COALBANK

2013 ANNUAL REPORT

COALBANK

COALBANK LIMITED
ABN 20 075 877 075

ANNUAL REPORT
FOR YEAR ENDED 30 JUNE 2013

COALBANK LIMITED
ABN 20 075 877 075

CORPORATE DIRECTORY

Directors	Roger Clarke Greg Baynton Lance Grimstone William Stubbs Grahame Baker Staffan Ever
Secretary	Leni Stanley
Principal registered office in Australia	Level 6, 344 Queen 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 10, 12 Creek Street Brisbane QLD 4000 (07) 3237 5999
Solicitors	McCullough Robertson Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000 (07) 3233 8888
Bankers	Westpac Banking Corporation 388 Queen Street Brisbane QLD 4000
Stock exchange listing	COALBANK Limited shares are listed on the Australian Securities Exchange - CBQ.
Website address	www.coalbank.com.au

COMPETENT PERSON'S STATEMENT

The information in this Annual Report that relates to the Resources 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 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 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.

Operational Review

The Chairman's Report

On behalf of the COALBANK Board I am pleased to introduce the Company's 2013 Annual Report.

During the year in review, the Board and Executive team predominantly focused on looking at corporate opportunities for the Company involving strategic investors and potential partners.

The announcement of COALBANK's first maiden JORC-code compliant coal resource at our Blackall Coal Project (Blackall Project) in June 2012 provided a platform for discussions with a range of domestic and offshore parties about significant investments, whole-of-company, or change-of-control transactions.

The Board also started to rationalise the Company's project portfolio with the sale of its Surat Gas ATP portfolio to Sierra Oil Limited in December 2012. The sale provided both cash for operating expenditure and a 27% shareholding in Sierra Oil received as part-consideration, which will allow COALBANK to continue to participate in the Surat Gas projects as a shareholder.

During the period in review, capital raising for all coal exploration companies continued to be complex and, despite COALBANK's positive exploration results, the fundraising environment remained challenging. In this context, the Company completed a placement of $1,026,653 in August 2012, immediately followed by a Share Purchase Plan in September that raised $218,871.

On 26 April 2013, your Board was pleased to announce a corporate transaction with Loyal Strategic Investment Ltd (Loyal Strategic) of Hong Kong. In this regard, the Company executed a Scheme Implementation Deed with Loyal Strategic for a whole-of-company transaction, which included the payment of a $1,000,000 deposit to COALBANK.

On 27 July 2013, following feedback from COALBANK shareholders and further discussions with Loyal Strategic, COALBANK advised that it was in the process of restructuring the change-of-control transaction with Loyal Strategic. The aim of the restructuring was to retain the Company's ASX listing to facilitate the pursuit of existing projects and other growth and income-generation opportunities. Retaining the ASX listing will provide shareholders with the opportunity to participate in the Company's future. The revisions included an extension of the exclusivity period to 30 August 2013 and the payment of an additional amount of $500,000 to compensate the Company for the extension.

Under the revised arrangements, subject to Ministerial approval (where required), Loyal Strategic will separately acquire COALBANK's non-core EPCs - Biloela South, Coalbank South, Chinchilla East EPCs, and Harvest Metals Pty Ltd, for $2,000,000 (of which $1,500,000 has already been received) (Sale Interest), which is not subject to the Offer becoming unconditional. Completion will occur in October 2013 and will require Loyal Strategic to pay COALBANK the remaining consideration of $500,000.

At the time of preparation of this Annual Report, Loyal Strategic, via its 100%-owned subsidiary, Treasure Wheel Global Limited (Bidder) had lodged its Bidder's Statement with ASIC regarding the proportional takeover offer for 75% of each COALBANK shareholder's Ordinary shares. The Offer is expected to close in late October 2013, unless it is extended by the Bidder. On 20 September 2013, the COALBANK Board responded with the release of its Target's Statement, which has been dispatched to all Shareholders.

As a result of the Treasure Wheel Offer and the Directors' recommendation of the Offer required under the agreements with the Bidder, the Board recognized an impairment of the Company's exploration and evaluation assets in order to comply with the relevant accounting standards. The impairment arises from the difference between the carrying value of COALBANK's exploration and evaluation assets and the valuation of COALBANK implied by the terms of the Treasure Wheel Offer. The fair value of COALBANK's exploration and evaluation assets is now considered to be $20,005,214.

For the remainder of the 2013 calendar year, the Board will remain focused on completing the transaction with the Bidder. Should the proportional takeover reach its completion, the Executive Team will continue planning for the next phase of exploration and growth under the direction of the new major shareholder.

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

I also take this opportunity to thank our Executive team and our Directors during a period that was challenging in every way.

Roger Clarke
Chairman

CEO's Report and Operational Review

The corporate focus during the year in review was on seeking partners and strategic investors to advance the Company's projects. Given the prevailing economic and investment climate, operational expenditure was contained to preserve capital during the period.

The Blackall Project

COALBANK'S Blackall Coal 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. The project provided your Company's initial Inferred Coal Resource of 1.3 Billion Tonnes of thermal coal reported in compliance with the JORC Code (Table 1).

TABLE 1: 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

Field activities at the Blackall Project during the year focused on the completion of rehabilitation of drill sites disturbed during the major drilling programme completed late in the previous financial year.

In addition, remaining laboratory analysis of core samples collected during the drilling programme was completed. This included wash testing of samples from two holes that indicate an as received product quality of 4450 kcal/kg at 10% ash from the deposit (Source: internal company data). Further wash testing in the future will provide more product options.

As previously announced, the Blackall Coal Project contains an extensive, shallow coal resource with no faulting or other structures apparent that would adversely affect a low cost, low stripping ratio open cut mining operation. 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. (See Figure 1 below – Cross section through the proposed Mining Study Area)

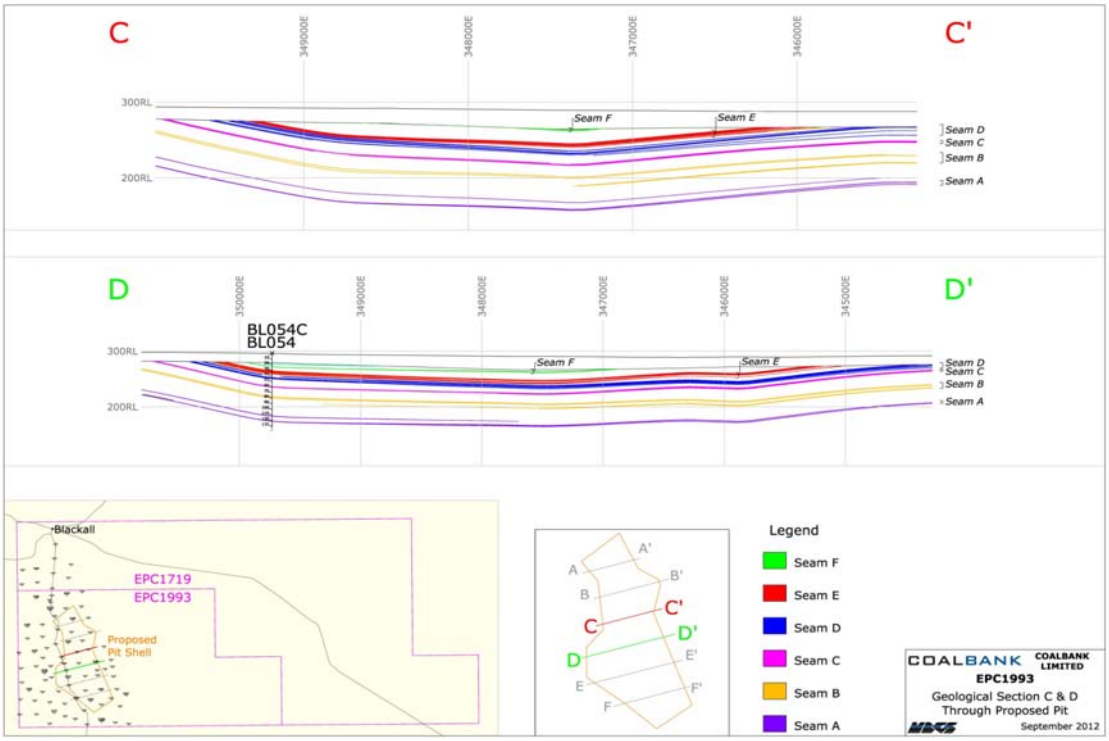

Figure 1 – Cross section through the proposed Mining Study Area

COALBANK's Blackall Project lies entirely outside Queensland's designated Strategic Cropping Land areas. Overall, approximately 99% of COALBANK's coal exploration areas lie outside the designated Strategic Cropping Land Protection Areas.

