

ASX ANNOUNCEMENT

12 September 2013

BIDDER'S STATEMENT LODGED

COALBANK LIMITED (ASX: CBQ, COALBANK or the Company) is pleased to announce that Loyal Strategic, via its 100%-owned subsidiary, Treasure Wheel Global Limited (**Bidder**) has today lodged its Bidder's Statement with ASIC regarding its proportional takeover offer for 75% of each COALBANK shareholder's ordinary shares in COALBANK at 1 cent per share (**Offer**).

The parties have also entered into a further deed of variation concerning the terms for the repayment and/or conversion of the loan provided by the Bidder to redeem the convertible bonds currently on issue (**Loan**). To facilitate the repayment of the Loan at the end of the term of the Loan, the Bidder may elect to convert all or part of the Loan (and any accrued interest) into equity at \$0.015 per COALBANK share, which conversion will be subject to shareholder approval.

To assist COALBANK with planning for repayment or conversion of the Loan, the Bidder must also provide at least 30 days notice prior to the end of the term of the Loan if all or part of the Loan (and any accrued interest) is to be converted to COALBANK ordinary shares or repaid in cash. The terms of the Loan are set out in the annexure to this announcement.

As previously announced, the proportional takeover will give shareholders the opportunity to participate in the Company's future. The Offer also provides the option for liquidity for the majority of each shareholder's holding.

The COALBANK Board supports the Offer and unanimously recommends the Offer to its shareholders, in the absence of a superior proposal.

The COALBANK Directors have advised that they intend to accept the Offer in respect of all COALBANK shares which they hold or control, within five Business Days after the beginning of the Offer Period, subject to there being no superior proposal.

Timing

The updated expected timetable is as follows:

| Key Event | Date* |
|----------------------------------------------------------------|--------------------------------|
| Bidder's Statement lodged with ASIC and despatch (Offer opens) | Thursday, 12 September 2013 |
| Despatch of notice of meeting to approve the Offer | Monday, 16 September 2013 |
| Target's Statement lodged with ASIC | Thursday, 19 September 2013 |
| Shareholder meeting to approve the Offer | Wednesday, 16 October 2013 |
| Last date of Offer (subject to extension) | Thursday, 31 October 2013 |

**Dates may vary*

As previously announced on 27 August 2013, the Offer is subject to COALBANK's shareholders approving a proportional takeover pursuant to rule 16.4 of COALBANK's constitution. As outlined in the timetable above, COALBANK expects to despatch to shareholders its notice of meeting on 16 September and its Target Statement on or about 19 September.

Advisers

COALBANK is being advised on the transaction by McCullough Robertson.

Further information:

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Annexure A

Loan

The Bidder has agreed to lend COALBANK \$2 million to make redemption payments to holders of convertible bonds on the Bidder declaring the Offer unconditional with a relevant interest of greater than 50% (**Advance Date**). The Loan to COALBANK is for an initial term of 12 months (**Initial Loan Term**) and is interest free save for in the event that the Loan term is greater than 12 months, in which case it will accrue interest at 15% per annum on and from the end of the Initial Loan Term.

On redemption of the convertible bonds, COALBANK must procure that comparable security over its assets (as was provided by COALBANK to the holders of the convertible bonds) is provided to the Bidder to secure the Loan.

Repayment of Loan

No less than 30 days before the end of the Initial Loan Term, the Bidder must give written notice to COALBANK that all or part of the Loan which remains outstanding (**Repayment Notice**):

- (a) is to be repaid in cash no later than 18 months from the Advance Date; or
- (b) is to be converted to COALBANK ordinary shares at \$0.015 per ordinary share, in which case COALBANK shall call the necessary meetings to approve the conversion of all or part of the Loan (including approval under section 611; item 7 Corporations Act) and in the absence of such approval(s) within a reasonable time of giving the Repayment Notice, the Bidder may give notice to the Target that:
 - (i) the Loan (and any interest) is to be repaid in cash no later than 18 months from the Advance Date; or
 - (ii) all or part of the Loan is to be converted progressively at \$0.015 per ordinary share to the extent it is able to under the Corporations Act (e.g. creep provisions allowing movement in voting power of 3% in any six month period), and, to the extent that conversion has not occurred within 24 months of the Advance Date, the Bidder may give notice that the amount of the Loan not yet converted is to be repaid in cash within 6 months of giving such notice.

Where the Bidder fails to give COALBANK a Repayment Notice, the outstanding amount of the Loan is to be repaid in cash no later than 18 months from the Advance Date.