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

Mine Operations Continue to Perform and Deliver Significantly Improved Financial Results

Maiden Net Profit Reported for the Period

Continental Coal Limited ("**Continental**" or the "**Company**") is pleased to announce highlights of its consolidated operating and financial results for the six months to 31 December 2011.

The Board believes the results achieved in the first half of the 2011/12 financial year demonstrate the strong growth and improved operational and financial performance of its investment in Continental Coal Limited ("CCL) and the South African thermal coal mining and export business that its manages.

FINANCIAL HIGHLIGHTS

- Revenue of A$49.9m increased by A$37.0m on the previous corresponding period
- Gross profit of A$14.1m up from A$0.4m in the previous corresponding period
- EBITDA of A$3.0m, a A$31.5m turnaround on previous EBITDA of (A$28.5m)
- Maiden net profit after tax reported, and a 100% improvement from a net loss after tax of (A$30.8m) in the previous corresponding period
- Improved liquidity with debt funding secured from ABSA Capital
- Cash as at 31 December 2011 of A$11.3m
- Forward coal sales of 664,550t established at an average price of ZAR1,057/t, a +50% premium to the average 3 and 5 year historical export thermal coal prices

OPERATING HIGHLIGHTS

- Run-of-mine thermal coal production increased by 112% to 937,464t, with run-of-mine production from the Ferreira Coal Mine increased by 402%
- Export thermal coal sales increased by 380% for the period to 309,445t
- Domestic thermal coal sales increased by 235% for the period to 693,665t
- Development of the Company's third mine, the Penumbra Coal Mine commenced

- Bankable Feasibility Study completed on the De Wittekrans Coal Project confirmed a technically and economically viable project
- Maiden JORC compliant coal reserves of 43.8Mt defined at De Wittekrans Coal Project
- Acquisition of the Wolvenfontein Coal Project, with a JORC compliant inferred resources of 36.7Mt, completed
- Diamond drilling program commenced on the Company's three Botswana coal prospecting licenses with coal bearing carbonaceous zones intersected

CORPORATE HIGHLIGHTS

- Sishen Iron Ore Company Community Development Trust executed Subscription and Shareholder Agreements to become the Company's new Broad Based Black Economic Empowerment partner in South Africa
- The Company's shares commenced trading on the London Stock Exchange
- The Company completed a one for ten share consolidation of its issued capital
- Approvals for the sale of the Company's interest in VanMag received with settlement of the transaction outstanding at the end of the period
- US$20m placement completed by the Company to part fund the acquisition of the minority interests in Mashala Resources
- Committed financing offer of up to US$65m of bank debt funding from ABSA Capital secured and key conditions precedent satisfied for US$35m project tranche to complete the Penumbra Coal Mine development

SUMMARY OF PERFORMANCE

KEY FINANCIAL AND OPERATIONAL DATA			
	6 Mths to Dec 2011	6 Mths to Dec 2010	**Change (%)**
ROM Production (tonnes)	**937,464**	441,234	**+112%**
Export Sales (tonnes)	**309,445**	64,516	**+380%**
Domestic Sales (tonnes)	**693,665**	207,011	**+235%**
Total Revenue (A$'000)	**49,890**	12,983	**+284%**
Gross Profit (A$'000)	**14,173**	394	**+3,497%**
EBITDA (A$'000)	**2,992**	(28,495)	**+111%**
Net Profit after Tax (A$'000)	**2**	(30,805)	**+100%**
Net Profit after Tax (cents/share)	**0**	(1.51)	**+100%**
	As at Dec 2011	As at Jun 11	**Change (%)**
Cash at Bank (A$'000)	**11,251**	12,050	**-7%**
Total Assets (A$'000)	**179,060**	179,581	**-0%**
Total Liabilities (A$'000)	**67,371**	73,674	**-9%**
Net Assets (A$'000)	**111,689**	105,907	**+5%**
Net Assets (cents/share)	**27.41**	3.58	**+766%**
	6 Mths to Dec 2011	6 Mths to Dec 2010	**Change (%)**
Cashflow from Operations (A$'000)	**2,140**	3,133	**-32%**
Cashflow from Investing (A$'000)	**(13,388)**	(60,412)	**-78%**
Cashflow from Financing (A$'000)	**11,028**	66,434	**-83%**

