

29 May 2012

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

By e-lodgement

**FERREIRA COAL MINE EXTENSION - ADDITIONAL ACQUISITION OF ADJACENT PROSPECTING RIGHT
VAALBANK COAL PROJECT - MEMORANDUM OF UNDERSTANDING WITH FORZANDO COAL MINES**



Mining activities at the Ferreira Coal Mine

Continental Coal Limited ("**Continental**" or the "**Company**"), the South African thermal coal production and development company, is pleased to announce that through its South African subsidiary Mashala Resources (Pty) Limited ("**Mashala**") has entered into an additional agreement that will allow the Company to further extend the operating mine life at the Ferreira Coal Mine and its production and exports of high quality thermal coal.

The Company is also pleased to announce that it has entered into an agreement with Forzando Coal Mines (Pty) Limited ("**Forzando Coal**") under which the two companies will jointly complete further exploration, drilling and geological modelling of the coal resources within the Company's Vaalbank Coal Project. Forzando Coal Mines (74% owned by Total Coal South Africa) operates four underground and opencast mines immediately north west and contiguous to the Vaalbank Coal

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Project and is currently looking to both acquire additional coal deposits and expand its current reserve base in the immediate vicinity of its operations.

Ferreira Coal Mine Extension

Under the terms of a recently executed Sale and Purchase agreement with Morningtide Investments 367 (Pty) Limited, Mashala has acquired the right to develop the Prospecting Right comprising Portions 27 and 100 of the farm Witbank 262 IT. Prospecting Right is located immediately adjacent to and adjoining the current open cast mining activities being conducted by the Company at the Ferreira Coal Mine.

The acquisition is in addition to the acquisition previously announced to the ASX on 30 April 2012, when the Company announced an agreement with Misty Sea Trading (Pty) Limited to acquire the right to develop the Prospecting Right comprising Portion 25 of the farm Witbank 262 IT, also located immediately adjacent to and contiguous to the Company's current mining activities at the Ferreira Coal Mine.

The Prospecting Right has been acquired by the Company for a market related monthly royalty payment on each tonne of run-of-mine coal mined.

Mine planning work has now commenced on the Prospecting Right to incorporate it into the Ferreira Coal Mine's new and extended mine plan. The Company has already lodged a Section 102 Application with the Department of Minerals and Resources, to allow it to conduct open cast mining activities, and will commence development once approval is obtained.

The Company's mining activities at the Ferreira Coal Mine are now planned to extend from the current open cast operations across and into the two recently acquired Prospecting Rights. Mining of an additional 250,000 to 300,000 ROM tonnes over a 6 to 8 month period is forecast from the new Prospecting Right acquisition from Morningtide Investments 367 (Pty) Limited and is in addition to the 350,000 to 400,000 ROM tonnes from the previously announced Prospecting Right acquisition from Misty Sea Trading (Pty) Limited.

Commenting on today's update, Continental Coal Limited Chief Executive Officer, Don Turvey, said *"The recently completed acquisitions of Prospecting Right's contiguous to our Ferreira Coal Mine, will materially extend the mine life and its production of a high quality export thermal coal. The acquisitions further demonstrate the strategic importance of the Delta Processing Operations, the Anthra Rail Siding and ability to export coal through the Richards Bay Coal Terminal."*

Vaalbank Coal Project Agreement with Forzando Coal

Under the terms of a Memorandum of Understanding executed between the Company and Forzando Coal, the parties have entered into a 12 month joint exploration program on the Company's Vaalbank Coal Project.

Forzando Coal is 74% owned by Total Coal South Africa, a subsidiary of international energy company, Total. Total Coal South Africa has been operating for more than 25 years and produces over 4Mtpa of export quality thermal coal from the Dorstfontein Coal Mine, Forzando North and South Coal Mines and Tumelo Coal Mine.

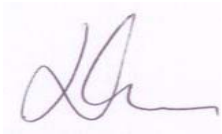
Total Coal South Africa is currently undergoing an expansionary phase and in addition to its advanced feasibility stage projects at Forzando West, DCM West and Eloff projects, it is seeking to both acquire additional coal deposits and expand its current reserve base in the immediate vicinity of its operations.

The two phase exploration program at the Vaalbank Coal Project will be managed by Forzando Coal. It will comprise an initial 20 hole diamond drilling program with associated raw and washed analyses of the coal qualities.

The two phase program has an initial budget of ZAR3m will be funded on a joint basis and is scheduled to commence this quarter. The exploration program will further establish the resources and coal qualities at the Vaalbank Coal Project.

Regards

For and on behalf of the Board.



Don Turvey
Chief Executive Officer

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL/US-OTCQX:CGFAY) is 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 rate 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

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.

