

**Date:** 31 January 2012

**To:** Australian Securities Exchange  
Companies Announcement Office  
Electronic Lodgment System

Dear Sir

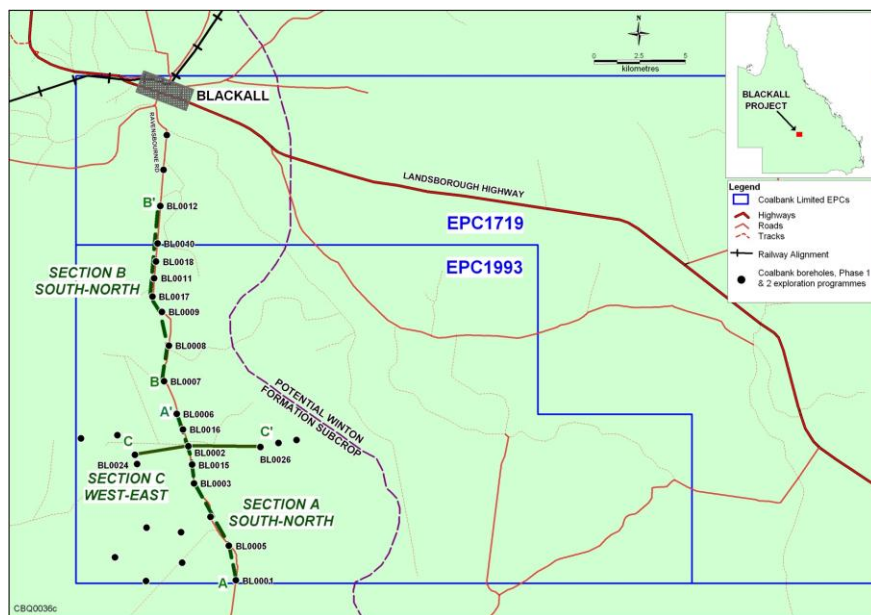
## **ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2011**

### **ACTIVITIES RELATED TO ENERGY PROJECTS:**

#### **Blackall-Tambo Project**

COALBANK's 2011 coal drilling program continued through to mid-December and continued to reveal the presence of coal seams at shallow depths within the Company's Blackall Coal Project located approximately 145km south-west of Alpha in Central Queensland (Figure 1).

Coal seams were intersected at relatively shallow depths (from 16 metres) over a distance of approximately 26 kilometres with 34 holes including 4 partly cored holes being completed.



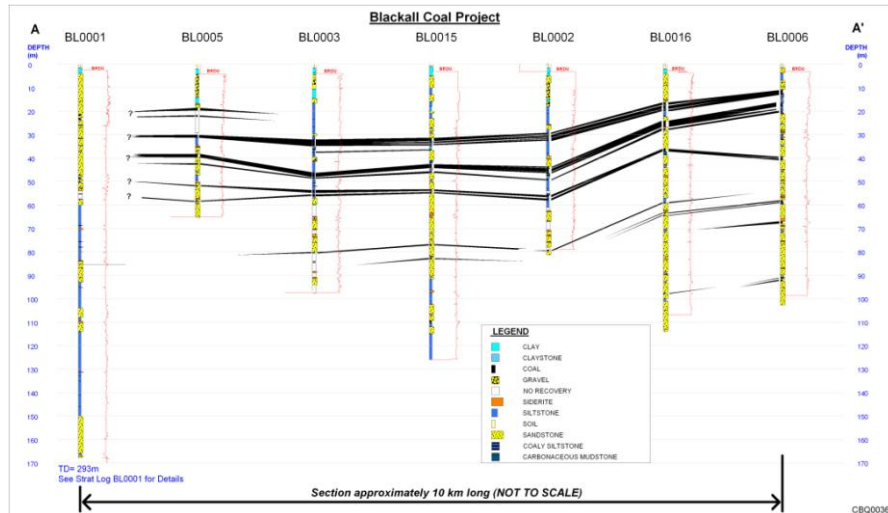
**Figure 1: COALBANK Limited's Blackall Project (EPCs 1993 and 1719).**

Total coal thicknesses exceeding 10 metres were intersected in a number of holes. Cross sections showing preliminary seam correlations are shown below in Figures 2 to 4 with section locations shown on Figure 1.