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Commenting on the operating and financial results for the six months to 31 December 2011, Continental's Chief Executive Officer Mr Don Turvey said:

"The strong operating performances at the Vlakvarkfontein Coal Mine and the Ferreira Coal Mine and Delta Processing Operations over the past 6 months have now started to flow through into a much improved financial performance for the Company, which we now expect to see continue over the remainder of the 2011/12 financial year and well beyond that."

"The foundations that have been set following record production and sales of thermal coal into both the export and domestic markets has seen total revenue increase to A$49.9m over the period up from A$13.0m for the previous corresponding period."

"We have been able to report a Gross Profit of A$14.1m, a substantial increase on the A$0.4m Gross Profit incurred for the previous 6 month period. We have reported EBITDA of A$3.0m for the period, a significant improvement on the negative EBITDA of (A$28.5m) in the previous corresponding period." We have also report a Net Profit for the period having turned around a Net Loss of (A$30.8m)."

"Reporting a Net Profit for the period is a tremendous result for the Group. We have turned this business around, having previously reported a Net Loss of (A$30.8m) in the previous corresponding period. It comes in only our second full year of operations in South Africa and is a clear indication of the transformation that this Company has recently undergone. It is important to note that costs have also been incurred over the period in anticipation of the commencement of production from our third mine, the Penumbra Coal Mine and in the completion of the Bankable Feasibility Study for our fourth mine. This has allowed us to set out a very strong and clear pathway of growth for the Company and our shareholders."

"It is pleasing to also see a significant improvement in disciplined fiscal management of controllable and one-off costs that during the previous corresponding period were largely associated with the acquisition of Mashala Resources, we have seen finance fees reduced by 82% to A$6.6m, consultants fees by 78% to A$7.6m and other expenses reduced by 38%."

"The strong growth profile for the Company has been well and truly set on its path during the half year and it has been extremely pleasing to have both commenced development activities at the Penumbra Coal Mine and announced the positive results from the Bankable Feasibility Study and maiden 43.8Mt of JORC compliant reserves for the De Wittekrans Coal Project. From a longer-term growth perspective we have also been able to consolidate our position around the Vlakplaats Coal Project that we have in joint venture with KORES, through the opportunistic and strategic acquisition of the Wolvenfontein Coal Project. This acquisition increases total JORC compliant resources across the two projects to 220Mt and allows us to consider broader development opportunities. In addition we also commenced our first Greenfield exploration program at the Serowe and Kweneng Coal Projects in Botswana."

"In addition to the strong operating performance of the Company, it is important to recognise two very significant corporate developments completed during the period. The execution of Subscription and Shareholder Agreements allowing Sishen Iron Ore Company Community Development Trust ("SIOC-cdt"), an established and highly successful Broad Based Black Economic Empowerment Company, to become the Company's new partner in South Africa, is truly a landmark agreement and will have a major positive impact on our business activities and opportunities in South Africa. Similarly 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."

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FINANCIAL PERFORMANCE

RESULTS SUMMARY			
	Dec 2011	Dec 2010	**Change (%)**
Sales Revenue (A$'000)	**49,890**	12,983	**+284%**
Gross Profit (A$'000)	**14,173**	394	**+3,497%**
EBITDA (A$'000)	**2,992**	(28,495)	**+111%**
EBIT (A$'000)	**1,447**	(29,814)	**+105%**
Net Profit after Tax (A$'000)	**2**	(30,805)	**+100%**
Earnings Per Share (cents/share)	**0**	(1.51)	**+100%**

Consolidated total revenue for the half year increased by 284% to A$49.9m. Costs of sales increased by 184% to A$35.7m reflecting a full six months of operations at the Ferreira Coal Mine and Delta Processing Operations. Gross profit increased to A$14.1m from A$0.4m in the previous corresponding period.

