

31 July 2014

REPORT FOR THE QUARTER ENDED 30 JUNE 2014

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

- **Operations**
 - Significant revenue received from the ABSA Hedge during the Quarter
 - Penumbra production on track to achieve design capacity
 - Penumbra yields improving
 - Vlakvarkfontein has met production and cost guidance for year end
- **Corporate**
 - Wider balance sheet restructure and Rights Issue being finalized



South Africa
T +27 11 881 1420 F +27 862064487 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 3400 W www.conticoal.com
Ground Floor, 1 Havelock Street, West Perth, WA 6005
PO Box 684, West Perth, WA 6872

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

1. OPERATIONS

1.1 Health and Safety

During the Quarter, one Dressing Station Case ("DSC") accident and one Medical Treatment Incident (MTI) were reported at the Company's mining and processing operations – all accidents were relatively minor incidents reported 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.

1.2 Operational performance

Operational performance (tonnes)				
	Quarter ended 30 June 2014	Quarter ended 30 June 2013	12 months ended 30 June 2014	12 months ended 30 June 2013
Run of Mine (ROM) production				
Vlakvarkfontein	383,363	377,957	1,382,487	1,526,469
Ferreira	-	135,153	247,129	559,107
Penumbra	155,726	42,247	498,176	143,299
Total ROM production	539,089	560,357	2,127,792	2,228,875
Feed to plant				
Ferreira	-	138,636	269,670	627,329
Penumbra	151,925	81,999	491,424	143,299
Total feed to plant	151,925	220,635	761,094	770,628
Export yields				
Ferreira	-	72%	72%	70.4%
Penumbra	60.2%	36%	57.2%	36.8%
Export coal buy-in	10,831	-	31,784	-
Domestic sales	360,729	318,129	1,401,080	1,315,701
Export sales	82,053	130,072	523,906	453,582
Total sales	442,782	448,201	1,924,986	1,769,283

Total ROM coal production for the Quarter of 539,089 was achieved from the Vlakvarkfontein and Penumbra Coal Mines. Mining at the Ferreira Coal Mine ceased during the first half of the financial year as previously reported.

Feed to the Delta Processing Operations for the Quarter of 151,925t was achieved from the Penumbra Coal Mine and has increased since the last quarter feed for this mine

(being 123,098t). The increase from the comparable quarter in 2013 and on a year-end basis for the 12 months ended 30 June 2013 is in line with the ramp up of the Penumbra Coal Mine.

Export yields at the Penumbra Coal Mine have shown a steady increase during the past 12 months with the average yield of 60.2% recorded for the quarter and 57.2% for the year.

Domestic sales from the Vlakvarfontein Coal Mine have increased in comparison to the previous quarter, the comparable quarter in 2013 and on a year-end basis.

1.3 Vlakvarfontein Coal Mine

Vlakvarfontein Coal Mine produced 383,363t ROM for the Quarter, which is a significant increase to the previous quarter (being 270,141t) and higher than the comparable quarter in 2013 and on a year-end basis. The increase is due to ROM of non-select product being placed.

An average strip ratio of 2.34:1 was achieved for the Quarter (2.22:1 YTD)

Total thermal coal sales during the Quarter from the Vlakvarfontein Coal Mine were 360,729t and comprised 311,741t to Eskom and 48,987t of non-select coal. Sales for the year ended 30 June 2014 of 1,149,216t to Eskom were above budget with non-select coal sales of 251,861t being below budget.

Vlakvarfontein achieved its target of planned production of 1.3 Mt ROM at a cost of ZAR 90.00/t (US\$8.50/t) for FY2014.

1.4 Ferreira Coal Mine

Inventory clean-up at the Ferreira Coal Mine was completed in the previous quarter. The rehabilitation work will commence upon finalisation of the closure plan and appointing contractors.

1.5 Penumbra Coal Mine

ROM coal production at the Penumbra Coal Mine for the Quarter totaled 155,726t. As previously reported the Company has encountered stone rolls that are displacing the coal seam in the current mining area and this is impacting on the production rate and the delivered yield due to added contamination. Management, in conjunction with mining consultants, have been reviewing the planned production lay-out 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 with the month of June 2014 producing 58,013t which is on track to the targeted 70,000t per month.