The Company's Blackall Project is relatively close to several major coal mine and infrastructure development projects planned for the Galilee Basin (Figure 2).

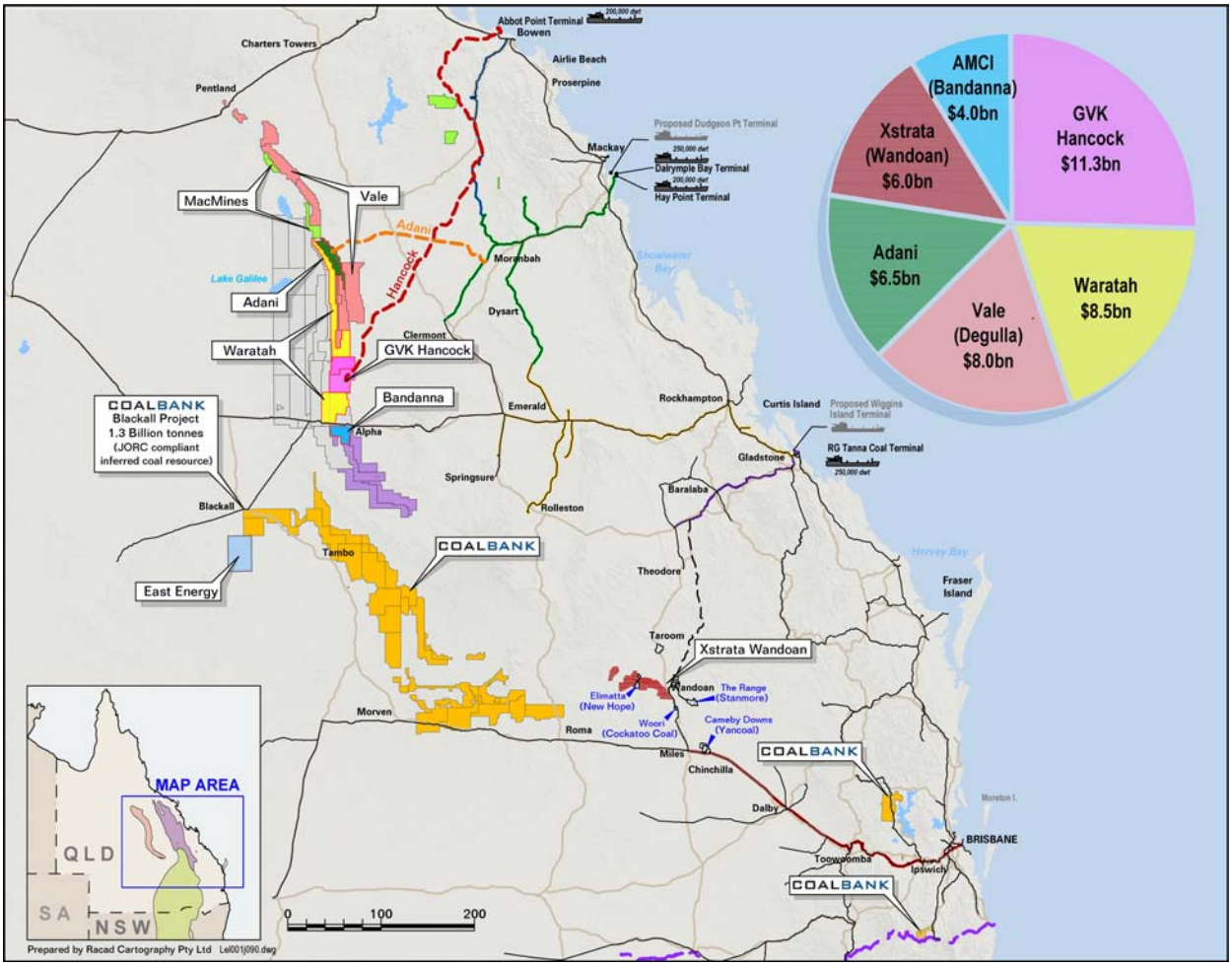

Figure 2: Project Location & Emerging Coal & Infrastructure Projects in Qld
(Excludes permits in progress of sale to Loyal Strategic Investment Limited subject to settlement)

COALBANK's Blackall Project coal resource is prominently located in the significant coal province recently identified in the eastern Eromanga Basin.

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.

Blackall Project Infrastructure

Options for rail and port infrastructure for COALBANK's Blackall Project are emerging from the planned developments in the Galilee Basin. Various necessary government approvals for infrastructure have been announced including, the Queensland Government approval for the GVK-Hancock Rail to Abbot Point Coal Terminal in May 2012 and the Federal Government provided its approval for the infrastructure on 23 August 2012.

The Queensland Government is also working through a process for the further expansion of the Abbot Point facility in the Abbot Point State Development Area where the AP-X project has been designed to support future mining projects and other large scale industry. The government has previously approved the T2 and T3 expansions of the Abbot Point facility.

Practical rail infrastructure options for COALBANK's Blackall Project now include a standard-gauge spur line from the GVK-Hancock Alpha Coal Project to Blackall using the existing Blackall-Jericho rail corridor. Alternative options for the Blackall Coal Project include the Wiggins Island Coal Export Terminal in Gladstone.

Tenement Update

Under the proportional takeover arrangements announced during August 2013, subject to Ministerial approval (where required), the Bidder will separately acquire COALBANK's non-core EPCs (Biloela South, Coalbank South, and Chinchilla East) and its shareholding in Harvest Metals Pty Ltd. Completion will occur in October 2013.

COALBANK received the grant in May 2013 of EPC2239 over the under-explored Esk Basin.

The Company has complied with statutory relinquishment conditions for its permit portfolio where required during the year.

Some rationalization of the Company's coal portfolio has been made with three unprospective EPCs surrendered (or in the final process of surrender) in the Moreton area.

See Figure 3 for COALBANK's coal exploration permit portfolio post the transaction with Loyal Strategic Investment Limited and Table 2 for the full COALBANK tenure schedule.

