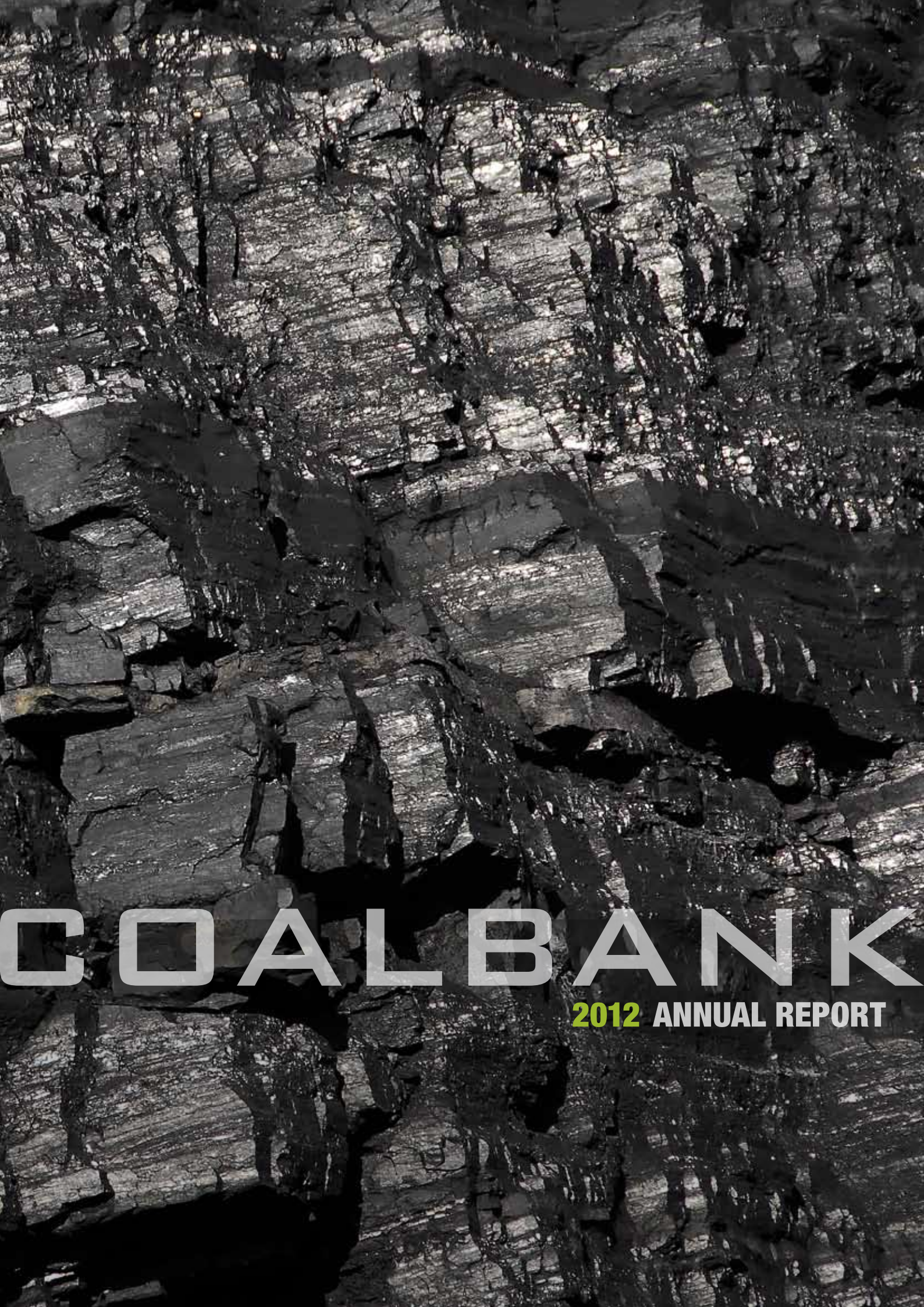

COALBANK

2012 ANNUAL REPORT

WITH THE RECENT DISCOVERY OF A SIGNIFICANT RESOURCE IN OUR BLACKALL TENEMENTS COALBANK NOW HAS A VERY REAL VALUE.

COMPETENT PERSON'S STATEMENT

The information in this Annual Report that relates to the Resource Statement for COALBANK's Blackall Coal Project has been based on information compiled by Mr. Rowan Johnson who is a Member of the Australasian Institute of Mining and Metallurgy and is a Senior Geologist employed by McElroy Bryan Geological Services Pty Ltd (MBGS).

Mr Johnson has more than 30 years experience as a geologist in the resources industry and more than 15 years experience in the estimation of coal resources for coal projects and coal mines in Australia and overseas. This expertise has been acquired principally through exploration and evaluation assignments at operating coal mines and for coal exploration areas in Australia's major coal basins and in other coal basins overseas. This experience is more than adequate to qualify him as a Competent Person for the purpose of Resource Reporting as defined in the 2004 edition of the JORC Code. Mr Johnson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

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01.

CORPORATE PROFILE COALBANK LIMITED

COALBANK LIMITED (ASX: CBQ) invests in and develops early stage upstream energy projects with a primary focus on coal exploration in Queensland.

The Company holds significant coal exploration permit areas in Queensland with tenements located in the Surat, Galilee, Eromanga and Bowen Basins.

We add significant value to our projects through our team's exploration expertise and commercial discovery experience.

Our future strategy includes the expected involvement of strategic industry partners for our key projects to accelerate their development.

In addition to our substantial coal exploration portfolio in Queensland, COALBANK has shale gas and conventional oil and gas targets in the Surat and Eromanga Basins, and copper-gold exploration tenements at Chillagoe and Mount Morgan in Queensland.

During the year in review, exploration activities for COALBANK's Blackall Coal Project in Central Queensland confirmed a total Inferred Resource reported in accordance with the JORC Code of 1.3Bt of thermal coal for the Inverness Deposit: a major discovery situated across two of our coal permit areas.

EXPLORATION ACTIVITIES HAVE CONFIRMED A MAJOR DISCOVERY ACROSS TWO OF OUR COAL PERMIT AREAS.

02.

CHAIRMAN'S REPORT

ON BEHALF OF THE COALBANK BOARD I AM PLEASED TO INTRODUCE THE COMPANY'S 2012 ANNUAL REPORT.

This year's Report is significant for your Company as it follows the announcement of COALBANK's first JORC-code compliant coal resource at our Blackall Coal Project in Central Queensland (Blackall Project).

DRILLING SUCCESS

Your Company made strong progress during the 2012 financial year, with the announcement that multiple coal intersections were discovered during exploration south of Blackall in September 2011 and confirmation of a significant coal discovery in the Blackall area in late October 2011.

Those announcements were followed by a subsequent drilling program that was completed in the last quarter of the financial year, which was aimed at defining a resource.

On 20 June 2012, COALBANK's Board was very pleased to announce the Company's maiden JORC-code compliant inferred resource of 1.3 Billion tonnes of thermal coal at our Blackall Project, referred to as the *Inverness Deposit.*

During the year, the Company held discussions with a number of interested parties regarding the Blackall Project and other COALBANK coal tenements, and dialogue is ongoing.

Following the major coal resource being defined at Blackall, your Board will now consider steps to rationalise the Company's exploration portfolio as it focuses on the Blackall Project and reviews exploration efforts undertaken over the past few years, with a view to optimizing its holding costs and prioritizing targets.

HARVEST METALS

During the year your Company commissioned an Independent Geologist's Report (IGR) for the Harvest Metals' minerals projects in the Chillagoe and Mount Morgan areas and released it to the ASX. With the completion of the IGR, site visits and meetings were held with interested parties during the year and discussions with certain parties are ongoing.

CAPITAL RAISINGS

During the year in review COALBANK secured investment from a number of quarters, which enabled your Company to complete the successful drilling program at the Blackall Project.

However, as investors you would no doubt be aware that capital raising for all coal exploration companies over the past eighteen months has been complex and, despite positive exploration results, fundraising continues to be challenging. Moving forward with this in mind, your Board will continue to investigate various opportunities and structures for future funding.

For the remainder of the year, we expect the Company's activities to focus on continuing discussions with strategic investors and other interested parties with a view to unlocking value for shareholders or providing funding and a platform for future growth.

On behalf of the Board, I welcome new shareholders to the Company and thank existing shareholders for your continued support.

I also take this opportunity to thank our Directors and personnel for their efforts and ongoing commitment to the Company throughout the year.

Roger Clarke
Chairman

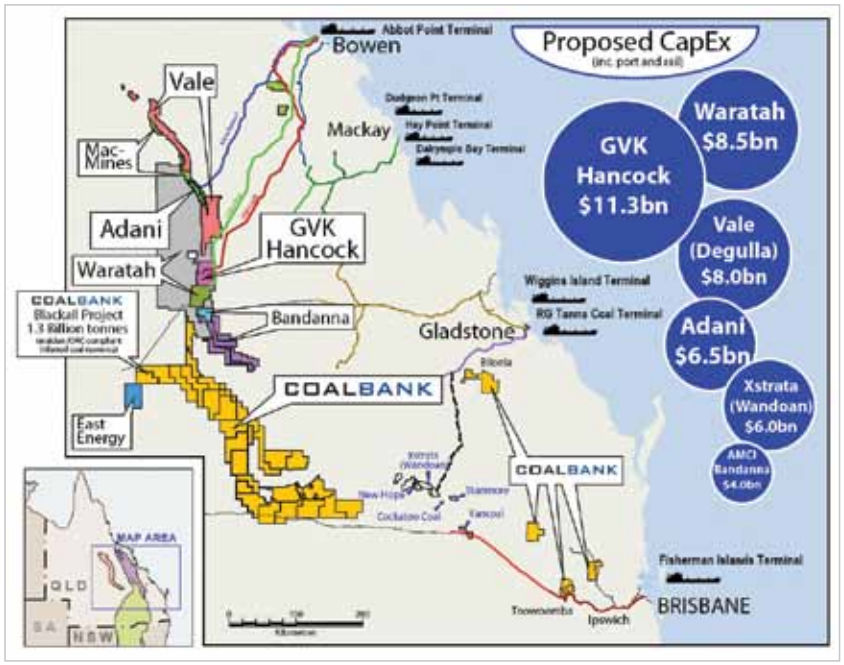
03.

OPERATIONAL REVIEW

CEO'S REPORT AND OPERATIONAL REVIEW

The year in review was one of exploration success for COALBANK. Despite a turbulent stock market, the Company was able to both secure investment to allow for an intensive drilling program at our Blackall Project, and subsequently announce a significant coal discovery and large JORC-code compliant resource.

Figure 1: Project Location & Emerging Coal & Infrastructure Projects in Qld



The Blackall Project

The Company's Blackall Project is located approximately 130 kilometres south west of Waratah Coal's China First Project and GVK-Hancock's Alpha Project, and 112 kilometres from Jericho on the Blackall – Jericho rail corridor. It is relatively close to several major coal mine and infrastructure development projects in the Galilee Basin (Figure 1).

