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

By e-lodgement

ABSA BANK FUNDING EXECUTED – COAL HEDGE IMPLEMENTED AT RECORD HIGH PRICES

FIRST BLAST COMPLETED FOR PENUMBRA MINE DECLINE DEVELOPMENT

Key Points:

- **Legal documentation of the debt facilities executed with ABSA Capital**
- **Satisfaction of key conditions precedent ongoing to allow first loan drawings of the US$35 million project loan tranche to be made in accordance with the agreed draw down schedule**
- **Coal and foreign exchange hedging completed for 664,550 tonnes at an average coal price of ZAR1,057/t, a 23% premium to current prices, a premium to the record 3 year high price of ZAR983/t and above the average historical 3 and 5 year coal prices of approx. ZAR690/t**
- **First decline development blasts successfully completed at Penumbra Coal Mine**
- **Decline development to accelerate over the coming months**
- **Penumbra Coal Mine development activities continue on schedule and in line with budget**

African focused coal mining investment and production company Continental Coal Limited ("**Continental**" or the "**Company**") is pleased to confirm that the Company's South African subsidiary Continental Coal Limited ("**CCL**") has executed binding loan documentation with ABSA Capital, a division of ABSA Bank Limited, and a subsidiary of Barclays Bank PLC for the previously announced approx. US$65 million of aggregate debt funding.

The Company is also pleased to advise that satisfaction of the remaining conditions precedent to draw down of the US$35 million, seven year project loan facility to fund the Penumbra Coal Mine development, is ongoing and scheduled to be completed later this quarter, allowing draw down of the debt funds to meet the development cost of the Penumbra Coal Mine.

On the execution of the loan financing agreements, ABSA Capital Co-Head of Natural Resources, Neil Naidoo, said, "*We are very pleased to have completed the loan documentation of our facilities with Continental Coal and to provide funding for the Penumbra Coal Mine development. It is testament to ABSA's dedication, its continuous support of the mining industry and the key and emerging players within it such as Continental Coal.*"

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ABSA Capital Debt Facilities

As part of the debt funding with ABSA Capital, CCL has implemented a coal and foreign exchange hedging program to mitigate its exposure to a sustained fall in US$ coal prices or an appreciation of the ZAR:US$. CCL has hedged approx. 664,550 tonnes of coal over the life of the term loan facility at an average price of ZAR1,057/t. The hedging has been achieved at a 23% premium to the current spot price of approx. ZAR860/t and at a 54% and 53% premium to the average 3 and 5 year prices of ZAR685/t and ZAR692/t respectively. The average hedged coal price is at a premium to the highest coal price of ZAR983/t seen over the past 3 years.

Importantly the coal hedging implemented represents only 12% of the JORC compliant reserves at the Penumbra Coal Mine and provides significant upside to any significant rise in thermal coal prices, as well as providing operating flexibility. The hedge program does not have any impact on the existing offtake agreements in place. On the implementation of the coal and foreign exchange hedging program, CCL were advised by Noah's Rule, a Risk Advisory firm, with offices in Australia and Europe, specialising in advising on the structuring and execution of project finance and the associated commodity hedging.

Commenting on the execution of the financing agreements and implementation of the coal hedging, Continental Coal Limited CEO, Mr Don Turvey said, "*the finalisation of the loan financing agreements with ABSA Capital, a division of ABSA Bank Limited, one of South Africa's largest financial service providers, under the current volatile capital markets is a key milestone in the growth of our company and a further sign of support for our coal mining strategy in South Africa.*"

"*To have already satisfied a number of the key conditions precedent and have agreed the draw down schedule of the US$35 million project loan facility is also a major step forward in the development of the Penumbra Coal Mine. In addition the establishment of the coal hedging program for the Penumbra Coal Mine, at average coal prices of ZAR1,057/t, provides us with extremely robust margins to the forecast total FOB costs of approx. ZAR490/t that were reported in the recent SRK Competent Persons Report on the Penumbra Coal Mine,*" Mr Turvey said.

Penumbra Coal Mine - First Decline Development Blast

The Company is pleased to confirm that development activities at the Penumbra Coal Mine have accelerated significantly in 2012 following the mobilisation of Murray & Roberts, South Africa's leading engineering, contracting and construction services company, in December 2011 to complete the development of the twin declines.

The Penumbra Coal Mine Box Cut – January 2012

Murray and Roberts completed the mobilisation of all the major decline development equipment to the Penumbra Coal Mine site on 16 January 2012. In addition Murray and Roberts have completed construction of the site office laydown area with the necessary concrete slabs, offices, change house and workshops established ahead of the commencement of the development of the twin declines. The temporary power supply, in the form of a diesel generator and compressor, has also been installed ready for the decline development.

Preparation of the twin declines, being the belt and the travelling roads, by Murray and Roberts, through the installation of spilling bolts into the perimeter of the excavations was completed in late January and early February 2012. Drilling of the first rounds for blasting the initial 2m of advance was completed on 4 February 2012, with the first blasts in the decline completed on 6 February 2012.

The Penumbra Coal Mine – belt and travelling roads ready for blasting

Development of the declines will now continue with blasting in the declines allowing approx 2.2m of advance to be completed every second day in each decline with the associated ground support completed. The declines and support pillar between the declines will be covered with shotcrete over the initial 10m of the decline to ensure stability of the area for the life of the mine. Once this has been completed decline development will accelerate, with blasting activities completed on a daily basis to ensure that the project will be completed on schedule.

The Penumbra Coal Mine is forecast to produce annual run-of-mine production of 750,000t. The run-of-mine coal produced at the Penumbra Coal Mine will be beneficiated through the existing Delta Processing Operations which comprises a 1.8Mtpa 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 into other export off-take agreements.

For and on behalf of the Board.

Regards

Jason Brewer
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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.

Forward Looking 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 and Reserves on Penumbra 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.