Other costs and other expenses were reduced significantly over the period, with finance costs reduced by 82% to A$1.4m, consultants fees were reduced by 78% to A$2.2m and other expenses were reduced by 38% to A$7.0m with the majority of these costs associated with employee related costs, pre-feasibility and feasibility costs of the company's growth projects and capital raising fees.

Positive EBITDA of A$3.0m for the period was a A$31.5m turnaround on the negative EBITDA of (A$28.5m) in the previous corresponding period. EBIT of A$1.4m was achieved for the period compared to EBIT of (A$29.8m) previously.

A Net Profit of A$0.0m after minorities was achieved for the period, a 100% improvement and A$30.8m turnaround on the Net Loss of A$30.8m incurred in the previous corresponding period.

Earnings per share improved by 100% during the 6 month period to 0.83cps from negative (1.51cps) in the previous corresponding period.

BALANCE SHEET SUMMARY			
	Dec 2011	Jun 2011	**Change (%)**
Cash at Bank (A$'000)	**11,251**	12,050	**-7%**
Current Assets (A$'000)	**33,339**	35,050	**-5%**
Total Assets (A$'000)	**179,060**	179,581	**-0%**
Current Liabilities (A$'000)	**43,373**	35,475	**+22%**
Total Liabilities (A$'000)	**67,371**	73,674	**-9%**
Net Assets (A$'000)	**111,689**	105,907	**+5%**
Net Tangible Assets (cents/share)	**27.41**	3.58	**+766%**

Cash at bank on 31 December 2011 totalled A$11.2m. The reduction in current assets is due primarily to reducing the lower value "non-select" coal product stockpiled at the Vlakvarkfontein Coal Mine. Total assets decreased marginally by A$0.5m. Total liabilities reduced by A$6.3m, primarily due to a revaluation of the EDF Trading coal prepayment and the amortisation profile.

Net assets increased by A$5.8m over the period to A$111.7m as at 31 December 2011 with net tangible asset backing per share of 27.4 cents per share.

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OPERATING PERFORMANCE

Health and Safety

Continental through its South African subsidiary, CCL has an exemplary health and safety record at its operations. For the 6 months ended 31 December 2011 no Lost Time Injuries were reported at the mining and processing operations conducted at the Ferreira Coal Mine and Delta Processing Operations, the Vlakvarkfontein Coal Mine or at the development and construction activities conducted at the Penumbra Coal Mine.

The rolling 12 month Lost Time Injury Frequency Rate for both the Ferreira Coal Mine and Delta Processing Operations remains at zero. The Ferreira Coal Mine and Delta Processing Operations achieved 831 and 1,080 calendar days without Lost Time Injury as at 31 December 2011.

The Vlakvarkfontein Coal Mine has only had one Lost Time Injury since development activities commenced in February 2010. The current Lost Time Injury Frequency rate is 2.90.

The Penumbra Coal Mine has not reported any Lost Time Injuries since development activities commenced on 3 September 2011.

Mine Operations – Vlakvarkfontein and Ferreira Coal Mines and Delta Processing Operations

OPERATIONS PERFORMANCE FOR 6 MONTHS TO DECEMBER 2011					
	Vlakvarkfontein	**Ferreira**	**Dec 2011**	**Dec 2010**	**DIFF (%)**
ROM Production	579,796	357,668	**937,464**	**441,234**	**+112%**
Coal Purchases	-	183,285	**183,285**	**43,005**	**+226%**
Coal Processed	-	523,003	**523,003**	**115,676**	**+352%**
Yield	100%	58.6%	**80.1%**	**96.0%**	**-17%**
Saleable Coal Produced	579,796	303,490	**883,286**	**466,753**	**+89%**
Export Coal	-	290,760	**290,760**	**62,333**	**+366%**
Domestic Coal	579,796	12,730	**592,526**	**404,420**	**+47%**
Coal Sales	693,665	309,445	**1,003,110**	**271,794**	**+269%**
Export Sales	-	309,445	**309,445**	**64,516**	**+380%**
Domestic Sales	693,665	-	**693,665**	**207,011**	**+235%**