On 20 June 2012, your Company released a Maiden Resource Statement for its Blackall Project, which confirmed a shallow 1.3 Billion tonne inferred, thermal coal resource reported in accordance with the JORC Code, which features:

BLACKALL COAL RESOURCE – INVERNESS DEPOSIT

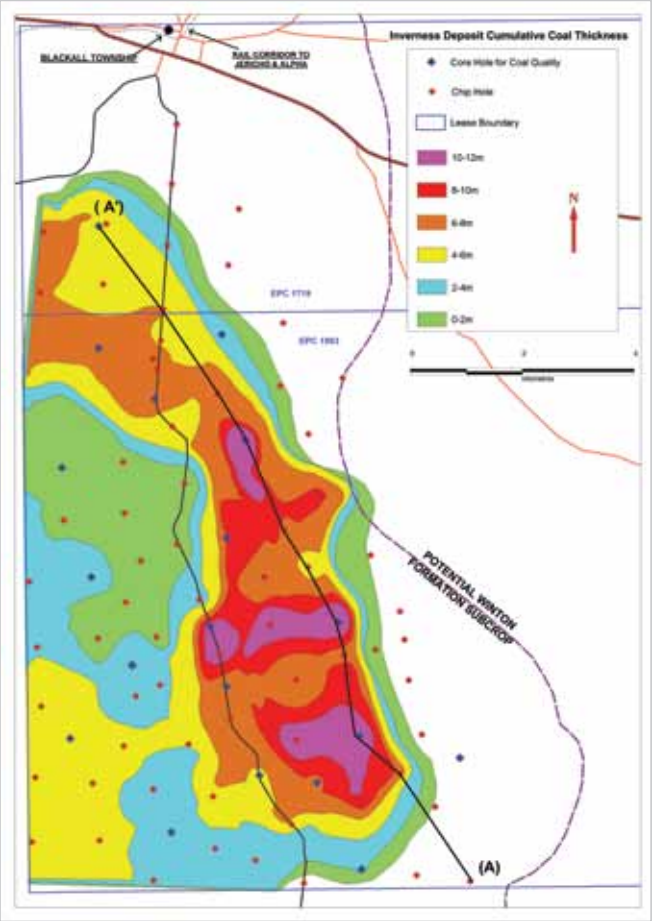
Total Inferred Coal Resource	**1.3 Bt**
< 50 metres depth	**825 Mt**
50 - 100 metres depth	**425 Mt**

Source: Competent Person Report, Blackall Coal Project, Inverness Deposit, McElroy Bryan Geological Services, June 2012

Other important characteristics of the Inverness Deposit (Figures 2 & 3) include

- It is extensive, shallow and flat-lying
- It has a very low In-situ Cumulative Strip Ratio
- Initial quality testing indicates a low-medium ash, low sulphur, sub-bituminous coal (e.g. raw ash 9.4%-20%, sulphur generally < 0.5%).

Figure 2: Blackall "Inverness" Coal Resource Cumulative Seam Thickness & Cross-Section AA' Location



Wash testing will provide additional seam characterisation data that will allow optimisation of the resource as part of future mine planning and project development.

The Inverness Deposit is situated within a broad synclinal structure trending north-northwest throughout the 25-kilometre length of the deposit. The coal seams are relatively flat-lying and the upper seams sub-crop locally, controlled by the gentle structure.

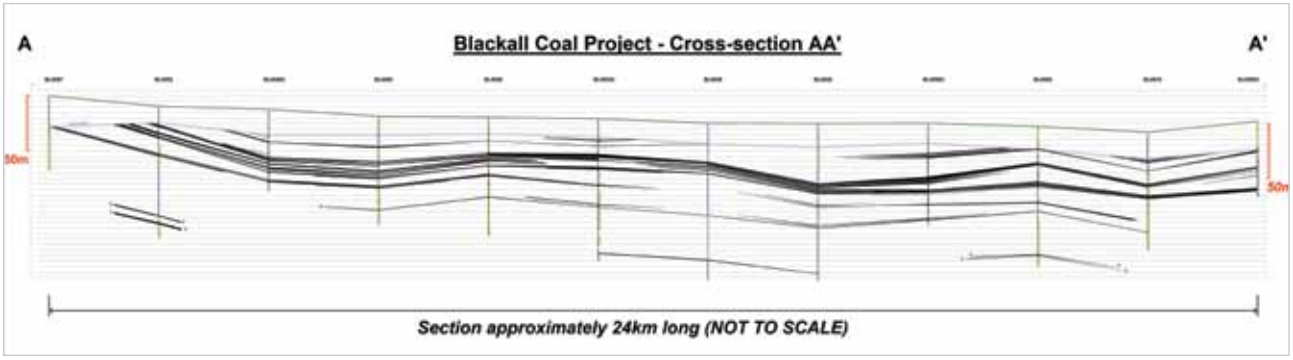
The Maiden Resource Statement confirmed both the significant scale of the Inverness Deposit and its very low In-situ Cumulative Strip Ratio. This means future mining costs are expected to be low relative to many other new thermal coal projects in Queensland.

When considered in the context of neighbouring coal projects to the south of COALBANK's tenements, it is now clear that a major new coal province has emerged. In this respect, COALBANK is ideally placed at the forefront of this new coal province.

Potential uses for coal from COALBANK's Blackall Project include export thermal coal, blending, domestic power generation, and coal-to-liquids or coal-to-chemicals applications.

Presentations to the Blackall-Tambo Regional Council occurred during the year to ensure the Local Government was informed of the Company's progress and activities at the Blackall Project. The team worked closely with landowners and local businesses in the area to ensure disturbance was minimized and local contractors and suppliers were used wherever possible. As a result, COALBANK developed strong and positive relationships in the region, which bode well for future exploration activities.

Figure 3: Coal Seams over the 24 Kilometre Strike Length at COALBANK's Blackall Coal Project – Cross-Section AA' (Location Shown in Figure 2)



Blackall Project Infrastructure

In May 2012, the Queensland Government approved the GVK-Hancock Rail to Abbot Point Coal Terminal and the Federal Government provided its approval for the infrastructure on 23 August 2012.

For the Company's initial priority mine development target, practical rail infrastructure options now include a standard-gauge spur line from the GVK-Hancock Alpha Coal Project to COALBANK's Blackall Project using the existing Blackall-Jericho rail corridor.

In addition, the Wiggins Island Coal Export Terminal (WICET) at Gladstone recently executed capacity deeds with four coal producers for 32.2Mtpa of additional export capacity to support the proposed second stage of the terminal (WEXO1) planned for completion in 2016.

The Queensland Government has also recently provided greater certainty for the Abbot Point coal terminal expansion – approving an annual capacity of 240Mt (T2 & T3).

For COALBANK, this means that rail and port options for the Blackall Project are emerging and planned capacity will accommodate a number of new mining projects.

Remoteness from Cropping Land

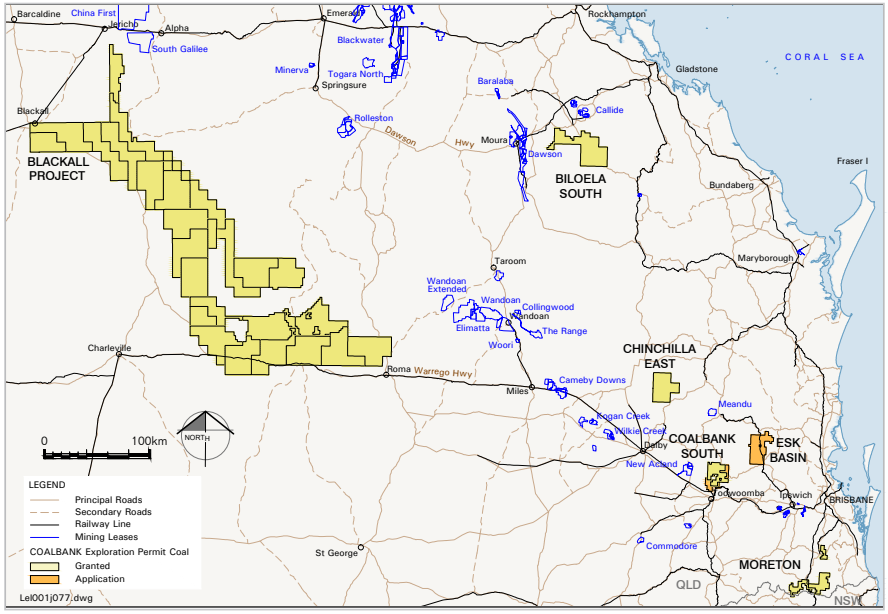
Importantly, COALBANK's Blackall Project lies entirely outside Queensland's designated Strategic Cropping Land areas. Overall, approximately 96% of COALBANK's coal exploration areas lie outside the designated Strategic Cropping Land Protection Areas.

The Blackall Project represents only a small proportion of the Company's overall tenement area, which includes additional coal-bearing tenements overlying the Surat, Bowen, Galilee and Esk Basins in Queensland (Figure 4).

On Friday, 13 January 2012, the Queensland Government foreshadowed major changes to the coal tenure application regime. This placed a moratorium on all new coal permit applications in Queensland as part of a transition to a competitive bidding (and cash-bid) process for all future coal exploration permit applications in Queensland. The impact of the changes means that it is now very difficult for one company to assemble a large contiguous tenement footprint in coal-bearing areas.

COALBANK is therefore currently in a unique and strategic position, holding a group of contiguous tenements, with significant exploration potential.

Figure 4: COALBANK Coal Exploration Portfolio in Queensland



CORPORATE STRATEGY: COAL

Following the release of the Company's Maiden Resource Statement, the strategy for the 2012/13 financial year will be focused on progressing discussions with strategic investors and other interested parties with a view to unlocking value for shareholders or providing funding and a platform for future growth.

COALBANK's Board and executive will also consider steps towards rationalizing the Company's exploration portfolio based on the Company's focus on the Blackall Project and will review exploration efforts over the past few years to prioritise targets and optimize holding costs.

GAS AND METALS PROJECTS

Through its 100% owned subsidiary Surat Gas Pty Limited, the Company holds petroleum permit ATP1020 and has three other ATPs close to grant, which have potential for shale gas, coal seam gas and conventional oil and gas.

In addition, COALBANK has copper/gold exploration tenements within its 100%-owned subsidiary Harvest Metals Pty Ltd. An Independent Geologist's Report (IGR) for the Harvest Metals' minerals projects in the Chillagoe and Mount Morgan areas was completed, highlighting the exploration potential for these permits. The IGR is available on the Company's website. The Company continued to consider options for a de-merger of Harvest Metals and possible distribution to COALBANK shareholders.

Given COALBANK's core focus on coal exploration, the Company is considering joint venture partners or spin-off opportunities for these non-core entities. Site visits and meetings with parties interested in the Company's Chillagoe and Mount Morgan area EPMs have been held in recent months and discussions continue.

OPERATIONS OUTLOOK

Capital management will be a key priority in the coming year, and operational efforts will focus on seeking partners and strategic investors to advance our Blackall Project and other priority targets.

Subject to funding availability and/or the involvement of strategic partners, we look forward to taking our major thermal coal discovery at Blackall through the stages of project development towards the establishment of a long-term, large-scale mining project in the region.

SUMMARY

During the June quarter of 2012, COALBANK's executive and exploration team were delighted with the outcomes of the drilling program, which far exceeded initial expectations.

In the June quarter of the year in review, COALBANK's team and contractors were able to drill a 75-hole program in approximately ten weeks, which provided the critical data required for the estimation of the 1.3Bt resource announced in the Maiden Resource Statement at the Blackall Project. In addition to its very large scale, an exciting aspect of the Inverness coal deposit is its shallow depth and relatively low in situ Cumulative strip ratio, which should enable relatively simple mining techniques and low mining costs for the project.

I would like to thank COALBANK's staff, contractors and consultants McElroy Bryan Geological Services Pty Limited for this outstanding result following an efficient exploration program and subsequent compilation and interpretation of results.

Bruce Patrick
Chief Executive

A MAJOR NEW COAL PROVINCE HAS EMERGED, AND COALBANK IS PLACED AT THE FOREFRONT OF THIS NEW COAL PROVINCE.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of COALBANK Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The following persons were directors of COALBANK Limited during the whole of the financial year and up to the date of this report:

R B Clarke
G A J Baynton
W R Stubbs
L R Grimstone
G L Baker

S Ever was appointed a director on 30 August 2011 and continues in office at the date of this report.

PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the Group consisted of resource exploration. The Group explores for coal, minerals, coal seam gas and conventional oil and gas.

