, holds three prospecting licenses covering an area of 964km² in Botswana. The licenses, PL 339/2008 and PL 340/2008 and PL 341/2008 are together known as the Serowe Project, whilst PL 341/2008 is known as the Kweneng Project. The two projects are located immediately north of Botswana's only producing coal mine, the Morupule Coal Mine and 25kms west of CIC Energy's Mmamabula Coal Project.

During the Quarter the Company appointed Analytika Holdings (Pty) Ltd ("Analytika") as its in-country Project Managers. Analytika is a highly experienced geological and mine consultancy group based in Gaborone, Botswana, that has both completed and is currently conducting several exploration drilling programs in Botswana. The Company also appointed independent Botswana based exploration drilling company Discovery Drilling Contractors Africa (Pty) Ltd ("Discovery Drilling") to complete the 60 hole diamond drilling program.



Botswana based drilling contractors Discovery Drilling have mobilised to the Serowe Project and commenced drilling

Discovery Drilling mobilised one rig to the Serowe Project site on 14 September 2011 with the second drill rig arriving on 16 September 2011. All bush clearing for drill rig access was completed during the Quarter for the first phase of drilling on the Serowe Project. Drilling at the Serowe Project on PL340/2008 commenced during the Quarter. Drilling will continue at the Serowe Project on both PL340/2008 and PL339/2008 in the next quarter and also commence at the Kweneng Project on PL341/2008. Drilling on PL340/2008 will be completed in October 2011 and will commence on PL339/2008 during the next quarter.

Kenya

During the Quarter the Company submitted a proposal to the Kenyan Government to participate in exploration and feasibility work on one of four concession blocks within the Mui Coal Basin covering 490km² and situated in the Mutitu, Mwingi East and Mwingi Central Districts of Kenya. Kenya is one of three East African countries that provides the Company with the opportunity to build a highly strategic coal development and coal exploration portfolio.

During the Quarter, the Company became aware that Chinese company Fenxy Mining Industry had been successful in its tender for one of the four concession blocks. The Company is still awaiting feedback on the awarding of the other 3 concession blocks.

OTHER PROJECTS

During the Quarter the Company continued its review of advanced and producing thermal and coking coal assets in Southern Africa and Columbia. In addition several early stage exploration opportunities were reviewed. No firm decisions or commitments by the Company have been made on these opportunities.

RESERVES AND RESOURCES

During the Quarter the Company announced a maiden JORC compliant Coal Reserve of approx. 44 Mt for the De Wittekrans Coal Project. The JORC compliant saleable coal reserves for the De Wittekrans Coal Project comprises 16.2 Mt of proven reserves and 27.6 Mt of possible coal reserves.

Approx. 27% of the total saleable reserves at the De Wittekrans Coal project are forecast to be mineable from the proposed open cast operation with 73% to be mined from a proposed underground mine development.

DE WITTEKRANS COAL PROJECT - COAL RESERVES			
Project	Saleable Reserves (Mt)		
	Proven	Probable	TOTAL
De Wittekrans Open Cast	6.75	5.22	11.97
De Wittekrans Underground	9.40	22.40	31.80
TOTAL	16.15	27.62	43.77

The initial JORC compliant saleable coal reserves for the De Wittekrans Coal Project were prepared as part of the Bankable Feasibility Study that was completed during the Quarter and also as part of the Competent Persons Report that was completed by international mining consultants SRK Consulting for the Company's listing on the London Stock Exchange's AIM Market during the Quarter.

Total JORC compliant saleable coal reserves now managed by the Company's South African subsidiary increased during the Quarter by 222% to 63.7 Mt from the Vlakvarkfontein, Ferreira, Penumbra and De Wittekrans Coal Projects. The JORC compliant saleable coal reserves comprise 32.3 Mt of proven reserves and 31.4 Mt of possible coal reserves.

GROSS PROJECTS COAL RESERVES (June 2011)						
Project	CCL Interest	Saleable Reserves (Mt)				
		Proven	Probable	Total	Sold 31 Jan to 31 May	Total saleable reserves³
Vlakvarkfontein	60% ¹	14.1	-	14.1	0.3	13.8
Ferreira	100% ²	0.82	-	0.82	0.17	0.65
Penumbra	100% ²	1.71	3.73	5.44	-	5.44
De Wittekrans	100% ²	16.15	27.62	43.77	-	43.77
TOTAL		32.78	31.35	64.13	0.47	63.66

¹ CCL holds a 50% shareholding and a 60% economic interest; ² Assumes CCL has completed the acquisition of the balance of the interest in Mashala Resources. ³ As at 1 June 2011

The Company's attributable JORC compliant saleable coal reserves (assuming CCL has acquired the balance of Mashala) comprise 19.8Mt of proven reserves and 23.2Mt of probable reserves for total attributable JORC compliant saleable coal reserves of 43.03Mt.