Run-of-mine coal production increased by 112% from both the Vlakvarkfontein and Ferreira Coal Mines over the period. Record run-of-mine production was achieved over the period primarily as a result of a full 6 months of production from the Ferreira Coal Mine where production increased by 502% and production at the Vlakvarkfontein Coal Mine increased by 32%.

Coal processed through the Delta Processing Operations was a record 532,003t for the period, a 352% increase on the 115,676t in the previous corresponding period. Coal produced for the period totalled 883,286t, an 89% increase on the previous corresponding period of 466,753t. Record production of 592,526t of a domestic thermal coal product and 309,445t of a high grade export thermal coal product was achieved.

Total coal sales of 1.0Mt, a 269% increase on the previous corresponding period comprised 309,445t of a high grade export thermal coal product, a 380% increase and 693,665t of a domestic thermal coal product, a 235% increase.

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Development Projects - Penumbra Coal Mine

Development activities at the Company's proposed third thermal coal mining operation, the Penumbra Coal Mine, commenced during the reporting period. The mobilisation of contractors commenced in September 2011 and was achieved 18 months after the Company mobilised contractors to its first mine development, the Vlakvarkfontein Coal Mine, in February 2010.

The Penumbra Coal Mine is being developed as a conventional underground, room and pillar coal mining operation. Access is from twin declines developed at a 1:7 inclination from the high-wall of an 18m deep box-cut to mine the C-Lower coal seam. The declines will have a length of approx. 390m. One will be equipped with a conveyor and the second serving as a trackless equipment travelling route. Two mechanised coal production sections are planned, each with a Joy continuous miner. Run-of-mine production of 0.84Mtpa will be beneficiated through the Delta Processing Operations. Sales of 0.5Mtpa of a high quality export thermal coal product are 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 to other parties under export off-take agreements. At forecast average total costs of ZAR490/t FOB (May 2011 terms), the Penumbra Coal Mine is forecast to generate annual free cashflow of A$22m based on current exchange rates and export thermal coal prices.

During the six month period ended 31 December 2011, under the management of CCL'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') completed development of the box-cut ahead of schedule and on budget. Leomat also completed the civil construction for all site development works and surface coal handling facilities, as well as earth works for the pollution control dam, the security berm around the site and terrace for the site buildings, as well as the access roads and associated stormwater drainage. Also during the period Murray & Roberts, South Africa's leading engineering, contracting and construction services company were awarded the ZAR96m contract to complete development of the twin declines. Murray & Roberts successfully mobilised to site at the Penumbra Coal Mine in December 2011.

The Company also advanced the awarding of the contracts for the construction of the power line from the sub-station at the Delta Processing Operations to the Penumbra Coal Mine site and for the construction of the base for the co-disposal dam for the discard material from the wash plant. In addition the underground mining equipment tenders were finalised by the Company and TWP Projects, for the ZAR116m equipping of the two production sections with continuous miners and shuttle cars. To date over 60% of the development capital has now received firmed quotes from the preferred contractors, construction companies and suppliers that are in line with the Company's budget of approx. US$40m. All current development activities are proceeding in line with this budget and are slightly ahead of schedule.

First production from the development of the underground mining operation at the Penumbra Coal Mine is forecast to commence in Q3 2012 with full production rate targeted to be achieved in 6 months.

Development Projects - De Wittekrans Coal Project

During the six months period ended 31 December 2011, the Company completed its review of the preliminary draft of the Bankable Feasibility Study on the De Wittekrans Coal Project completed by study managers TWP Projects. The study demonstrated to the Company that the De Wittekrans Coal Project is both a technically and economically viable project and has the potential to generate significant returns for shareholders.

