

31 January 2015

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2014

Continental Coal Limited ("Continental" or "the Company") provides its operations report for the quarter ended 31 December 2014.

1. OPERATIONS

1.1 Operational performance

Operational performance (tonnes)		
	Quarter ended 31 December 2014	Quarter ended 30 September 2014
Run of Mine (ROM) production		
Vlakovarkfontein	338,953	361,213
Penumbra	94,253	152,050
Total ROM production	433,206	513,263
Feed to plant		
Penumbra	100,923	151,663
Total feed to plant	100,293	151,663
Export yields		
Penumbra	60.0%	60.4%
Export coal buy-in	-	-
Domestic sales	343,855	298,620
Export sales	59,732	106,673
Total sales	403,587	405,293

<p style="text-align: center;">South Africa</p> <p>T +27 11 881 1420 F +27 86 206 4487 W www.conticoal.com 34/36 Fricker Road, Illovo 2196 PO Box 787646, Sandton 2146</p>	<p style="text-align: center;">Australia</p> <p>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</p>
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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 433,206t from the Vlakvarkfontein and Penumbra Coal Mines has decreased since the last quarter due mainly to the dyke encountered at Penumbra.

Total sales for the quarter of 403,587t from the Vlakvarkfontein and Penumbra Coal Mines have remained on par with the previous quarter. Notwithstanding the difficulties for the quarter at the Penumbra Coal Mine, the Vlakvarkfontein Coal Mine exceeded budget due to additional sales of both select and non-select product

1.2 Vlakvarkfontein Coal Mine

Vlakvarkfontein Coal Mine produced 338,953t ROM for the quarter, which is approx. 35% higher than budgeted.

An average strip ratio of 2.12:1 was achieved for the quarter.

Total thermal coal sales during the quarter from the Vlakvarkfontein Coal Mine were 343,855t and comprised 284,642t to Eskom, 59,213t ad-hoc sales of select product and 44,326t of non-select coal.

Mining Costs at Vlakvarkfontein averaged ZAR 88.91/t (US\$7.92/t) ROM for the quarter.

1.3 Penumbra Coal Mine

ROM coal production at the Penumbra Coal Mine for the Quarter totaled 94,253t. As previously reported the Company has encountered geological difficulties with stone rolls and a planned dyke being intersected as well as labour issues interrupting production.

During the quarter 17 additional exploration boreholes were drilled and analysed and, importantly, they confirmed the significantly improved conditions on the western side of the dyke which will be the focus of operations upon completion of the sales process with Ivory Mint. One of the sections currently being mined has converted to drill and blast mining methodology to reduce contamination, minimise waste and ultimately ensure ongoing productivity of the mine. With the current depressed export coal prices, the mine could be converted to a premium domestic coal producer on a crush and screen basis depending on the requirements of the new Operator.

Export yields at Penumbra have been steady during the quarter with the average yield of 60.0% recorded.

Mining costs of ZAR 240.88/t (US\$21.46/t) ROM per sales tonnes recorded for the quarter.

1.4 Ferreira Coal Mine

The consolidated closure plan for Ferreira was submitted to the DMR and the DWA in late September 2014 and the Company is still awaiting approval.

1.5 Health and Safety

Three accidents occurred during the quarter. One Lost Time Incident Reportable ("LTI") was reported at the Penumbra Underground Mine and two Lost Time Incident Reportable ("LTI") were reported at the Vlakvarkfontein Mine. 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. Further design work on the selected sites and coal reserves was carried out during the quarter. All specialist environmental studies have previously been completed and a revised mine design and layout 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. NON-CORE ASSETS

The Company is reviewing an offer to purchase of one of the non-core assets received in the previous quarter as well as considering various options received in respect of other assets.

4. CORPORATE

4.1 Recapitalisation

During the Quarter the Company's non-renounceable rights issue prospectus was approved by shareholders at a General Meeting on 24 September 2014.

Subsequent to the quarter end the Company announced that it had agreed to revised terms with a new purchaser consortium headed by Ivory Mint Holdings Corp on the following terms and conditions:

- i. Total purchase consideration of USD\$75.0m ("**Purchase Price**");
- ii. Proof of funds has been provided;
- iii. Final due diligence sign off and execution of formal contracts on or before 15 January 2015 (Completed);
- iv. Deposit of USD\$5.0m has been paid into escrow with purchaser's solicitors which will be released to Continental Coal Limited upon relevant section 11 approval being obtained in South Africa, or if waived, on or before 31 January 2015;
- v. Purchase Price includes:
 - a. complete payout and settlement of the ABSA and EDF debt positions by Continental at closing;
 - b. assignment from CCC of its loan account with CCL SA of approximately AUD\$100m;
- vi. The passing of such resolutions as may be necessary to give effect to the transaction at a meeting of the Company's shareholders convened in accordance with the ASX Listing Rules and the Corporations Act;

- vii. Receipt of all necessary South African ministerial consent, government, regulatory and third party approvals, in respect of the Transaction including, but not limited to, Section 11 and waiver of SIOC Pre-emptives under the Shareholders Agreement that governs the two shareholders of CCL SA; and
- viii. Targeted completion date of 28 February 2015 unless otherwise mutually agreed in writing.

The Board is firmly of the view that the transaction would leave the company debt free with excess cash reserves at its disposal and the ability to pursue new opportunities.

In addition, the Company announced the completion of its Rights Issue Supplementary Prospectus with 800m ordinary shares being issued at \$0.005 raising AUD\$4.0m before costs. Ivory Mint Holdings and investors introduced by them subscribed for 400m shares as part of the transaction.

As announced during 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 the Business Rescue Practitioners appointed by 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 Ivory Mint sales process in the time frames provided and generally on the same terms, the Company will have to proceed to secure payment of the existing ABSA and EDF facilities by way of a managed tender process to be undertaken by the Business Rescue Practitioners.

4.2 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 revised rights issue as announced which is anticipated to occur on or before 6 February 2015.



Peter Landau
Executive Director

For further information please contact:

Investors | Shareholders
Peter Landau
Continental Coal Limited
T: + 61 8 9488 5220
E: peter@conticoal.com

Media (Australia)
David Tasker
Professional Public Relations
T: +61 8 9388 0944
E : David.Tasker@ppr.com.au

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.