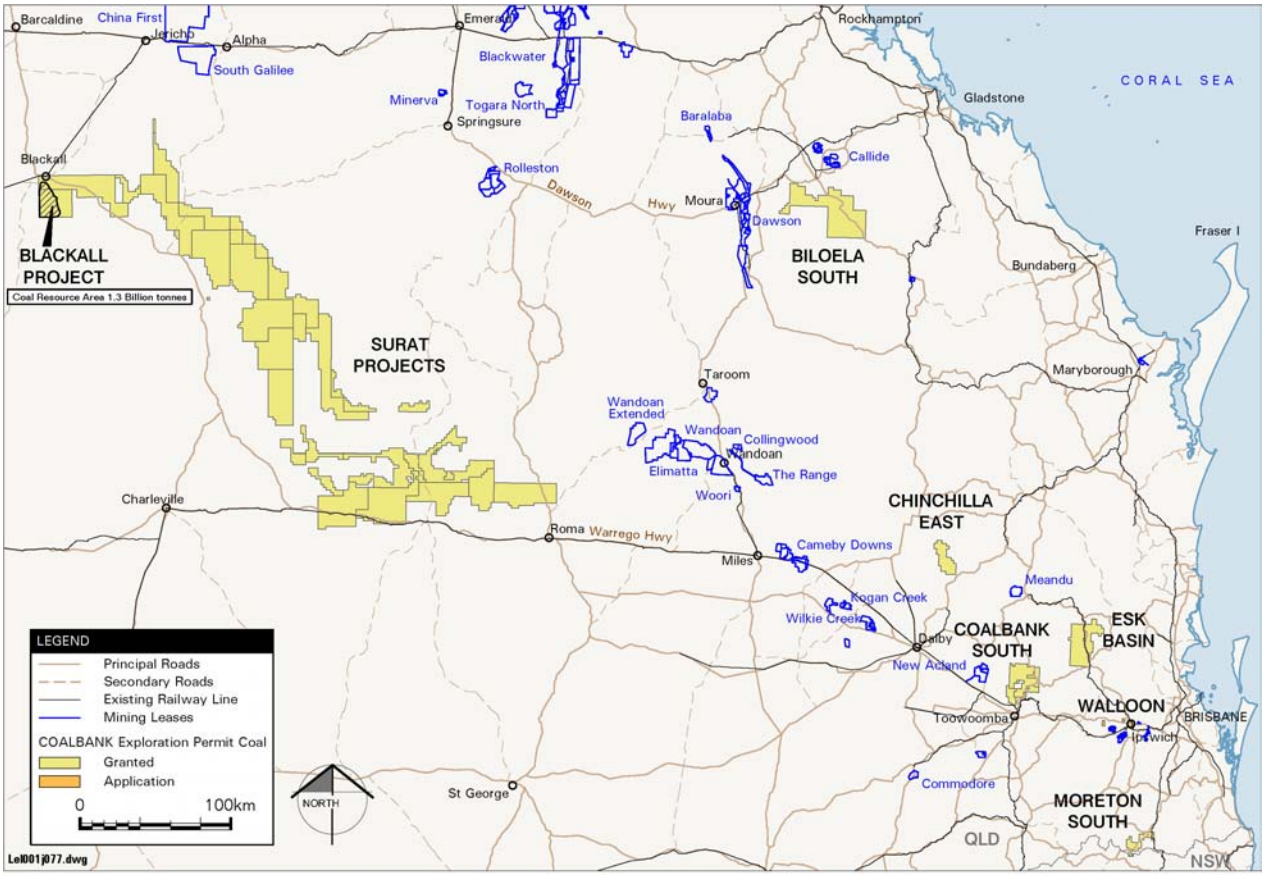

Figure 3: COALBANK Coal Exploration Portfolio in Queensland.

Gas and Metals Projects

The Company consolidated the exploration data relating to its petroleum and gas activities and successfully sold its Surat Gas Pty Limited subsidiary to Sierra Oil Ltd in December 2012 as part of the rationalization of its project portfolio. COALBANK will continue to participate in the Surat Gas projects through a 27% shareholding currently in Sierra Oil received as part-consideration.

With regard to our Harvest Metals Pty Limited subsidiary, access to the Company's Limestone Creek permit (EPM 11980) was not attempted due to local issues outside the company's control. An adjacent minerals exploration permit application (EPM 18325) was granted however no field activities were undertaken here or at Mount Morgan (EPM17850) in the period.

The Company continued to seek joint venture partners or spin-off opportunities for these non-core entities during the 2013 financial year, and as a result has announced the sale of Harvest Metals Pty Limited to Loyal Strategic Investment Limited subject to settlement in October 2013.

TABLE 2: COALBANK LIMITED: TENEMENT SCHEDULE

TENEMENT	PROJECT NAME	DATE GRANTED	EXPIRY DATE
EPC 1484	AUGATHELLA NORTH EAST	6/07/2009	5/07/2014
EPC 1621	TAMBO SOUTH EAST GAP	7/07/2009	6/07/2014
EPC 1784	WAROONGA	20/07/2010	19/07/2015
EPC 1800	MARANOA RIVER	20/07/2010	19/07/2015
EPC 1719	BARCOO RIVER-BLACKALL RAIL	28/07/2010	27/07/2015
EPC 1482	AUGATHELLA EAST 2	5/08/2009	4/08/2014
EPC 1697	ALPHA RAIL	22/10/2010	21/10/2015
EPC 1624	MORVEN NORTH EAST	29/10/2010	28/10/2015
EPC 1632	TAMBO	29/10/2010	28/10/2015
EPC 1633	AUGATHELLA SOUTH EAST 1	29/10/2010	28/10/2015
EPC 1776	UPPER SURAT EAST 1	29/10/2010	28/10/2015
EPC 1777	UPPER SURAT EAST 2	29/10/2010	28/10/2015
EPC 1794	MORVEN NORTH	2/11/2010	1/11/2015
EPC 1644	AUGATHELLA SOUTH EAST 2	25/11/2009	24/11/2014
EPC 2056	CHINCHILLA EAST #	26/11/2010	25/11/2015
EPC 1789	MUCKADILLA NORTH EAST	23/12/2009	22/12/2014
EPC 1795	ROMA NORTH WEST	23/12/2009	22/12/2014
EPC 1788	MUCKADILLA NORTH	19/02/2010	18/02/2015
EPC 1786	DUBYDILLA	17/03/2010	16/03/2015
EPC 1993	BLACKALL SOUTH CORNER	17/03/2010	16/03/2014
EPC 1623	BYMOUNT WEST	27/04/2009	26/04/2014
EPC 1481	AUGATHELLA EAST 1	29/04/2010	28/04/2015
EPC 1625	ALPHA SOUTH WEST 2	28/04/2010	27/04/2015
EPC 2240*	COALBANK SOUTH #	19/04/2011	18/04/2013
EPC 2241	BILOELA SOUTH #	19/04/2011	18/04/2016
EPC1414	MARANOA RIVER	10/05/2010	9/05/2015
EPC1415	WARREGO	21/05/2010	20/05/2015
EPC1418	TAMBO EAST 2	21/05/2010	20/05/2015
EPC1417	TAMBO EAST1	24/05/2010	23/05/2015
EPC1622	ALPHA SOUTH WEST 1	25/05/2010	24/05/2015
EPC1524	MORETON SOUTH	30/06/2009	20/05/2015
EPC 2239	COAL CREEK	1/05/2013	30/04/2015
EPC 2359	COALBANK SOUTH #	21/05/2013	20/05/2018
EPC1249*	BARNEY VIEW **	8/10/2009	7/10/2011
EPM11980*	LIMESTONE CREEK #	3/06/2010	2/06/2013
EPM18325	BALD HILLS #	30/07/2012	29/07/2015
EPM17850*	MT MORGAN CONSOLIDATED #	16/04/2010	15/04/2013
EPC2376	WALLOON WEST	Application	
EPM19537	MITCHELL RIVER SOUTH #	Application	

* Renewal in progress

In process of sale to Loyal Strategic Investment Limited - subject to settlement.

** In process of sale to Coalbank Limited - subject to settlement.

Operations Outlook

In the near term, COALBANK's Board and Executive will continue to focus on completing the Proportional Takeover and planning for the next phase of the Company's exploration and growth. Further steps will be considered towards rationalizing the Company's exploration portfolio taking into account holding costs and the development status of the infrastructure for Galilee Basin mining projects. The granting of the Esk Basin exploration permit late in the 2013 financial year provides a key additional exploration opportunity.

