Continental Coal Ltd
ABN 13 009 125 651 ASX Code CCC AIM Code COOL

21 November 2012

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

By e-lodgement

OPTIMISATION WORK ON DE WITTEKRANS COAL PROJECT IDENTIFIES OPPORTUNITY TO ENHANCE PROJECT ECONOMICS AND REDUCE CAPITAL AND FUNDING REQUIRED FOR FIRST PRODUCTION

Key points:

- **Optimization work on the 2011 De Wittekrans Feasibility Study demonstrates the opportunity to enhance the projects technical and financial fundamentals**
- **Proposed exports of 2.4Mtpa of a thermal coal product, ideally suited for the Asian Coal Market, over an initial 30 year mine life**
- **Capital costs and funding requirements forecast to reduce through utilization of existing coal wash plants and rail sidings and/or construction the wash plant under a BOOM contract**
- **Annual forecast thermal coal exports planned to increase from 0.8mtpa to 2.4Mtpa with total annual sales revenue forecast to increase by over 35% to up to approx. US$145m**
- **Annual forecast free cashflow after tax increases by approx 30% to up to approx. US$30m**
- **Indicative Equity Project NPV_{10} in excess of US$110m, IRR of approx. +20%**
- **Optimization work demonstrates that the De Wittekrans Coal Project has the potential to become the Company's "flagship" project and generate strong returns**
- **Company in discussions with several parties for funding of the Project through a strategic joint venture and/or long-term coal offtake agreement and commercial bank finance**
- **Company to now appoint independent technical consultants to update the 2011 Feasibility Study ahead of a planned development decision in 2013**

Continental Coal Limited (**ASX:CCC**) ("**Continental**" or "**Company**") the South African thermal coal production, development and exploration company, is pleased to announce the preliminary results from optimisation work completed on the De Wittekrans Coal Project that has indicated the potential to substantially improve the project economics and reduce the capital expenditure required to bring the De Wittekrans Coal Project into production.

In 2011 a Feasibility Study completed by independent mining consultants TWP Projects confirmed that the De Wittekrans Coal Project was both technically and economically viable. Based on a review of the study, management further 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.

South Africa
T +27 11 881 1420 F +27 11 881 1423 W www.conticoal.com
9th Floor Fredman Towers, 13 Fredman Drive, Sandton 2196
PO Box 787646, Sandton 2146

Australia
T +61 8 9488 5220 F +61 8 9324 2400 W www.conticoal.com
Ground Floor, 1 Havelock Street, West Perth, WA 6005
PO Box 684, West Perth WA 6872

In the March 2012 quarter, the Company appointed mining consultant ECMA Consulting (Pty) Ltd to complete an initial infrastructure optimization study. Geological consultants Gemecs (Pty) Ltd were also enagaged to complete further coal product analyses that was to be used by the Company to determine whether the proposed 2 coal product mix in the 2011 Feasibility Study was the most optimal for the Project given the low primary wash plant yields used in the Feasibility Study and the increased demand from the Asian markets for a low grade export thermal coal product.

The results of this initial optimsiation work have been received and have been incorporated into the 2011 Feasibility Study results and the indicative results are summarized below.