REVIEW OF OPERATIONS

The operating loss after income tax of the Group for the year was $4,367,186 (2011: loss $8,514,160). The loss includes non-cash expense items (including share based payments, exploration assets written off, depreciation, finance costs and impairment of assets) of $2,897,173 (2011: $7,406,088) The loss reflects the nature of the Group's principal activity. Information on the operations of COALBANK Limited and its business strategies and prospects is set out in the review of operations and activities on pages 6 to 10 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

	2012 $
An increase in contributed equity of $6,515,527 (from $53,111,857 to $59,627,384) as a result of:	
Placement of 50,000,000 at 3.8 cents per share	1,900,000
Placement of 83,333,333 at 6.0 cents per share	5,000,000
Subtotal	6,900,000
Less: Transaction costs arising on share issues, net of current income tax	(384,473)
Net increase in share capital	6,515,527

DIVIDEND

The directors do not recommend the payment of a dividend. No dividend was paid during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2012 COALBANK Limited has issued 27,017,173 ordinary shares to sophisticated investors raising $1,026,653 in cash.

Other than the matters disclosed above no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

Likely developments in the operations of the group constituted by COALBANK Limited and the entities it controls from time to time that were not finalized at the date of this report included considering strategic partnering of the groups petroleum and minerals assets and/or divestment of the relevant subsidiaries.

Additional comments on expected results of certain operations of the group are included in this annual report under the review of operations and activities on pages 6 to 10.

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

INFORMATION ON DIRECTORS

R B CLARKE. *NON-EXECUTIVE DIRECTOR. AGE 64*

Experience and expertise

Mr Clarke has over 30 years commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance. He has been involved in a large number of initial public offerings, capital raisings, advisory roles and corporate transactions. Mr Clark is the Chairman of the RBS Morgans Limited Board of Advice and the former Chairman of ABN AMRO Morgans Limited.

Other current directorships

Non-executive Chairman of Tissue Therapies Limited (director since 2003)
Non-executive Chairman of NEXTDC Limited (director since 2010)
Non-executive director of Trojan Equity Limited (director since 2005)
Non-executive director of Maverick Drilling and Exploration Limited (director since 2007)

Former directorships in last 3 years

Non-executive Chairman of Pipe Networks Limited (from 2005 to 2010)

Special responsibilities

Chairman
Member of the audit committee.

Interests in shares and options

1,500,000 ordinary shares in COALBANK Limited.
3,000,000 options over ordinary shares in COALBANK Limited.

G L BAKER *B.E., B.APP.SC., B.ECON., M.SC., FIE AUST., F AUS IMM., CP ENG. NON-EXECUTIVE DIRECTOR. AGE 75*

Experience and expertise

Mr Baker is a chemical engineer by profession. He is an independent consultant in the energy industry with particular expertise in upstream petroleum, particularly in coal seam gas.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the audit committee.

Interests in shares and options

1,100,000 ordinary shares in COALBANK Limited.
1,000,000 performance rights over ordinary shares in COALBANK Limited.

G A J BAYNTON *M.ECON ST, MBA, B.BUS (ACCOUNTING), FFINSIA. EXECUTIVE DIRECTOR. AGE 43*

Experience and expertise

Mr Baynton is the founder and Managing Director of Orbit Capital, an investment and advisory company and holder of a Financial Services Licence. He has been a board member of Australian exploration companies since 1997 and has experience in identifying new opportunities, establishing new companies, IPO's and other capital raisings.

Other current directorships

Non-executive director of NEXTDC Limited (director since 2010)
Executive Director of Orbit Capital Pty Limited.

Former directorships in last 3 years

Non-executive director of PIPE Networks Limited (from 2004 to 2010)

Non-executive director of Tissue Therapies Limited (director from 2003 to 2012)

Special responsibilities

Member of the audit committee.

Interests in shares and options

413,462,097 ordinary shares in COALBANK Limited.
1,000,000 performance rights over ordinary shares in COALBANK Limited.
40,000,000 options over ordinary shares in COALBANK Limited.

L R GRIMSTONE *B.SC.(HONS) GEOL. GRAD.DIPL. MANGT.F.AUSIMM,CPGEO.M.MICA. NON-EXECUTIVE DIRECTOR. AGE 63*

Experience and expertise

Mr Grimstone is a geologist with over 35 years of experience in the exploration, mining and civil engineering industries. For the last 25 years he has operated his own consultancy practice based principally upon his expertise in Eastern Australian coal operations.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of the audit committee.

Interests in shares and options

9,704,407 ordinary shares in COALBANK Limited
2,000,000 performance rights over ordinary shares in COALBANK Limited.

W R STUBBS *LLB. NON-EXECUTIVE DIRECTOR. AGE 71*

Experience and expertise

Mr Stubbs practiced as a lawyer for 30 years. He is the co-founder of the legal firm Stubbs Barbeler. He practiced in the area of Commercial law including Stock Exchange listings and all areas of mining law. He has held the position of director of various public companies over the past 25 years in the mineral exploration and biotech fields. He is also the former Chairman of Alchemica Limited, Bemax Resources N.L and Arrow Energy Limited.

Other current directorships

Non-executive director of Lakes Oil N.L (appointed 7 February 2012)
Non-executive Chairman of DGR Global Limited
(appointed 26 November 2009)
Non-executive director of Armour Energy Limited
(appointed 18 December 2009)

Former directorships in last 3 years

Non-executive Chairman of Stradbroke Ferries Limited (from 2005-2012).

Special responsibilities

Chairman of the audit committee.

Interests in shares and options

3,116,667 ordinary shares in COALBANK Limited.
1,000,000 performance rights over ordinary shares in COALBANK Limited.

S EVER. *MBA. M.SC (CIVIL ENG). NON-EXECUTIVE DIRECTOR. AGE 48*

Experience and expertise

Mr Ever is a highly experienced executive in the energy sector. His previous roles include former CEO of Q Coal, 12 years with AMCI, former General Manager of AMCI Australia, founder and former Managing Partner of Triangle Resource Fund and founder of Square Resources. Mr Ever has strong experience in managing and financing coal projects from greenfields to production and marketing. He has undertaken and overseen equity investments in Gunnedah, Glennies Creek, Coppabella and Moorvale mines.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of the audit committee

Interests in shares and options

25,027,400 ordinary shares in COALBANK Limited.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
G L Baker	7	9	2	2
G A J Baynton	9	9	2	2
R Clarke	9	9	2	2
L R Grimstone	9	9	2	2
W R Stubbs	6	9	2	2
S Ever	7	8	2	2

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

COMPANY SECRETARY

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in 2002. Ms Stanley is a partner with a Chartered Accounting firm and holds the office of company secretary with other companies.

REMUNERATION REPORT (AUDITED)

This remuneration report sets out remuneration information for COALBANK Limited's non-executive directors, executive directors and other key management personnel.

DIRECTORS AND EXECUTIVES DISCLOSED IN THIS REPORT

Name	Position
Non-executive and executive directors – see pages 13 to 14 above	
Other key management personnel	
Bruce Patrick (from 30 August 2011)	Chief Executive Officer

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors do not receive performance based pay. However, to promote further alignment with shareholder interests directors have been issued with performance rights or options. The performance rights vest when certain share price conditions are satisfied and the condition that the director is still employed by the company. These conditions were selected to align performance with the goal of long term shareholder returns. The balance of performance rights on issue at 30 June 2012 will vest when the share price reaches 25 cents for 5 consecutive days. There are no other performance hurdles.

The holder of the rights and options are not exposed to any risk directly from holding the instruments as there is no liability attaching to the instruments and they are not transferable.

Share options are also issued to non-executive directors at the discretion of the board and following shareholder approval.

DIRECTORS' FEES

The current base fees were last reviewed with effect from 1 September 2009.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $400,000 in aggregate plus statutory superannuation and was approved by shareholders at the annual general meeting on 9 November 2009.

The following fees have applied:

Base fees	$
Chair	60,000
Other non-executive directors	40,000

EXECUTIVE PAY

The combination of base pay and superannuation make up the executives fixed remuneration. Base pay for the executives is reviewed annually to ensure the executive's pay is competitive with the market. Executive pay is linked to the performance of the company through the issue of performance rights and share options.

LONG-TERM INCENTIVES

Long-term incentives are provided to directors and key management personnel via the issue of performance rights and options.

The COALBANK Limited Employee Share Option Plan is designed to provide long-term incentives for directors and executives to deliver long-term shareholder returns. Under the plan, participants are granted options and/or performance rights which only vest if certain performance standards are met and the employees are still employed by the group at the end of the vesting period. Participation in the plan is at the board's discretion.

During the current and previous financial years the group has generated losses from its exploration and evaluation activities. Given the nature of the group's activities and the consequential operating results, no dividends have been paid. There have been no returns of capital in the current or previous financial periods.

The details of market price movements are as follows:

	Share price
Year end 30 June 2012	$0.05
Year end 30 June 2011	$0.04
Year end 30 June 2010	$0.09
Year end 30 June 2009	$0.18
Year end 30 June 2008	$0.08

There is no direct link between remuneration, company performance and shareholder wealth. The Group's activities focuses on the objective of delivery of long term shareholder returns.

USE OF REMUNERATION CONSULTANTS

COALBANK Limited has not engaged the services of any remuneration consultants during the financial year.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of COALBANK Limited are set out in the following tables.

KEY MANAGEMENT PERSONNEL OF COALBANK LIMITED

2012	Short-term benefits		Post-employment benefits	Share-based payment				
Name	Cash salary and fees $	Cash Bonus $	Superann-uation $	Options $	Performance rights $	Total $	A %	B %
Non-executive directors								
R Clarke, Chairman	60,000	-	5,400	-	-	65,400	100%	-
W R Stubbs	40,000	-	3,600	-	44,489	88,089	49%	51%
L R Grimstone	40,000	-	3,600	-	88,978	132,578	33%	67%
G L Baker	41,800	-	1,800	-	44,489	88,089	49%	51%
S Ever (director from 30/8/11)*	33,333	-	3,000	68,093	-	104,426	35%	65%
Sub-total non-executive directors	215,133	-	17,400	68,093	177,956	478,582	49%	51%
Executive directors								
G A J Baynton	180,000	-	-	-	44,489	224,489	80%	20%
Other key management personnel								
B Patrick– Chief Executive Officer**	275,854	37,500	-	115,435	9,091	437,880	72%	28%
Totals	**670,987**	**37,500**	**17,400**	**183,528**	**231,536**	**1,140,951**	**63%**	**37%**

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment

* S Ever was Chief Executive Officer from 1 July 2011 until 30 August 2011 at which time he became a non-executive director.

** B Patrick was General Manager from 1 July 2011 until 30 August 2011 at which time he became Chief Executive Officer.

2011	Short-term benefits	Post-employment benefits	Share-based payment				
Name	Cash salary and fees $	Superann-uation $	Options $	Performance rights $	Total $	A %	B %
Non-executive directors							
R Clarke, Chairman (Director from 2/9/10, Chairman from 8/11/10)	46,094	4,148	88,800	-	139,042	36%	64%
M C Ackland, Chairman (to 8/11/10)	21,384	1,925	-	203,434	226,743	10%	90%
W R Stubbs	40,000	3,600		146,206	189,806	23%	77%
L R Grimstone	40,000	3,600		292,412	336,012	13%	87%
G L Baker	40,000	3,600		146,206	189,806	23%	77%
Sub-total non-executive directors	187,478	16,873	88,800	788,258	1,081,409		
Executive directors							
G A J Baynton [1]	82,500	2,700	-	146,206	231,406	37%	63%
Other key management personnel							
S Ever– Chief Executive Officer (from 1 July 2011)	240,000	-	-	-	240,000	100%	-
B Patrick – General Manager (from 1 May 2011)	47,125	-	-	29,014	76,139	62%	38%
Totals	**557,103**	**19,573**	**88,800**	**963,478**	**1,628,954**		

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment

[1] Mr Baynton became an Executive Director on 15 March 2011.

Mr Bruce Patrick was awarded a cash bonus of $37,500 during the financial year, in accordance with his employment contract, for the successful completion of at least 40 boreholes by 31 December 2011 (2011: $nil). No termination benefits were paid to retiring Key Management Personnel.

