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The Manager
 Company Announcements
 Australian Securities Exchange Limited
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By e-lodgement

UPDATE ON PENUMBRA MINE DEVELOPMENT AND DE WITTEKRANS BANKABLE FEASIBILITY STUDY



Development activities ongoing in the box-cut at the Penumbra Coal Mine

Key Points:

- Penumbra Mine development activities proceeding on schedule and on budget
- Box-cut excavation to a depth of 15m and geotechnical support and shotcreting of the portal highwall entrance almost complete ahead of commencement of decline development
- Bankable Feasibility Study on the De Wittekrans Coal Project confirms a technically and economically viable project with the potential to generate significant returns for shareholders
- Final review of Bankable Feasibility Study to focus on optimisation of coal wash plant and rail siding options

African focused coal mining investment and production company Continental Coal Limited ("Continental" or the "Company") is pleased to provide an update on the mine development activities and site construction and civil works operating at the Penumbra Coal Mine and an update on the Bankable Feasibility Study that has been completed on the De Wittekrans Coal Project.

Penumbra Coal Mine



Support work on the highwall of the portal



Activities in the Penumbra Coal Mine box-cut

Development activities at the Penumbra Coal Mine have continued to accelerate with the current focus being the installation of support in the box-cut and of the portal highwall entrance and finalisation of the pollution control dam civils construction.



Excavation of the ramp in the box-cut



The ramp into the Penumbra Coal Mine box-cut

The Company's principal earth works contractor, Leomat (Pty) Limited ("Leomat") has now excavated the box-cut down to a depth of 15m with activities in the box-cut now focused on the installation of support of the portal highwall entrance with up to 9m soil nail, wire mesh and shotcrete.



Support work in the Penumbra Coal Mine box-cut with soil nails, wire mesh and shocrefing work

To date approx. 50% of the Penumbra Coal Mine development capital has now received firmed quotes from the construction companies and suppliers that are in line with the Company's escalated budget of approx. US\$40m. All current development activities are proceeding in line with this budget and are slightly ahead of schedule.



Civil works for the pollution control dam have been completed and lining of the dam has now commenced

The Penumbra Coal Mine is set to become CCL's third thermal coal mining operation in South Africa. Planned production of 750,000 tonnes per annum of ROM coal from the Penumbra Coal Mine will be beneficiated through the existing (and adjacent) Delta Processing Operations, which comprises a 300tph coal processing plant and the 1.2Mtpa Anthra Rail Siding. Sales of 500,000 tonnes per annum of a RB1 specification, high quality export thermal coal product is forecast. 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 under other export off-take agreements.

De Wittekrans Bankable Feasibility Study

The Company has received a preliminary draft of the Bankable Feasibility Study on the De Wittekrans Coal Project from study managers TWP Projects. The Company has completed an initial review of the report and is satisfied that it demonstrates that the De Wittekrans Coal Project is both technically and economically viable and has the potential to generate significant returns for shareholders.

The initial review has also identified the opportunity to potentially enhance the project returns through utilisation of existing coal wash plants and rail sidings in the vicinity of the De Wittekrans Coal Project to both reduce up-front capital commitments and possibly accelerate the project development and the permitting process.

Under the draft Bankable Feasibility Report, the De Wittekrans Coal Project is proposed to be developed as a conventional opencast and underground mine. Opencast mining is proposed initially at a rate of 100,000 tonnes per month over a five (5) year period. Underground development is proposed to commence in the second production year with access from a highwall.

Underground mining is proposed to utilise six continuous miner sections with production forecast to continue for 31 years. Planned processing of the 3.6Mtpa ROM production will be through a new 600t/hour dense medium separation wash plant.

Production of approx. 1.7Mtpa of a 20MJ/kg thermal coal product to be sold to the domestic market is forecast. A further 0.8Mt of a 27.5MJ/kg "RB1" high quality export thermal coal product is forecast under the draft Bankable Feasibility Study to be railed from a new rail siding and sold FOB at the Richards Bay Coal Terminal.