DE WITTEKRANS COAL PROJECT

OPTIMISATION RESULTS COMPARED TO INITIAL FEASIBILITY STUDY RESULTS

	Initial Feasibility Study Results[1]	Optimisation Results	Change
Reserves and Mine Life			
Mine Life	33 years	**33 years**	-
Saleable Reserves	43.8Mt	**43.8Mt**	-
Gross In Situ Resources	167.0Mt	**167.0Mt**	-
Run of Mine (ROM) Production			
Annual ROM Production	3.6Mt	**3.6Mt**	-
Total Open Cast ROM Production	6.1Mt	**6.1Mt**	-
Total Underground ROM Production	110.0Mt	**110.0Mt**	-
Primary Wash Plant Yields (%)			
Open Cast Primary Yield	29.16%	**78.00%**	+167%
Underground Primary Yield	26.26%	**75.00%**	+186%
Coal Sales			
Annual Domestic Coal Sales	1.7Mt (Eskom)	**-**	-
Annual Export Coal Sales	0.8Mt (6 000 kcal Export)	**2.4Mt (5 000kcal Export)**	+200%
Forecast Sales Revenue			
Annual Domestic Coal Sales	ZAR 306m	**-**	-
Annual Export Coal Sales	ZAR 645m	**ZAR 1,292m**	+100%
Total Annual Sales Revenue	ZAR 951m	**ZAR 1,292m**	+37%
Estimated Operating Expenses			
Average Unit Operating Expenses	ZAR 140/t ROM	**ZAR 251/t ROM**	+76%
Average Operating Expenses	ZAR 614/t Export	**ZAR 367/t Export**	-30%
Estimated Capital Costs			
Total Capital Costs to First Production	ZAR 342m	**ZAR 161m**	-53%
Surface Infrastructure and Siding	ZAR 554m	**ZAR 444m**	-20%
Coal Wash Plant	ZAR 308m	**-**	-
Underground Development	ZAR 838m	**ZAR 838m**	0%
Forecast Cashflow			
Annual Free Cashflow After Tax	ZAR 215m	**ZAR 276m**	+28%

Assumes ZAR:USD of 8.75:1, Eskom coal sales at ZAR9.00/GJ, 6 000kcal API4 coal price of US$90/t and a 30% discount in pricing to API4 for the 5 000kcal Export product

[1] Feasibility Study Results have been updated based on the revised exchange rates and export thermal coal prices above.

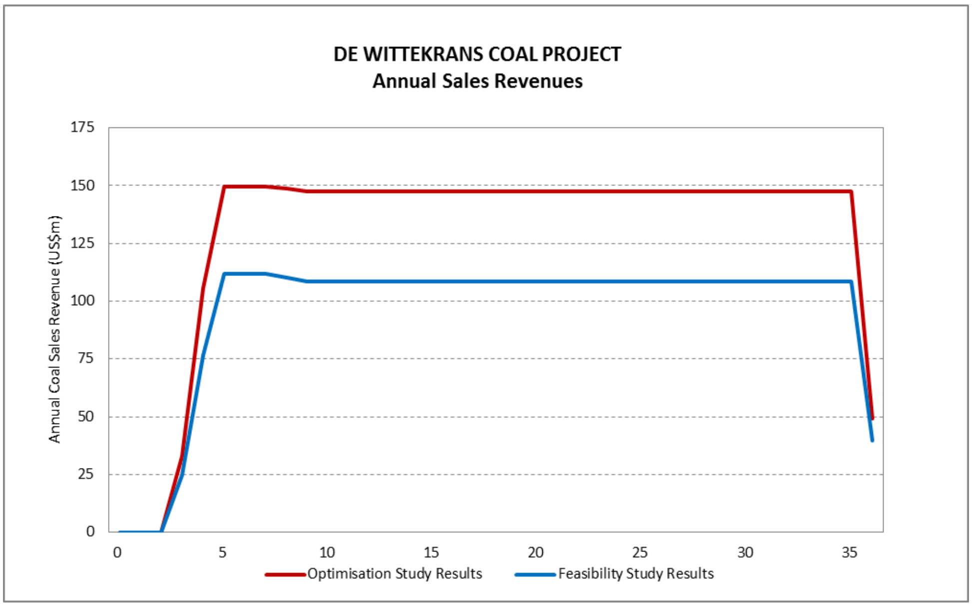
Increased Primary Yields and Higher Value Coal Product and Forecast Revenues

Coal product analyses have indicated that a potential optimal coal product could be achieved when the ROM coal is washed for a single 5,000 kcal primary product.

The 5,000 kcal thermal export coal product has become increasingly in demand in the Asian market and in India in particular over the past decade.

