Continental Coal Ltd
ABN 13 009 125 651 ASX Code CCC AIM Code COOL

31 October 2012

REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2012

Continental Coal Limited ("**Continental**" or "**the Company**") is pleased to provide its operations report for the quarter ended 30 September 2012.

COMPANY HIGHLIGHTS

- **Record run-of-mine thermal coal production for the Quarter of 531,648 tonnes at the Ferreira and Vlakvarkfontein Coal Mines**
- **Thermal coal sales for the Quarter from the Ferreira Coal Mine, Delta Processing Operations and Vlakvarkfontein Coal Mines of 408,206 tonnes**
- **The Ferreira Coal Mine, Delta Processing Operations and Vlakvarkfontein Coal Mines continue to report positive cashflow from operations for the Quarter despite the fall in global export thermal coal prices**
- **Direct export coal allocation through Richards Bay Coal Terminal increased to approx. 360,000 tonnes, with additional in-direct capacity of approx. 300,00 tonnes and LOI's submitted for coal exports allocations through Mozambique**
- **Development of the Penumbra Coal Mine continued during the Quarter, within budget and with key underground mining equipment arriving on site ahead of the commencement of first export thermal coal production in the current quarter**
- **Section 102 Approval received from the Department of Minerals and Resources for the Ferreira Coal Mine to extend into adjacent Prospecting Rights**
- **Maiden JORC Compliant Inferred Resource of 2.2 Billion Tonnes on the Kweneng Coal Project, one of the Company's three prospecting licenses in Botswana**
- **Agreement to extend settlement of the acquisition of outstanding minority interests in Mashala Resources to 30 November 2012, with further potential extension to 28 February 2013 negotiated**
- **Proposals received subsequent to the Quarters end for a significant direct investment and acquisition of all or part of the Company's South African coal assets**
- **Company reports unaudited revenue of A$15m, gross profit from operations of A$3m and EBITDA of A$1.5m for the Quarter and closing cash balances of A$7.2m**

The first quarter of the 2012/13 financial year saw the Company's South African thermal coal mining business continue to perform with production from the Vlakvarkfontein Coal Mine in particular continuing to exceed budgeted levels. In addition, the Company secured approvals to extend its Ferreira Coal Mine extending its mine life by a further 18 months and secured additional export coal allocations through the Richards Bay Coal Terminal. Development of the Company's third mine, the Penumbra Coal Mine, continued within budget and is due to commence first coal production shortly.

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Continental Coal Ltd

OPERATIONS

Health and Safety

During the Quarter, Lost Time Injuries were reported at the Vlakvarkfontein Coal Mine (only the second since operations commenced in 2010) and at the Penumbra Coal Mine development (the first since development activities commenced in September 2011). The rolling 12 month LTIFR is now 5.86 and 3.96 respectively. Although the Ferreira Coal Mine and Delta Processing Operations LTIFR remains at zero, management remain focused on continual improvement in health and safety initiatives and policies across all its operations.

Mine Operations – Vlakvarkfontein and Ferreira Coal Mines and Delta Processing Operations

OPERATIONS PERFORMANCE FOR 3 MONTHS TO SEPTEMBER 2012					
	Mar 12 (Actual)	JUN 12 (Actual)	SEP 12 (Actual)	SEP 12 (Budget)	DIFF (%)
ROM Production					
Vlakvarkfontein	311,679	347,195	**422,253**	328,947	**+28%**
Ferreira	161,488	172,114	**109,395**	131,743	**-17%**
Total ROM	**473,167**	**513,309**	**531,648**	**460,690**	**+15%**
Buy-In/Discard	65,661	40,328	**52,253**	45,000	**+16%**
Total Plant Feed	**538,828**	**559,637**	**583,901**	**505,690**	**+15%**
Yields					
Vlakvarkfontein	100.0%	100.0%	**100.9%**	100.9%	**0%**
Ferreira	60.4%	64.9%	**69.8%**	61.8%	**+13%**
Ferreira Discard	0.0%	0.0%	**19.3%**	0.0%	**0%**
Average Yield	**86.8%**	**87.2%**	**91.6%**	**87.4%**	**+5%**
Coal Product					
Vlakvarkfontein	311,679	347,195	**422,253**	328,947	**+28%**
Ferreira	155,855	140,844	**112,830**	113,123	**0%**
Saleable Coal	**467,534**	**488,039**	**535,083**	**442,071**	**+28%**
Domestic Sales	278,2844	294,956	**296,395**	333,747	**-11%**
Export Sales	145,756	126,084	**111,811**	141,100	**-21%**
Total Coal Sales	**424,040**	**421,040**	**408,206**	**475,047**	**-14%**

Run-of-mine thermal coal production of 531,648t from both the Vlakvarkfontein and Ferreira Coal Mines over the Quarter was 15% above budgeted levels and 2% above the previous quarter's production of 513,309t.

