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

By e-lodgement

UPDATE ON PENUMBRA MINE DEVELOPMENT



The Penumbra Coal Mine adjacent to the Delta Processing Operations and Main RBCT Line

Continental Coal Limited (**ASX:CCC; AIM:COOL**) ("**Continental**" or the "**Company**") the South African thermal coal production, development and exploration company, is pleased to provide an update on the decline development and other site activities at the Penumbra Coal Mine, the Company's scheduled 3rd thermal coal mining operation.

Development activities at the Penumbra Coal Mine have continued in May 2012 with the primary focus continuing to be the advance of the twin declines by the decline development contractor, Murray & Roberts.

During the month of May 2012, Murray & Roberts advanced the twin decline development a further 98m, an increase on the 58m achieved in April 2012. As at the end of May 2012, the twin declines had been advanced to a combined total length of 233m (135m as at 30 April 2012). The conveyor road has advanced down 126m (April 2012 - 79m) and the travelling road down 107m (April 2012 - 56m).

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During the month of May 2012 other activities at the Penumbra Coal Mine site included the awarding of civil and building contracts to supply and erect the prefabricated buildings, stores and workshops on site. Both had completed site establishment by 8 June 2012. In addition tenders were closed for the water reticulation system, water treatment plant and main ventilation fan. The low voltage ventilation fan substation design and quote was also received. Construction commenced for the 630kVA and 1250kVA transformers and containerised medium voltage substations, both of which are scheduled for completion in June 2012.



The Penumbra Coal Mine Currently Under Construction

The Penumbra Coal Mine will be the Company's third thermal coal mining operation in South Africa. Development commenced in September 2011, with excavation of the box-cut to a depth of 18m, followed by development of the twin declines with the first blast in the decline completed in early February 2012.

The twin declines are being developed at a 1:7 inclination from the high-wall. The declines will each have a length of approx. 390m. One of the declines will be equipped with a conveyor and the second serving as a trackless equipment travelling route. The declines will also serve as the ventilation intakes of the mine. Two mechanised continuous miner production sections and one stone development section are planned.

Planned production of 750,000 tonnes per annum of ROM coal will be beneficiated through the existing (and adjacent) Delta Processing Operations, which comprises a 1.8Mtpa coal processing plant and the 1.2Mtpa Anthra Rail Siding. Sales of 500,000 tonnes per annum of a high quality export thermal coal RB1 specification coal product are forecast to commence in early Q4 2012. The export thermal coal product will be transported by rail through to the Richards Bay Coal Terminal and sold under existing off-take agreements. At forecast average total FOB costs of ZAR490/t (May 2011 terms), the Penumbra Coal Mine is forecast to generate annual free cashflow of between US\$15m - US\$20m and benefits from the Company's robust coal price hedging program that has been established on approx. 665,000t at an average price of ZAR1057/t.

For and on behalf of the Board.



Don Turvey
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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.