SERVICE AGREEMENTS

The Company has a service agreement with Geomine Project Management Pty Ltd for the services Mr Bruce Patrick, Chief Executive Officer. The service agreement is ongoing and commenced on 8 August 2011. The base salary is $20,834 per month. There are no termination benefits under the agreement.

SHARE-BASED COMPENSATION

OPTIONS

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Fair value per option at grant date	% Vested
17 November 2011	30 August 2012	8 August 2013	8.25 cents	2.81 cents	-
17 November 2011	28 February 2013	8 August 2013	10.00 cents	2.53 cents	-
23 November 2011	23 November 2011	29 June 2012	9.74 cents	1.13 cents	100%

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. No amount was paid/payable on granting of the options.

Details of options over ordinary shares in the company provided as remuneration to each director of COALBANK Limited and each of the key management personnel are set out below. When exercisable, each option is convertible into one ordinary share of COALBANK Limited. Further information on options is set out in note 29 to the financial statements.

Name	Number of options granted during the year	Fair value of options at grant date*	Number of options vested during the year
Directors of COALBANK Limited			
R Clarke	-	-	-
G A J Baynton	-	-	-
W R Stubbs	-	-	-
L Grimstone	-	-	-
G L Baker	-	-	-
S Ever	6,000,000	68,093	6,000,000
Other key management personnel			
B Patrick	7,000,000	185,358	-

* The fair value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

SHARES PROVIDED ON EXERCISE OF REMUNERATION OPTIONS

There were no ordinary shares in the company issued on the exercise of remuneration options during the financial year.

PERFORMANCE RIGHTS

There were no performance rights over ordinary shares in the company provided as remuneration during the financial year.

SHARES PROVIDED ON EXERCISE OF PERFORMANCE RIGHTS

There were no ordinary shares in the company issued during the financial year from the exercise of performance rights.

This is the end of the remuneration report (audited).

SHARES UNDER OPTION

Unissued ordinary shares of COALBANK Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
2 June 2011	2 June 2013	10.33 cents	3,000,000
2 June 2011	2 September 2014	25.00 cents	40,000,000
17 November 2011	8 August 2013	8.25 cents	3,000,000
17 November 2011	8 August 2013	10.00 cents	4,000,000
			50,000,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Unissued ordinary shares of COALBANK Limited under performance rights at the date of this report are as follows:

Date performance right granted	Expiry date	Issue price of shares	Number under performance right
26 June 2009	25 June 2019	$0.00	8,000,000
3 March 2010	3 March 2020	$0.00	250,000

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of COALBANK Limited issued during or since the end of the year ended 30 June 2012 on the exercise of options.

INSURANCE OF OFFICERS

During the financial year COALBANK Limited paid a premium of $37,281 to insure the directors and secretary of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

AGREEMENT TO INDEMNIFY OFFICERS

COALBANK Limited is party to an agreement to indemnify the directors of the company.

The indemnity relates to any liability:

(a) incurred in connection with or as a consequence of the directors acting in the capacity including, without limiting the foregoing, representing the company on any body corporate, and

(b) for legal costs incurred in defending an action in connection with or as a consequence of the director acting in the capacity.

No liability has arisen under these indemnities as at the date of this report.

INDEMNITY OF AUDITORS

The company has not agreed to indemnify the auditor under any circumstances.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

No fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

AUDITOR

BDO Audit Pty Ltd were appointed auditor on 9 November 2009 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

R Clarke
Chairman

Brisbane, 18 September 2012

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DECLARATION OF INDEPENDENCE BY C J SKELTON TO THE DIRECTORS OF COALBANK LIMITED

As lead auditor of Coalbank Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Coalbank Limited and the entities it controlled during the period.

C J Skelton

Director

BDO Audit Pty Ltd

Brisbane, 18 September 2012

CORPORATE GOVERNANCE STATEMENT

The directors and management of COALBANK Limited (COALBANK) are committed to following the Principles issued by ASX underpinning corporate governance best practice.

In responding to the Principles and associated Best Practice Recommendations, COALBANK has given due and careful regard to its particular circumstances and the best interests of its shareholders.

ASX Listing Rules require listed companies to disclose in their Annual Report the extent to which ASX Best Practice Recommendations have been followed; identify which Recommendations have not been followed; and provide reasons for their decisions.

As detailed in this corporate governance statement, COALBANK considers its current governance practices comply with 24 of the 27 ASX Recommendations. Where arrangements differ from the Recommendations, the directors and management believe this is appropriate to the Company's individual circumstances and represents good practice.

Current practices do not comply in the following areas:

R2.4 The board should establish a nomination committee.
R2.5 The board should disclose the process for evaluating the performance of its committees.
R8.1 The board should establish a remuneration committee.

The Company will keep the Recommendations in continuous review and as Company circumstances change we expect to move towards full compliance. Decisions will be based on what is in the best interest of shareholders.

The remainder of this statement sets out each Principle, associated Best Practice Recommendations, and the Company's response.

Principle 1: Lay solid foundations for management and oversight
Principle 2: Structure the board to add value
Principle 3: Promote ethical and responsible decision-making
Principle 4: Safeguard integrity in financial reporting
Principle 5: Make timely and balanced disclosure
Principle 6: Respect the rights of shareholders
Principle 7: Recognise and manage risk
Principle 8: Remunerate fairly and responsibly.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of the board and management.

Recommendations and response:

R1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The board has defined the specific functions reserved for the board and its committees and those matters delegated to management.

The board is accountable to shareholders for COALBANK's performance. It oversees and guides management in protecting and enhancing the interests of shareholders and other stakeholders. It sets the strategic direction of the Company, establishes goals for management and monitors progress towards those goals.

R1.2 Companies should disclose the process for evaluating the performance of senior executives.

The board is accountable for the proper oversight of executive directors and senior management.

A process is in place for reviewing senior management performance and continuously improving the contributions executives make to the Company.

R1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

Performance evaluation of senior executives has taken place in during 2011 and is in accordance with the process as set out in R1.1 and R1.2 above.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendations and response:

R2.1 A majority of the board should be independent directors.

COALBANK recognises the importance of having a board of the appropriate composition, size and commitment for it to discharge its responsibilities and duties and believes that its board has a balance of skills, experience and independent thinking appropriate to the nature and scope of the Company's operations.

A majority of the directors on the board do meet the ASX definition of independence. Four of the six board members, Mr Clarke, Mr Stubbs, Mr Grimstone and Mr Baker, meet the definition.

The board has determined the independence status of each current director as follows:

Director	Position	Independent	Reason
Roger Clarke	Chairman	Yes	The board considers that Mr Clarke is free of any relationship that could, or could be seen to, materially interfere with the independent exercise of judgement
William Stubbs	Non-executive director and chairman of the audit committee	Yes	The board considers that Mr Stubbs is free of any relationship that could, or could be seen to, materially interfere with the independent exercise of judgement
Greg Baynton	Executive director	No	The board considers that Mr Baynton is not independent due to his substantial shareholding in the company.
Lance Grimstone	Non-executive director	Yes	The board considers that Mr Grimstone is free of any relationship that could, or could be seen to, materially interfere with the independent exercise of judgement
Grahame Baker	Non-executive director	Yes	The board considers that Mr Baker is free of any relationship that could, or could be seen to, materially interfere with the independent exercise of judgement
Staffan Ever	Non-executive director	No	The board considers that Mr Ever is not independent due to his recent past executive role with the company.

R2.2 The chair should be an independent director.

The chair, Roger Clarke, is an independent director.

R2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

The role of chief executive officer is exercised by persons other than board members.

R2.4 The board should establish a nomination committee.

The board itself acts as the Nomination Committee rather than having a separate committee constituted for that purpose.

R2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The board does not have a formal process for evaluating the performance of the board, its committees and individual directors.

However, there is a process for continuously improving the board's systems, procedures and quality of decision-making. This process encompasses continuous attention to all matters that provide an opportunity to improve the creation of value to the company's shareholders via actions of the board, its committees and individuals in developing strategy, decision-making and monitoring the company's performance. The chairman is accountable for ensuring this improvement process is effective and works closely with the company secretary and chief executive officer in implementing the improvements.

R2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.

Departures from Recommendations R2.4 and R2.5 are explained above.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Actively promote ethical and responsible decision-making.

Recommendations and response:

R3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

– the practices necessary to maintain confidence in the Company's integrity
– the practices necessary to take into account their legal obligations and the expectations of their stakeholders
– the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The board and management are committed to establishing and maintaining a high degree of integrity among those who set or influence the Company's strategy and financial performance, together with responsible and ethical decision-making that take into account legal obligations as well as significant stakeholders' interests.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONT.)

Each director, senior executive and each employee is individually accountable for bringing potential matters of unethical behavior to the attention of the organisation at an appropriate level. An individual whose attention is so drawn is accountable for using the powers of their office/role to deal appropriately with such matters.

R3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The company values diversity and recognizes the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the company has developed a diversity policy, a copy of which can be found on the company website. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the company's progress in achieving them.

R3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 2 to 3 years as director and senior executive positions become vacant and appropriately skilled candidates are available.

	Objective		Actual	
	Number	%	Number	%
Number of women employees in the whole organisation	*	*	0	0
Number of women in senior executive positions	*	*	0	0
Number of women on the board	1	17%	0	0

* COALBANK currently has only one employee. Until such time as the company expands its employee base, it is not able to set an objective regarding the number of female employees.

Responsibility for diversity has been included in the board charter.

R3.4 Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

Refer to R3.3 above.

R3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.

Information related to principle 3 is presented above.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Have a structure to independently verify and safeguard the integrity of the Company's financial reporting.

Recommendations and response:

R4.1 The board should establish an audit committee.

The board has established an Audit and Risk Management Committee. The ultimate responsibility for the integrity of the Company's financial reporting rests with the full board.

R4.2 Structure the audit committee so that it consists of:

– only non-executive directors
– a majority of independent directors
– an independent chair, who is not chair of the board
– has at least three members.

The Audit and Risk Management Committee comprises five non-executive directors, namely, Mr Bill Stubbs who is chair of the committee, Mr Roger Clarke, Mr Lance Grimstone, Mr Grahame Baker and Mr Greg Baynton. All, with the exception of Mr Greg Baynton, meet the ASX test of independence.

R4.3 The audit committee should have a formal charter.

The Audit and Risk Management Committee works within a formal charter.

R4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.

Information related to Principle 4 is presented above.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Promote timely and balanced disclosure of all material matters concerning the Company.

Recommendations and response:

R5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

COALBANK has a Continuous Disclosure Policy which aims to provide a timely and balanced picture of all material matters and which requires disclosure of any information concerning COALBANK that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

R5.2 Provide the information indicated in Guide to reporting on Principle 5.

Information related to Principle 5 is presented above.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendations and response:

R6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

COALBANK's shareholder communications strategy seeks to enable shareholders to be well informed about the performance and affairs of the Company. The Chief Executive Officer is accountable for implementing the communications strategy approved by the board.

R6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.

Information related to Principle 6 is presented above.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

Recommendations and response:

R7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

COALBANK recognises the importance of risk management; it manages risk through effective oversight and internal control involving board and management systems.

This function is assisted by the Audit and Risk Management Committee.

R7.2 The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Business risk is a periodic agenda item for board meetings where the effectiveness of the Company's risk management systems and activities are reported on and assessed.

R7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board requires the Chief Executive Officer and Chief Financial Officer to confirm in writing that declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively.

R7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.

Information related to Principle 7 is presented above.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendations and response:

R8.1 The board should establish a remuneration committee.

COALBANK knows that recognition and reward are key factors in attracting and retaining the skills required to achieve the performance expected by the board, management and shareholders.

The board acts as a Remuneration Committee and has not established a separate committee or specific charter for that purpose.