ROM production during the Quarter from the Vlakvarkfontein and Ferreira Coal Mines was the highest achieved by the Company since it commenced coal mining operations in June 2010.

Production from the Ferreira Coal Mine was 109,395t ROM, 17% below budgeted levels and 36% below the 172,114t ROM achieved in the previous quarter. Mining operations during the Quarter were a significant challenge with the northern and eastern faces of the mine pit having reached the mining boundry, while the granting of the Section 102 application was anticipated. This application, although granted in late September 2012, limited production from the mine throughout the Quarter. The receipt of the Section 102 has now allowed the Company to extend the opencast mining operations into adjacent Prospecting Rights, comprising Portions 25, 27 and 100 of the farm Witbank 262 IT, with ROM production in the current quarter forecast to exceed 125,000t and increasing to 150,000t in the March 2013 quarter.

During the Quarter a total of 161,648t was processed through the Delta Processing Operations, 9% below budget, and 24% below the 212,442t processed in the previous quarter. The reduced throughput was a direct result of the lower ROM production from the Ferreira Coal Mine. During this quarter 52,253t of discard were processed from the discard site. A record primary yield of 69.8% was achieved for the Quarter, a 7% increase on the 65% primary yield achieved in the previous quarter and 13% above budgeted levels. Primary yields have increased consistently over the past 12 months and from the 56% achieved in the December 2011 quarter. Total FOT costs for the Quarter for the Ferreira Coal Mine and Delta Processing Operations averaged ZAR526/sales tonne (approx A$61.20/t) with total FOB costs to Richards Bay Coal Terminal for the Quarter of ZAR643/sales tonne (approx. A$74.75/t). The average API$ export coal price for the Quarter was ZAR726/t (approx. A$84.40/t).

The Vlakvarkfontein Coal Mine produced a record 422,253t for the Quarter, 28% above budget and 22% above the 347,195t ROM achieved in the previous quarter. Total mining costs for the Quarter averaged ZAR73/ROMt (approx A$8.50/ROMt) with total FOT costs for the Quarter of ZAR117/sales tonne (approx. A$13.65/t), 20% below budgeted levels. Average sales price received during the Quarter was ZAR200/t (approx. A$23.25/t).

Total thermal coal sales produced during the Quarter from the Vlakvarkfontein Coal Mine and the Ferreira Coal Mine and Delta Processing Operations was a record 535,083t, 28% above the budgeted 442,071t and 10% above the previous quarters production.

Export thermal coal sales of 111,811t of a high quality export thermal coal was railed and sold FOB Richards Bay Coal Terminal during the Quarter. Domestic thermal coal sales of 296,395t were achieved in the Quarter, of which 296,295t were delivered to Eskom.

The Company secured an additional export coal allocation through the Richards Bay Coal Terminal during the Quarter for FY2013, taking its total allocations up to 360,000t. The Company also has an additional indirect allocation of approx. 30,000t through a contractual arrangement with major South African coal producers. During the Quarter the Company also submitted two LOI's in respect to securing export allocations for its future coal production through Mozambique.

Export sales during the Quarter were lower due to the reduced ROM production from the Ferreira Coal Mine. Domestic thermal coal sales from the Vlakvarkfontein Coal Mine in the Quarter were disrupted by a national road transport strike in South Africa in September 2012. The strike impacted the transportation of fuel and other commodities throughout the country over a 3 week period. Coal mining operations at the Vlakvarkfontein Coal Mine continued largely unaffected, over the period, however due to the national strike, coal could not be transported from the mine site by Eskom's road haulage contractors and limited domestic thermal coal sales were completed. It is anticipated that the approx. 40,000 tonnes of delayed thermal coal sales will be made up during the current quarter.

As at the end of the Quarter the Ferreira Coal Mine had stock on hand of 21,780t of export coal and the Vlakvarkfontein Coal Mine had stock on hand of 48,277t of ROM coal and 153,948t of non-select (low quality coal). Subsequent to Quarter's end the Company entered into an agreement for the sale of the entire non-select stockpile at the Vlakvarkfontein Coal Mine.