The key findings of the preliminary Bankable Feasibility Study Results are summarised below:

DE WITTEKRANS COAL PROJECT	
PRELIMINARY RESULTS OF THE BANKABLE FEASIBILITY STUDY (July 2011 terms)	
Reserves and Mine Life	
Mine Life	33 years
Saleable Reserves	43.8Mt
Gross In Situ Resources	167.0 Mt
Run of Mine (ROM) Production	
Annual ROM Production	3.6 Mt
Total Open Pit ROM Production	6.1 Mt
Total Underground ROM Production	110.0 Mt
Coal Sales	
Annual Domestic Coal Sales	1.7 Mt (20.0MJ/kg Eskom Product)
Annual Export Coal Sales	0.8 Mt (27.5MJ/kg RB1 Export Product)
Forecast Sales Revenue	
Annual Domestic Coal Sales	ZAR 308m (approx. US\$38m)
Annual Export Coal Sales	ZAR 724m (approx. US\$93m)
Estimated Operating Expenses	
Annual Operating Expenses	ZAR 486m (approx. US\$63m)
Average Unit Operating Expenses	ZAR 140/t ROM (approx. US\$18/t ROM)
Average Operating Expenses	ZAR 428/t Export (approx. US\$55/t Export)
Estimated Up-Front Capital Costs	
Surface Infrastructure and Siding ¹	ZAR 554m (approx. US\$71m)
Coal Wash Plant ¹	ZAR 308m (approx. US\$40m)
Underground Development	ZAR 838m (approx. US\$108m)
Forecast Cashflow	
Annual Free Cashflow After Tax	ZAR 270m (approx. US\$36m)

Assumes ZAR:USD of 7.75:1, domestic coal sales at ZAR9.00/GJ and API4 Coal Price of US\$110/t.

¹ If developed and funded 100% by the Company and ignoring Coal Wash Plant BOOM, Toll Treat and Joint Venture Options

The De Wittekrans Coal Project is forecast to have total operating costs (July 2011 terms) of ZAR449/t (approx. US\$53/t) of export coal and total FOB costs of ZAR568/t (approx. US\$75/t) of export thermal coal including all sustaining underground capital expenditure.

Total up-front capital (July 2011 terms) to be spent over the initial three (3) years for the De Wittekrans Coal Project of ZAR1.7bn (approx US\$219m), comprises ZAR394m (approx US\$51m) of surface infrastructure, ZAR308m (approx US\$40m) for the coal wash plant, ZAR160m (approx US\$21m) for offsite infrastructure and rail siding construction and ZAR838m (Approx US\$107m) of underground mine development. The up-front capital is offset over this period by approx. ZAR254m of (approx US\$33m) operating cashflow from the initial three (3) years of open cast operations.

The Company and its consultants are continuing its review of the draft Bankable Feasibility Study and have already identified ways to optimise the project in order to improve the already positive results and findings. The Company and its consultants are in discussions with a number of parties in respect of utilising existing operating coal wash plants and rail sidings located close to De Wittekrans Coal Project that will remove the need to both develop and fund this coal wash plant and rail siding infrastructure as well as potentially accelerating the permitting process and actual development timetable. This may result in capital cost savings of approx. ZAR468m (approx US\$60m).

In addition the Company and its consultants are in discussions with specialist coal processing contractors to complete the construction of the coal wash plant under a BOOM (Build-Own-Operate-Manage) Contract that on a standalone basis will potentially reduce the up-front capital by approx. ZAR308m (approx US\$40m).

Continental's CEO, Mr Don Turvey said of the preliminary Bankable Feasibility Study findings, *"The De Wittekrans Coal Project is clearly a significant asset of the Company and these preliminary results confirm that. The project is scheduled to be our fourth operating coal mine and will lead to a significant increase in both export and domestic sales and earnings for the group."*

"We have already commenced a detailed review and optimisation process that we anticipate will lead to a significant reduction in up-front capital costs, a much reduced risk profile and enhanced returns to our shareholders. We look forward to updating shareholders once this is completed. It is also very pleasing that we have already received expressions of interest from financiers looking to debt fund a large proportion of the capital costs of the project." Mr Turvey added.

For and on behalf of the Board.

Regards



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Executive Director

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL/US-OTCQX:CGFAY) is a coal mining investment and production company. Its principal investment is a 74% interest in a South African thermal coal producer with a portfolio of projects located in South Africa's major coal fields including two operating mines, the Vlakvarkfontein and Ferreira Coal Mines, producing 2Mtpa of thermal coal for the export and domestic markets. A third mine, the Penumbra Coal Mine, commenced development in September 2011 and a Bankable Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project. Run of mine production of 7Mtpa is targeted in 2013. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production, signed a joint development agreement with KORES, Korea Resources Corporation and secured debt funding from ABSA Capital to fund its growth.

Competent Person Statement

The information in this report that relates to Coal Resources and Reserves on De Wittekrans 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.

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 the 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.