R8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Total remuneration paid to non-executive directors may not exceed the limit set by shareholders at the annual general meeting (currently $300,000). The remuneration of the non-executive directors is fixed rather than variable. In relation to executive remuneration, the board takes advice regarding the nature and direction for the Company's remuneration practices. The board ensures that a significant proportion of each senior manager's remuneration is linked to his or her performance and the Company's performance.

COALBANK executives participate in an option and performance rights schemes that are linked to COALBANK's share performance. Remuneration is also benchmarked against the Company's peers in the resources industry.

The remuneration structure for directors and senior executives is reported in the remuneration report on pages 15 to 18.

R8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.

Information related to Principle 8 is presented above.

DECLARATION BY DIRECTORS

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

R Clarke
Chairman
Brisbane, 18 September 2012

04.
FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Notes	2012 $	2011 $
Revenue from operations	5	110,146	89,206
Other income	6	-	5,250
Exploration assets written off		(1,717,405)	(5,983,613)
Professional services expenses		(777,778)	(563,574)
Corporate overhead expenses		(389,848)	(349,403)
Depreciation expenses		(8,104)	(9,438)
Directors' remuneration		(412,533)	(289,551)
Impairment of assets		-	(11,728)
Finance costs		(667,621)	-
Share based payments expense		(504,043)	(1,401,309)
Loss before income tax		(4,367,186)	(8,514,160)
Income tax expense	8	-	-
Loss for the year		(4,367,186)	(8,514,160)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(4,367,186)	(8,514,160)

		Cents	Cents
Loss per share			
Basic earnings per share	28	(0.6)	(1.3)
Diluted earnings per share	28	(0.6)	(1.3)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	9	996,414	804,628
Trade and other receivables	10	51,831	16,290
Total current assets		1,048,245	820,918
Non-current assets			
Plant and equipment	11	60,590	11,278
Exploration and evaluation assets	12	43,733,957	38,694,859
Other assets	13	241,797	177,797
Total non-current assets		44,036,344	38,883,934
Total assets		45,084,589	39,704,852
LIABILITIES			
Current liabilities			
Trade and other payables	14	433,959	147,852
Total current liabilities		433,959	147,852
Non-current liabilities			
Other financial liabilities	15	3,000,000	3,000,000
Borrowings	16	1,272,501	-
Derivative liability	16	1,168,745	-
Total non-current liabilities		5,441,246	3,000,000
Total liabilities		5,875,205	3,147,852
Net assets		39,209,384	36,557,000
EQUITY			
Issued capital	17	59,627,384	53,111,857
Reserves	18	3,360,119	2,856,076
Accumulated losses	18	(23,778,119)	(19,410,933)
Total equity		39,209,384	36,557,000

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Issued Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 1 July 2010		49,025,857	1,370,767	(10,896,773)	39,499,851
Loss for the year		-	-	(8,514,160)	(8,514,160)
Other comprehensive income		-	-	-	-
Total comprehensive income: Loss for the year		-	-	(8,514,160)	(8,514,160)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	17	4,086,000	-	-	4,086,000
Share based payments expense	18	-	1,485,309	-	1,485,309
Balance at 30 June 2011		53,111,857	2,856,076	(19,410,933)	36,557,000
Loss for the year		-	-	(4,367,186)	(4,367,186)
Other comprehensive income		-	-	-	-
Total comprehensive income: Loss for the year		-	-	(4,367,186)	(4,367,186)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	17	6,515,527	-	-	6,515,527
Share based payments expense	18	-	504,043	-	504,043
Balance at 30 June 2012		59,627,384	3,360,119	(23,778,119)	39,209,384

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Receipts in the course of operations (inclusive of goods and services tax)		592,390	245,545
Payments to suppliers (inclusive of goods and services tax)		(2,129,122)	(1,397,724)
Interest received		110,146	91,533
Net cash outflows from operating activities	24	(1,426,586)	(1,060,646)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(6,545,184)	(2,945,387)
Payments for plant and equipment		(61,596)	-
Proceeds from sale of plant and equipment		-	5,000
Payments for security deposits		(64,000)	(54,397)
Net cash outflows from investing activities		(6,670,780)	(2,994,784)
Cash flows from financing activities			
Proceeds from share issue		6,900,000	4,086,000
Proceeds from financial liabilities		1,900,000	-
Payment of share and convertible bond issue costs		(510,848)	-
Net cash inflows from financing activities		8,289,152	4,086,000
Net increase / (decrease) in cash and cash equivalents		191,786	30,570
Cash and cash equivalents at the beginning of the financial year		804,628	774,058
Cash and cash equivalents at the end of the financial year	9	996,414	804,628

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

COALBANK Limited is a company limited by shares, incorporated and domiciled in Australia. COALBANK Limited's shares are listed on the Australian Securities Exchange.

The financial statements were authorized for issue by the directors on 18 September 2012. The directors have the power to amend and reissue the financial statements.

The financial statements are presented in Australian dollars which is the Company's and consolidated entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for COALBANK Limited and its subsidiaries as required by the *Corporations Act 2001*. Separate financial statements for COALBANK Limited (the Company) as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. However, limited financial information for the Company as an individual entity is included in Note 19.

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. COALBANK Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRSs

The consolidated financial statement of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of COALBANK Limited ("company" or "parent entity") at 30 June 2012. COALBANK Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(C) INCOME TAXES

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(D) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets incurred by or on behalf of the Group is accumulated separately for each area of interest until such time as the area of interest moves into development phase, or is abandoned or sold. The realisation of the value of expenditure carried forward depends upon any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment.

(E) ACQUISITIONS OF ASSETS

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(F) IMPAIRMENT OF NON-CURRENT ASSETS

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognized in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(G) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation, and any impairment.

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	3 – 5 years
Motor vehicles	5 years
Field equipment	5 years

(H) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually have 30 day payment terms.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(J) ISSUED CAPITAL AND SHARE-BASED PAYMENTS

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based compensation benefits are provided to directors and key management personnel. Information relating to these schemes is set out in note 29.

The fair value of share-based compensation is recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

(K) REVENUE

Interest Income

Interest income is recognized on a time proportion basis using the effective interest method.

(L) GOODS AND SERVICES TAX ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(M) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(N) WEBSITE COSTS

Costs in relation to web sites are charged as expenses in the period in which they are incurred. Costs in relation to the development of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses.

(O) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortization of the difference, if any, between the amount initially recognized and the maturity amount calculated using the effective interest rate method; and
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(O) FINANCIAL INSTRUMENTS (CONT.)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(ii) Financial liabilities

Financial liabilities, after initial recognition, are measured at either amortised cost using the effective interest rate method, or at fair value. Where an instrument contains an embedded derivative that component is, where appropriate, separately identified and measured at fair value. If the embedded derivative is not capable of being measured separately at acquisition or at the end of a reporting period, the entire instrument is measured at fair value.

(P) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

(Q) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, COALBANK Limited, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements except in respect of tax consolidation legislation.

COALBANK Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, COALBANK Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, COALBANK Limited also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate COALBANK Limited for any current tax payable assumed and are compensated by COALBANK Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to COALBANK Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognized in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognized as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognized as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(R) GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group recorded a loss of $4,367,186 (2011: $8,514,160) and had net cash outflows from operating activities of $1,426,586 (2011: $1,060,646) for the year ended 30 June 2012.

The Group also has expenditure commitments of $31,583,709 (2011: $36,198,330) as detailed in Note 25.

Since year end COALBANK Limited completed a share placement to sophisticated investors of 27,017,173 ordinary shares raising $1,026,653 in cash.

The Directors acknowledge that, as in the prior year, to continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further capital raising. In the event that the Group is unable to raise future funding requirements, there would exist a material uncertainty that may cast significant doubt on the Groups ability to continue as a going concern with the result that the Group may be required to realise their assets at amounts different to those currently recognized, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

(S) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments* (effective from 1 January 2015)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

The Group have yet to assess the impact of these changes on the accounting for financial instruments.

(ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interest in Other Entities* (effective 1 January 2013)
In August 2011, the AASB issued a suite of new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group have yet to assess the impact of changes in AASB 11 on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

The group does not expect to apply the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) *AASB 13 Fair Value Measurement* (effective 1 January 2013)
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are no yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(T) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(T) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONT.)

Standards affecting presentation and disclosure

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting to Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit Standards fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-4 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonization between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRS. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the consideration of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. No additional disclosures have been required on the application of the revised standard. There Group does not transact with any associates of the ultimate holding company.

Standards and Interpretations affecting the reported results or financial position

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(U) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

NOTE 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk.

The Group holds the following financial instruments:

	Consolidated	
	2012 $	2011 $
Financial assets		
Cash and cash equivalents	996,414	804,628
Trade and other receivables	51,831	16,290
	1,048,245	820,918
Financial liabilities		
Trade and other payables	433,959	147,852
Other financial liabilities (including borrowings and derivatives)	5,441,246	3,000,000
	5,875,205	3,147,852

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

There have been no substantive changes to the Group's exposure to financial instruments, its objectives, policies and processes for managing risks from previous periods.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	Consolidated	
	2012 $	2011 $
Cash at bank and short-term bank deposits		
AAA	993,914	801,974
A	2,500	2,654
	996,414	804,628

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings.

Contractual maturities of financial liabilities	Less then 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount $
At 30 June 2012							
Trade and other payables	433,959	-	-	-	-	433,959	433,959
Borrowings	-	-	1,900,000	-	-	1,900,000	1,272,501
	433,959	-	1,900,000	-	-	2,333,959	1,706,460
At 30 June 2011							
Trade and other payables	147,852	-	-	-	-	147,852	147,852
	147,852	-	-	-	-	147,852	147,852

The Group have recognized a derivative liability of $1,168,745 (2011: $nil) arising on the option to convert the notes held as borrowings. There is no cash flows associated with this liability.

Other financial liabilities of $3,000,000 (2011: $3,000,000) relate to a royalty agreement as outlined in Note 15. At this stage there is no known cash outflow arising from this liability.

Cash flow and fair value interest rate risk

As the Group has interest-bearing cash assets, the company's income and operating cash flows are exposed to changes in market interest rates. The company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2012 if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $9,964 lower/higher (2011 – change of 100 bps: $8,046 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

Fair value

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value measurements of the Group's financial liabilities of $5,441,246 (2001: $3,000,000) is level 3 on the hierarchy.

The carrying value of all other financial assets and liabilities approximate their fair value.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

KEY JUDGEMENTS AND ESTIMATES

(i) Carrying value of exploration and evaluation assets

The Group has capitalised exploration expenditure of $43,733,957 (2011: $38,694,859). This amount includes costs directly associated with exploration. These costs are capitalised as an intangible asset until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements. There are no factors or circumstances which suggest that the carrying amount of remaining exploration and evaluation assets may exceed recoverable amount.

(ii) Fair value of the financial liabilities

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid $3 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold and gas produced from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin.

The initial $3 million received and recorded as a liability was initially recognised at fair value. Post initial recognition, the $3 million received is accounted for in accordance with the Group policy for financial instruments set out in Note 1(o).

The royalty is only payable in the event of future production of coal and gas.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations. As such, the Board is of the view that the fair value at the time of the receipt of the funds remains the appropriate measure of fair value at reporting date.

(iii) Convertible bonds – Valuation of derivative liability

During the year the Group issued 380 convertible notes for $1,900,000. The notes are convertible into ordinary shares in the parent entity, at the option of the holder, up until 25 July 2014. The number of shares to be converted will be dependent on the Conversion Price, which is the lower of $0.038 and the price of any subsequent issue of ordinary shares.

The conversion option contained within the Convertible Bonds is considered to be an embedded derivative and must be separated and accounted for as a derivate at fair value, being revalued at each reporting date. All movements in fair value will be expensed or credited through the profit or loss.