Subject to completion of the Proportional Takeover, the 2013-2014 exploration programme will take into consideration direction from a new major shareholder on its exploration drilling priorities.

SUMMARY

The 2012-2013 year was one where activities were largely devoted to the seeking of partners and strategic investors to advance the Company's projects.

In the poor market conditions that dominated the coal industry, leverage from the Company's Maiden JORC code-compliant initial resource was less than expected with regard to capital raising opportunities, which resulted in limited field activities.

Subject to completion of the Proportional Takeover, I look forward to the opportunity to work with the new major shareholder to continue to explore COALBANK's exploration permits and to identify new coal resources for development.

Bruce Patrick
Chief Executive

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 2013.

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
G L Baker
S Ever
L R Grimstone
W R Stubbs

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

Review of Operations
The operating loss after income tax of the Group for the year was $23,742,177 (2012: loss $4,367,186). The loss includes non-cash expense items (including share based payments, exploration assets written off, depreciation, finance costs and impairment of assets) of $22,436,149 (2012: $2,897,173). $21,881,753 of these non-cash items is an impairment charge on the company's exploration and evaluation assets. This impairment was necessary for the company to comply with relevant accounting standards following the Treasure Wheel Offer and the Directors' recommendation of the Offer. The impairment arises from the difference between the carrying value of COALBANK's exploration and evaluation assets and the valuation of COALBANK implied by the terms of the Treasure Wheel Offer.

Information on the operations of COALBANK Limited and its business strategies and prospects is set out in the CEO's Report and Review of Operations on pages 3 to 7 of this annual report.

Significant Changes in the State of Affairs

Contributed equity increased by $1,164,758 (from $59,627,384 to $60,792,142) as the result of the placement of 32,776,942 ordinary shares at 3.8 cents per share. Details of the changes in contributed equity are disclosed in note 19 to the financial statements.

During the year the Group also disposed of its wholly owned subsidiary Surat Gas Pty Ltd which held ATP's that are prospective for both unconventional and conventional oil and gas targets in the Surat/Eromanga/Galilee Basins. The total proceeds on disposal were $828,297. This consisted of $250,000 received in cash, $450,000 in Gobi Lithium Limited shares and $128,297 of security deposits receivable. Details of the discontinued operation are disclosed in note 6 to the financial statements.

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

When the Group disposed of Surat Gas Pty Ltd $1.5m of the initial $3m recorded as a liability related directly to future gas royalties. The obligation to pay these royalties has been transferred from the Group as part of the sale of Surat Gas Pty Ltd, therefore the liability has been reduced from $3m to $1.5m accordingly.

The Group has recognized an impairment loss of $21,881,753 on its exploration and evaluation assets. This impairment was necessary for the company to comply with relevant accounting standards following the Treasure Wheel Offer and the Directors' recommendation of the Offer. The impairment arises from the difference between the carrying value of COALBANK's exploration and evaluation assets and the valuation of COALBANK implied by the terms of the Treasure Wheel Offer.

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 the end of the financial year the Group has:

(a) Has received a further $500,000 from Loyal Strategic Investment Ltd as the payment for the extended exclusivity period in accordance with the amended Scheme Implementation Agreement.
(b) Has received a proportional takeover offer from Treasure Wheel Global Limited (being a wholly owned subsidiary of Loyal Strategic Investment Ltd) for 75% of each of COALBANK's shareholder's shares at 1 cent per share. Both a Bidder Statement and a Target Statement have been lodged with respect to this offer.

(c) Subject to Ministerial approval has agreed to sell to Loyal Strategic Investment Ltd COALBANK's Biloela South, Coalbank South, Chinchilla East EPC's and Harvest Metals Pty Ltd for $2,000,000 ($1,000,000 was received prior to year end, $500,000 is noted in (a) above, and $500,000 payable on completion)

Other than the matters disclosed above no other matter or circumstance has arisen since 30 June 2013 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 the completion of asset sale with Loyal Strategic Investments Ltd encompassing COALBANK's non-core EPCs (Biloela South, Coalbank South and Chinchilla East) and its shareholding in Harvest Metals Pty Ltd.

Additional comments on expected results of certain operations of the group are included in this annual report under the CEO's report and review of operations on pages 3 to 7.

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 65
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.

G L Baker B.E., B.App.Sc., B.Econ., M.Sc., FIE Aust., F Aus IMM., CP Eng. *Non-executive director.* Age 76
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
1,205,264 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, FAICD. *Executive director.* Age 43.

Experience and expertise

Mr Baynton is the founder and Managing Director of Orbit Capital, a boutique investment bank 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 Tissue Therapies Limited (director since 2003)
Non-executive director of Diversa Limited (director since 2008).
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)

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 Alchemia 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 to 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 2013, 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	8	1	2
G A J Baynton	8	8	2	2
R Clarke	6	8	-	2
L R Grimstone	8	8	2	2
W R Stubbs	6	8	1	2
S Ever	8	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)
The directors are pleased to present your Group's 2013 remuneration report which sets out remuneration information for COALBANK Limited's non-executive directors, executive directors, and other key management personnel.

The report contains the following sections:

(a) Directors and key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Relationship between remuneration and COALBANK Limited's performance
(f) Non-executive director remuneration policy
(g) Voting and comments made at the company's 2012 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share-based compensation and bonuses

(a) Directors and key management personnel disclosed in this report

Name	Position
Non-executive and executive directors – see pages 9 to 11 above	
Other key management personnel	
Bruce Patrick	Chief Executive Officer

(b) Remuneration governance

The board is responsible for:
- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive directors fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

(c) Use of remuneration consultants

The Group has not engaged the services of any remuneration consultants during the current or prior financial years.

(d) Executive remuneration policy and framework

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. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

Long-term incentives
Refer to section (j) of the Remuneration Report below for details regarding the Group's long-term incentives.

Remuneration Report (continued)

(e) Relationship between remuneration and COALBANK Limited's performance

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.

(f) Non-executive director remuneration policy

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 2013 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.

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

(g) Voting and comments made at the company's 2012 Annual General Meeting

COALBANK Limited received more than 95% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

Remuneration Report (continued)

(h) 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

2013	**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	60,000	5,400	-	-	65,400	100%	-
W R Stubbs	40,000	3,600	-	12,739	56,339	77%	23%
L R Grimstone	40,000	3,600	-	25,478	69,078	63%	37%
G L Baker	40,000	3,600	-	12,739	56,339	77%	23%
S Ever	40,000	3,600	-	-	43,600	100%	-
Sub-total non-executive directors	220,000	19,800	-	50,956	290,756		
Executive director							
G A J Baynton	180,000	-	-	12,739	192,739	93%	7%
Other key management personnel							
B Patrick– Chief Executive Officer	251,896	-	69,923	8,829	330,648	76%	24%
Totals	651,896	19,800	69,923	72,524	814,143		

A Proportion of remuneration that is fixed remuneration
B Percentage of remuneration that is share-based payment

Amounts shown above as remuneration for non-executive directors have not been paid during the financial year and are included in trade and other payables at 30 June 2013. Of the remuneration disclosed above for Mr G Baynton $36,000 has not been paid during the financial year and is included in trade and other payables at 30 June 2013.

Remuneration Report (continued)

2012	Short-term benefits		Post-employ-ment benefits	Share-based payment				
Name	**Cash salary and fees $**	**Cash Bonus $**	**Superann-uation $**	**Options $**	**Perform-ance 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		
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		

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.

In the prior year 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. No termination benefits were paid to retiring Key Management Personnel.

(i) 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.

Remuneration Report (continued)

(j) Details of share based compensation and bonuses

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 2013	$0.01
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

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

Number	Grant date	Date vested and exercisable	Expiry date	Exercise price	Fair value per option at grant date	% Vested
3,000,000	17 November 2011	30 August 2012	8 August 2013	8.25 cents	2.81 cents	100%
4,000,000	17 November 2011	28 February 2013	8 August 2013	10.00 cents	2.53 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.

