

26 November 2012

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

**By e-lodgement**

**FIRST PRODUCTION FROM PENUMBRA COAL MINE**



*First Run of Mine Coal from the Penumbra Coal Mine*

**Key points:**

- **First coal production achieved from the Penumbra Coal Mine**
- **Decline development advanced to a full face of the C-Upper and C-Lower Coal Seams**
- **First saleable export thermal coal to be produced this month following processing of the ROM coal through the Company's nearby Delta Processing Operations**
- **ROM production of 5,000 to 10,000 tonnes now forecast for the December Quarter with targeted production rate of 63,000 tonnes per month, by 30 June 2013**
- **Continental now operates 3 coal mines, with a combined ROM production rate of 2.8Mtpa of thermal coal for both the export and domestic markets**
- **Financial settlement of first Penumbra Coal Mine coal hedge contracts in October and November already resulted in hedging gain of ZAR2.1m**

Continental Coal Limited (**ASX:CCC**) ("**Continental**" or "**Company**") the South African thermal coal production, development and exploration company, is pleased to announce that it has begun producing thermal coal from its Penumbra Coal Mine in South Africa. The commencement of underground coal mining activities at the Penumbra Coal Mine, the Company's third operating thermal coal mine, is a major milestone for the Company.

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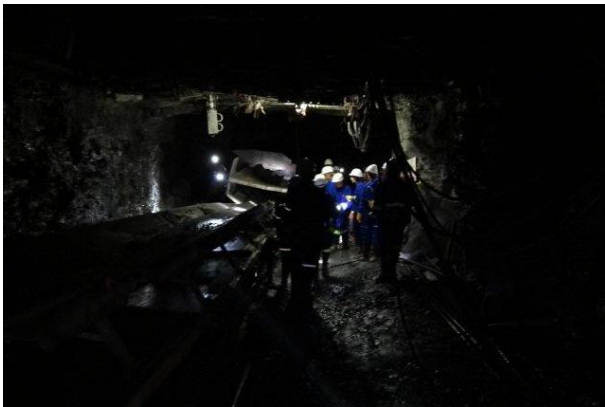
**Independent Non-Executive Chairman** Mike Kilbride **Chief Executive Officer** Don Turvey **Executive Director** Jason Brewer  
**Non-Executive Directors:** Johan Bloemsmas Peter Landau James Leahy Andy Macaulay Connie Molusi

*"To be able to announce that we have achieved first coal production from the Penumbra Coal Mine is a really significant moment for the Company. It is the result of a huge effort from our operations team and a number of contractors that have been working together on this project for the past 14 months," Continental's Chief Executive Officer, Don Turvey said.*



**Run of Mine Coal from Decline Development is Stockpiled at the Penumbra Coal Mine**

*"Penumbra will soon be making its first export thermal coal sales and generating its first cashflow. It is set to be a long-life and low-cost operation which should generate significant and sustainable returns for shareholders." Mr. Turvey added.*



**Underground at the Penumbra Coal Mine**

First thermal coal production from the Penumbra Coal Mine mine was achieved from underground development activities, by the decline contractors Murray & Roberts, as the twin declines were advanced into a full face of the C-Upper and C-Lower Coal Seams. The declines first developed into the C-Upper Coal Seam in mid November 2012 and subsequent advances of the declines has now fully exposed the C-Upper and C-Lower Coal Seams. ROM coal has been stockpiled at the Penumbra Coal Mine and is being hauled to the Company's Delta Processing Operations for processing through the existing wash plant.

ROM coal production from development activities in the declines will continue over the next 5 days as the first of two 14HM15 Joy Continuous Miners is commissioned ahead of commencing full scale underground mining activities later this month and into December.

ROM production of 5,000 to 10,000 tonnes for the December Quarter 2012 are forecast, ramping up to the targeted ROM production rate of 63,000tonnes per month by 30 June 2013.



***The C-Upper Coal Seam in the Decline at the Penumbra Coal Mine***

The Penumbra Coal Mine has JORC Compliant Reserves of 5.4Mt and total JORC Compliant Resources of 68.3MT. It is forecast to produce 750,000 tonnes per annum of ROM coal over an initial 10 year mine life at forecast average total FOB costs of ZAR490/t (May 2011 terms), approx. USD\$57/t. The ROM production 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 now forecast to commence this quarter.

First export thermal coal sales from the Penumbra Coal Mine are expected in December 2012.

In FY 2013, sales of approx. 200,000t of a high-quality export thermal coal are forecast from the Penumbra Coal Mine at total free-on-board (FOB) costs of ZAR471/t (approximately US\$55/t) and forecast to generate approx. US\$17m in revenue this financial year and forecast to rise to approx. US\$45m in FY2014 with between US\$15m and US\$20m of forecast free cashflow based on current export coal prices.

The coal from the Penumbra Coal Mine will be transported by rail to the Richards Bay Coal Terminal and sold under existing off-take agreements into the spot market and under existing coal hedging contracts. Financial settlement of the first Penumbra Coal Mine hedge contracts in October and November 2012 have already resulted in a hedging gain of ZAR2.1m (approx. A\$0.25m) for the Company.

Construction and development activities at the Penumbra Coal Mine are scheduled to continue through to June 2013, with additional underground shaft bottom development and the construction of the upcast ventilation shaft representing two of the key activities. Capital costs for the approx. ZAR325m (approx. A\$39m) mine development have been predominantly funded from the Company's cash. The outstanding capital costs are fully funded from drawings under a secured project finance tranche of funding from ABSA Capital.

For and on behalf of the Board,



Don Turvey  
Chief Executive Officer

For further information please contact:

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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 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 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.