Indicative opencast and underground primary wash plant yields of 75% and 78% have been determined for when the De Wittekrans ROM coal is washed to a 5,000 kcal export coal product compared to 29% and 26% for the 6,000 kcal export coal product used in the Feasibility Study. Based on these yields, saleable coal of approx. 2.4Mtpa (after mining dilution and wash plant efficiencies) of the 5 000kcal export coal product is now forecast from the planned 3.6Mtpa ROM production. This compares to production of 1.7Mtpa of a 20MJ/kg domestic coal product and 0.8Mt of a 27.5MJ/kg export thermal coal product.

The value per tonne of coal product sold under the preliminary results of the optimisation work completed increases by up to 40% to US$63/t from the US$45/t determined in the 2011 Feasibility Study.



Projected annual coal sales revenues have the potential to increase by up to 40% to approx. US$150m based upon the resulst of the initial optimisation work completed.

Reduced Capital Costs and Lower Funding Requirement and Risk Profile for Development

The initial optimisation work completed by ECMA Consulting concluded that major capital costs savings for the planned development of the De Wittekrans Coal Project could be achieved if the mine can toll wash its ROM coal, either off site or in a BOOM plant on site where a contractor would charge on a unit cost to beneficiate the coal. The other major capital saving would be utilising an existing third party's rail siding for loading the coal product onto export trains. A number of options for both these scenarios were identified as part of the study. In addition to the Company being able to wash the initial forecast opencast production tonnage at its Delta Processing Operations in Ermelo and to load it at the current loading facility and rail siding, longer term options were reviewed with current operators as well as with new projects to be built in the area (within 40km from De Wittekrans) by third parties. Coal may be washed and loaded at these facilities at an operating cost premium but with very little to no capital required for the wash plant and rail siding.

The total capital budgeted in the Feasibility Study for the project development comprised ZAR394m of surface infrastructure, ZAR308m for the coal wash plant and ZAR160m for offsite infrastructure and rail siding construction. In addition upon the commencement of underground development a further ZAR838m of mine development costs were to be incurred to establish the six underground continuous miner sections.

These capital costs can be reduced by up to approx. ZAR418m (approx. US$50m), with reductions due to ZAR308m from the wash plant and ZAR110m from surface and off site infrastructure costs.

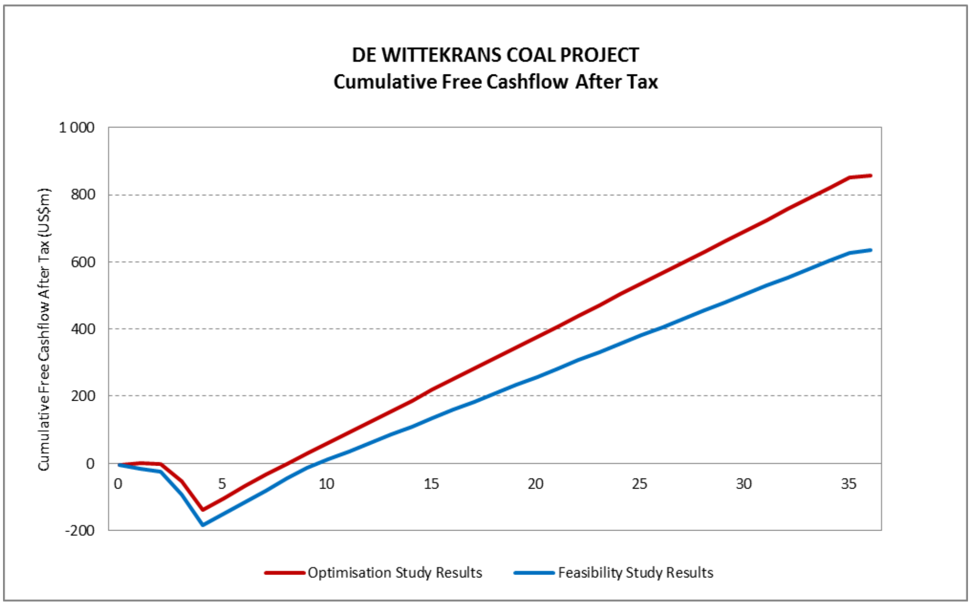
In addition the forecast total capital costs to achieve first production from the planned opencast mining operation can also be reduced by up to 53% from ZAR342m estimated in the 2011 Feasibility Study to approx. ZAR161m (approx. US$14m).