There were no options granted during the current financial year. Further information on options is set out in note 31 to the financial statements.

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 September 2014	25.00 cents	40,000,000
			40,000,000

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 2013 on the exercise of options.

Insurance of Officers
During the financial year COALBANK Limited paid a premium of $37,276 to insure the directors and officers 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 19.

Auditor
BDO Audit Pty Ltd was 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, 27 September 2013

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DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF COALBANK LIMITED

As lead auditor of COALBANK Limited for the year ended 30 June 2013, 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, 26 September 2013

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.

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 Staffan Ever, 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.

R8.3 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 12 to 16.

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 2013 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, for the reasons provided in note 1(r).

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

The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

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, 27 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
	Notes	**$**	$
Revenue from operations	5	23,852	110,146
Exploration assets written off		(27,342)	(1,717,405)
Professional services expenses		(660,578)	(777,778)
Corporate overhead expenses		(245,521)	(389,848)
Depreciation expenses		(14,485)	(8,104)
Directors' remuneration		(419,800)	(412,533)
Loss on disposal of subsidiary	6	(918,197)	-
Impairment of exploration and evaluation assets		(21,881,753)	-
Net finance income / (expense)	7	569,571	(667,621)
Share based payments expense		(167,924)	(504,043)
Loss before income tax	7	(23,742,177)	(4,367,186)
Income tax expense	8	-	-
Loss for the year		(23,742,177)	(4,367,186)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(23,742,177)	(4,367,186)
		Cents	Cents
Loss per share			
Basic loss per share	30	(2.8)	(0.6)
Diluted loss per share	30	(2.8)	(0.6)

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 2013

		Consolidated	
		2013	2012
	Notes	**$**	$
ASSETS			
Current assets			
Cash and cash equivalents	9	907,773	996,414
Trade and other receivables	10	135,456	51,831
Total current assets		1,043,229	1,048,245
Non-current assets			
Plant and equipment	11	30,093	60,590
Available-for-sale financial assets	12	450,000	-
Exploration and evaluation assets	13	20,005,214	43,733,957
Other assets	14	108,500	241,797
Total non-current assets		20,593,807	44,036,344
Total assets		21,637,036	45,084,589
LIABILITIES			
Current liabilities			
Trade and other payables	15	469,041	433,959
Other	16	1,000,000	-
Total current liabilities		1,469,041	433,959
Non-current liabilities			
Other financial liabilities	17	1,500,000	3,000,000
Borrowings	18	1,867,400	1,272,501
Derivative liability	18	706	1,168,745
Total non-current liabilities		3,368,106	5,441,246
Total liabilities		4,837,147	5,875,205
Net assets		16,799,889	39,209,384
EQUITY			
Issued capital	19	60,792,142	59,627,384
Reserves	20	3,528,043	3,360,119
Accumulated losses	20	(47,520,296)	(23,778,119)
Total equity		16,799,889	39,209,384

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 2013

	Notes	Issued Capital $	Share based payment reserve $	Accumulated Losses $	Total $
Balance at 1 July 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		-	-	(4,367,186)	(4,367,186)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	6,515,527	-	-	6,515,527
Share based payments expense	20	-	504,043	-	504,043
Balance at 30 June 2012		59,627,384	3,360,119	(23,778,119)	39,209,384
Loss for the year		-	-	(23,742,177)	(23,742,177)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	(23,742,177)	(23,742,177)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	1,164,758	-	-	1,164,758
Share based payments expense	20	-	167,924	-	167,924
Balance at 30 June 2013		60,792,142	3,528,043	(47,520,296)	16,799,889

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 2013

	Notes	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Receipts in the course of operations (inclusive of goods and services tax)		166,350	592,390
Payments to suppliers (inclusive of goods and services tax)		(1,150,197)	(2,129,122)
Interest received		23,852	110,146
Net cash outflows from operating activities	26	(959,995)	(1,426,586)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(1,564,828)	(6,545,184)
Payments for plant and equipment		-	(61,596)
Proceeds from sale of plant and equipment		16,424	-
Proceeds from sale of subsidiary		250,000	-
Refunds (payments) for security deposits		5,000	(64,000)
Net cash outflows from investing activities		(1,293,404)	(6,670,780)
Cash flows from financing activities			
Proceeds from share issue		1,245,524	6,900,000
Proceeds from financial liabilities		-	1,900,000
Initial deposit for whole-of-company transaction		1,000,000	-
Payment of share issue costs		(80,766)	(510,848)
Net cash inflows from financing activities		2,164,758	8,289,152
Net increase / (decrease) in cash and cash equivalents		(88,641)	191,786
Cash and cash equivalents at the beginning of the financial year		996,414	804,628
Cash and cash equivalents at the end of the financial year	9	907,773	996,414

The above Consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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 26 September 2013. 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 21.

(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 2013. 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 (continued)

(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.

Note 1 Summary of significant accounting policies (continued)

(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 31.

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.

Note 1 Summary of significant accounting policies (continued)

(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.

(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.

Note 1 Summary of significant accounting policies (continued)

(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 21 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 $23,742,177 (2012: $4,367,186) and had net cash outflows from operating activities of $959,995 (2012: $1,426,586) for the year ended 30 June 2013. Also, the Statement of Financial Position shows a working capital shortfall of $425,812. This is due to the inclusion of $1million relating to the deposit for the sale of the Group's non-core assets. This amount is not refundable.

The Group also has expenditure commitments of $9,341,389 (2012: $31,583,709) as detailed in Note 28.

The continued ability of the Group to continue the exploration and development of the Group's exploration projects is dependent upon completion of the proposed proportional takeover or 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.

(s) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual report period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

(i) AASB 9 *Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2015)

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interest in Other Entities* (effective 1 January 2013)

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 and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

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.

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	
	2013	2012
	$	$
Financial assets		
Cash and cash equivalents	907,773	996,414
Trade and other receivables	135,456	51,831
Available-for-sale financial assets	450,000	-
	1,493,229	1,048,245
Financial liabilities		
Trade and other payables	469,041	433,959
Other financial liabilities (including borrowings and derivatives)	3,368,106	5,441,246
	3,837,147	5,875,205

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	
	2013	2012
	$	$
Cash at bank and short-term bank deposits		
AAA	905,467	993,914
A	2,306	2,500
	907,773	996,414

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 2013	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	469,041	-	-	-	-	469,041	469,041
Borrowings	-	-	1,900,000	-	-	1,900,000	1,867,400
	469,041	-	1,900,000	-	-	2,369,041	2,336,441
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

The Group has recognized a derivative liability of $706 (2012: $1,168,745) arising on the option to convert the notes held as borrowings. There is no cash flows associated with this liability.

Other financial liabilities of $1,500,000 (2012: $3,000,000) relate to a royalty agreement as outlined in Note 17. At this stage there is no known cash outflow arising from this liability.

Note 2. Financial risk management (continued)

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 2013 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 $9,078 lower/higher (2012 – change of 100 bps: $9,964 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 $3,368,106 (2012: $5,441,246) is level 3 on the hierarchy along with the Available-for-sale financial assets of $450,000. The cost of the non-current asset comprising available-for-sale financial assets is considered to approximate their fair value. As disclosed in note 12, the assets are shares in an unlisted company, Sierra Oil Limited, and as such their fair value cannot be determined reliably as there is no active market. The intention at this stage is to not dispose of the shares.

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 $20,005,214 (2012: $43,733,957). 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.