The preliminary draft of the Bankable Feasibility Report proposes that the De Wittekrans Coal Project is developed as a conventional opencast and underground mine. Opencast mining is proposed initially at a rate of 100,000t/month over a five year period. Underground development is proposed to commence in the second production year. Underground mining is proposed to utilise six continuous miner sections with production forecast to continue for +30 years. Planned processing of the 3.6Mtpa ROM production will be through a new 600t/hour dense medium separation wash plant.

Production of 1.7Mtpa of a domestic thermal coal product and a further 0.8Mt of a high quality export thermal coal product is forecast 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	ZAR308m (A$36m)
Annual Export Coal Sales	ZAR724m (A$89m)
Estimated Operating Expenses	
Annual Operating Expenses	ZAR486m (A$60m)
Average Unit Operating Expenses	ZAR140/t ROM (A$17/t ROM)
Average Operating Expenses	ZAR428/t Export (A$52/t Export)
Estimated Up-Front Capital Costs	
Surface Infrastructure and Siding[1]	ZAR554m (A$68m)
Coal Wash Plant[1]	ZAR308m (A$38m)
Underground Development	ZAR838m (A$103m)
Forecast Cashflow	
Annual Free Cashflow After Tax	ZAR270m (A$34m)

Assumes ZAR:USD of 7.75:1, A$:USD of 1.05:1, 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 that have the potential to reduce up-front capital commitments by approx. ZAR468m and accelerate project development and first coal production

The De Wittekrans Coal Project is forecast to have total operating costs (July 2011 terms) of ZAR449/t of export coal. Total up-front capital to be spent over the initial three years for the De Wittekrans Coal Project of ZAR1.7bn, comprises ZAR394m of surface infrastructure, ZAR308m for the coal wash plant, ZAR160m for offsite infrastructure and rail siding construction and ZAR838m f underground mine development. The up-front capital is offset over this period by approx. ZAR254m of operating cashflow from the initial three years of open cast operations.

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Exploration Projects - Vlakplaats Coal Project

During the six months period ended 31 December 2011, the Company and its joint venture partners, KORES and Masawu Investments (Pty) Ltd ("Masawu") continued exploration and development work on the Vlakplaats Coal Project. A ZAR32.5m budget has been approved to take the project through to completion of a Bankable Feasibility Study.

The Vlakplaats Coal Project is located 80km east of Johannesburg and 25km southwest of the Vlakvarkfontein Coal Mine. The Vlakplaats Coal Project has a JORC compliant inferred resource of 187.7Mt. Preliminary development studies of the Vlakplaats Coal Project have indicated that the project has the potential to be developed as an initial open cast operation followed by a bord and pillar underground operation mining both the 2 and 4 coal seams and producing up to 150,000 tpm of ROM coal for sales to the export and domestic market.

Exploration work during the period was concentrated on the potential open cast area in the northwest of the project, with additional work focused on the environmental management plan.

The Company believes that the joint venture with KORES on the Vlakplaats Coal project is of particular strategic importance given it is KORES' first investment in South Africa's coal sector and follows substantial investment by KORES in coal projects worldwide, including interests in 10 coal mines in Australia producing in excess of 25Mtpa.

Exploration Projects - Wolvenfontein Coal Project

During the six months period ended 31 December 2011, the Company completed the acquisition of the Wolvenfontein Coal Project for total consideration of ZAR10.4m that was paid in equity.

The Wolvenfontein Coal Project is located less than 5km to the west of the Vlakplaats Coal Project and its acquisition further consolidated the Company's position in the Delmas area and around the Vlakplaats Coal Project. The Wolvenfontein Coal Project has a JORC compliant inferred resource of 36.7Mt, a valid Prospecting Right and in addition to its proximity to infrastructure, it is bordered by four operating collieries and a number of advanced projects.