Export yields at Penumbra have been steady during the quarter with the average yield of 60.2% 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 175.17/t (US\$16.53/t) ROM were similar to the costs achieved in the prior quarter with FOB costs of ZAR 841.13/t (US\$79.40/t) per sales tonnes recorded for the

Quarter. Total FOB costs will likely reduce in the coming months given the forecast increase in production.

Penumbra delivered 498,176t ROM for the year ended 30 June 2014 comparable to the revised forecast of 500,000t at a FOB cost of ZAR 841.13 (US\$79.40) per sales tonne.

The Company received ZAR 2.7 million revenue for the quarter from the ABSA forward hedging contract at Penumbra.

2. DEVELOPMENT PROJECT

2.1 De Wittekrans Coal Project

The Integrated Water Use License (IWUL) application has been submitted and the Company awaits approval.

With the Mining Right successfully executed during the quarter the Company now has 12 months to commence mining operations, however should the IWUL not be received within this 12 month period the Mining Right can be delayed.

During the quarter two sites were selected for mining and these are now being evaluated as to which site will be selected for the first phase of mining.

3. EXPLORATION PROJECTS

3.1 Botswana Coal Projects

The Company is in advanced discussions in respect of the two remaining Prospecting licenses (PL 340/2008 and PL 341/2008). PL341 has been transferred and the transfer documents for PL340 have been submitted to the Botswana Ministry of Minerals, Energy.

4. CORPORATE

4.1 Recapitalisation

During the Quarter the Company progressed with its previously announced proposed non-renounceable pro-rata Rights Issue to raise approx. A\$35.1m at an offer price of A\$0.005 per new share and appointed Paterson's Securities Limited as Corporate Advisor and Lead Manager to the offer.

The Company has received strong interest in participation in the Rights Issue from institutional and sophisticated investors in Australia, Europe and South Africa as well as a number of commodity trading groups and specialist coal mining investment funds. Proceeds from the Rights Issue will be primarily used by the Company to repay unsecured convertible noteholders, loans and royalty holders, repay bridging finance, reduce the Group's other borrowings, provide funds towards the development of the Company's advanced coal mining projects and provide working capital.

Fund raising will allow the Company to complete its planned recapitalisation and restructure of the Company's balance sheet, substantially reducing the Group's total indebtedness

The Fund Raising is being completed after reaching standstill agreements with key unsecured convertible note and royalty holders, after negotiations of its Coal Supply Agreement with EDF Trading and with negotiations with ABSA Bank (in respect to the debt financing for the Penumbra Coal Mine) which are ongoing.

Full details of the rights issue are scheduled to be released to the market shortly.

4.2 Proposed listing on the Johannesburg Stock Exchange

The proposed listing has been postponed until such time as the recapitalisation of the Company has been completed.

4.3 ASX and Aim share trading suspension

As at the date of this report Continental's securities on both the ASX and AIM markets continue to be suspended until completion of the rights issue.



Peter Landau
Interim Executive Director

For further information please contact:

Media (Australia)

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

Nominated Advisor

Oliver Morse / Trinity McIntyre
RFC Ambrian Limited
T: +61 8 9480 2500

Brokers

Jonathan Williams
RFC Ambrian Limited

T : +44 203 440 6817

About Continental Coal Limited

Continental Coal Limited (ASX:CCC/AIM: COOL) 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 Wesselon 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 information in this release that relates to Coal Resources on Project X and Vaalbank is based on coal resource estimates completed by Mr. Coenraad van Niekerk, a full time employee of Gemecs (Pty) Ltd. Mr. van Niekerk is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 400066/98) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 38 years' experience in the South African Coal and Minerals industries.

The information in this release that relates to Coal Resources on Mooifontein is based on coal resource estimates completed by Mr. Dawie van Wyk, a full time employee of Geocoal services (Pty) Ltd. Mr. van Wyk is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 401964/83) as well as a Member and Fellow of the Geological Society of South Africa. He has more than 30 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.