As a result of the Treasure Wheel Offer and the Directors' recommendation of the Offer required under the agreements with the Bidder, the Board recognized an impairment of the Company's exploration and evaluation assets in order to comply with the relevant accounting standards. The impairment arises from the difference between the carrying value of COALBANK's exploration and evaluation assets and the valuation of COALBANK implied by the terms of the Treasure Wheel Offer. The fair value of COALBANK's exploration and evaluation assets is now considered to be $20,005,214.

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 financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(o).

When the Group disposed of Surat Gas Pty Ltd $1.5m of the initial $3m recorded as a liability related directly to future gas royalties. The obligation to pay these royalties has been transferred from the Group as part of the sale of Surat Gas Pty Ltd, therefore the liability has been reduced from $3m to $1.5m accordingly (refer to Note 17).

Note 3. Critical accounting estimates and judgements (continued)

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

The Group has on issue 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
(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%

The model inputs for the valuation of the derivative at 30 June 2013 included:

(a) Convertible bonds were issued for $1,900,000
(b) Grant date: 25 July 2011
(c) Share price at balance date: $0.07
(d) Conversion price: $0.038
(e) Expiry date: 20 July 2013
(f) Expected price volatility of the company's shares: 94.833%
(g) Risk-free interest rate: 2.58%

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.

These segments have changed from the prior year as management has changed its focus from a project base to a commodities base. The corresponding financial information below for the prior period has been restated.

The consolidated entity operates solely within Australia.

2013	Coal $	Petroleum $	Minerals $	Consolidated $
Segment result				
Tenement expenditure written-off / impaired	21,900,135	-	8,960	21,909,095
Segment assets	19,565,988	-	547,726	20,113,714
Cash and cash equivalents				907,773
Trade and other receivables				135,456
Available-for-sale financial assets				450,000
Plant and equipment				30,093
Total assets				21,637,036
Segment liabilities	1,507,041	-	-	1,507,041
Borrowings				1,867,400
Derivative liability				706
Initial deposit for whole-of-company transaction				1,000,000
Unallocated liabilities – Other payables				462,000
Total liabilities				4,837,147

2012	Coal $	Petroleum $	Minerals $	Consolidated $
Segment result				
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	1,755,087	1,511,459	8,836	3,275,382
Borrowings				1,272,501
Derivative liability				1,168,745
Unallocated liabilities – Other payables				158,577
Total liabilities				5,875,205

Note 4 Segment information (continued)

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

	Consolidated	
	2013	2012
	$	$
Tenement expenditure written off / impaired	(21,909,095)	(1,717,405)
Corporate expenses / income		
Professional services expenses	(660,578)	(777,778)
Corporate overhead expenses	(245,521)	(389,848)
Depreciation expenses	(14,485)	(8,104)
Directors' remuneration	(419,800)	(412,533)
Finance costs	(598,468)	(638,074)
Revaluation of financial liabilities at fair value through profit or loss	1,168,039	(29,547)
Loss on disposal of subsidiary	(918,197)	-
Share based payments expense	(167,924)	(504,043)
Interest income	23,852	110,146
Loss before income tax	(23,742,177)	(4,367,186)

Note 5 Revenue

	Consolidated	
	2013	2012
	$	$
Other revenue		
Interest	23,852	110,146

Note 6 Discontinued operation

(a) Description

On 20 December 2012, the group disposed of Surat Gas Pty Ltd which held ATP's that are prospective for both unconventional and conventional oil and gas targets in the Surat/Eromanga/Galilee Basins. The total proceeds on disposal was $828,297. This consisted of $250,000 received in cash, $450,000 received in Gobi Lithium Limited shares and $128,297 of security deposits refundable.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 20 December 2012.

	Period ended 20 December 2012 $	Year ended 2012 $
Revenue	-	-
Operating expenses	-	(98,296)
(Loss) /profit before income tax	-	(98,296)
Income tax expense/(credit)	-	-
(Loss) / profit after income tax of discontinued operation	-	(98,296)
Loss on disposal of Surat Gas Pty Ltd before income tax	(368,197)	-
Income tax expense	-	-
Loss on sale of Surat Gas Pty Ltd after income tax	(368,197)	-
Loss from discontinued operation	(368,197)	(98,296)

	Period ended 20 December 2012 $	Year ended 2012 $
Net cash inflow (outflow) from ordinary activities	-	-
Net cash inflow (outflow) from investing activities	(20,573)	(51,364)
Net cash inflow (outflow) from financing activities	-	-
Net increase in cash generated by the division	(20,573)	(51,364)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 20 December 2012 were:

	20 December 2012 $
Exploration assets	3,118,197
Security deposits	128,297
Total assets	3,246,494
Other financial liabilities	1,500,000
Total liabilities	1,500,000
Net assets	1,746,494

Note 6 Discontinued operation (continued)

(d) Details of the sale of the division

	2013 $	2012 $
Consideration received or receivable:		
Cash	250,000	-
Shares in Gobi Lithium Limited	450,000	-
Security deposits refundable	128,297	
Total disposal consideration	828,297	-
Costs associated with the sale	-	-
Carrying amount of net assets sold	1,746,494	-
Loss on sale before income tax	(918,197)	-
Income tax expense	-	-
Loss on sale after income tax	(918,197)	-

Note 7 Expenses

Loss before income tax includes the following specific expenses:

Defined contribution superannuation expense	19,800	37,400
Depreciation		
Plant and equipment	14,485	8,104
Exploration assets written off	27,342	1,717,405
Finance costs		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	594,899	562,342
Issue costs of financial liabilities at fair value through profit or loss	-	75,732
Interest paid		
Fair value (gains) losses on financial liabilities at fair value through profit or loss	(1,168,039)	29,547
Other interest charges	3,569	-
Finance costs expensed	(569,571)	667,621

Note 8 Income tax expense

	Consolidated 2013 $	2012 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax expense	(23,742,177)	(2,899,257)
Tax at the Australian tax rate of 30% (2011: 30%)	(7,122,653)	(869,777)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	50,377	151,213
Disposal of subsidiary	(61,053)	-
Other	364	1,321
	(7,132,965)	(717,243)
Deferred tax assets not recognised	7,132,965	717,243
Income tax expense	-	-
(b) Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Exploration expenditure	6,001,564	13,560,566
Borrowing costs	1,863	-
Property, plant and equipment	5,044	3,704
Total deferred tax liabilities	6,008,471	13,564,270
Set-off of deferred tax assets pursuant to set-off provisions	(6,008,471)	(13,564,270)
Net deferred tax liabilities	-	-
(c) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Tax losses	19,254,487	18,595,763
Capital losses	-	511,053
Accruals	6,000	7,500
Borrowing costs	-	10,763
Business capital costs	137,431	119,457
Convertible bonds	5,613	177,555
Doubtful debts	-	3,518
Employee entitlements	-	718
Property, plant and equipment	-	-
Other financial liabilities	450,000	900,000
Total deferred tax assets	19,853,531	20,326,327
Set-off of deferred tax assets pursuant to set-off provisions	(6,008,471)	(13,123,891)
Net adjustment to deferred tax assets not recognized	(13,845,060)	(7,202,436)
Net deferred tax assets	-	-
(d) Unrecognised net deferred tax assets		
Unused tax losses for which no deferred tax asset has been recognized	46,150,200	24,008,120
Potential tax effect at 30%	13,845,060	7,202,436

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

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

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

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

Note 9 Current assets – Cash and cash equivalents

	Consolidated 2013 $	2012 $
Cash at bank and on hand	55,825	166,621
Deposits at call	851,948	829,793
	907,773	996,414

(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% (2012 – 0% to 3.5%).

