31 October 2014

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014

Continental Coal Limited ("**Continental**" or "**the Company**") provides its operations report for the quarter ended 30 September 2014.

1. OPERATIONS

1.1 Operational performance

Operational performance (tonnes)		
	Quarter ended 30 September 2014	**Quarter ended 30 June 2014**
Run of Mine (ROM) production		
Vlakvarkfontein	361,213	383,363
Penumbra	152,050	155,726
Total ROM production	**513,263**	**539,089**
Feed to plant		
Penumbra	151,663	151,925
Total feed to plant	**151,663**	**151,925**
Export yields		
Penumbra	60.4%	60.2%
Export coal buy-in	**-**	**10,831**
Domestic sales	298,620	360,729
Export sales	106,673	82,053
Total sales	**405,293**	**442,782**

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Interim Executive Chairman: Dr Paul D'Sylva Interim Executive Director: Mr Peter Landau
Non-Executive Directors: Dr Lars Schernikau and Bruce Buthelezi

Total ROM coal production for the quarter of 513,263t from the Vlakvarkfontein and Penumbra Coal Mines was on budget for the quarter.

A total of 151,663t was processed through the Delta Processing Plant for the Quarter, a decrease since the last quarter due to feed being put through from the Penumbra Coal Mine only. The Plant has additional capacity which the Company is in the process of marketing to selected coal suppliers.

Export yields at the Penumbra Coal Mine have shown a steady increase during the past 12 months with the average yield of 60.4% recorded for the quarter.

Domestic sales from the Vlakvarfontein Coal Mine have decreased for the quarter mainly as a consequence of one of the coal supply contracts coming to an end. The Company is currently in negotiations with various parties to renew the contract.

1.2 Vlakvarkfontein Coal Mine

Vlakvarkfontein Coal Mine produced 361,213t ROM for the quarter, which is approx. 10% higher than budgeted.

An average strip ratio of 2.02:1 was achieved for the quarter.

Total thermal coal sales during the quarter from the Vlakvarkfontein Coal Mine were 298,620t and comprised 178,115t to Eskom, 51,995t ad-hoc sales of select product and 44,326t of non-select coal.

Mining Costs at Vlakvarkfontein averaged ZAR 88.69/t (US$8.24/t) ROM for the quarter.

1.3 Penumbra Coal Mine

ROM coal production at the Penumbra Coal Mine for the Quarter totaled 152,050t. As previously reported the Company has encountered stone rolls that are displacing the coal seam in the mining area and this is impacting on the production rate and the delivered yield due to added contamination. Additional drilling was completed during the quarter to assess the extent of the stone rolls the results of which management, in conjunction with mining consultants, have reviewed and revised the production lay-out and the mining areas accordingly in order to mitigate the impact of the stone rolls on the production rate of the continuous miners. As procedures are implemented the ROM and yield are increasing.

Export yields at Penumbra have been steady during the quarter with the average yield of 60.4% recorded. The yield is expected to improve to the planned 62% with the increase in production and the mitigation of the additional contamination caused by the stone rolls.

Mining costs of ZAR 168.48/t (US$15.65/t) ROM and FOB costs of ZAR 699.09/t (US$64.95/t) per sales tonnes recorded for the quarter. Total FOB costs are reducing with further reductions expected in the coming months given the forecast increase in production and improved mining conditions.

The Company received ZAR 5.9m (AUD $606k) revenue for the quarter from the ABSA forward hedging contract at Penumbra.

1.4 Ferreira Coal Mine

The consolidated closure plan for Ferreira was submitted to the DMR and the DWA in late September 2014.

1.5 Health and Safety

Four accidents occurred during the quarter, one Lost Time Incident Reportable ("LTI"), one Lost Time Incident ("LTI"), one Dressing Station Case ("DSC") incident and one Medical Treatment Incident (MTI) were reported at the Company's mining and processing operations at the Penumbra Underground Mine with none reported at the Vlakvarkfontein Mine and Delta processing facility. The accidents had no material impacts and their causes are being addressed.

2. DEVELOPMENT PROJECT

2.1 De Wittekrans Coal Project

The two sites selected for mining are still being evaluated as to which site will be selected for the first phase of mining. Site selection is expected during the coming quarter. All specialist environmental studies have previously been completed however during the quarter a revised mine design and layout was required to be submitted to the Environmental Impact Management Services who are in the process of finalising the Environmental Impact Assessment for submission to the Department of Water Affairs in support of the Company's Integrated Water Usage License application.