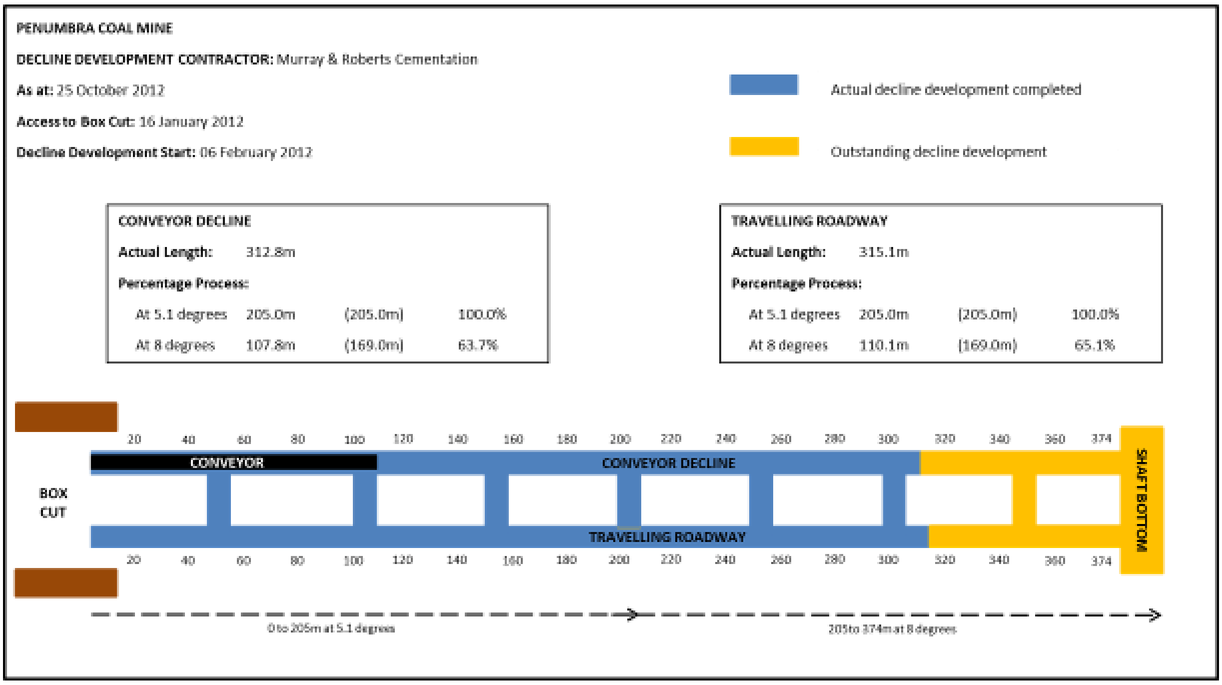
DEVELOPMENT PROJECTS

Penumbra Coal Project

Development activities at the Penumbra Mine continued throughout the Quarter to be focused on the advancement of the twin decline development and in addition, the completion of the surface infrastructure including offices, change-house and workshop, in anticipation of the commencement of underground coal mining activities in the current quarter.

The Penumbra Coal Mine Travelling Way Advanced to a Total Development Length of 628m as at 25 October 2012

As at the 25 October 2012, the decline development contractor, Murray & Roberts had advanced the twin declines a combined length of 628m (325m as at the end of the previous quarter). The conveyor road has advanced 313m and the travelling road 315m. A further 60m of development of each decline is required to get to first coal.



Summary of Decline Development Progress at the Penumbra Coal Mine as at 25 October 2012

First coal production is now scheduled in mid-November 2012 and has been delayed as a result of machinery breakdown and availability over the past month and as a result of a national road transport strike in South Africa in September 2012. The strike impacted the transportation of equipment and material to site and some employees and contractors were prevented from attending work by local actions in Ermelo.

The Penumbra Coal Project is approx. 64% complete with a total forecast cost to complete of ZAR325m (approx. A$39m). The mine development is forecast to be completed within the approved budget. The Penumbra Mine development currently has no identified cost overruns and is not forecast to draw upon any of the contingency amount of ZAR17.5m (approx. A$2.1m) that has been set aside from the Company's existing cash reserves to fund potential cost overruns with the capital development of the project.

First drawings on the secured project finance debt facility from ABSA Capital (ZAR253m, including a further cost over-run facility of ZAR17.5m) are anticipated in the coming weeks and will be used to fund the outstanding capital development costs of the project development.

During the Quarter, the Company took delivery from Joy Mining Machinery of one of the two 14HM15 Continuous Miners that are to be used in the planned underground coal mining operations at the Penumbra Mine. In addition, delivery of two of the four 10SC32 Shuttle Cars was also completed. The equipment is currently being commissioned on site in order for underground coal mining operations to commence later this quarter.

The Arrival on Site of the Mining Equipment is a Major Milestone in the Development of the Penumbra Coal Mine

Completion of all key surface infrastructure including offices, change-house and workshops are forecast to be completed this quarter. The recruitment process for the 173 employees and contractors for the Penumbra Coal Mine commenced during the Quarter, with key management, shift boss, foreman and miner and mobile equipment operator positions completed. The full complement of 173 employees and contractors is expected to be completed by January 2013.

Construction of surface infrastructure, offices, workshops and change house at the Penumbra Coal Mine

Coal production is forecast to commence at the Penumbra Coal Mine shortly in the current quarter. ROM coal production of 35,800 tonnes is forecast in the December 2012 quarter, increasing to 105,400 tonnes and 195,000 tonnes in the March 2013 and June 2013 quarters respectively.

