

ASX ANNOUNCEMENT

12 September 2011

DRILLING UPDATE: INITIAL HOLES CONFIRM COAL SEAMS

Key Points:

- **COALBANK**'s 2011 coal drilling program commenced on 29 August approximately 20 kilometres south of Blackall, Queensland, with some initial mechanical difficulties slowing drilling progress.
- The initial drilling hitch included a deep (293 metre) hole to establish stratigraphic relationships in the region.
- Each hole in the initial drilling intersected coal seams in a north-south long section along strike.
- Total coal thicknesses of up to 8 metres at relatively shallow depths were intersected in holes drilled, based on analysis of wireline density logs.
- The next phase of drilling is expected to commence on 20th of September and is aimed at providing an east-west cross-section south of Blackall.

COALBANK LIMITED (ASX: CBQ) is pleased to advise its initial 2011 drilling has confirmed the presence of shallow coal seams within the Company's EPC1993 south of Blackall in Queensland.

Drilling commenced at southern boundary of EPC1993 (approximately 20 kilometres south of Blackall) on 29 August, with a number of initial mechanical difficulties slowing progress during the first drilling hitch.

Despite the drilling and mechanical difficulties, the program to date has included a deep hole to 293 metres to establish stratigraphic relevance and relationships with respect to known regional stratigraphy.

Initial holes completed during the first drilling hitch were on a north-south long section along strike, with each hole confirming the presence of Winton Formation coal seams.

Total coal thicknesses of between 3 and 8 metres at relatively shallow depths were intersected in holes drilled. These thicknesses are based on analysis of wireline density logs.

The upcoming drilling hitch is planned to commence on the 20th of September and an east-west set of holes is planned to provide a dip cross-section of data.

The Company plans to provide the next drilling update on completion of the second drilling hitch, expected to occur during October.

Ends

Further information:

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About COALBANK LIMITED

COALBANK LIMITED is an ASX-listed company (ASX: CBQ) that invests in and develops early stage upstream energy projects.

The Company holds one of the largest coal exploration permit areas in Australia, and is primarily focused on coal exploration in Queensland. Significant value is added to the Company's projects through its team's exploration expertise and commercial discovery experience.

COALBANK's future strategy includes the involvement of strategic industry partners for its key projects to accelerate their development from exploration to production.

Given COALBANK's core focus on coal exploration, the Company will consider joint venture partners or spin-off opportunities for our petroleum subsidiary Surat Gas Pty Ltd, and for its metals subsidiary, Harvest Metals Pty Ltd.