3. EXPLORATION PROJECTS

3.1 Botswana Coal Projects

Both PL340 and PL341 have now been transferred and a binding MOU concluded during the quarter, the terms being that the purchaser will undertake to pay all costs required by the Ministry to fulfil the current obligations of the PL's and on production of first gas the Company will receive US1m.

4. NON-CORE ASSETS

During the quarter the Company received an offer to purchase of one of the non-core assets which it is currently reviewing.

5. CORPORATE

5.1 Recapitalisation

During the Quarter the Company announced a fully underwritten non-renounceable rights issue prospectus to raise approximately A$35.1m by way of the issue of up to 7,035,234,408 new shares at an offer price of $0.005 per new share which was approved by shareholders at a General Meeting on 24 September 2014.

Subsequent to the completion of the Rights Issue and as announced in October 2014 the Company has been presented with offers from third parties interested in acquiring its 74%

interest in South African subsidiary Continental Coal Limited SA ("CCL SA"). Refer to the announcement of 31 October 2014.

Subsequent to the end of the quarter ABSA closed out the forward hedging contract at Penumbra which netted ZAR 104,596,479 (A$10,740,300) and was applied towards the total indebtedness of ZAR 259, 466,455 (A$26,642,900) hence now reduced to ZAR 154,869,976 (A$15,902,600) with ABSA requiring the balance to be paid out.

The Company is negotiating with ABSA and EDF the conditions of paying out the debt facilities in conjunction with the 74% sale process. If the Company does not complete the sales process in the time frames provided, ABSA and EDF would most likely call in external administrators to secure payment of the facilities by way of a managed tender process.

5.2 AIM Cancellation

Subsequent to the end of the quarter whilst Continental attempted to retain its listing, as a consequence of the Company's securities having been suspended from trading on AIM for over six months, under the requirements of Rule 41 of the AIM Rules for Companies Continental's admission to trading on AIM was cancelled, effective 7am Wednesday, 15 October 2014.

5.3 ASX Share Trading Suspension

As at the date of this report Continental's securities on the ASX continue to be suspended until completion of the recapitalisation.

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About Continental Coal Limited

Continental Coal Limited (ASX:CCC) 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 Penumbra Coal Mines, producing approx. 2Mtpa of thermal coal for the export and domestic markets. A Feasibility Study was also completed on a proposed third mine, the De Wittekrans Coal Project with a mining right granted in September 2013.

Competent Persons Statement

The information in this release that relates to Coal Resources on Vlakvarkfontein, Vlakplaats and Wolvenfontein is based on resource estimates completed by Dr. Philip John Hancox. Dr. Hancox is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400224/04) as well as a Member and Fellow of the Geological Society of South Africa. He is also a member of the Fossil Fuel Foundation, the Geostatistical Association of South Africa, the Society of Economic Geologists, and a Core Member of the Prospectors and Developer Association of Canada. Dr. Hancox has more than 12 years' experience in the South African Coal and Minerals industries and holds a Ph.D from the University of the Witwatersrand (South Africa).

The information in this release that relates to Coal Resources on Penumbra, De Wittekrans, Knapdaar, Leiden and Wesselton II 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.

The Coal Reserves on Vlakvarkfontein, De Wittekrans and Penumbra is based on reserve estimates completed by Eugène de Villiers. Mr. de Villiers is a graduated mining engineer (B.Eng) Mining from the University of Pretoria and is professionally registered with the Engineering Council of South Africa (Pr.eng no – 20080066). He is also a member of the South African Institute of Mining and Metallurgy (SAIMM Membership no. 700348) and the South African Coal Managers Association (SACMA Membership no. 1742). Mr. de Villiers has been working in the coal industry since 1993 and has a vast amount of production and mine management as well as project related experience.

Forward Looking Statement

This communication includes certain statements that may be deemed "forward-looking statements" and information. All statements in this communication, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects to take place in the future are forward-looking statements and information. Although the Company believes the expectations expressed in such forward-looking statements and information are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements and information. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, drilling and development results, production rates and operating costs, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those stated.