In FY 2013 the Penumbra Coal Project is forecast to produce approx. 225,000 tonnes of a high quality export thermal coal at total FOB costs of ZAR471/tonne (approx. US$55/tonne). The thermal coal will be transported by rail through to the Richards Bay Coal Terminal and sold under existing off-take agreements.

Ferreira Coal Mine Extension

During the Quarter the Company received Section 102 approval from the South African Department of Minerals and Resources for the planned extension to the Ferreira Coal Mine.

The approval allowed the Company to extend the current opencast mining operations into adjacent Prospecting Rights that it had acquired in April and May 2012. A revised and extended, mine plan was completed in the Quarter and the first blast into the adjacent Prospecting Rights was completed prior to the end of the Quarter.

Mining of an additional 650,000 to 750,000 ROM production tonnes is forecast from the new Prospecting Rights over the next 18 months. The ROM production will be washed through the Company's existing Delta Processing Operations.

The Ferreira Coal Mine with Planned Mining Activities in the Adjoining Prospecting Rights

Sales of 420,000 tonnes of a high quality thermal coal is forecast from the extended Ferreira Coal Mine for FY2013. The thermal coal will be transported by rail through to the Richards Bay Coal Terminal and sold under existing off-take agreements.

De Wittekrans Coal Project

During the Quarter work continued on a preliminary optimisation study for the De Wittekrans Coal Project. The study is aimed at reducing the up-front capital commitments and potentially accelerating project development through the utilisation of existing coal wash plants and rail sidings in the vicinity of the De Wittekrans Coal Project.

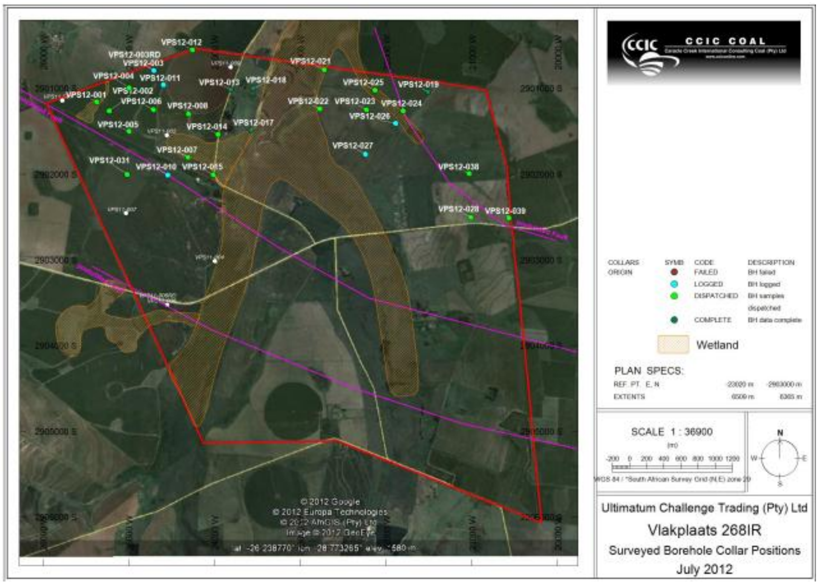
The results of the preliminary optimisation study will be released in the current Quarter.

EXPLORATION

Vlakplaats Coal Project

During the Quarter, the Phase 1 exploration drilling program was completed on the northern portion of the Vlakplaats Coal Project that the Company has in joint venture with KORES.

A total of 28 holes were drilled as part of the exploration program. Geosphere Drilling completed the programme with three drill rigs on site, and drilling a total of 1,384m. The recovered drill core has a core diameter of 60.5mm.



As at the end of the Quarter analyses for 13 of the 28 boreholes had been received, with the balance due in the current quarter.

Upon receipt of the final coal quality analyses, an updated geological model will be completed.

Based on preliminary data the structural model indicates an additional three faults in the northern area with and each having more than 10m throw.

An updated geological report on the Vlakplaats Project is expected to be completed in early 2013.

Botswana

During the Quarter, the Company through its Botswana subsidiary, Weldon Investment (Pty) Ltd announced a maiden inferred JORC compliant coal resource of 2.2 billion tonnes at its Kweneng Coal Project in Botswana. In addition to the JORC resource, given the wide spaced nature of the Phase 1 drilling completed in late 2011 and early 2012, the Company's independent geological consultants determined a further 9 billion tonne Exploration Target[1] at the Kweneng and Serowe Coal Projects.