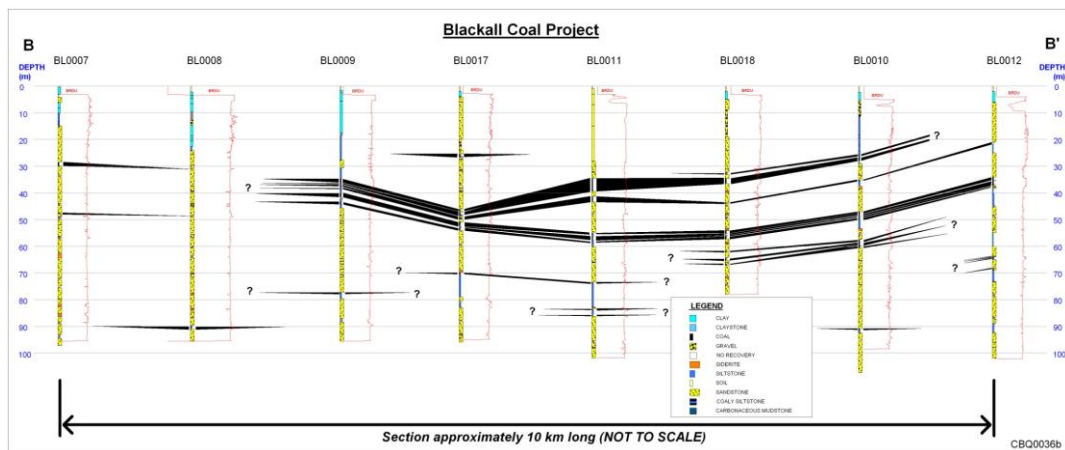
A total of 34 holes have now been completed south of Blackall including 4 partly cored holes targeted for coal seam sampling at sites selected from the chip drilling program. Down-dip holes indicate that the seams are very shallow-dipping.

#### **COALBANK LIMITED**

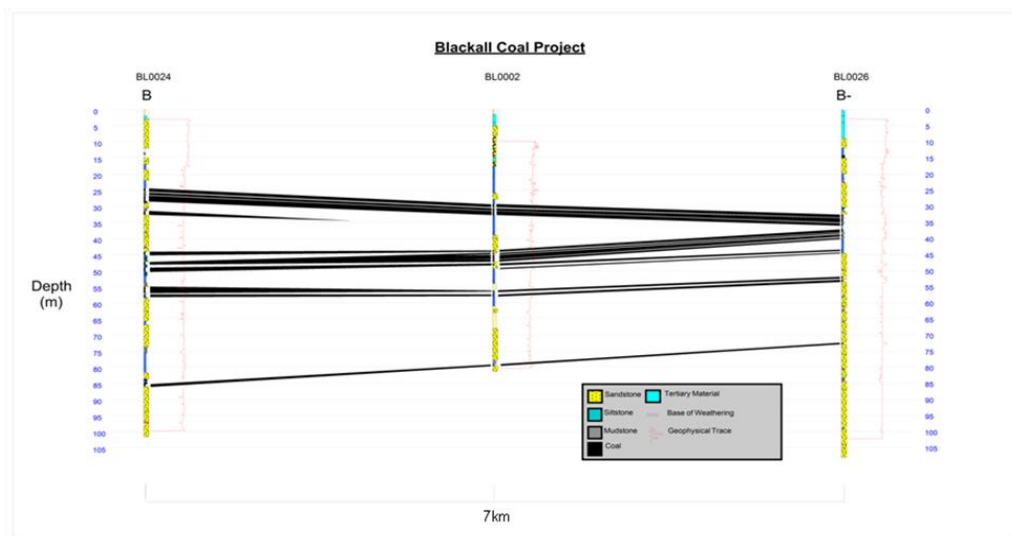
ABN 20 075 877 075  
Level 1 101 Edward Street Brisbane Queensland 4000 • GPO Box 762 Brisbane Queensland 4001 Australia  
T +61 7 3229 6606 • F +61 7 3221 6625 • [info@coalbank.com](mailto:info@coalbank.com) • [www.coalbank.com](http://www.coalbank.com)



**Figure 2: Blackall Coal Project Section A-A'**



**Figure 3: Blackall Coal Project Section B-B'**



**Figure 4: Blackall Coal Project Section C-C'**

Three separate coal-bearing horizons have been encountered over a 26 kilometre strike length from depths as shallow as 16 metres.

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The deposit is favourably located adjacent to an existing rail corridor connecting Blackall with the rail infrastructure being proposed for regional Galilee Basin coal projects including GVK-Hancock, Waratah Coal and Adani.

In parallel with ongoing activities in the Blackall region COALBANK drilled 6 stratigraphic holes across EPCs 1415, 1481 and 1621 south-east of Tambo. These holes confirmed the presence of the Walloon Coal Measures in the area and provide valuable data for targeting of future exploration in these areas.

In Quarter 1, 2012 the Company plans to resume drilling activities at the Blackall Project. The focus will be to achieve a maiden coal resource in line with the JORC criteria by

- continuing a broad drilling grid to progress control correlation, determine eastward extent of Winton Formation coal seams and identify areas with maximum coal thicknesses
- ongoing core sampling from selected sites for coal quality analysis
- continuing infill drilling aimed at the achievement of a maiden coal resource in line with the JORC criteria.

The Company will provide a further update regarding the recommencement of activities for the Blackall-Tambo Coal Projects in Quarter 1 2012 after assessment of the impact of the wet season.



*Figure 5: COALBANK Blackall Project coal core.*

### **Moreton Energy Project**

Lodestone's Moreton Project consists of four EPCs located near Beaudesert in South Queensland. No field activity was undertaken in the quarter.

