

Date: 24 October 2012

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir

ACTIVITIES REPORT FOR QUARTER ENDED 30 SEPTEMBER 2012

HIGHLIGHTS

- **Proposed initial mining study area identified for Blackall Coal Project**
- **During the quarter the Company completed a share placement with institutional and sophisticated investors, and Share Purchase Plan for existing shareholders raising a total of \$1.245m.**
- **Dialogue continues with foreign and domestic strategic partners and intermediaries regarding potential joint ventures, strategic investments, partial asset sales or other corporate transactions.**

ACTIVITIES RELATED TO ENERGY PROJECTS:

Blackall – Tambo Project

COALBANK Limited has identified a **proposed initial mining study area** for its Blackall Coal Project based on a review of the geological model of its total Inferred 1.3Bt JORC code-compliant coal resource near Blackall¹. The Inverness Deposit is located in EPC 1993 and EPC 1719 centred 20 kilometres southeast of Blackall (Figure 1).



Figure 1: Location Plan

¹ COALBANK ASX Release 20 June 2012: “Maiden Resource – 1.3 Billion Tonnes”.

The Company's Inverness Deposit features

- 825Mt Inferred Resources estimated at less than 50 metres depth
- 1.249Bt Inferred Resources estimated at less than 100 metres depth

Proposed Initial Study Area

The initial area selected is approximately 13km long and 5km wide (Figure 2) and contains in excess of 600Mt of Inferred Coal Resources². Given the extent of the Inverness deposit, other mining areas within the deposit would be considered in the future.

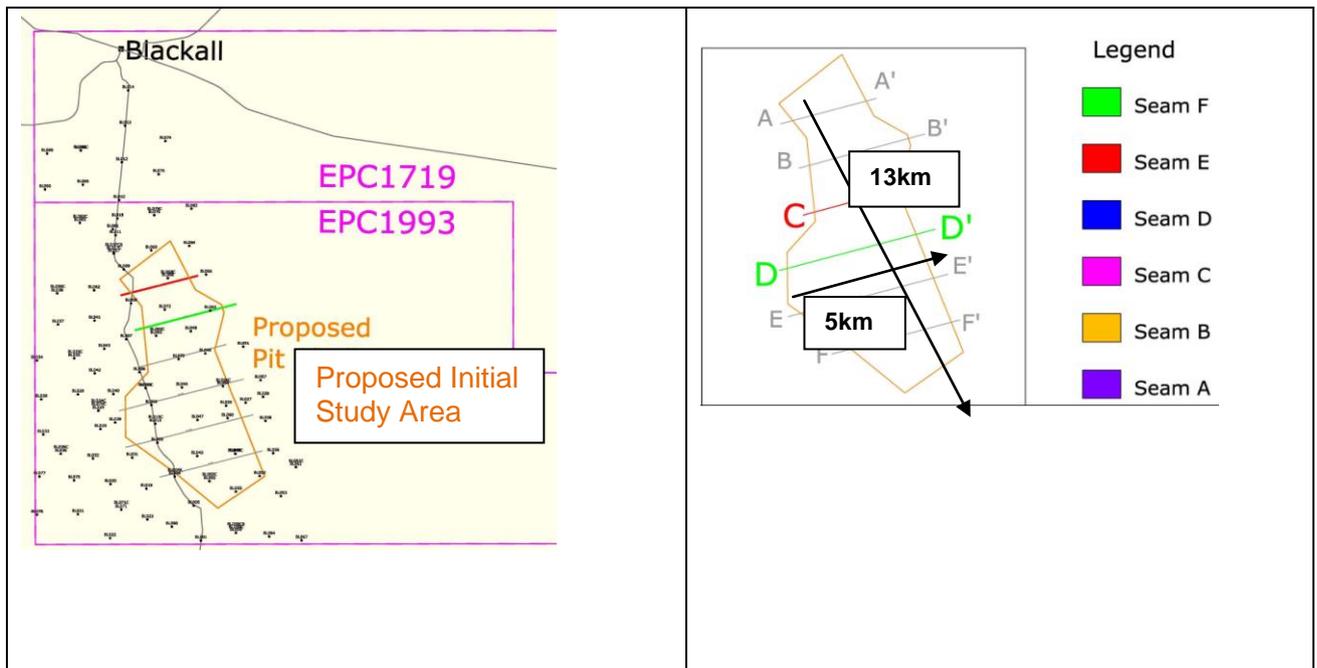


Figure 2: Proposed Initial Study Area and Cross-section Location Plan

The initial study area is a shallow basin structure with target seams dipping gently towards its centre. Seams sub-crop on both the eastern and western sides of the deposit at shallow depths providing a range of options for mine design and sequencing.