Exploration Projects - Botswana

The Company through its Botswana subsidiary, Weldon Investment (Pty) Ltd, holds three prospecting licenses covering an area of 964km² in Botswana. The licenses, PL339/2008 and PL340/2008 are known as the Serowe Project, and PL341/2008 is known as the Kweneng Project.

During the six months period ended 31 December 2011 the Company commenced an initial two phase diamond drilling exploration program. 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 diamond drilling program.

Discovery Drilling operated three drill rigs across the two project sites during the half year period with a total of ten diamond drill holes completed on each of PL340/2008 and PL339/2008 at the Serowe Project. Drilling at the Kweneng Project on PL341/2008 commenced in late November 2011 with just two holes completed prior to drilling works being stopped on 9 December 2011. A further 8 holes were completed subsequent to the reporting date in the March 2012 Quarter.

The drilling program of wide spaced (4km) boreholes at the Serowe Project on PL339/2008 and Pl340/2008 has defined the presence of major coal bearing carbonaceous zones in the central and northern portions of PL339/2008 and in the western and northern portions of PL340/2008. These zones correlate to the main Tshimoyapula and Lechana Coal Basins and to a lesser extent to the Morupule Coalfield area. A number of diamond holes were also drilled in the central and southern parts of PL339/2008 and eastern part of PL340/2008 as part of the Company's requirement to relinquished part of the landholding as part of the renewal of the licenses.

The drilling program at the Kweneng Project PL341/2008 commenced late in the Quarter, with two rigs on site in late November. Drilling of KW07 and KW08 were completed during the Quarter before drilling works were stopped on 9 December, core logging and sampling continued until 15 December and sample despatch until 22 December.

Preliminary results from the exploration program have indicated that the diamond drilling has intersected major coal bearing carbonaceous zones. Drilling on PL340/2008 on the north-western boundary of the license has indicated a coal mineralised strike length of approx. 20km and confirms previous historical results from exploration programs completed in the 1980s. Drilling on PL339/2008 on the north-eastern boundary, closest to PL340/2008 has further intersected major coal horizons and indicated a continuation of the identified coal horizons across from PL340/2008.

Boreholes across PL339/2008 and PL340/2008 with coal were geophysically logged by Poseidon Geophysics and the following parameters recorded: natural gamma, density and calliper. Samples have been taken from all the major coal horizons including inter-bedded coals and carbonaceous mudstones. Individual seams >1.0m thickness were sampled separately and sent to an accredited laboratory in South Africa for quality determination. Analytical results, originally due in January 2012, have been delayed and are expected to be received by the Company in the March 2012 Quarter.

Exploration Projects - Other

During the six months period ended 31 December 2011, 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 490km^2 and situated in the Mutitu, Mwingi East and Mwingi Central Districts of Kenya. The Company was advised that Chinese company Fenxy Mining Industry had been successful in its tender for one of the four concession blocks. The Company has continued to express its interest in one the other 3 concession blocks.

The Company continued its review of advanced and producing thermal and coking coal assets in Southern Africa, North America, Australia and Colombia. In addition several early stage exploration opportunities were reviewed. No firm decisions or commitments by the Company were made on these opportunities during the reporting period.

CORPORATE PERFORMANCE

Broad Based Black Economic Empowerment Investment in Continental

In November 2011 the Company and the Sishen Iron Ore Company Community Development Trust ("SIOC-cdt") executed Subscription and Shareholder Agreements under which SIOC-cdt has become the Company's new partner in South Africa.

The partnership with SIOC-cdt is considered by the Company to be a landmark agreement and will likely have a major impact on its business activities and opportunities in South Africa.

SIOC-cdt is an established and highly successful Broad Based Black Economic Empowerment Company that holds a 3% interest in Sishen Iron Ore Company ("SIOC"), the operator of the Sishen, Sishen South and Thabazimbi iron ore mines, Africa's largest iron ore mining operations.

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 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.

