

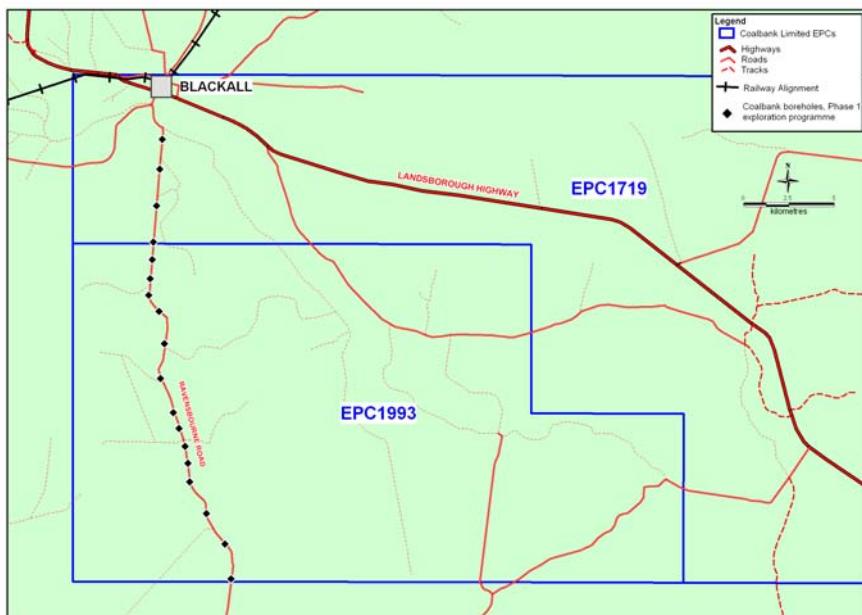
ASX ANNOUNCEMENT

26 October 2011

**DRILLING UPDATE:
INITIAL EVIDENCE OF SIGNIFICANT COAL DISCOVERY**

Key Points:

- Ongoing activities in **COALBANK**'s 2011 coal drilling program continue to demonstrate the presence of coal seams at shallow depths within the Company's Blackall Coal Project in Queensland (refer map below).
- Eighteen holes have now been completed with coal seams being intersected at relatively shallow depths over a distance of approximately 28 kilometres.
- Total coal thicknesses have exceeded 10 metres in several holes, based on analysis of wireline geophysical logs.
- A second drilling rig has been contracted and has commenced work.
- Drilling of additional priority targets will include EPC 1415 near Tambo when the drilling rigs resume next week, in parallel with ongoing activities in the Blackall region.



COALBANK Limited's Blackall Project (EPCs 1993 and 1719).

COALBANK LIMITED (ASX: CBQ) is pleased to advise drilling during October continued to demonstrate the presence of shallow coal seams within the Company's EPCs 1993 and 1719 south of Blackall in Queensland.

Chief Executive Bruce Patrick said COALBANK's drilling program was confirming the Company's expectations of a significant coal discovery at its Blackall Project.

He said eighteen holes over a distance of approximately 28 kilometres had been completed and geophysically logged, with coal seams being intersected at relatively shallow depths.

Total coal thicknesses have exceeded 10 metres in several holes drilled during October, based on analysis of wireline geophysical logs.

"The Company is very pleased that our drilling south of Blackall has gained momentum and continues to prove-up our geological model," Mr Patrick said.

As previously announced drilling activities commenced in EPC 1993 south of Blackall on 29th August. A second drilling rig has been contracted and this additional resource was mobilised and commenced work in mid-October.

Drilling during the current program has been focussed in EPCs 1993 and 1719 on a widely-spaced drill pattern to determine the presence of coal seams of the Winton Formation. Further drilling is planned to increase knowledge of the areal extent of the coal seams.

When the drilling rigs resume next week the Company plans to begin drilling additional priority targets commencing in EPC 1415 near Tambo, in parallel with ongoing activities in the Blackall region.

Landholder access arrangements are progressing with several agreements concluded or at advanced stages.

The Company will continue to provide drilling updates as activities progress at the Blackall-Tambo Coal Projects.

Ends

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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.

COALBANK LIMITED

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