Cross-sections C-C¹ and D-D¹ through the proposed initial study area are shown below in **Figure 3**.

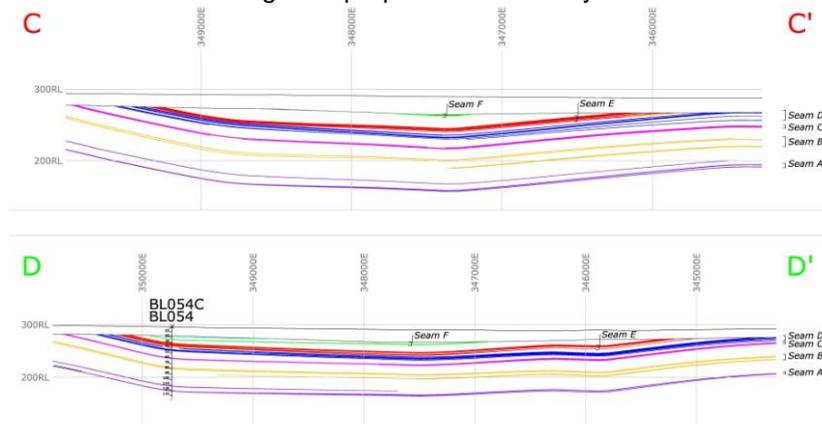


Figure 3: Cross-sections – Initial Proposed Mining Study Area

Laboratory analysis results from coal samples from the recent drilling program at the Blackall Project are still coming to hand.

² COALBANK ASX Release 20 June 2012: "Initial proposed mining study area identified at Blackall Coal Project".

Future Work

Following the initial delineation of the geology of the Blackall Coal Project, subject to timing of funding availability COALBANK plans to undertake further targeted geological studies including wash testing, planning for additional drilling and other relevant studies to provide data for the development of an optimal mining scenario utilising the shallowest and highest quality coal.

Coal Projects General

EPC 1299 (Moreton Coal Project) has expired and has not been renewed. Drilling carried out on this small (3 sub-blocks) permit did not support the likelihood of economic coal deposits.

In accordance with terms and conditions of its coal exploration permits COALBANK is relinquishing sub-blocks on EPCs as required over time.

CORPORATE ACTIVITIES:**Annual Report 2012**

The Annual Report for the financial year ending June 2012 was released during the quarter.

Funding

The Company has successfully completed a placement of 27,017,173 of its ordinary shares to sophisticated and institutional investors raising \$1,026,653 at 3.8 cents per share.

In addition, a Share Purchase Plan (SPP) designed to provide existing shareholders the opportunity to invest at the same price as institutional and sophisticated investors closed with applications received totalling \$218,871. A total of 5,759,769 new ordinary shares were issued through the SPP.

The Placement and SPP follows the announcement of COALBANK's 1.3 Billion tonne maiden JORC compliant inferred thermal coal resource at its Blackall Coal Project on 20 June 2012.

This major milestone for the Blackall Coal Project has positioned the Company to continue discussions with strategic investors and other interested parties.

The Board is considering steps to rationalise the Company's extensive 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.

As previously advised, the Company has received approaches from a number of interested foreign and domestic strategic parties and intermediaries regarding potential joint ventures, strategic investments, partial asset sales or other corporate transactions. These approaches cover coal, metals and petroleum and gas projects.

Discussions are continuing with certain parties, with due diligence under way in some cases.

Yours faithfully,

Roger Clarke
Chairman

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Competent Person's Statement

The information in this announcement that relates to the Resource Statement 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 Quarterly Report of the matters based on his information in the form and context in which it appears.

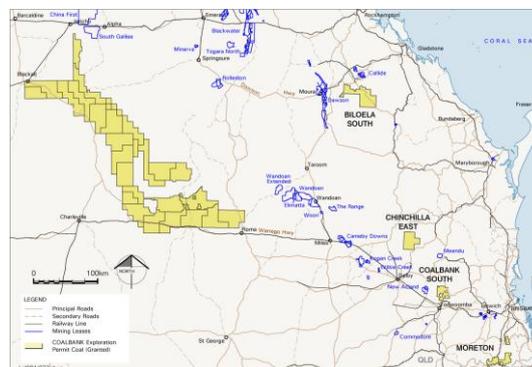
About COALBANK LIMITED

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

During late 2011 the Company was successful in discovering a significant coal occurrence over a strike length of 26 kilometres south of Blackall in Central Queensland and following a targeted drilling program in 2012 a 1.3Bt Inferred coal resource (reported in accordance with the JORC Code) was announced.

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

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



COALBANK Coal Exploration Portfolio in Queensland

COALBANK LIMITED

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