The model inputs for the valuation of the derivative at inception included:

(a) Convertible bonds were issued for $1,900,000
(b) Grant date: 25 July 2011
(c) Share price at grant date: $0.042
(d) Conversion price: $0.038
(e) Expiry date: 20 July 2013
(f) Expected price volatility of the company's shares: 94.33%
(g) Risk-free interest rate: 4.37%

The model inputs for the valuation of the derivative at 30 June 2012 included:

(a) Convertible bonds were issued for $1,900,000 and have been assumed to vest 20 July 2013
(b) Grant date: 25 July 2011
(c) Share price at balance date: $0.05
(d) Conversion price: $0.038
(e) Expiry date: 20 July 2013
(f) Expected price volatility of the company's shares: 94.32%
(g) Risk-free interest rate: 2.46%

NOTE 4 SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker.

The Group is managed primarily on the basis of product category having different risk profiles and performance assessment criteria. Operating segments are therefore determined on this basis.

DESCRIPTION OF SEGMENTS

The consolidated entity has idenitified its reportable operating segments based on its internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the location of resources. It's reporting on an operating basis into the following segments. There are no inter-segment transactions.

Coal - Exploration for coal.

Petroleum - Exploration for oil and gas.

Minerals - Exploration for base metals.

The consolidated entity operates solely within Australia.

2012 Segment result	Coal $	Petroleum $	Minerals $	Consolidated $
Tenement expenditure written-off	1,605,708	96,070	15,627	1,717,405
Segment assets	40,247,596	3,225,920	502,238	43,975,754
Cash and cash equivalents				996,414
Trade and other receivables				51,831
Plant and equipment				60,590
Total assets				45,084,589
Segment liabilities	255,087	11,459	8,836	275,382
Other financial liabilities				3,000,000
Borrowings				1,272,501
Derivative liability				1,168,745
Unallocated liabilities – Other payables				158,577
Total liabilities				5,875,205

2011 Segment result	Coal $	Petroleum $	Minerals $	Consolidated $
Tenement expenditure written-off	5,932,016	20,726	30,871	5,983,613
Segment assets	35,270,752	3,178,350	423,554	38,872,656
Cash and cash equivalents				804,628
Trade and other receivables				16,290
Plant and equipment				11,278
Total assets				39,704,852
Segment liabilities	23,006	3,539	-	26,545
Other financial liabilities				3,000,000
Unallocated liabilities – Other payables				121,307
Total liabilities				3,147,852

NOTE 4 SEGMENT INFORMATION (CONT.)

A reconciliation to loss before income tax is provided as follows:

	Consolidated	
	2012 $	2011 $
Tenement expenditure written off	(1,717,405)	(5,983,613)
Corporate expenses / income		
Professional services expenses	(777,778)	(563,574)
Corporate overhead expenses	(389,848)	(349,403)
Depreciation expenses	(8,104)	(9,438)
Directors' remuneration	(412,533)	(289,551)
Finance costs	(638,074)	-
Revaluation of financial liabilities at fair value through profit or loss	(29,547)	-
Impairment of assets	-	(11,728)
Share based payments expense	(504,043)	(1,401,309)
Interest income	110,146	89,206
Loss before income tax	(4,367,186)	(8,514,160)

NOTE 5 REVENUE

Other revenue		
Interest	110,146	89,206

NOTE 6 OTHER INCOME

Net gain on disposal of property, plant and equipment	-	3,250
Other	-	2,000
	-	5,250

NOTE 7 EXPENSES

Loss before income tax includes the following specific expenses:

Defined contribution superannuation payments	17,400	19,573
Depreciation		
Motor vehicles	-	960
Plant and equipment	8,104	8,478
Impairment losses		
Trade receivables	-	11,728
Exploration assets written off	1,717,405	5,983,613

NOTE 8 INCOME TAX EXPENSE

	Consolidated	
	2012 $	2011 $
(A) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Loss from operations before income tax expense	(4,367,186)	(8,514,160)
Tax at the Australian tax rate of 30% (2011: 30%)	(1,310,156)	(2,554,248)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	151,213	420,392
Other	1,321	21,166
	(1,157,622)	(2,112,690)
Deferred tax assets not recognised	1,157,622	2,112,690
Income tax expense	-	-
(B) DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Exploration expenditure	13,120,187	11,608,458
Property, plant and equipment	3,704	-
Total deferred tax liabilities	13,123,891	11,608,458
Set-off of deferred tax assets pursuant to set-off provisions	(13,123,891)	(11,608,458)
Net deferred tax liabilities	-	-
(C) DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Tax losses	18,595,763	15,242,582
Capital losses	511,053	511,053
Accruals	7,500	7,500
Borrowing costs	10,763	-
Business capital costs	119,457	29,142
Convertible bonds	177,555	-
Doubtful debts	3,518	3,518
Employee entitlements	718	-
Property, plant and equipment	-	4,068
Other financial liabilities	900,000	900,000
Total deferred tax assets	20,326,327	16,697,863
Set-off of deferred tax liabilities pursuant to set-off provisions	(13,123,891)	(11,608,458)
Net adjustment to deferred tax assets not recognized	(7,202,436)	(5,089,405)
Net deferred tax assets	-	-
(D) UNRECOGNISED NET DEFERRED TAX ASSETS		
Unused tax losses for which no deferred tax asset has been recognized	24,008,120	16,964,683
Potential tax effect at 30%	7,202,436	5,089,405

NOTE 8 INCOME TAX EXPENSE (CONT.)

Unused losses which have not been recognized as an asset, will only be obtained if:

(i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realized;

(ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the economic entity in realizing the losses.

NOTE 9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $	2011 $
Cash at bank and on hand	166,621	76,656
Deposits at call	829,793	727,972
	996,414	804,628

(A) RISK EXPOSURE

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(B) DEPOSITS AT CALL

All deposits are at call bearing an interest rate of between 0% and 3.5% (2011 – 0% to 4.80%).

NOTE 10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Prepayments	3,332	2,457
Other debtors	48,499	13,833
	51,831	16,290

NOTE 11 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Consolidated	Motor vehicles $	Plant & equipment $	Field plant & equipment $	Total $
Year ended 30 June 2011				
Opening net book amount	2,709	19,756	-	22,465
Additions	-	-	-	-
Disposals	(1,749)	-	-	(1,749)
Depreciation charge	(960)	(8,478)	-	(9,438)
Closing net book amount	-	11,278	-	11,278
At 30 June 2011				
At Cost	27,259	36,080	-	63,339
Accumulated depreciation	(27,259)	(24,802)	-	(52,061)
Net book amount	-	11,278	-	11,278
Year ended 30 June 2012				
Opening net book amount	-	11,278	-	11,278
Additions	-	382	61,213	61,595
Disposals	-	-	-	-
Depreciation charge	-	(8,104)	(4,179)	(12,283)
Closing net book amount	-	3,556	57,034	60,590
At 30 June 2012				
At Cost	27,259	36,462	61,213	124,934
Accumulated depreciation	(27,259)	(32,906)	(4,179)	(64,344)
Net book amount	-	3,556	57,034	60,590

NOTE 12 NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2012 $	2011 $
Exploration phase costs – at cost	43,733,957	38,694,859
The capitalised exploration assets carried forward above has been determined as follows:		
Balance at the beginning of the year	38,694,859	41,800,748
Expenditure incurred during the year	6,756,503	2,793,724
Acquisition of interest in COALBANK projects	-	84,000
Exploration abandoned	(1,717,405)	(5,983,613)
Balance at the end of the year	43,733,957	38,694,859

Due to proposed new legislation resulting from Queensland Government policy announcements on Strategic Cropping Land and Exploration in Urban Areas the Group has taken the view that all tenements currently covered by these new policies should be written off as it is considered that these projects will be required to be relinquished.

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

NOTE 13 NON-CURRENT ASSETS – OTHER ASSETS

Security deposit	241,797	177,797

Security deposits represent amounts lodged with the Department of Employment, Economic Development and Innovation as security for tenements.

NOTE 14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Unsecured		
Trade payables	433,959	147,852
	433,959	147,852

NOTE 15 NON-CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

Other financial liabilities	3,000,000	3,000,000

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid $3 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold and gas produced from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin.

The initial $3 million received and recorded as a liability was initially recognised at fair value. Post initial recognition, the $3 million received is accounted for in accordance with the Group policy for financial instruments set out in Note 1(o).

The royalty is only payable in the event of future production of coal and gas.

There has been no movement in the balance of the liability. The Group has assessed that the fair value at the time of the initial transaction, which was at arm's length, remains a reasonable assessment of the fair value at 30 June 2012 as no changes in the underlying circumstances have occurred since.

NOTE 16 NON-CURRENT LIABILITIES – CONVERTIBLE BONDS

The carrying value of Convertible Bonds are disclosed as:

Derivative liability	1,168,745	-
Borrowings	1,272,501	-
	2,441,246	-

NOTE 16 NON-CURRENT LIABILITIES – CONVERTIBLE BONDS (CONT.)

The parent entity issued 380 convertible notes for $1,900,000 on 25 July 2011. The notes are convertible into ordinary shares in the parent entity, at the option of the holder, up until 25 July 2014. The number of shares to be converted will be dependent on the Conversion Price, which is the lower of $0.038 and the price of any subsequent issue of ordinary shares. The convertible bonds have a zero coupon rate, are secured over all assets of the Group and mature in July 2014. The convertible bonds are presented in the statement of financial position as follows:

	Consolidated	
	2012 $	2011 $
Borrowings		
Face value of notes issued	1,900,000	-
Derivative liability – fair value initially recognized	(1,139,198)	-
	760,802	-
Issue costs	(50,603)	-
Unwinding of discount	562,302	-
Non-current liability	1,272,501	-
Derivative liability		
Fair value initially recognized	1,139,198	-
Fair value movement to 30 June 2012	29,547	-
Fair value at 30 June 2012	1,168,745	-

NOTE 17 ISSUED CAPITAL

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	2012 $	2011 $
(A) SHARE CAPITAL				
Ordinary shares				
Fully paid	812,931,073	679,597,740	59,627,384	53,111,857

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL:

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2010	Balance		211,509,529		49,025,857
9 July 2010	Settlement of share issuable	(f)	407,288,211	-	-
19 July 2010	Placement	(e)	47,750,000	$0.08	3,820,000
17 August 2010	Performance rights exercised	(g)	7,250,000	-	-
1 September 2010	Performance rights exercised	(g)	1,000,000	-	-
13 September 2010	Options exercised	(d)	3,800,000	$0.07	266,000
5 May 2011	Performance rights exercised	(g)	1,000,000	-	-
30 June 2011	Balance		679,597,740		53,111,857
25 July 2011	Placement	(e)	50,000,000	$0.038	1,900,000
27 February 2012	Placement	(e)	83,333,333	$0.06	5,000,000
30 June 2012	Share issue costs		-		(384,473)
			812,931,073		59,627,384

(C) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(D) OPTIONS

At balance date 50,000,000 options over ordinary shares of COALBANK Limited were on issue.

Grant date	Number of options	Exercise price	Expiry date
2 June 2011	40,000,000	$0.25	2 September 2014
2 June 2011	3,000,000	$0.1033	2 June 2013
17 Nov 2011	3,000,000	$0.0825	8 August 2013
17 Nov 2011	4,000,000	$0.10	8 August 2013
	50,000,000		

Other details of options are contained in Note 29.

(E) PLACEMENTS

The following placements were made to sophisticated investors:

1) On 19 July 2010 47,750,000 ordinary shares were issued at $0.08 each to raise $3,820,000.
2) On 25 July 2011 50,000,000 ordinary shares were issued at $0.038 each to raise $1,900,000.
3) On 27 February 2012 83,333,333 ordinary shares were issued at $0.06 each to raise $5,000,000.