The term for EPC1299 (Strathaver/Bromelton) expired during the quarter, and the Company has not applied for renewal of this permit of 3 sub-blocks. No economic coal resources were identified in the permit during drilling in prior periods.

### **Eastern Queensland Coal Projects**

No field activity was undertaken in the quarter. Planning continued for the 2012 exploration program.

### **Surat Gas**

Discussions are continuing with interested parties with regard to joint ventures or other transactions for the Surat Gas portfolio. Work was undertaken during the quarter to validate open file seismic data previously transcribed.

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**ACTIVITIES RELATED TO MINERAL PROJECTS:**

An Independent Expert's Report commissioned by the board for its Harvest Metals subsidiary is due for finalization during the March quarter.

Following the declaration of Restricted Area 384 around urban centres by the Minister for Employment, Skills and Mining, the Rockhampton Regional Council received approval of its application to "opt out" of the declaration. EPM 17850 (Mt Morgan) lies within the Rockhampton Regional Council area.

**CORPORATE ACTIVITY:****Competitive Bidding & Cash Bids for New EPCs in Queensland**

On Friday, 13 January 2012, the Queensland Government announced a major permanent change to the coal tenure application regime, placing a moratorium on all new coal permit applications in Queensland as part of a transition to a competitive bidding (and cash-bidding) process for all future coal exploration permit applications in Queensland. In this regard, the Company has received correspondence from Queensland Mines and Energy confirming that the new changes do not affect existing exploration permits for coal (EPCs) or applications submitted before 13 January 2012. The correspondence also re-confirms that holders of EPCs (such as COALBANK) will still be able to apply for higher forms of tenure (for example, the ability to apply for a mineral development licence or mining lease from an existing EPC will continue to be available).

The impact of the changes imposed on 13 January means that it would now be unlikely for one company to achieve a large contiguous tenement footprint in coal-bearing areas such as COALBANK's 24,000 square kilometres holding in Queensland.

**Approaches from Investors and Parties Regarding Coal Projects**

With the initial results from the Company's successful Blackall drilling program, the Company has received recent approaches from a number of interested foreign and domestic strategic partners and intermediaries regarding potential joint ventures, strategic investments, partial asset sales or other corporate transactions.

Site visits for certain interested parties have also been hosted by the Company at certain of its coal project areas.

The Company is currently considering a formal process to review the options and manage these accelerating approaches and has received proposal from intermediaries well positioned for this role. Appointment of an intermediary to manage a strategic review process will be considered during the first Quarter of 2012.

The Company has also held advanced discussions with investors and intermediaries regarding capital raising options and has received proposals that are currently under consideration.

**Strategy for Harvest Metals**

The Company received approaches during the quarter from parties interested in joint ventures, farm-in and other transactions regarding Harvest Metals or its individual projects. Further discussions with such parties were delayed pending the receipt of the completed

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Independent Expert's Report for Harvest Metals. Subject to the outcome of the next phase of these discussions, the Company currently plans to call a Shareholders Meeting during the first Quarter of 2012 to consider an in specie distribution of shares in Harvest Metals to COALBANK shareholders.

Preparations including legal and taxation advice, finalisation of an Independent Expert's Report, and drafting of documentation for a Shareholders' Meeting are in train for a potential in specie distribution of shares in 100%-owned subsidiary Harvest Metals Pty Ltd.

Yours faithfully,

**Roger Clarke**  
Chairman

Further information:

Bruce Patrick  
Chief Executive Officer  
07-3229-6606

Greg Baynton  
Deputy Chairman (Executive)  
07-3229-6606

## About COALBANK LIMITED

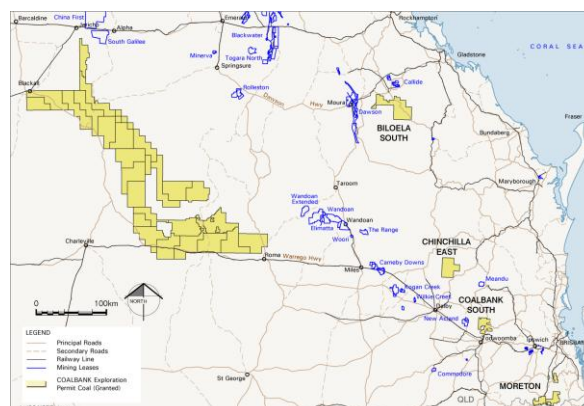
COALBANK LIMITED is an ASX-listed company (ASX: CBQ) that invests in and develops early stage upstream energy projects.

During late 2011 the Company was successful in discovering a very significant coal occurrence over a strike length of 26 kilometres in its initial drilling program south of Blackall in Central Queensland.

The Company holds one of the largest coal exploration permit areas in Australia, with the Blackall Project representing only a small portion of the overall area. 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.

The Company also holds two copper-gold projects and petroleum and gas projects in Queensland via its two wholly owned subsidiaries Harvest Metals Pty Limited and Surat Gas Pty Limited. Given COALBANK's core focus on coal exploration, the Company will consider joint venture partners or spin-off opportunities for these entities.



**COALBANK Coal Exploration Portfolio in Queensland**

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