Kweneng Coal Project

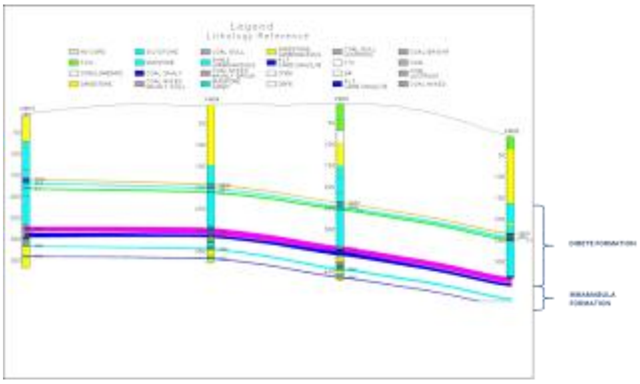
The Phase 1 drilling program identified 7 coal sub zones at the Kweneng Coal Project that have economic potential: D3U, D3, J, D2, D1, M2 and M1 Zones. It was estimated that the whole prospect licence area is underlain by these economic coal zones. Reported coal resources, are however constrained to the area retained after the first license renewal application, and covers only 50% of the total prospect licence area.

Due to the widely spaced nature of the first phase of drilling, only 30% of the identified coal resources were classified as JORC compliant Resources, the balance of the in situ coal (approx. 70%) was reported as an Exploration Target.

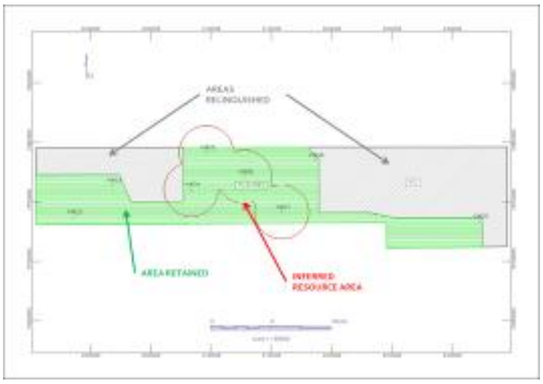
KWENENG COAL PROJECT – JORC COAL RESOURCES – AUGUST 2012				
Project	**Gross In Situ Project Resources Tonnes (Mt)**			
	Measured	**Indicated**	**Inferred**	**Total**
Kweneng (PL341)	-	-	2,159	**2,159**

[1] It should be noted the Exploration Target at the Serowe and Kweneng Projects is conceptual in nature as there has been insufficient exploration to define a Resource and that it is uncertain if further exploration will result in the determination of a Resource. To delineate a resource that is JORC Compliant will require significant more levels of drilling.

A total gross in situ JORC Compliant Inferred Coal Resource of 2.2 Billion Tonnes was calculated during the Quarter at the Kweneng Coal Project with a further Exploration Target of 5.0 Billion Tonnes reported for the retained portion of the prospecting license.



Generalised W-E Section of Kweneng Coal Project



Inferred Coal Resources at Kweneng Coal Project

Washability tests confirmed the yields to produce a thermal coal product with a CV of 20MJ/kg that is ideally suitable for the Southern African power generation market.

KWENENG COAL PROJECT – Product at 20CV MJ/kg - AUGUST 2012								
Coal Sub-Zone	**Classification**	**Gross In Situ Tonnes (Mt)**	**Yield (%)**	**CV (MJ/kg)**	**AS (%)**	**VM (%)**	**IM (%)**	**TS (%)**
D3U	Inferred	136	53.6	20.0	27.8	30.2	6.1	3.8
D3U	Exploration Target	306	60.0	20.0	27.7	29.2	6.4	3.55
D3	Inferred	165	92.4	19.8	28.6	30.0	6.3	3.15
D3	Exploration Target	420	75.9	19.9	27.2	29.1	6.9	2.83
J	Inferred	199	79.9	20.0	27.5	27.9	6.5	2.19
J	Exploration Target	425	80.2	20.0	27.0	27.5	7.2	1.99
D2	Inferred	923	61.9	20.0	26.8	26.9	6.1	0.85
D2	Exploration Target	2,073	52.8	20.0	26.1	27.3	6.6	0.73
D1	Inferred	415	76.3	20.0	27.0	26.3	6.2	0.80
D1	Exploration Target	981	71.0	20.0	26.1	26.8	6.4	0.74
M2	Inferred	246	84.2	20.0	25.6	22.8	6.3	0.64
M2	Exploration Target	552	83.7	20.1	24.6	23.0	6.7	0.72
M1	Inferred	75	87.9	20.7	24.6	24.9	6.1	0.54
M1	Exploration Target	235	95.8	20.2	25.4	25.4	5.9	1.30
TOTAL COAL		**7,151**						

The Company completed further washability tests that confirmed the potential to produce a low grade export thermal coal product with CV of 23MJ/kg. This low grade export thermal coal product is ideally suited to the Asian coal markets.

