

1 August 2014

Shannon Hong
Senior Adviser, Listings Compliance
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Shannon,

Coalbank Limited (the "Company"): ASX Appendix 5B Query

I refer to your letter of 31 July 2014 seeking the Company's response to a number of questions in respect of the Appendix 5B Quarterly Cashflow Report for the period ended 30 June 2014.

The Company responds to each of the questions as follows:

1. The expenditure forecast for the next quarter of \$390K exceeds the available cash as at 30 June 2014 of \$142K. In July 2014 the Company secured a further \$100K as unsecured loan funds. It is anticipated that the Company will be undertaking a placement up to 15% of its issued capital to raise in excess of \$1m in the next 60 days. If this placement is not completed prior to the end of August, the Company will be taking steps to secure additional loan funding or to reduce the amount of the forecast expenditure to ensure that the Company remains solvent and able to meet its commitments as and when they fall due.
2. The Company does expect to continue to have negative operating cashflows in the foreseeable future as it is still in exploration mode, although it is continuing efforts to engage in coal procurement and trading activities aimed at providing positive cashflows to fund its activities. As is normal with junior exploration companies, the Company will continue to raise additional capital either from placements or from its shareholders until such time as it is in a positive operating cashflow position.
3. The Company is currently in negotiations for a capital raising via a placement aimed to fund operations for the next 12 months.
4. The Company can confirm that it is in compliance with all ASX Listing Rules, including Listing Rule 3.1. The placement has not been finalised and the Company is not in position to make an immediate announcement in respect of the planned placement.
5. The Company is of the opinion that it is in compliance with Listing Rule 12.2 which requires the Company's financial condition to be adequate to warrant the continued quotation of its securities and its continued listing. As mentioned above the Company expects to undertake a placement in the near future to a value which will more than adequately fund operations for the next 12 months.

Yours sincerely,



Leni Stanley
Company Secretary

COALBANK LIMITED

ABN 20 075 877 075

Level 1 101 Edward Street Brisbane Queensland 4000 • GPO Box 762 Brisbane Queensland 4001 Australia
T +61 7 3229 6606 • F +61 7 3221 6625 • info@coalbank.com • www.coalbank.com

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ASX Compliance Pty Limited
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square NSW 1215

Telephone 61 2 9227 0000
Facsimile 61 2 9227 0440
www.asx.com.au

31 July 2014

Leni Stanley
Company Secretary
Coalbank Limited
C/- Stanley Yeates & Associates
Chartered Accountants
Level 6, 344 Queen Street
Brisbane QLD 4000

By email

Dear Leni,

Coalbank Limited (the "Company"): ASX Appendix 5B Query

I refer to the Company's quarterly report in the form of Appendix 5B for the period ended 30 June 2014 lodged with ASX Market Announcements Platform on Thursday, 31 July (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Negative net operating cash flows for the quarter of \$292,000.
3. Cash at end of quarter of \$142,000.
4. Estimated cash outflows for the next quarter of \$390,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to those reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, Listing Rule 3.1?
5. Please comment on the Company's compliance with Listing Rule 12.2, with reference to the matters discussed in the note to the rule.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 09.30AM AEST on Tuesday, 5 August 2014. If we do not have your

response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at shannon.hong@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in listing rule 3.1A.

The obligation of the Company to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Shannon Hong
Senior Adviser, Listings Compliance