The improved project cashflows, lower up front and total development capital and reduced risk profile for the project's development identified in the initial optimization work completed to date, has the potential in the Company's opinion to materially improve its ability to secure the necessary funding to develop the project, even in the current volatile debt and equity capital markets.

The Company continues in its discussions with several parties for funding of the Project through a strategic joint venture and/or a long-term coal offtake agreement and in addition advancing a debt funding package with a number of investment banks and existing lenders. The Company has already submitted letters of intent to secure additional port and rail capacity to match the proposed export volumes from the De Wittekrans Coal Project.

Improved Project Economics

The Company has incorporated the preliminary results from the work completed into an Updated Financial Model to allow an assessment to be made of the proposed changes in saleable coal product volumes and pricing and the forecast reduced capital costs. Physical inputs from the 2011 Feasibility Study have remained the same.



Operating costs in the Updated Financial Model have been increased to reflect actual current industry costs. This has resulted in a 20% to 30% increase in the unit underground and opencast mining costs used in the 2011 Feasibility Study. Rail siding operating costs and port and rail costs have further been increased to reflect the proposed development strategy of utilising third party infrastructure.

The optimisation work completed, has indicated the potential to reduce total unit costs FOB for the De Wittekrans Coal Project to be ZAR366/t (approx. US$42/t). The total forecast free cashflows after tax from the De Wittekrans Coal Project are also estimated to improve by approx. 35% under the assumptions and results of the initial optimisation study to be in excess of US$850m.

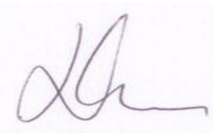
Development Timetable and Status of Regulatory Requirements

Based upon the preliminary results of the optimization and infrastructure study work completed on the De Wittekrans Coal Project, the Company is proceeding to now appoint an independent technical consultant to update the 2011 Feasibility Study. The Company believes that the results from the initial optimization work done to date has indicated the the potential for further improvements to be achieved through this process.

The Company is well advanced in its application for the New Order Mining Right (submitted in 2010) and anticpates it being granted by the Department of Minerals and Resources in the coming months.

Subject to receipt of the regulatory approvals and market conditions the Company anticipates a development decision for the De Wittekrans Coal Project to be made in H2 2013.

For and on behalf of the Board,



Don Turvey
Chief Executive Officer

For further information please contact:

Investors/ shareholders

Jason Brewer
Executive Director
T: +61 8 9488 5220

E: admin@conticoal.com
W: www.conticoal.com

Don Turvey
Chief Executive Officer
T: +27 11 881 1420

Media (Australia)

David Tasker
Professional Public Relations
T: +61 8 9388 0944

Media (UK)

Mike Bartlett/ Jessica Fontaine/ Jos Simson
Tavistock Communications
T: +44 20 7920 3150

Nominated Advisor

Stuart Laing
RFC Ambrian Limited
T: +61 8 9480 2500

Joint Brokers

Mark Wellesley-Wood / Chris Sim
Investec Bank plc
T: +44 20 7597 4000

Joint Brokers

Andrew Young
GMP Securities Europe LLP
T: +44 20 7647 2800

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 three operating mines, the Vlakvarkfontein, Ferreira and Penumbra Coal Mines, producing 2.8Mtpa of thermal coal for the export and domestic markets. The Company's first underground mine, the Penumbra Coal Mine, commenced development in September 2011 and produced first coal in November 2012. In 2011, a Feasibility Study was also completed on a proposed fourth mine, the De Wittekrans Coal Project. The Company has further 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 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 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.