CCC NET ATTRIBUTABLE COAL RESERVES (June 2011)						
Project	CCC Interest	Saleable Reserves (Mt)				
		Proven	Probable	Total	Sold 31 Jan to 31 May	Total saleable reserves³
Vlakvarkfontein	44% ¹	6.26	-	6.26	0.13	6.13
Ferreira	74% ²	0.61	-	0.61	0.13	0.48
Penumbra	74% ²	1.27	2.76	4.03	-	4.03
De Wittekrans	74% ²	11.95	20.44	32.39	-	32.39
TOTAL		20.09	23.20	43.29	0.26	43.03

¹ CCL holds a 50% shareholding and a 60% economic interest; ² Assumes CCL has completed the acquisition of the balance of the interest in Mashala Resources. ³ As at 1 June 2011

CORPORATE

ABSA US\$65m Debt Funding

During the Quarter the Company announced that it had received a committed offer of finance from ABSA Capital for aggregate debt facilities of approx. US\$65 million.

ABSA Capital, a division of Absa Bank Limited, one of South Africa's largest financial service providers and a subsidiary of Barclays Bank PLC has committed to provide the Company with the following debt facilities:

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 7 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

The facilities have received all necessary credit approvals and all associated due diligence has been completed. Legal documentation progressed during the Quarter. The draw down schedule for the loan facilities has been agreed between the Company and ABSA Capital and will proceed pending the fulfilment of a limited number of conditions precedent that are typical of this type of financing.

Finalisation of loan documentation is anticipated to be completed in the current quarter. The Company believes that the committed offer of funding from one of South Africa's leading financial institutions for our South African based operations sign of confidence in the Company's strategy in South Africa and follows a very thorough and detailed due diligence process.

Broad Based Black Economic Empowerment Investment in Continental

During the Quarter the company announced that it had reached agreement with established Broad Based Black Economic Empowerment Company, the Sishen Iron Ore Company Community Development Trust ("SIOC-cdt"), for them to become the Company's new Broad Based Black Economic Empowerment partner in South Africa.

Under the terms of the agreement, SIOC-cdt will acquire the 26% BEE interest in the Company's South African subsidiary, CCL, currently held by Masawu. SIOC-cdt will assume the ZAR215 million intercompany loan that has accrued between CCL and Masawu since October 2008 and has further agreed to repay to the Company ZAR140 million (approx. US\$20m) upon settlement of the transaction. The Company will re-invest the approx. US\$20m loan repayment directly back into its South African business.

SIOC-cdt was established in 2006 as a broad based socio-economic empowerment ownership initiative as part of Anglo American PLC's unbundling of South African-based mining group Kumba Resources into two companies: Exxaro Resources and Kumba Iron Ore. Kumba Iron Ore is a 74% shareholder and the manager of the Sishen Iron Ore Company ("SIOC"). The 26% BEE partners in SIOC are made up of Exxaro (20%), SIOC-cdt (3%) and an employee trust (3%). SIOC is the operator of the Sishen, Sishen South and Thabazimbi iron ore mines. The value of SIOC-cdt's shareholding in SIOC is valued at approx. ZAR6.5 billion (approx. US\$0.8 billion). For the 6 months to 30 June 2011, SIOC-cdt received an interim cash dividend of ZAR284 million from Kumba.

Documentation of the investment by SIOC-cdt into CCL progressed well during the Quarter following completion of all relevant due diligence and approvals from the respective Boards. Finalisation of documentation and receipt of any applicable governmental approvals is anticipated to be completed in the current quarter.

AIM Listing

During the Quarter the Company shares were admitted to trading on the London Stock Exchange's AIM Market ("AIM"). Shares commenced trading on 19 September under the code "COOL". The Company has appointed GMP Securities Europe LLP and Renaissance Capital Limited as its joint UK brokers and RFC Corporate Finance Ltd as Nominated Adviser. The Company did not raise any new equity upon listing.