Note 10 Current assets – Trade and other receivables

Prepayments	117	3,332
Other debtors	135,339	48,499
	135,456	51,831

Note 11 Non-current assets – Plant and equipment

Consolidated	Motor vehicles $	Plant & equipment $	Field plant & equipment $	Total $
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
Year ended 30 June 2013				
Opening net book amount	-	3,556	57,034	60,590
Additions	-	-	-	-
Disposals	-	-	(16,012)	(16,012)
Depreciation charge	-	(2,800)	(11,685)	(14,485)
Closing net book amount	-	756	29,337	30,093
At 30 June 2013				
At Cost	27,259	36,462	32,177	95,898
Accumulated depreciation	(27,259)	(35,706)	(2,840)	(65,805)
Net book amount	-	756	29,337	30,093

	Consolidated	
	2013	2012
	$	$

Note 12 Non-current assets – Available-for-sale financial assets

Unlisted equity securities	450,000	-

Unlisted securities are traded in inactive markets.

Note 13 Non-current assets – Exploration and evaluation assets

Exploration phase costs – at cost	20,005,214	43,733,957

The capitalised exploration assets carried forward above has been determined as follows:

Balance at the beginning of the year	43,733,957	38,694,859
Expenditure incurred during the year	1,298,549	6,756,503
Impairment charge	(21,881,753)	-
Disposal of subsidiary	(3,118,197)	-
Exploration abandoned	(27,342)	(1,717,405)
Balance at the end of the year	20,005,214	43,733,957

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.

As a result of the Treasure Wheel Offer and the Directors' recommendation of the Offer required under the agreements with the Bidder, the Board recognized an impairment of the Company's exploration and evaluation assets in order to comply with the relevant accounting standards. The impairment arises from the difference between the carrying value of COALBANK's exploration and evaluation assets and the valuation of COALBANK implied by the terms of the Treasure Wheel Offer. The fair value of COALBANK's exploration and evaluation assets is now considered to be $20,005,214.

	Consolidated	
	2013	2012
	$	$

Note 14 Non-current assets – Other assets

Security deposit	108,500	241,797

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

Note 15 Current liabilities – Trade and other payables

Unsecured		
Trade payables	469,041	433,959
	469,041	433,959

Included in trade payables is an amount of $332,750 which represents amounts payable to directors for unpaid directors fees.

Note 16 Current liabilities – Other

Deposit for sale of non-core assets	1,000,000	-
	1,000,000	-

During the year $1,000,000 was received as a deposit relating to the sale of certain non-core assets.

Note 17 Non-current liabilities – Other financial liabilities

Other financial liabilities	1,500,000	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.

During the period the Group disposed of a wholly owned subsidiary, Surat Gas Pty Ltd (refer note 6). All of the company's interests in gas tenements were sold as part of this transaction. $1.5m of the initial $3m recorded as a liability above relates directly to future gas royalties. The obligation to pay these royalties has been transferred from the Group as part of the sale of Surat Gas Pty Ltd, therefore the liability has been reduced from $3m to $1.5m accordingly.

There has been no movement in the remainder 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 2013 as no changes in the underlying circumstances have occurred since.

Note 18 Non-current liabilities – Convertible bonds

The carrying value of Convertible Bonds are disclosed as:

	Consolidated 2013 $	2012 $
Derivative liability	706	1,168,745
Borrowings	1,867,400	1,272,501
	1,868,106	2,441,246

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 2013 $	2012 $
Borrowings		
Face value of notes issued	1,900,000	1,900,000
Derivative liability – fair value initially recognized	(1,139,198)	(1,139,198)
	760,802	760,802
Issue costs	(50,603)	(50,603)
Unwinding of discount	1,157,201	562,302
Non-current liability	1,867,400	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
Fair value movement to 30 June 2013	(1,168,039)
Fair value at 30 June 2013	706

Note 19 Issued capital

	Consolidated 2013 Shares	Consolidated 2012 Shares	Consolidated 2013 $	Consolidated 2012 $
(a) Share capital				
Ordinary shares				
Fully paid	845,708,015	812,931,073	60,792,142	59,627,384

(b) Movements in ordinary share capital:

Date	Details	Note	Number of Shares	Issue Price	$
1 July 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
	Share issue costs		-		(384,473)
30 June 2012	Balance		812,931,073		59,627,384
7 August 2012	Placement	(e)	27,017,173	$0.038	1,026,653
20 September 2012	Share purchase plan	(e)	5,759,769	$0.038	218,871
	Share issue costs		-		(80,766)
			845,708,015		60,792,142

(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 47,000,000 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
17 Nov 2011	3,000,000	$0.0825	8 August 2013
17 Nov 2011	4,000,000	$0.10	8 August 2013
	47,000,000		

Other details of options issued as share based payments are contained in Note 31.

(e) Placements

The following placements were made to sophisticated investors:

1) On 25 July 2011 50,000,000 ordinary shares were issued at $0.038 each to raise $1,900,000.
2) On 27 February 2012 83,333,333 ordinary shares were issued at $0.06 each to raise $5,000,000.
3) On 7 August 2012 27,017,173 ordinary shares were issued at $0.038 each to raise $1,026,653.
4) On 20 September 2012 5,759,769 ordinary shares were issued at $0.038 each to raise $218,871.

Note 19 Issued capital (continued)

(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 31 for further details).

(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 20 Reserves and accumulated losses

	Consolidated	
	2013	2012
	$	$
(a) Reserves		
Share-based payments reserve	3,528,043	3,360,119
Movements:		
Balance 1 July	3,360,119	2,856,076
Share based payments	167,924	504,043
Balance 30 June	3,528,043	3,360,119
(b) Accumulated losses		
Balance 1 July	(23,778,119)	(19,410,933)
Loss for the year	(23,742,177)	(4,367,186)
Balance 30 June	(47,520,296)	(23,778,119)

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 21 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.

	2013 **$**	2012 $
Current assets	1,042,837	1,021,077
Non-current assets	18,209,780	43,507,987
Total assets	19,252,617	44,529,064
Current liabilities	462,000	160,639
Non-current liabilities	4,368,106	5,441,246
Total liabilities	4,830,106	5,601,885
Issued capital	60,792,142	59,627,384
Accumulated losses	(49,897,674)	(24,060,324)
Share based payment reserve	3,528,043	3,360,119
Total equity	14,422,511	38,927,179
Profit or loss for the year	(25,837,350)	(2,645,357)
Total comprehensive income	(25,837,350)	(2,645,357)

Contingent liabilities
COALBANK Limited does not have any contingent liabilities at 30 June 2013.

Capital commitments
COALBANK Limited has the following exploration commitments, which are included in the Group's exploration commitments as detailed in note 28:

	Consolidated	
	2013 **$**	2012 $
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:	3,099,444	894,858

Guarantees
COALBANK Limited has not guaranteed any debts of its subsidiaries.

Note 22 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2013	2012
	$	$
Short-term employee benefits	651,896	708,487
Post-employment benefits	19,800	17,400
Share-based payments	142,447	415,064
	814,143	1,140,951

(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.

2013 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired 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)	-	-
G L Baker	-	-	-	-	-	-
G A J Baynton	40,000,000	-	-	-	40,000,000	-
L R Grimstone	-	-	-	-	-	-
W R Stubbs	-	-	-	-	-	-
S Ever	-	-	-	-	-	-
Total	43,000,000	-	-	(3,000,000)	40,000,000	-
Other key management personnel						
B Patrick	7,000,000	-	-	-	7,000,000	7,000,000
Total	7,000,000	-	-	-	7,000,000	7,000,000

2012 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired 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	-

Note 22 Key management personnel disclosures (continued)

(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 (2012: nil).

2013 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	1,500,000	-	-	1,500,000
G L Baker	1,100,000	-	105,264[5]	1,205,264
G A J Baynton	413,462,097	-	-	413,462,097
L R Grimstone	9,704,407	-	-	9,704,407
W R Stubbs	3,116,667	-	-	3,116,667
S Ever	25,027,400	-	-	25,027,400
Total	453,910,571	-	105,264	454,015,835
Other key management personnel				
B Patrick	501,000	-	321,853[5]	822,853
Total	501,000	-	321,853	822,853

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.
[5] G Baker and B Patrick participated in the share purchase plan during the current year

There were no shares held nominally by key management personnel at 30 June 2013 (2012: nil).

