

3 July 2013

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

By e-lodgement

**VLAVARKFONTEIN COAL MINE SET TO ACHIEVE THIRD SUCCESSIVE YEAR OF RECORD
THERMAL COAL PRODUCTION, SALES AND EARNINGS**



Thermal Coal Stockpiles at the Vlavarkfontein Coal Mine

Key points:

- Vlavarkfontein Coal Mine set to achieve 3rd successive year of record thermal coal production, thermal coal sales and earnings
- ROM coal production of 1.5Mt now forecast for FY 2013, a 23% increase on FY2012 production
- Thermal coal sales of 1.3Mt forecast for FY 2013, a 5% increase on FY2012 thermal coal sales
- Revenue of ZAR244m forecast for FY 2013, a 10% increase on FY2012 sales revenue
- Gross operating profit of ZAR80m, forecast for FY 2013, a 50% increase on FY2012 gross profit
- Vlavarkfontein Coal Mine continues to outperform and provide a strong and robust earnings platform for the Company's South African thermal coal business

Continental Coal Limited (**ASX:CCC** | **AIM:COOL**) ("**Continental**" or the "**Company**") the South African thermal coal production, development and exploration company, is pleased to provide an update on the Company's Vlavarkfontein Coal Mine where for FY2013 it is set to achieve its 3rd consecutive record year of thermal coal production, domestic coal sales and earnings.

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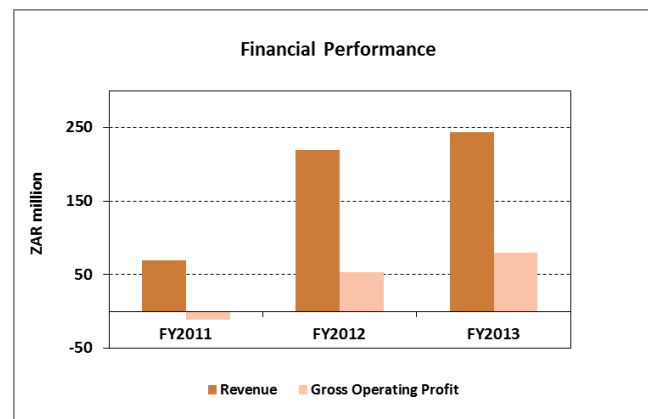
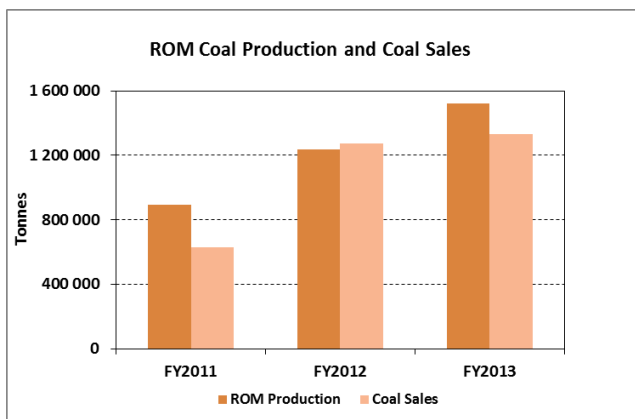
Independent Non-Executive Chairman Mike Kilbride **Chief Executive Officer** Don Turvey **Executive Director** Jason Brewer
Non-Executive Directors: Johan Bloemsma James Leahy Connie Molusi Bernard Swanepoel

The Vlakvarkfontein Coal Mine is a conventional open cast contract mining operation located approx. 90km east of Johannesburg. The mine is operated under a joint venture, Ntshovelo Mining Resources, with the Company's principal South African subsidiary, Continental Coal Limited South Africa ("CCL") holding a 60% economic interest and having operating and management control.



Open Cast Coal Mining Activities at the Vlakvarkfontein Coal Mine

Conventional open cast mining of two coal seams, each of approx. 5m width, at a strip ratio of 2:1 to produce 1.2Mtpa of ROM production has taken place since June 2010. With approx 11Mt of JORC compliant Proven Reserves, the mine has a remaining mine life in excess of 7 years. The Vlakvarkfontein Coal Mine has to date produced in excess of 3.5Mt of ROM coal production and over 3.1Mt of thermal coal sales into the South African domestic market.



Operating and Financial Performance at the Vlakvarkfontein Coal Mine FY2011- FY2013

In FY2013, the Vlakvarkfontein Coal Mine is set to achieve a number of operational and financial records for the third consecutive year.

Year to date (for the 11 months ending 31 May 2013), the Vlakvarkfontein Coal Mine produced 1.40Mt ROM, approx. 16% above budget. For the FY2013, ROM production of approx. 1.55Mt is forecast. This ROM production is 23% and 70% above ROM production of 1.24Mt and 0.89Mt achieved in FY2012 and FY2011 respectively.

Thermal coal sales of 1.21Mt have been achieved year to date, with total sales of 1.33Mt forecast for FY2013. Coal sales for FY2013 are forecast to be 5% and 100% above thermal coal sales of 1.27Mt and 0.60Mt achieved in FY2012 and FY2011 respectively.

The Vlakvarkfontein Coal Mine reported ZAR224m of sales revenue for the 11 months ending 31 May 2013 and with total mine production and administration costs of ZAR150m, the operation has recorded a gross operating profit of ZAR74m and a margin of 33%.

For the FY2013, the Vlakvarkfontein Coal Mine is now forecast to achieve record sales revenue of approx. ZAR244m and a record gross operating profit of approx. ZAR80m. Gross operating profit for FY2013 at the Vlakvarkfontein Coal Mine is forecast to exceed FY2012 gross operating profit by over 50%.

"The Vlakvarkfontein Coal Mine has been a real success story for Continental. It was our first coal mine into operation, a true greenfield project development and first coal production was achieved within 12 months of its acquisition. The operation has fully repaid all its capital development costs and is forecast to continue to generate free cashflow and dividends to its shareholders over the next 7 years." Continental's Chief Executive Officer Don Turvey said.

"To continue to report increased production and sales is very pleasing, and to be able to further report significantly increased earnings from the Vlakvarkfontein Coal Mine, demonstrates the value of our domestic thermal coal sales contracts with South African power utility Eskom, which ensures robust and secure margins even in the current environment of low export thermal coal prices and inflationary cost pressures." Mr Turvey added.

For the FY2014, the Vlakvarkfontein Coal Mine is forecast to produce 1.32Mt ROM coal and achieve thermal coal sales of 1.10Mt generating approx. ZAR242m of total sales revenue.

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) 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.

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 and continuation 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.