Serowe Coal Project

The Phase 1 drilling program completed comprised a total of 21 boreholes across the two prospecting licenses (PL339/2008 and PL340/2008) that comprise the Serowe Coal Project. An Exploration Target of 3.9 Billion Tonnes was determined for the Serowe Coal Project comprising 2.0 Billion Tonnes for PL339/2008 and 1.9 Billion Tonnes for PL340/2008.

Gross in situ coal tonnages on PL339/2008 for 5 coal sub zones were identified as having economic potential: Z01 (Serowe Bright), Z03, Z05, Z07 and the Morupule Main Seam. On PL340/2008 gross in situ coal tonnages are reported for the Morupule Main Coal Seam only.

An Exploration Target of 2.0 Billion Tonnes was determined for the PL339/2008 prospecting license within the Serowe Coal Project, of which 198Mt (10%) is attributed to the Serowe Bright Seam, and 751Mt (38%) to the Morupule Main Seam.

SEROWE COAL PROJECT PL339/2008 – GROSS IN SITU TONNAGES - AUGUST 2012							
Coal Sub-Zone	**Classification**	**Resource Area (Ha)**	**Ave Zone Thickness (m)**	**Gross In Situ Tonnes (Mt)**	**Min Depth (m)**	**Max Depth (m)**	**Ave Depth (m)**
Serowe	Exploration Target	11,045	1.04	198	50	230	110
Z03	Exploration Target	10,681	2.32	488	80	230	130
Z05	Exploration Target	10,681	1.89	375	100	250	145
Z07	Exploration Target	6,661	1.42	169	130	270	175
Morupule	Exploration Target	6,661	6.23	751	175	320	220
TOTAL COAL				**1,982**			

Sample and washability analyses were completed for a 20CV MJ/kg coal product.

SEROWE COAL PROJECT PL339/2008 – Product at 20CV MJ/kg - AUGUST 2012								
Coal Sub-Zone	**Classification**	**Gross In Situ Tonnes (Mt)**	**Yield (%)**	**CV (MJ/kg)**	**AS (%)**	**VM (%)**	**IM (%)**	**TS (%)**
Serowe	Exploration Target	198	72.7	19.8	28.0	28.6	6.2	2.26
Z03	Exploration Target	488	39.8	20.0	28.0	28.7	6.1	2.00
Z05	Exploration Target	375	46.4	20.0	27.1	29.5	5.7	1.07
Z07	Exploration Target	169	44.4	20.0	26.2	28.3	6.1	1.32
Morupule	Exploration Target	751	41.6	20.0	25.3	22.3	6.9	0.33
TOTAL COAL		**1,982**						

An Exploration Target of 1.9 Billion Tonnes was reported for the PL340/2008 prospecting license within the Moruple Morupule Main Seam.

SEROWE COAL PROJECT PL340/2008 – GROSS IN SITU TONNAGES - AUGUST 2012							
Coal Sub-Zone	**Classification**	**Resource Area (Ha)**	**Ave Zone Thickness (m)**	**Gross In Situ Tonnes (Mt)**	**Min Depth (m)**	**Max Depth (m)**	**Ave Depth (m)**
Morupule	Exploration Target	12,745	8.07	1,918	36	147	88
TOTAL COAL				**1,918**			

Sample and washability analyses was completed for a 20CV MJ/kg coal product. Improvements in the reported qualities can be achieved if a coal quality selection is applied to a selective coal horizon within the Morupule Main Seam, where individual boreholes reported yields of up to 76% for a 20MJ/kg product.

SEROWE COAL PROJECT PL 340 – Product at 20CV MJ/kg - AUGUST 2012								
Coal Sub-Zone	**Classification**	**Gross In Situ Tonnes (Mt)**	**Yield (%)**	**CV (MJ/kg)**	**AS (%)**	**VM (%)**	**IM (%)**	**TS (%)**
Morupule	Exploration Target	1,918	27.9	20.0	26.4	22.5	6.7	0.34
TOTAL COAL		**1,918**						

As at the end of the Quarter the Company is waiting to receive approval from the Botswana Geological Survey for the Renewal of its 3 Prospecting Licenses that comprise the Kweneng Coal Project (PL341/2008) and Serowe Coal Project (PL339/2008 and PL340/2008). As required, the Company has relinquished 50% of the original Prospecting License area. The areas relinquished was based on the preliminary results from Phase 1 drilling program, as well as a review of the historical data, remote sensing images and regional geophysical data.

The Company has committed to a Phase 2 exploration drilling program across both the Kweneng and Serowe Coal Projects with an aim to both increase existing resources, increase the level of confidence to the extent, continuity and quality of the known resources and to convert a significant portion of the Exploration Target into JORC compliant resources on the Serowe and Kweneng Coal Projects.

