



Continental Coal Ltd

ABN 13 009 125 651 ASX Code CCC AIM Code COOL

12 December 2012

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

By e-lodgement

FIRST COAL SALES FROM PENUMBRA COAL MINE

DRAWDOWN OF ABSA CAPITAL FUNDING



Coal at the Company's Anthra Rail Siding For Loading and Rail to RBCT

Key points:

- **First export thermal coal sales completed from the Penumbra Coal Mine**
- **First of two Continuous Miners successfully commissioned underground and operating at the C-Lower coal seam face**
- **Second Continuous Miner and associated underground mining equipment arrives on site and to be commissioned early in the March 2013 Quarter**
- **Initial drawdown of the ABSA Capital ZAR253m project finance facility completed with funds to meet outstanding capital development costs and underground mine equipment costs**
- **Financial settlement of Penumbra Coal Mine coal hedge contracts for the December Quarter of 12,900 tonnes result in a hedging gain of ZAR3.0m**

Continental Coal Limited (**ASX:CCC**) ("**Continental**" or "**Company**") the South African thermal coal production, development and exploration company, is pleased to announce that the first export thermal coal sales from the Penumbra Coal Mine have been completed.

ROM coal mined from the Penumbra Coal Mine over the past two weeks has been processed through the Company's Delta Processing Operations and together with coal from the Company's Ferreira Coal Mine has been sold into the export thermal coal market after being railed to the Richards Bay Coal Terminal.

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Non-Executive Directors: Johan Bloemsmas Peter Landau James Leahy Connie Molusi

Penumbra Coal Mine



The Continuous Miner Underground at the Penumbra Coal Mine

Underground coal mining activities at the Penumbra Coal Mine have intensified over the past two weeks with the first of the two 14HM15 Joy Continuous Miners successfully commissioned and now in operation. Decline development has also now been completed and the decline contractors Murray & Roberts, will be de-mobilising from the project site prior to the holiday break.



The First of Two 14HM15 Joy Continuous Miners Underground at the Penumbra Coal Mine

The Continuous Miner is currently cutting coal in the decline bottom development area and will be expanding the main underground development towards the upcast ventilation shaft in FY2013. Approx 5,000 tonnes of ROM coal are forecast from operations in the current December 2012 Quarter.

ROM coal from current mining activities at the Penumbra Coal Mine has been processed through the Delta Processing Operations and stockpiled adjacent to the Company's Anthra Rail Siding. The first export thermal coal from the Penumbra Coal Mine was loaded, with coal from the Company's Ferreira Coal Mine, and despatched to the Richards Bay Coal Terminal on 8 December. Further export coal from the Penumbra Coal Mine will be loaded and despatched this week.

The planned ramp up of underground mining is on track with the second 14HM15 Joy Continuous Miner and associated equipment delivered to site in early December.

ROM production is forecast to increase with the commissioning of the second Continuous Miner in the New Year and up to 95,000 tonnes of ROM coal production is planned in the March 2013 Quarter, before reaching the targeted quarterly ROM production rate of 185,000 tonnes in the June 2013 Quarter.

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.

Revenue from the Penumbra Coal Mine is forecast to rise to approx. US\$45m in FY2014 on full year export thermal coal sales of 500,000 tonnes, and generating between US\$15m and US\$20m of forecast cashflow based on current export coal prices.

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 have now commenced.

ABSA Capital Debt facilities

The Company is also pleased to confirm that it has completed the first drawdown of its secured debt project finance facility with ABSA Capital.

The ZAR253m (approx. US\$30m) seven year term loan facility and ZAR17.5m (approx. US\$2.1m) standby facility are limited recourse debt facilities that are to be used to fund the outstanding capital, mine equipment and working capital costs associated with the development and commissioning of the Penumbra Coal Mine.

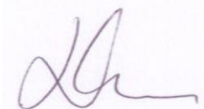
An initial drawing of ZAR132m has been made by the Company. Further drawings of the term loan facility are scheduled in the next quarter.

Repayment of the term loan facility is scheduled to commence in August 2014, with subsequent quarterly repayments averaging US\$1.3m to be made from operating project cashflow up to November 2019. Capital costs incurred to date for the Penumbra Coal Mine development have been predominantly funded from the Company's cash. The Company does not anticipate drawing on the ZAR17.5m standby facility given the total ZAR325m project development remains largely on budget.

In addition to the Company's coal and foreign exchange hedging program that was implemented earlier this year (664,550 tonnes of coal over the life of the term loan facility at an average price of ZAR1,057/t) to mitigate its exposure to a sustained fall in US\$ coal prices or an appreciation of the ZAR:US\$, the Company has further entered into an interest rate swap to mitigate its exposure to a rise in interest rates.

During the December 2012 Quarter financial settlement of 12,900 tonnes of the first Penumbra Coal Mine hedge contracts was completed and has resulted in a hedging gain of ZAR3.0m (approx. A\$0.36m) for the Company for the Quarter.

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 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.