Under the terms of the agreement, SIOC-cdt has agreed to acquire the 26% interest in the Company's subsidiary in South Africa, currently held by Masawu. SIOC-cdt will assume the ZAR215m intercompany loan that has accrued between CCL and Masawu since October 2008 and has further agreed to repay to the Company ZAR140m upon settlement of the transaction. The Company will re-invest the approx. A$20m loan repayment directly back into its South African business.

During the period the Company and CCL continued to progress the various administrative matters necessary to satisfy the conditions precedent to allow settlement of the transaction to proceed. Subsequent to the end of the period the Company advised that it had satisfied all the key conditions precedent and was in the process of finalising the few remaining conditions precedent with settlement of the transaction scheduled to take place in the March 2012 Quarter, with the ZAR140m to be advanced to the Company.

Following completion of the transaction, SIOC-cdt has the right to appoint one director to the Company's Board and further have two directors, including the chairmanship of the board of the Company's subsidiary in South Africa.

ABSA Capital Debt Funding

The Company has executed secured loan documented with ABSA Capital. ABSA Capital has committed secured aggregate debt facilities of approx. US$65m. ABSA Capital is a division of Absa Bank Limited, one of South Africa's largest financial service providers and a subsidiary of Barclays Bank PLC.

The Company believes that the finalisation of the loan financing agreements with ABSA Capital, is a further key milestone in the growth of the Company and a major sign of support for our coal mining strategy in South Africa.

Documentation has been completed to allow the Company to proceed to draw down on the US$35m term loan facility to meet the Penumbra Coal Mine development costs. During the reporting period the Company continued to satisfy conditions precedent that is standard for a facility of this nature. No drawings were made as at 31 December 2011.

The Company will proceed to drawdown the US$35m tranche that is to be used to fund the development costs of the Penumbra Coal Mine, only when required, and in line with the project's current development schedule. The drawdown will follow CCL's expending its balance up-front of the projects development costs not met from the US$35m from its existing cashflow and upon fulfilment of all remaining conditions precedent.

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The Company is currently anticipating to draw on the US$35m tranche late in the March 2012 quarter and is currently not proposing to utilise any of the other tranches of funding.

As part of the debt funding with ABSA Capital, a coal and foreign exchange hedging program has been established to mitigate its exposure to a sustained fall in US$ coal prices or an appreciation of the ZAR:US$.

Total hedging of 664,550t of coal over the life of the term loan facility, representing only 12% of the JORC compliant reserves at the Penumbra Coal Mine, has been committed at an average price of ZAR1,057/t. The hedging has been achieved at a +50% premium to the average 3 and 5 year prices of approx. ZAR690/t. The average hedged coal price is at a premium to the highest coal price of ZAR983/t seen over the past 3 years and is forecast to provide robust margins to the Penumbra Coal Mine's forecast total FOB costs of ZAR490/t (May 2010 terms).

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

The Company progressed the sale of its shareholding in Vanadium and Magnetite Exploration and Development Co (SA) (Pty) Limited ("Vanmag") during the reporting period. The sale, when completed will result in net proceeds of approx. US$10m to be received by the Company.

The Company received all the outstanding necessary approvals for the sale of its interest in Vanmag to a Chinese based steel manufacturer. Conclusion of the transaction is now just dependent upon financial settlement by the buyer. The Company has worked closely with the buyer whilst it sought approval for the remittance of funds from China to South Africa. Settlement was delayed during the period as a result of these outstanding approvals of the buyer. The Company has committed to working with the buyer as it now looks to obtain the approvals necessary to complete settlement of the acquisition of Vanmag over the March 2012 Quarter.

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

During the reporting period documentation for the acquisition by CCL of the outstanding minority interests in Mashala Resources was completed and settlement is scheduled to take place in the March 2012.

As at 31 December 2011, CCL held a 83% interest in Mashala Resources and its subsidiaries.

By order of the Board

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Executive Director

Investors/ shareholders

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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, Vlakplaats and Wolvenfontein 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 information in this report that relates to Exploration Results of the Serowe and Kweneng Projects is based on data compiled 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.