CORPORATE

During the Quarter the Company announced a number of initiatives that it had progressed, to strengthen its balance sheet and provide additional working capital to the Company as it remained focused on advancing its coal mining and development business in South Africa.

The Company remains focused on the reduction of non-essential expenditure, utilising cash balances in South Africa to fund corporate working capital, leveraging off its existing portfolio of thermal coal assets and finalising negotiations with a number of parties that have formally approached the Company to make a direct investment into and/or acquisition of one or more of its African thermal coal mining assets.

Acquisition of Mashala Resources Minority Interests

As at the end of the Quarter, the Company's principal South African subsidiary had an 86% interest in Mashala Resources. During the Quarter the Company agreed and executed all necessary agreements with the minority shareholders in Mashala Resources to extend the settlement period to 30 November 2012, and subject to binding agreements in respect to initiatives already underway by the Company, can be further extended to 28 February 2013. The agreed extension assists the Company in managing its short-term working capital requirements.

Settlement is anticipated to be made from proceeds expected to be received from either the sale of non-core assets or from the successful conclusion of a transaction with one of several parties regarding a direct investment in or acquisition of its South African coal assets.

Acquisition and Direct Investment in the Company's South African Coal Assets

During the Quarter the Company formalised a due diligence and bidding process with its advisors in South Africa, after it had received several approaches from Indian based coal and power utility companies, as well as major global commodity trading and private equity groups, looking to acquire all or part of the Company's South African thermal coal mining business.

Subsequent to the Quarters end, the Company extended the deadline to 15 October 2012 by which time final offers were to be submitted. Proposals were received on or prior to the extended deadline. The Company and its advisors are now completing a detailed review of the proposals and continuing its discussions with the shortlisted parties. The Company anticipates that an update to the market will be provided in the current quarter.

Sale of Non-Core Assets

During the Quarter the Company progressed its discussions regarding the sale of a number of its exploration projects within its thermal coal mining portfolio in South Africa that are designated as non-core. To date this has included proposals to acquire 100% of the Company's interests in the Vaalbank, Project X, Wesselton II, Leiden and Mooifontein Coal Projects in South Africa. In addition the Company has received non-binding expressions of interests from a number of groups seeking to acquire and/or earn a joint venture interest into these assets in Botswana.

The Company held a number of meetings in South Africa during the Quarter with the Chinese Group and its advisors that had entered into agreement to its shareholding in Vanadium and Magnetite Exploration and Development Co (SA) (Pty) Limited ("Vanmag").

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Significant progress was made during the Quarter in respect to closing the transaction and a revised date has been agreed to allow financial close to occur later this quarter. In the event that settlement does not occur the Company will look to enforce its rights under the agreement and progress its discussions with other parties who have expressed an interest in acquiring VanMag.

Interim Board Restructure

During the Quarter the Company restructured the Board with Jason Brewer assuming the role of Chief Financial Officer following the resignation of Maritz Smith to pursue other business interests. Mr Brewer has relocated to South Africa to undertake this role in conjunction with his other business activities in Zambia.

Mr Brewer has been tasked primarily with assisting the CEO in finalising the acquisition of the minority interests in Mashala Resources, the sale of non-core assets and other initiatives announced by the Company during the Quarter. Mr Brewer has over 18 years experience in the natural resources sector and in particular in resource finance having worked with Rothschild, Kleinwort Benson and Investec in their Mining and Metals team. The Board would like to thank Mr Smith for his contribution to the Company over the past 5 months.

FINANCIAL PERFORMANCE

Summary consolidation financial and operating results for the Company, based upon unaudited management accounts for the 3 months to 30 September 2012 are provided below.

KEY OPERATIONS AND FINANCIAL PERFORMANCE FOR 3 MONTHS TO SEPTEMBER 2012		
	SEP 12 (Actual)	**FY 2013 SEP 12 (Actual YTD)**
Run-of-Mine Production (Tonnes)		
Vlakvarkfontein	**422,253**	**422,253**
Ferreira	**109,395**	**109,395**
Total ROM Production	**531,648**	**531,648**
Coal Sales (Tonnes)		
Vlakvarkfontein	**422,253**	**422,253**
Ferreira	**112,830**	**112,830**
Total Saleable Coal Produced	**535,083**	**535,083**
Sales Revenue (A$'000)		
Vlakvarkfontein	6,929	**6,929**
Ferreira	8,720	**8,720**
Penumbra	0	**0**
Total Group Revenue	**15,649**	**15,649**
Mine Production Costs (A$'000)		
Vlakvarkfontein	4,046	**4,046**
Ferreira	8,356	**8,356**
Penumbra	163	**163**
Total Group Production Costs (A$'000)	**12,565**	**12,565**
Gross Profit (A$'000)	**3,084**	**3,084**

