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The Manager
 Company Announcements
 Australian Securities Exchange Limited
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 Sydney NSW 2000

By e-lodgement

PENUMBRA RAMP UP AND MINE OPERATIONS UPDATE



Open Cast Coal Mining Activities at the Vlakvarkfontein Coal Mine in February 2013

Key points:

- Penumbra Coal Mine on track for a successful ramp up in thermal coal production in FY2013, with monthly production in January 2013 of 14,031 tonnes, a +400% month on month increase
- Underground mine development progresses with the current focus on expanding underground mine infrastructure and services to support the planned increased coal production levels
- Second Joy 14HM15 Continuous Miner to be operating underground by end of February 2013 and set to further increase total coal production in the March 2013 Quarter
- Penumbra Coal Mine development remains on schedule to be completed within the approved ZAR328m budget and with no identified cost overruns
- Mine operations at the Vlakvarkfontein and Ferreira Coal Mine continue to perform well with run of mine coal production in January 2013 in line with budget, thermal coal sales ahead of budget and production costs below budget

Continental Coal Limited (**ASX:CCC/AIM:COOL**) ("**Continental**" or "**Company**") the South African thermal coal production, development and exploration company, is pleased to provide an update on the ramp up in mine production and development activities at the Company's third operating coal mine, the Penumbra Coal Mine, and an update on operating performance at the Company's Vlakvarkfontein and Ferreira Coal Mines and Delta Processing Operations in South Africa.

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Penumbra Coal Mine

Since commencing coal production of the C Lower Coal Seam with the first Joy 14HM15 Continuous Miner on 17 December 2012, activities at the Penumbra Coal Mine to date have been focussed on the following key areas:

- Development of underground mine infrastructure and services at the base of the twin declines
- Establishment of underground workshops, sub-stations and water management infrastructure
- Development of additional mine production panels ahead of commissioning of the second Joy 14HM15 Continuous Miner
- Employment of additional mining personnel

The Company has successfully increased ROM production over the month of January 2013 as more coal panels have been developed, as greater underground operating flexibility has been achieved and as the focus underground has progressively moved towards production in the first of the two underground continuous miner sections.

ROM production in January 2013 was 14,031t, compared to 2,694t in the previous month and representing over a +400% increase. ROM coal has been processed through the Delta Processing Operations and primary export yields of 37.2% have been achieved in January 2013, a significant improvement of primary export yields of 26.2% achieved in December 2012. Primary export yields of 67% are forecast to be achieved once the Penumbra Mine has achieved steady state operating levels by June 2013.

Export sales from the Penumbra Coal Mine have continued over the month and in January 2013 totaled 5,212t, compared to 854t in the previous month. Export thermal coal sales have been made directly from the Company's Anthra Rail Siding, through its own rail and port allocations from the Richards Bay Coal Terminal and sold into the export market under existing off-take agreements.

The Company is currently in the process of preparing to commence commissioning of the second Joy 14HM15 Continuous Miner underground in the second section. Production from the second section is forecast to commence by the end of February 2013 and will lead to a further increase in ROM production.

Underground ROM production for February 2013 is forecast to be 20,000-25,000t, with production of 35,000-40,000t in March 2013 with both Continuous Miners in operation. Monthly budgeted ROM production of approx. 63,000t is forecast by June 2013.

Completion of the outstanding mine development and construction activities by the Company is ongoing. Over approx. 90% of the planned project capital expenditure has been committed and over 80% expended. The remaining underground capital development and surface infrastructure, including the main ventilation shaft fans and shaft is the only key outstanding development, which is forecast to be completed by April 2013 with all outstanding capital and development capital costs to be met from the ABSA Capital Debt Facilities.

The Penumbra Coal Mine 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 500,000tpa of a high quality export thermal coal RB1 specification coal product are forecast.

Ferreira Coal Mine

Mine operations at the Ferreira Coal Mine have continued to perform strongly in January 2013 following on from the establishment of the new opencast mining operations in the adjacent and adjoining Prospecting Rights in the December 2012 quarter.



Open Cast Coal Mining Activities at the Ferreira Coal Mine in February 2013

In January 2013, ROM coal production of 56,886t was achieved, +20% above budget and 12% above the average monthly ROM production achieved in the December 2012 quarter. ROM coal production for January 2013, once again exceeded budget and exceeded the ramp up production profile. Year to date total FOR costs have continued to remain below budget and have averaged ZAR563/sales tonne (approx. A\$63/t and 12% below budget).

Vlakovarkfontein Coal Mine

The Vlakovarkfontein Coal Mine has continued its performance in 2013 with ROM production in January of 103,751t in line with the average monthly ROM production achieved in the December 2012 quarter.

Total thermal coal sales of 111,992t exceeded budget, with 96,172t for Eskom and 15,820t of non-select coal sales. The Vlakovarkfontein Coal Mine is still forecast to exceed budgeted ROM production and thermal coal sales for FY2013.

Year to date mining costs at the Vlakovarkfontein Coal have averaged ZAR78/t ROM (approx. 22% below budget). Total FOT costs year to date have averaged ZAR126/sales tonne (approx. 10% below budget). Average sales price received year to date was ZAR181/t.

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, are set to produce at an annualised rate of 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 and further optimisation studies completed in 2012. 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.