

Date: 29 July 2011

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir

ACTIVITIES REPORT FOR QUARTER ENDED 30 JUNE 2011

ACTIVITIES RELATED TO ENERGY PROJECTS:

Tambo Project

Planning for the recommencement of drilling at the Tambo Coal project following earlier rain, flooding and resulting poor access conditions in the Tambo and Maranoa region is well advanced for an August start.

Targets are shown in Figure 1 below, with initial drilling to be at sites where preparation was completed before weather forced the early curtailment of the 2010 programme.

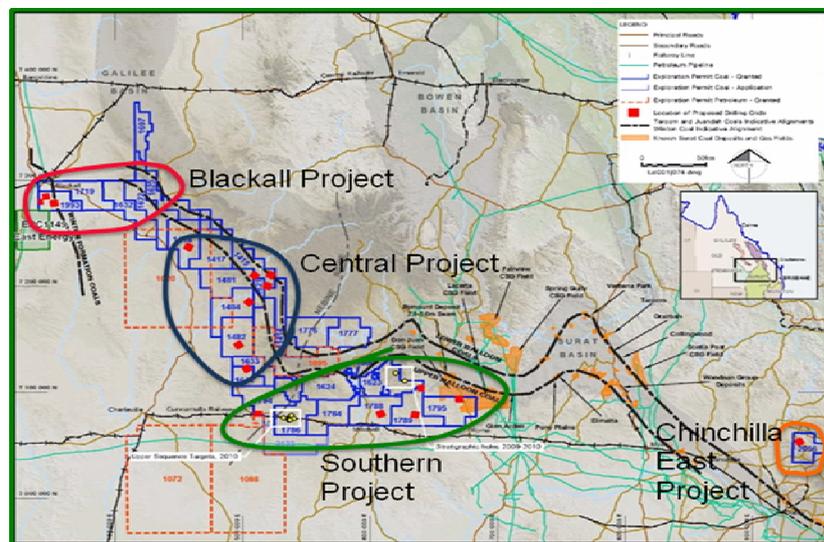


Figure 1: Exploration Targets

During the Quarter, COALBANK received shareholder approval for, and completed the acquisition of Coalbank Qld Pty Ltd and underwent a change of name from Lodestone Energy Limited.

During June, COALBANK was advised by the Department of Employment, Economic Development and Innovation that it was not successful with its competing application EPC 2376 - Walloon West.

ATP's 1072, 1095 and 1098 (for which Coalbank subsidiary Surat Gas Pty Ltd is the preferred tenderer in the Queensland Government's 2010 Petroleum Land Release tender process) are proceeding through the grant process and are expected to be granted towards the end of 2011 and early 2012.

The Company has been offered a grant under the Queensland Government Collaborative Drilling initiative to cover direct drilling costs of a drilling program at ATP1020. The maximum amount of \$150,000 is available. The government initiative is targeted to support the testing of high quality exploration targets in under explored areas of Queensland.

Commercial options being considered for the Company's petroleum subsidiary, Surat Gas, include divestment, a direct seed capital raising followed by ASX listing, farm-out of individual projects, and continued ownership and direct exploration of the tenements.

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. Four sub-blocks were relinquished from EPC1302.

ACTIVITIES RELATED TO MINERAL PROJECTS:

Consistent with its core focus on energy projects, Lodestone is considering funding and farm-out options for both of its remaining minerals projects, located in the Mount Morgan and Chillagoe districts.

Mount Morgan District Project (100% Lodestone)

This project is centred on the historic gold mining town of the same name, and is situated 50km southwest of Rockhampton, Queensland.

Chillagoe District Project (100% Lodestone)

This project is situated 130km north of the Chillagoe township in North Queensland. The structural and lithological setting of this project is similar to the Mungana and Red Dome gold-copper deposits near Chillagoe.

During the June quarter, the Company incorporated a new entity, Harvest Metals Pty Ltd, and is currently the process of transferring its minerals projects to this new entity to provide flexibility for future funding, new project acquisitions and possible spin off of a pure-play metals explorer.

CORPORATE ACTIVITY:

As previously announced shareholders approved the change in company name from **Lodestone Energy Limited** to **Coalbank Limited** on 2 June 2011.

Subsequent to the close of the June quarter, the Company announced a \$3.8 million institutional investment by funds associated with Och-Ziff Capital Management Group LLC to fund the upcoming coal exploration program and provide further working capital. Och-Ziff Capital Management Group LLC is a leading global institutional asset management firm with approximately US\$29.3 billion of assets under management as of 1 July 2011.

As previously advised, COALBANK is exploring commercial arrangements for future joint ventures, farm-outs, spin-offs and project funding/capital raising options to advance its minerals and energy projects.

In this regard, the Company continues to be approached by potential strategic partners/investors. The Company is continuing to engage in such discussions with a view to an outcome that would help advance its projects and benefit shareholders.

Yours faithfully,

Roger Clarke
Chairman

Further information:

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