(F) ACQUISITION SETTLEMENT SHARES ISSUABLE

In accordance with the Share Sale and Purchase Agreement in consideration for 100% of the issued capital of Tambo Coal & Gas Pty Limited and Moreton Energy Pty Limited, COALBANK Limited agreed to issue 407,288,211 ordinary shares to the vendors (entities associated with Mr Greg Baynton). The market value of these shares at the time the acquisition became unconditional was $0.09 per share. The agreement to issue shares became unconditional on 29 June 2010, however the actual shares were issued on 9 July 2010.

(G) PERFORMANCE RIGHTS

At balance date 8,250,000 performance rights over ordinary shares of COALBANK Limited were on issue. 8,000,000 of these rights were issued on 26 June 2009 and 250,000 of these rights were issued on 3 March 2010. These performance rights vest if the volume weighted average share price is at least $0.25 for a continuous trading period of five trading days (refer note 29 for further details).

During the 2011 financial year 9,250,000 performance rights vested and were exercised. The vesting condition for these rights was that the market capitalisation is $50,000,000 for a continuous period of five or more trading days. This vesting condition was satisfied on 19 July 2010.

(H) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group includes equity attributable to equity holders, comprising of issued capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the company.

The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Group has no externally imposed capital requirements.

The Group's strategy for capital risk management is unchanged from prior years.

NOTE 18 RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2012 $	2011 $
(a) Reserves		
Share-based payments reserve	3,360,119	2,856,076
Movements:		
Balance 1 July	2,856,076	1,370,767
Share based payments	504,043	1,485,309
Balance 30 June	3,360,119	2,856,076
(b) Accumulated losses		
Balance 1 July	(19,410,933)	(10,896,773)
Loss for the year	(4,367,186)	(8,514,160)
Balance 30 June	(23,778,119)	(19,410,933)

NOTE 18 RESERVES AND ACCUMULATED LOSSES (CONT.)

NATURE AND PURPOSE OF RESERVES

Share based payments reserve

The share-based payments reserve is used to recognise:

(a) the grant date fair value of options issued to directors / contractors and vendors of assets
(b) the grant date fair value of performance rights issued to directors / contractors

NOTE 19 PARENT ENTITY INFORMATION

The following information relates to the parent entity, COALBANK Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1 where applicable.

	2012 $	2011 $
Current assets	1,021,077	818,400
Non-current assets	43,507,987	36,855,872
Total assets	44,529,064	37,674,272
Current liabilities	160,639	121,306
Non-current liabilities	5,441,246	3,000,000
Total liabilities	5,601,885	3,121,306
Issued capital	59,627,384	53,111,857
Accumulated losses	(24,060,324)	(21,414,967)
Share based payment reserve	3,360,119	2,856,076
Total equity	38,927,179	34,552,966
Profit or loss for the year	(2,645,357)	(5,700,340)
Total comprehensive income	(2,645,357)	(5,700,340)

CONTINGENT LIABILITIES

COALBANK Limited does not have any contingent liabilities at 30 June 2012.

CAPITAL COMMITMENTS

COALBANK Limited has the following exploration commitments, which are included in the Group's exploration commitments as detailed in note 25:

EXPLORATION COMMITMENTS

Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognized as liabilities payable is as follows:	894,858	480,000

GUARANTEES

COALBANK Limited has not guaranteed any debts of its subsidiaries.

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

Short-term employee benefits	708,487	557,103
Post-employment benefits	17,400	19,573
Share-based payments	415,064	1,052,278
	1,140,951	1,628,954

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of COALBANK Limited and other key management personnel, including their personally related parties, are set out below.

2012 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of COALBANK Limited						
R Clarke	3,000,000	-	-	-	3,000,000	3,000,000
G L Baker	-	-	-	-	-	-
G A J Baynton	40,000,000	-	-	-	40,000,000	-
L R Grimstone	-	-	-	-	-	-
W R Stubbs	-	-	-	-	-	-
S Ever	-	6,000,000	-	(6,000,000)	-	-
Total	43,000,000	6,000,000	-	(6,000,000)	43,000,000	3,000,000
Other key management personnel						
B Patrick	-	7,000,000	-	-	7,000,000	-
Total	-	7,000,000	-	-	7,000,000	-

2011 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of COALBANK Limited						
M C Ackland	2,000,000	-	(1,800,000)	(200,000)[1]	-	-
R Clarke	-	3,000,000	-	-	3,000,000	3,000,000
G L Baker	1,900,000	-	-	(1,900,000) [1]	-	-
G A J Baynton	2,000,000	-	-	38,000,000[2]	40,000,000	-
L R Grimstone	2,000,000	-	(1,000,000)	(1,000,000) [1]	-	-
W R Stubbs	2,000,000	-	(1,000,000)	(1,000,000) [1]	-	-
Total	9,900,000	3,000,000	(3,800,000)	33,900,000	43,000,000	3,000,000
Other key management personnel						
S Ever	-	-	-	-	-	-
B Patrick	-	-	-	-	-	-
Total	-	-	-	-	-	-

[1] Represents options that expired during the financial year

[2] 2,000,000 options expired during the year and 40,000,000 options were issued in accordance with a Share Sale and Purchase Agreement (refer note 29)

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL (CONT.)

(ii) Share holdings

The number of ordinary shares in the company held during the financial year by each director of COALBANK Limited and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the year as compensation (2011:nil).

2012 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of COALBANK Limited				
R Clarke	1,000,000	-	500,000[4]	1,500,000
G L Baker	1,100,000	-	-	1,100,000
G A J Baynton	417,534,979	-	(4,072,882)[1]	413,462,097
L R Grimstone	7,631,525	-	2,072,882[2]	9,704,407
W R Stubbs	5,116,667	-	(2,000,000)[3]	3,116,667
S Ever	25,027,400	-	-	25,027,400
Total	457,410,571	-	(3,500,000)	453,910,571
Other key management personnel				
B Patrick	501,000	-	-	501,000
Total	501,000	-	-	501,000

[1] 4,072,882 ordinary shares were transferred from Orbit Capital Pty Ltd to L R Grimstone in accordance with a contract between Tambo Coal & Gas Pty Ltd, Capital Allegro Nominees, Orbit Capital Pty Ltd and L R Grimstone.
[2] In addition to point 1 above L R Grimstone disposed of 2,000,000 shares on market during the financial year.
[3] W R Stubbs disposed of 2,000,000 shares on market during the financial year.
[4] R Clarke acquired on market 500,000 shares during the financial year.

2011 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of COALBANK Limited				
M C Ackland	1,433,655	1,800,000	(3,233,655)[4]	-
R Clarke	-	-	1,000,000[1]	1,000,000
G L Baker	100,000	-	1,000,000[1]	1,100,000
G A J Baynton	9,246,768	-	408,288,211[2]	417,534,979
L R Grimstone	4,631,525	1,000,000	2,000,000[1]	7,631,525
W R Stubbs	4,166,667	1,000,000	(50,000)[3]	5,116,667
Total	19,525,282	3,800,000	409,057,889	432,383,171
Other key management personnel				
S Ever	-	-	25,027,400[5]	25,027,400
B Patrick	-	-	501,000[6]	501,000
Total	-	-	25,528,400	25,528,400

[1] Shares issued on the exercise of performance rights
[2] 1,000,000 shares issued on the exercise of performance rights and 407,288,211 shares issued in accordance with a Share Sale and Purchase Agreement (refer note 29).
[3] 1,000,000 shares issued on the exercise of performance rights and 1,050,000 shares sold.
[4] M Ackland resigned as a director on 9 November 2010.
[5] S Ever became key management personnel on 1 July 2010. This represents his shareholding at the time of becoming KMP.
[6] B Patrick became key management personnel on 1 May 2011. This represents his shareholding at the time of becoming KMP.

There were no shares held nominally by key management personnel at 30 June 2012 (2011: nil).

(iii) Performance rights

The number of performance rights over ordinary shares in the company held during the financial year by each director of COALBANK Limited and other key management personnel, including their personally related parties, are set out below. There were no performance rights granted as compensation during the year (2011: nil).

2012 Name	Balance at the start of the year	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors of COALBANK Limited				
R Clarke	-	-	-	-
G L Baker	1,000,000	-	-	1,000,000
G A J Baynton	1,000,000	-	-	1,000,000
L R Grimstone	2,000,000	-	-	2,000,000
W R Stubbs	1,000,000	-	-	1,000,000
S Ever	-	-	-	-
Total	5,000,000	-	-	5,000,000
Other key management personnel				
B Patrick	250,000	-	-	250,000
Total	250,000	-	-	250,000

None of the amount disclosed above as being held at year end had vested at 30 June 2012.

2011 Name	Balance at the start of the year	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors of COALBANK Limited				
M C Ackland	2,000,000	(1,000,000)	(1,000,000)[1]	-
R Clarke	-	-	-	-
G L Baker	2,000,000	(1,000,000)	-	1,000,000
G A J Baynton	2,000,000	(1,000,000)	-	1,000,000
L R Grimstone	4,000,000	(2,000,000)	-	2,000,000
W R Stubbs	2,000,000	(1,000,000)	-	1,000,000
Total	12,000,000	(6,000,000)	(1,000,000)	5,000,000
Other key management personnel				
S Ever	-	-	-	-
B Patrick	-	-	250,000[2]	250,000
Total	-	-	250,000	250,000

[1] M Ackland resigned as a director on 8 November 2010.

[2] Mr Patrick became a KMP on 1 May 2011

None of the amount disclosed above as being held at year end had vested at 30 June 2011.

(C) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

On 2 June 2011 a Share Sale and Purchase Agreement to acquire COALBANK Qld Pty Ltd became unconditional. A director, Mr Greg Baynton, is a director and majority shareholder of COALBANK Qld Pty Ltd. For further information refer to note 30.

During the year to 30 June 2011 the Group paid fees for accounting and administration services and rental of a serviced office provided by Stanley Yeates & Associates, a firm of Chartered Accountants, of which L P Stanley is a partner, on normal commercial terms and conditions.

A director, Mr Lance Grimstone, is a director and owner of Lance Grimstone & Associates (Consulting) Pty Ltd which has provided consulting services to COALBANK Limited and its subsidiaries on normal commercial terms and conditions.

A director, Mr Greg Baynton, is a director and majority shareholder of Orbit Capital Pty Limited. Orbit Capital Pty Limited has provided consulting services to COALBANK Limited and its subsidiaries on normal commercial terms and conditions.

NOTE 20 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

(C) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (CONT.)

Aggregate amounts of each of the above types of other transactions with the company secretary, directors, and their director-related entities:

	Consolidated	
	2012 $	2011 $
Amounts recognised as expenses		
Accounting and administration fee	123,986	120,950
Office rent	35,920	46,651
Consulting fees	17,994	2,809
Amounts recognised as exploration expenditure		
Acquisition of exploration interests (refer to note 30)	-	84,000
Consulting fees	101	20,269
Aggregate amounts payable to key management personnel of the group at the end of the reporting period relating to the above types of other transactions:		
Current liabilities	-	-

NOTE 21 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor or, its related practices and non-related audit firms:

BDO Audit Pty Ltd		
Audit services		
Audit and review of financial reports	39,000	38,500
Total remuneration for audit and other assurance services	39,000	38,500
Other services		
Accounting advice	4,000	2,900
Total remuneration for other services	4,000	2,900
Total auditor remuneration	43,000	41,400

NOTE 22 RELATED PARTIES

(A) PARENT ENTITIES

The parent entity within the group is COALBANK Limited. The ultimate Australian parent entity is Allegro Capital Nominees Pty Ltd which at 30 June 2012 owned 51% (2011: 61%).

(B) SUBSIDIARIES

Interests in subsidiaries are set out in note 26.

(C) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 20.

NOTE 23 EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the end of the financial year COALBANK Limited has issued 27,017,173 ordinary shares to sophisticated investors raising $1,026,653 in cash.

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2012 that have significantly affected, or may significantly affect:

(d) the Group's operations in future financial years, or
(e) the results of those operations in future financial years, or
(f) the Group's state of affairs in future financial years.