KEY OPERATIONS AND FINANCIAL PERFORMANCE FOR 3 MONTHS TO SEPTEMBER 2012		
EBITDA (A$'000)		
Vlakvarkfontein	2,875	**2,875**
Ferreira	355	**119**
Penumbra	-163	**-163**
Corporate Costs South Africa	-334	**-334**
Corporate Costs Parent	-1,014	**-1,014**
Total Group EBITDA (A$'000)	**1,483**	**1,483**
Interest Paid (Net)	1,497	**1,497**
Depreciation	899	**899**
Profit/(Loss) Before Tax	**-912**	**-912**
Corporate Tax	261	**261**
Royalty Tax	423	**423**
Profit/(Loss) After Tax	**-1,597**	**-1,597**
Minority Interests	96	**96**
Profit/Loss Attributable to CCC	**-1,500**	**-1,500**

For the 3 months ending 30 September 2012, based on the unaudited management accounts, the Company reported sales revenue of A$15.6m, total production costs of A$12.6m and a gross profit of A$3.1m. Revenue for the Quarter of A$15.6m was 7.5% lower than the previous quarter, however reduced production costs, 16.5% below the previous quarter, resulted in a 65% increase in gross profit to A$3.1m.

Group EBITDA of A$1.5m was achieved with both mining operations, the Vlakvarkfontein Coal Mine and the Ferreira Coal Mine and associated Delta Processing Operations generating positive operating cashflow.

Corporate costs in South Africa and at the parent level were reduced significantly from FY2012 levels and were 45% and 35% below budgeted levels for the Quarter respectively. At the parent level, approx. A$0.5m of the corporate costs were related to directors and management that have agreed to defer payment in the short term.

After depreciation, interest, taxes and minority interests, the Company reported a net attributable loss after tax of A$1.5m. Interest for the Quarter included interest on the Company's existing convertible notes and interest on the balance of the payments due to the Mashala Resources minority shareholders. Taxes are related to profitability with royalty tax rates at the Vlakvarkfontein Coal Mine increasing towards the upper limit of 7% of revenue. The Vlakvarkfontein Coal Mine has moved very quickly to being in a tax paying position. Minority interests relate to the 40% minority interest in the Vlakvarkfontein Coal Mine and the Company's BBBEE partner, SIOC-cdt's 26% shareholding in Continental Coal South Africa.

The Company continues with initiatives that it has implemented in the past quarters to counter the reduced margins from its export focused coal mining operations that have resulted from lower export thermal coal prices that have prevailed over 2012. The Company believes that these initiatives will result in improved earnings in FY2013.

Cash balances reduced as at the end of the Quarter to A$7.2m primarily as a result of funding capital costs associated with the Penumbra Coal Mine, debt repayments and increased rehabilitation at the Ferreira Coal Mine.

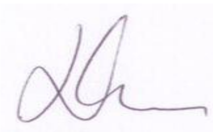
SUMMARY BALANCE SHEET AS AT 30 SEPTEMBER 2012 (A$'000)		
	30 SEPTEMBER 2012 (Actual)	**30 JUNE 2012 (Actual)**
Cash	**7,195**	**14,595**
Current Assets	**29,063**	**37,561**
Non-Current Assets	**158,699**	**166,624**
Total Assets	**187,762**	**204,185**
Current Liabilities	**41,715**	**45,399**
Non-Current Liabilities	**88,468**	**94,263**
Equity	**57,578**	**64,522**
Total Liabilities and Equity	**187,762**	**204,185**

Cash reduced over the Quarter by A$7.4m. Current and non-current liabilities reduced by A$3.7m and A$5.8m respectively. Total assets of the Company as 30 September 2012 were A$187.8m.

No drawings on the approx. A$30m ABSA Capital secured project finance facility were made during the Quarter. Drawings are proceeding in the current quarter, ensuring that the Company has access to sufficient funds to complete the new mine development which remains on budget.

During the Quarter A$1.3m of the A$2.5m Convertible Note drawn in the previous quarter was converted into equity. Subsequent to the Quarter's end A$954,000 of debt was also converted into equity.

Yours faithfully



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About Continental Coal Limited

Continental Coal Limited (ASX:CCC : US-OTCQX:CGFAY) is a South African thermal coal producer with a portfolio of producing and advanced coal projects located in South Africa's major coal fields. Continental currently has two operating mines, Vlakvarkfontein and Ferreira, producing 2Mtpa of thermal coal for the export and domestic markets. Continental commenced development of the Penumbra Coal Mine in September 2011 and completed a Bankable Feasibility Study on the De Wittekrans Coal Project. The Company has concluded strategic off-take and funding agreements with EDF Trading for its export thermal coal production and signed a joint development agreement with KORES, Korea Resources Corporation.

Competent Persons 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 Exploration Results and Coal Resources is based on data and 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 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.

Continental Coal Ltd

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.