Whilst the problems with the European and global capital markets have clearly impacted investor sentiment in the short-term, the Company strongly believes the AIM listing will greatly benefit shareholders. It 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 Africa.

Share Consolidation

During the Quarter the Company completed a share consolidation of its issued capital. The share consolidation was approved by shareholders on 30 June 2011. The consolidation was completed on 9 September 2011 on the basis that every ten shares were consolidated into one share and every ten options were consolidated into one option.

The Company believes that the consolidation of the Company's issued capital will create a more efficient capital structure and enhance its ability to attract significant investment into the Company from international institutional investors and investment funds.

Sale of Vanmag and Magnetite Exploration and Development Co (SA) (Pty) Limited

During the Quarter the Company progressed the sale of its shareholding in Vanadium and Magnetite Exploration and Development Co (SA) (Pty) Limited ("Vanmag"). The sale, when completed will result in net proceeds of US\$10m to be received by the Company, was anticipated to be completed during the Quarter. Unfortunately settlement was unable to be achieved due to outstanding approvals, however the Company is confident that settlement will be completed in the current quarter.

Board and Management

During the Quarter, Bruce Buthelezi, a founding director of the Company tendered his resignation from the Board to pursue other business interests. Mr Buthelezi has made a significant contribution to the Company over the past 3 years and his decision to resign follows the Company's landmark transaction that it is progressing with SIOC-cdt. Upon conclusion of the transaction SIOC-cdt will have the right to appoint a director to the Company's board.

Moves to Acquire 100% of Mashala Resources (Pty) Limited

During the Quarter the Company announced that its South African subsidiary CCL was accelerating payment of its option to acquire the outstanding 35.9% minority interests in Mashala Resources. To complete the acquisition of the minority interests in Mashala, the Company entered into an agreement with Socius CG II, a United States based investment group for up to a US\$20 million equity investment in the Company. As at the end of the Quarter, CCL held a 75% interest in Mashala Resources, with documentation and settlement of the balance scheduled to be completed early in the current quarter.

FINANCIAL PERFORMANCE

Summary consolidation financial and operation results for the Company's subsidiary CCL is presented below based upon unaudited management accounts for the 3 months to 30 September 2011 and the 2011/12 financial year to date (3 months).

SUMMARISED QUARTERLY FINANCIAL AND OPERATION RESULTS (US\$'000 unless stated)¹		
	Continental Coal South Africa Limited²	
	Sep 11 QTR	YTD (3 months)
Production		
Run of Mine (t)	462,530	462,530
Feed to Plant		
Run of Mine (t)	261,013	261,013
Coal Buy-In		
Buy-in Tonnes (t)	95,266	95,266
Processing Yield		
Primary Yield (%)	61.5%	61.5%
Sales		
Export (t)	130,995	130,995
Eskom (t)	262,326	262,326
Other (t)	122,117	122,117
Revenue		
Sales Revenue	22,535	22,535
Cost of Sales		
Cost of Sales	17,477	17,477
Gross Profit	5,059	5,059
Gross Profit Margin	22%	22%
Corporate/Administration Overheads	1,522	1,522
Exchange Loss/Gain	517	517
EBITDA	3,019	3,019
Cash and Receivables	17,551	17,551

¹ assumes average ZAR:USD of 7.12:1 for the Quarter

² Continental Coal South Africa Limited (CCL), the Company's principal operating subsidiary in South Africa. As at Quarters end the Company held a 74% interest in CCL

OUTLOOK FOR THE NEXT QUARTER

During the December 2011 quarter the Company looks forward to:-

- Continued high quality thermal coal exports from the Ferreira Mine and Delta Processing Operations
- Continued improvements to operating efficiencies at both the Vlakvarkfontein Mine and Ferreira Mine and Delta Processing Operations
- Commencement of decline development at the Penumbra Mine and further site construction and civils work
- Exploration drilling results from the Company's 60 hole diamond drilling program at its three prospecting licenses in Botswana
- Completion by the new Broad Based Black Economic Empowerment group of Masawu's 26% interest in the Company's South African subsidiary
- Approx. US\$20 million repaid by the new Broad Based Black Economic Empowerment group to the Company
- Financial settlement of the US\$10 million Vanmag asset sale
- Execution and commencement of drawdown of the approx. US\$65 million debt funding from ABSA Capital

By order 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. 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.

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 Wesselton 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.