NOTE 24 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2012 $	2011 $
Loss after income tax	(4,367,186)	(8,514,160)
Exploration abandoned	1,717,405	5,983,613
Depreciation	8,104	9,438
Share based payments	504,043	1,401,309
Profit on sale of fixed assets	-	(3,250)
Finance costs	667,621	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(32,117)	28,786
Increase/(decrease) in trade and other payables	75,544	33,618
Net cash outflow from operating activites	(1,426,586)	(1,060,646)

NOTE 25 COMMITMENTS FOR EXPENDITURE

Exploration commitments

Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognized as liabilities payable is as follows:	31,583,709	36,198,330

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

NOTE 26 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
Lodestone Coal Pty Limited	Australia	Ordinary	100	100
Lodestone CSG Pty Limited	Australia	Ordinary	100	100
Lodestone Minerals Pty Limited	Australia	Ordinary	100	100
Tambo Coal & Gas Pty Limited	Australia	Ordinary	100	100
Moreton Energy Pty Ltd	Australia	Ordinary	100	100
COALBANK Qld Pty ltd	Australia	Ordinary	100*	100*
Surat Gas Pty Ltd	Australia	Ordinary	100	100
Surat Mining Pty Ltd	Australia	Ordinary	100	100
Harvest Metals Pty Ltd	Australia	Ordinary	100	100

* Refer to Note 30 for details of acquisition.

NOTE 27 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated 2012 $	Consolidated 2011 $
Acquisition of subsidiaries by means of issue of equity instruments (note 30)	-	84,000

NOTE 28 EARNINGS PER SHARE

	2012 Cents	2011 Cents
(A) BASIC EARNINGS PER SHARE		
Loss attributable to ordinary equity holders of the company	(0.6)	(1.3)
(B) DILUTED EARNINGS PER SHARE		
Loss attributable to ordinary equity holders of the company	(0.6)	(1.3)

	2012 $	2011 $
(C) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Basic earnings per share		
Loss from operations	(4,367,186)	(8,514,160)
Diluted earnings per share		
Loss from operations	(4,367,186)	(8,514,160)

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		
Adjustments for calculation of diluted earnings per share:	754,552,203	665,598,409
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	754,552,203	665,598,409

(E) INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

Options and rights

Options and rights on issue are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2012. These options and rights could potentially dilute basic earnings per share in the future. Details relating to options and rights are set out in note 29.

NOTE 29 SHARE-BASED PAYMENTS

OPTIONS

During the financial year COALBANK Limited:

(a) granted 6,000,000 options to a director for no consideration. The options were granted on 23 November 2011 and expired on 29 June 2012. The options vested immediately.

(b) granted 7,000,000 options to the Chief Executive Officer. The options expire on 8 August 2013. 3,000,000 of the options vest on 30 August 2012 and have an exercise price of 8.25 cents. The remaining 4,000,000 options vest on 28 February 2013 and have an exercise price of 10 cents.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

Set out below are summaries of options granted:

2012 Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
17/11/2011	08/08/2013	$0.0825	-	3,000,000	-	-	3,000,000	-
17/11/2011	08/08/2013	$0.10	-	4,000,000	-	-	4,000,000	-
23/11/2011	29/06/2012	$0.0974	-	6,000,000	-	(6,000,000)	-	-
02/06/2011	02/09/2014	$0.25	40,000,000	-	-	-	40,000,000	-
02/06/2011	02/06/2013	$0.1033	3,000,000	-	-	-	3,000,000	3,000,000
Total			43,000,000	13,000,000	-	(6,000,000)	50,000,000	3,000,000
Weighted average exercise price			$0.24	$0.09	-	$0.10	$0.22	$0.10

2011 Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
02/06/2011	02/09/2014	$0.25	-	40,000,000	-	-	40,000,000	-
02/06/2011	02/06/2013	$0.1033	-	3,000,000	-	-	3,000,000	3,000,000
27/01/2006	27/01/2011	$0.20 to $0.30	501,000	-	-	(501,000)	-	-
10/09/2008	10/09/2010	$0.07	10,000,000	-	(3,800,000)	(6,200,000)	-	-
08/04/2009	08/04/2011	$0.07	1,000,000	-	-	(1,000,000)	-	-
20/04/2009	08/04/2011	$0.07	1,000,000	-	-	(1,000,000)	-	-
2606/2009	26/06/2011	$0.07	1,900,000	-	-	(1,900,000)	-	-
Total			14,401,000	43,000,000	(3,800,000)	(10,601,000)	43,000,000	3,000,000
Weighted average exercise price			$0.08	$0.24	$0.07	$0.08	$0.24	$0.10

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $nil (2011 - $0.10).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.9 years (2011 – 1.9 years).

Refer to note 30 for details regarding the 40,000,000 options granted on 2 June 2011. These options become exercisable when at least 100 million tones of coal resources being defined to JORC code reporting standards from any one or more of the COALBANK projects.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 was 1.9 cents per option (2011 – 0.4 cents per option). The fair value at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTE 29 SHARE-BASED PAYMENTS (CONT.)

The model inputs for options granted during the year ended 30 June 2012 included:

Grant date	Number	Consider-ation	Exercise price	Expiry date	Share price at grant date	Volatility	Dividend yield	Risk-free interest rate	Fair value per option
17/11/2011	3,000,000	Nil	$0.0825	08/08/2013	$0.06	102.54%	0%	4.10%	2.8 cents
17/11/2011	4,000,000	Nil	$0.10	08/08/2013	$0.06	102.54%	0%	4.10%	2.5 cents
23/11/2011	6,000,000	Nil	$0.0974	29/06/2012	$0.06	95.16%	0%	4.31%	1.1 cents

The expected price volatility is based on this historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

PERFORMANCE RIGHTS

During the financial year there were no performance rights granted. At the end of the financial year 8,250,000 performance rights are on issue. These performance rights become exercisable if the volume weighted average price of the company's shares is at least $0.25 for a continuous period of five trading days

Performance rights granted carry no dividend or voting rights.

When exercisable, each performance right is convertible into one ordinary share.

Set out below are summaries of performance rights on issue:

2012 Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
26/06/2009	25/06/2019	$0.00	8,000,000	-	-	-	8,000,000	1,000,000
03/03/2010	03/03/2020	$0.00	250,000	-	-	-	250,000	-
Total			8,250,000	-	-	-	8,250,000	1,000,000

2011 Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
26/06/2009	25/06/2019	$0.00	18,000,000	-	(9,000,000)	(1,000,000)	8,000,000	1,000,000
03/03/2010	03/03/2020	$0.00	500,000	-	(250,000)	-	250,000	-
Total			18,500,000		(9,250,000)	(1,000,000)	8,250,000	1,000,000

The weighted average share price at the date of exercise of performance rights exercised during the year ended 30 June 2012 was $0 (2011 - $0.10).

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 7 years (2011 – 8 years)

Shares issued on the taking up of performance rights are issued for no consideration and therefore do not have a weighted average exercise price.

Fair value of performance rights granted

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to estimated vesting date. Fair values at grant date are independently determined using the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

EXPENSE ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expense arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2012 $	2011 $
Performance rights issued	320,515	1,312,509
Options issued	183,528	88,800
	504,043	1,401,309

NOTE 30 ASSET ACQUISITION

SUMMARY OF 2011 ACQUISITION

On 2 June 2011 a Share Sale and Purchase Agreement to acquire COALBANK Qld Pty Ltd became unconditional following shareholder approval at a general meeting of the company.

The acquired company contributed revenue of $nil and net loss before tax of $nil to the group from 2 June 2011. The amounts of revenue and net profit contributed for the full year, if it had been acquired at the start of the financial year, would also have been $nil.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration (refer to (i) below:	
Options in COALBANK Limited (40,000,000 options)	84,000
Total purchase consideration	84,000

The Group has taken up the cost of the underlying assets at acquisition. The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value $
Exploration expenditure	84,000
Net identifiable assets acquired	84,000

(i) Share based payment

In accordance with the Share Sale and Purchase Agreement in consideration for 100% of the issued capital of COALBANK Qld Pty Ltd, COALBANK Limited issued 40,000,000 options to the vendors (entities associated with Mr Greg Baynton).

Fair value of options granted

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted above were:

Grant date 2 June 2011

(a) options are granted for no consideration
(b) exercise price: $0.25
(c) expiry date: 2 September 2014
(d) share price at grant date: $0.067
(e) expected price volatility of the company's shares: 50.0%
(f) expected dividend yield: 0%
(g) risk-free interest rate: 5.456%
(h) fair value: $0.0021.
(i) probability of meeting conditions: 50.0%

The expected price volatility is based on this historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NOTE 31 CONTINGENT LIABILITIES

The Group does not have any contingent liabilities at 30 June 2012.

NOTE 32 ENTITY DETAILS

The registered office and principle place of business of the company is:

Level 1, 101 Edward Street
Brisbane QLD 4000
Ph (07) 3229 6606

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Coalbank Limited

Report on the Financial Report

We have audited the accompanying financial report of Coalbank Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coalbank Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Coalbank Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of Matters on Going Concern

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1(r). As detailed, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. To continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further capital raising. In the event that the Group is unable to raise future funding requirements, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different to those currently recognized, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Coalbank Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C J Skelton

Director

Brisbane, 18 September 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2012.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary Shares
1 – 1,000	59
1,001 – 5,000	44
5,001 – 10,000	185
10,001 – 100,000	517
100,001 and over	396
	1,201

There were 323 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number Held	Percentage (%) of issued shares
Allegro Capital Nominees Pty Ltd	401,997,293	47.86
National Nominees Limited	93,924,580	11.18
Square Resources Pty Ltd	23,750,000	2.83
Oliver Lennox-King	15,000,000	1.79
Armarda Trading Pty Ltd	12,500,000	1.49
Somnus Pty Ltd	11,310,000	1.35
Orbit Capital Pty Ltd	10,411,471	1.24
Taycol Nominees Pty Ltd	9,264,917	1.10
Wealford Investments Limited	8,704,654	1.04
HSBC Custody Nominees (Australia) Limited	7,772,026	0.93
Springtide Capital Pty Ltd	6,920,257	0.83
Trevor & Robyn Hoare	6,230,000	0.74
GS Fund Pty Ltd	5,631,525	0.67
Merrill Lynch (Australia) Nominees Pty Limited	5,219,090	0.62
Campbell Marine Pty Ltd	4,523,609	0.54
Alister John Forsyth	4,494,079	0.54
Lance Grimstone Investments Pty Ltd	4,072,882	0.48
Trevor Robert Learey	3,926,724	0.47
Leejames Nominees Pty Ltd	3,600,000	0.43
TBIC Pty Ltd	2,851,388	0.34
	642,104,495	76.47

Unquoted equity securities

	Number of issue	Number of holders
Unquoted options	50,000,000	3
Unquoted performance rights	8,250,000	9

Holders of greater than 20% of unquoted equity securities

Name	Number held	Percentage of unquoted options
Allegro Capital Nominees Pty Ltd	40,000,000	80%

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

Ordinary shares	Number held	Percentage
Allegro Capital Nominees Pty Ltd	401,997,293	47.86%

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.

CORPORATE DIRECTORY

Directors	Roger Clarke (Chairman) Greg Baynton (Executive Deputy Chairman) Lance Grimstone Bill Stubbs Grahame Baker Staffan Ever
Executives	Bruce Patrick (Chief Executive)
Company Secretary	Leni Stanley
Principal registered office in Australia	Level 1, 101 Edward Street Brisbane QLD 4000 (07) 3229 6606
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4000 (02) 8280 7454
Auditor	BDO Audit Pty Ltd Level 18, 300 Queen Street Brisbane QLD 4000 (07) 3237 5999
Bankers	Westpac Banking Corporation 388 Queen Eagle Street Brisbane QLD 4000
Stock exchange listing	COALBANK Limited shares are listed on the Australian Securities Exchange – using the stock code 'CBQ'.
Website address	www.coalbank.com