

CONTINENTAL COAL

AFRICAN ENERGY FOR ASIA



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Continental Coal is a company whose second name could be 'expansion': with three operating mines and another in development this year, growth is a key part of its policy

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Based in Perth, Western Australia, and listed on the Australian Securities exchange (ASX), Continental Coal is a mining company with an Australian accent – which means it understands coal production and, even more importantly, the market that is blotting up most of the world’s coal and promises to do so for a long time. This is of course Asia, and notably China and India. However Continental Coal is a thermal coal producer, which means its primary market is power generation: whatever the shape of these great economies’ industry in periods of future growth, energy is going to be required and the most cost effective way to provide this is still coal.

The company is unusual in that its production assets are currently all located in South Africa. The head office may be in Perth but the company defines itself as a South

African producer. As well as being listed on the ASX, it has been listed on London’s AIM market since September 2011, giving it access to a wider variety of investors. It is now in the process of listing on the Johannesburg Stock Exchange too, and its CEO is a South African. Don Turvey has spent most of his 27 years’ experience in the coal industry in his native country, much of it working for BHP Billiton, through he has experience of Australia, the USA and Indonesia as well.

Though it has key supply agreements with Eskom, South Africa’s national power generation company, the bulk of its production

is destined for Asia, shipped out through the largest coal terminal in the world, Richards Bay in KwaZulu Natal. It might be thought that Australia itself, or the coalfields of India were better placed to supply China, and it is true that logistically these do have an edge on South Africa. However Jason Brewer the company’s finance director has pointed out that reliability of supply is of the first importance to the power generators of Asia. Thanks to Richards Bay South Africa can provide a more dependable service that either Indonesia with its quality issues

and even Australia, where port expansion and rail infrastructure projects delays are an issue.

Continental currently has three operating mines, Penumbra, Vlakvarkfontein and Ferreira, producing 2.8 million tonnes per annum of thermal coal for both the export and domestic markets.

**\$33
MILLION**

Invested at
Penumbra mine

In 2013/14 Continental is set to commence development of its fourth thermal coal mine, De Wittekrans. The Ferreira mine near Ermelo in Mpumalanga Province is just two kilometres from the company’s Delta processing plant. It is a conventional open-case mine: operations started here in 2008, and the mine was slated for closure last year until the mine’s life was extended last year to incorporate adjacent resources. It is now expected to produce up to an additional 700,000 tonnes.

However a more recent acquisition, Vlakvarkfontein another open cast mine 100 kilometres away near Delmas to the west

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of Johannesburg is a key asset regarding the domestic market for Continental. Under a contract signed in March 2012 it is one of only 25 direct suppliers of coal to Eskom, and its 17 million tonnes of proven reserve is sufficient to keep supplying it for another decade. Between them Ferreira and Vlakvarkfontein produce 1.2 million tonnes per annum for the domestic market and 600,000 tonnes for export.

Ferreira is now a stable operation while Vlakvarkfontein is exceeding all its targets and is now producing 1.4 million tonnes a year. However it is Continental Coal's third operating mine Penumbra, five kilometres from Ferreira, that is driving the next phase of the Australian company's growth. Production started there at the end of 2012, with the first coal being mined in November. Since then it has been a question of fast-track development: the first continuous mining section, including breakers and conveyors, was installed last December, and this was followed up in February this year by a second.

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Ferreira coal mine

"LISTED ON THE ASX AND AIM, CONTINENTAL COAL IS NOW IN THE PROCESS OF LISTING ON THE JOHANNESBURG STOCK EXCHANGE"

Penumbra is currently producing in the region of 30,000 tonnes a month: at full capacity this will be more than doubled. That stage should be reached before 2013 is out and once the final instalments of the \$10 million from the sale of its non-core VanMag vanadium and magnetite arm to a Chinese company have been banked. In all, around \$33 million has been invested. This is an underground mine, with enough reserves to last ten years: in the current financial year it is expected to 200,000 tonnes of high quality export coal, generating some \$17 million in revenue while at full production it will be generating half a million tonnes for the export market.

All this is very impressive, but it won't get Continental Coal to the target it has set itself, which is to reach ten million tonnes per year at some point in 2015. Expect then to see a lot more expansion of the type that has already taken place. In 2011 a feasibility study was completed on the company's De Wittekrans complex, which has the potential to produce 2.4 million tonnes per year of a thermal coal product described as ideally suited to the Asian coal market over an initial 30-year mine life. De Wittekrans has the potential to become the Company's flagship project, Don Turvey believes, starting as an open cast operation and later graduating to an underground pit



The company currently sees De Wittekrans as the jewel in its crown, holding as it does estimated reserves of 44 million tonnes, 16.2 million of them in the proven category: it brings the company's total proven reserves in south Africa to 32.3 million tonnes.

Continental Coal's community involvement and social responsibility commitment is aimed at encouraging economic development in the areas in which it operates. In the early part of this year the first group of students obtained

their certificates for successfully completing the first level of their module under the company's Adult Basic Education and Training Program at the Vlakvarkfontein Coal Mine. In addition directors and managers visited the Arbor Village, located near to the Vlakvarkfontein Coal Mine, where three classrooms at the Arbor Primary School have been renovated and where the donation of a mobile office to the Arbor Home Based Care Group was made by the company to assist in the care of the elderly and sick and the bi-monthly clinic with the Department of Health. Phase 1 of a Lavender Oil Program at the Arbor Village commenced in February 2013, with an initial eight people employed on this project.

The company is very active with other prospects in South Africa, developing a feasibility study for its Vlakplaats project

under an agreement with the Korean company KORES. Vlakplaats is close to Wolvenfontein, another development project recently acquired to consolidate Continental Coal's position in the Delmas region. At the same time as it reaches out for its ten million tonnes target Continental Coal is looking to expand beyond South – and even southern Africa. Through its Botswana subsidiary, Weldon Investment it holds three tenements in that country, holding massive reserves that it is currently drilling, and Don Turvey has talked of a potential move into East Africa – a move that would make it truly continental. **BE**

“PENUMBRA IS EXPECTED TO PRODUCE 200,000 TONNES OF HIGH QUALITY EXPORT COAL, GENERATING SOME \$17 MILLION IN REVENUE”

For more information about Continental Coal visit: www.conticoal.com



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