Note 22 Key management personnel disclosures (continued)

(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 (2012: nil).

2013 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

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 2013.

(c) Other transactions with key management personnel

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. The total amount charged to exploration and evaluation for services was $3,943 (2012: $101).

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. The total amount charged to the income statement for the financial year was $180,000 (2012: $180,000)

$15,000 was payable to Orbit Capital Pty Ltd by the group at the end of the reporting period relating to the above transactions.

Note 23 Remuneration of auditors

	Consolidated	
	2013	2012
	$	$
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	37,500	39,000
Total remuneration for audit and other assurance services	37,500	39,000
Other services		
Accounting advice	-	-
Total remuneration for other services	-	-
Total auditor remuneration	37,500	39,000

Note 24 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 2013 owned 49% (2012: 51%).

(b) Subsidiaries

Interests in subsidiaries are set out in note 29.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Amounts payable to related parties

Included in trade payables is an amount of $332,750 which represents amounts payable to directors for unpaid directors' fees and $13,000 representing consulting fees payable to an entity associated with a director.

Note 25 Events occurring after reporting date

Since the end of the financial year the Group:

(a) Has received a further $500,000 from Loyal Strategic Investment Ltd as the payment for the extended exclusivity period in accordance with the amended Scheme Implementation Agreement.
(b) Has received a proportional takeover offer from Loyal Strategic Investment Ltd for 75% of each of COALBANK's shareholder's shares at 1 cent per share.
(c) Subject to Ministerial approval has agreed to sell to Loyal Strategic Investment Ltd COALBANK's Biloela South, Coalbank South, Chinchilla East EPC's and Harvest Metals Pty Ltd for $2,000,000 ($1,000,000 was received prior to year end, $500,000 is noted in (a) above, and $500,000 payable on completion).

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2013 that have 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.

Note 26 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2013	2012
	$	$
Loss after income tax	(23,742,177)	(4,367,186)
Exploration abandoned	27,342	1,717,405
Impairment of exploration and evaluation assets	21,881,753	-
Depreciation	14,485	8,104
Share based payments	167,924	504,043
Profit on sale of fixed assets	(412)	-
Loss on sale of subsidiary	918,197	-
Net finance (income) / expense	(569,571)	667,621
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	44,672	(32,117)
Increase/(decrease) in trade and other payables	297,792	75,544
Net cash outflow from operating activites	(959,995)	(1,426,586)

Note 27 Non-cash investing and financing activities

(a) Available-for-sale financial assets
On 20 December 2012, the group disposed of Surat Gas Pty Ltd. Proceeds on disposal included $450,000 received in Gobi Lithium Limited shares. This consists of 10,000,000 ordinary shares in Gobi Lithium Limited which are considered to have a fair value of 4.5 cents per share.

(b) Other financial liabilities
As disclosed in Note 17 the Group has agreed to pay a royalty equal to 1% of the gross value of coal sold and gas produced from the tenements 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.

During the period the Group disposed of a wholly owned subsidiary, Surat Gas Pty Ltd (refer note 6). All of the company's interests in gas tenements were sold as part of this transaction. $1.5m of the initial $3m recorded as a liability above relates directly to future gas royalties. The obligation to pay these royalties has been transferred from the Group as part of the sale of Surat Gas Pty Ltd, therefore the liability has been reduced from $3m to $1.5m accordingly.

Note 28 Commitments for expenditure

	Consolidated	
	2013	2012
	$	$
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:	9,341,389	31,583,709

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 29 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	
			2013 %	2012 %
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
Surat Mining Pty Ltd	Australia	Ordinary	100	100
Harvest Metals Pty Ltd	Australia	Ordinary	100	100

Note 30 Earnings per share

	2013 Cents	2012 Cents
(a) Basic earnings per share		
Loss attributable to ordinary equity holders of the company	(2.8)	(0.4)
(b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the company	(2.8)	(0.4)

	2013 $	2012 $
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Loss from operations	(23,742,177)	(4,367,186)
Diluted earnings per share		
Loss from operations	(23,742,177)	(4,367,186)

(d) Weighted average number of shares used as the denominator

	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	841,691,093	754,552,203
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	841,691,093	754,552,203

(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 2013. 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 31.

Note 31 Share-based payments

Options

During the financial year COALBANK Limited did not grant any options.

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:

2013

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	3,000,000
17/11/2011	08/08/2013	$0.10	4,000,000	-	-	-	4,000,000	4,000,000
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)	-	-
Total			50,000,000	-	-	(3,000,000)	47,000,000	7,000,000
Weighted average exercise price			***$0.22***	***-***	***-***	***$0.10***	***$0.23***	***$0.09***

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***

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2013 was $nil (2012 - $nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.0 year (2012 – 1.9 years)

Fair value of options granted
The assessed fair value at grant date of options granted during the prior year was 1.9 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 31 Share-based payments (continued)

There were no options granted during the year ended 30 June 2013.

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:

2013

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

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

The weighted average share price at the date of exercise of performance rights exercised during the year ended 30 June 2013 was $nil (2012 - $nil).

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 6 years (2012 – 7 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.

Note 31 Share-based payments (continued)

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

	Consolidated	
	2013	**2012**
	$	$
Performance rights issued	98,001	320,515
Options issued	69,923	183,528
	167,924	504,043

Note 32 Contingent liabilities

The Group does not have any contingent liabilities at 30 June 2013.

Note 33 Entity details

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

Level 6, 344 Queen Street
Brisbane QLD 4000
Ph (07) 3229 6606

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

Level 10, 12 Creek 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 2013, 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, 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 2013 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 (r) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the completion of the proposed proportional takeover transaction or further capital raising. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C J Skelton

Director

Brisbane, 27 September 2013

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 September 2013.

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	55
1,001 – 5,000	42
5,001 – 10,000	175
10,001 – 100,000	459
100,001 and over	401
	1,132

There were 621 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:

Name	Ordinary shares	
	Number Held	Percentage (%) of issued shares
Allegro Capital Nominees Pty Ltd	401,997,293	47.53%
National Nominees Limited	92,174,580	10.90%
Square Resources Pty Ltd	23,750,000	2.81%
Oliver Lennox-King	15,000,000	1.77%
Armarda Trading Pty Ltd	12,500,000	1.48%
Orbit Capital Pty Ltd	10,411,471	1.23%
Taycol Nominees Pty Ltd	9,264,917	1.10%
Wealford Investments Limied	8,704,654	1.03%
HSBC Custody Nominees (Australia) Limited	7,772,026	0.92%
Trevor Robert Learey	7,189,126	0.85%
Leejames Nominees Pty Ltd	6,455,020	0.76%
Somnus Pty Ltd	6,000,000	0.71%
GS Fund Pty Ltd	5,631,525	0.67%
Campbell Marine Pty Ltd	4,918,346	0.58%
Alister John Forsyth	4,494,079	0.53%
Fiona Mary Learey Bowles	4,104,073	0.49%
Lance Grimstone Investments Pty Ltd	4,072,882	0.48%
Springtide Capital Pty Ltd	3,750,000	0.44%
ABN Amro Clearing Sydney Nominees Pty Ltd	3,385,580	0.40%
David Frederick Oakley	3,221,923	0.38%
	634,797,495	75.06%

Unquoted equity securities

	Number of issue	Number of holders
Unquoted options	40,000,000	1
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	100%

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Allegro Capital Nominees Pty Ltd	401,997,293	47.53%

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.