



## Oaklands Coal Drilling to Commence November 2007

***The Coalworks tenement at Oaklands is adjacent to Rio Tinto's 1 billion tonne deposit and historical coalmines on the site have produced over 100,000 tonnes of thermal coal. Coalworks has scheduled drilling to commence at Oaklands on 28 November 2007 with the objective of adding to present geological data to establish a coal resource of 130Mt – 260Mt under the JORC Code.***

In early 2007, following a presentation to the Department of Primary Industries, Coalworks received consent from the Hon Ian MacDonald MLC, NSW Minister for Mineral Resources, to apply for an exploration licence (EL) for coal in the prospective Oaklands Basin area. The licence has subsequently been granted.

The grant of this EL is viewed as significant as it lies just north of the large Rio Tinto/Mitsubishi coal deposit. Coalworks met landowners and local contractors during the year to discuss development plans for the project and was encouraged by the positive response

Once a coal resource is established, Coalworks intends to commission a scoping study which will consider conventional coal production as a first stage with advanced "clean coal" processing options considered for later stages of the project. Initial plans are also being considered to bulk sample coal to conduct processing tests as part of its technical studies.





This clay pit on Coalworks EL area has exposed favourable stratigraphy ie, flat lying strata overlying coal seam just below this pit. Coalworks will investigate the possibility of mining coal from this pit.

## Ashford Lime Project on track

***Two University of New England reports state that the Ashford Limestone Deposit has 40Mt of exceptionally high quality limestone. (Ref GS 1992/203)***

Ashford Lime Project technical studies were completed over the year. Also finalised was a marketing study by international mining consultants SRK.

Maunsell Aecom engineers contributed to financial modeling of high value lime products which could be produced at Ashford. SRK Consulting recommended that the optimum product Coalworks should target for production was Ground Calcium Carbonate (GCC).

*“World ground calcium carbonate (GCC) capacity has expanded significantly over the last decade, reaching an estimated 56.5Mtpy for all grades in 2004. Rising demand from the paper industry has been the main driver behind the rapid growth in GCC consumption since the early 1980s... Roskill forecasts that the world consumption of GCC will rise by an average of 3%pa and reach 67.6Mt by 2010. Paper will continue to be the largest market for GCC, accounting for an estimated 28Mt of consumption by 2010, while consumption in plastics will reach 12.2Mt.”*

*(Source: Roskill Information Services - one of the world's leading providers of information on international metals and minerals markets)*

Coalworks conducted a site visit at Ashford to determine the drill holes for a future drilling program aimed at providing high quality limestone to a GCC processing group for testing. This drilling program is planned to commence later this year.





**Limestone sample from Coalworks Ashford Project**

## **Underground Coal Gasification (UCG) potential for Hodgson Vale Coal Deposit**

***The Hodgson Vale Coal Deposit is estimated to contain 22.5Mt of open-coal with potential for additional resources. "Tests of the coal by the Joint Coal Board place it amongst Australia's best for conversion to liquid products such as petroleum and diesel fuel." (Millmeran Coal Pty Ltd CR 11784)***

Coalworks has been granted an exploration permit for coal at Hodgson Vale in Queensland. The Hodgson Vale area is approximately 10 km south of Toowoomba, about 1.5 hours drive west of Brisbane. Previous geological work, including drilling, has demonstrated a coal seam of about 20 metres width which appears to be part of the Walloon Coal Measures. The Walloon Coal Measures in the general area are a typical Surat Basin style coal which is both a thermal coal and a coal particularly suitable for gasification.

The exploration target at Hodgson Vale is a 200 Mt coal deposit which is suitable for conventional mining or for underground coal gasification. The development of the project is timely in view of the proposed rail link being established through Wandoan, linking the Surat Basin area (close to Hodgson Vale) with the seaport at Gladstone. This project will add significant coal loading capacity to the area and provide potential infrastructure for Coalworks to progress any future coal resource at Hodgson Vale.

Coalworks is also considering the possibility of utilising UCG technology to aid project development. Installing a small gas fired power station would provide the option of converting the gas generated from Hodgson Vale coal to electricity and selling it straight into the Queensland state grid.

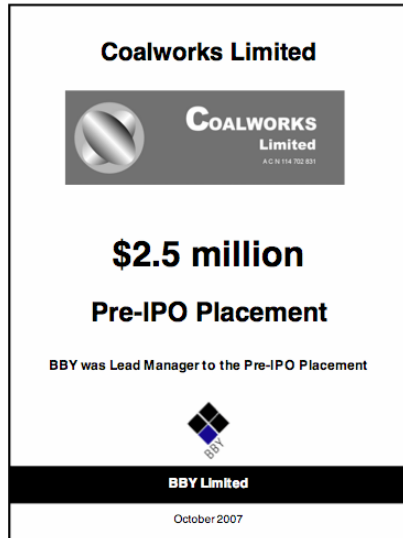
Coalworks intends to commence a drilling program shortly to test the exploration target at Hodgson Vale.



**A quarry in the Hodgson Vale area shows that mining is already a part of the local area.**



## Pre-IPO \$2.5 Million Raising Closes Oversubscribed



The Private Placement to sophisticated investors closed on 29 October 2007. The Placement was managed by BBY Limited.

### Coal Market News



### Latest spot and contract prices:

SYDNEY, Nov 1 (Reuters) - Japanese utilities have agreed to pay Xstrata's Australian coal unit \$78 a tonne under midterm thermal coal contracts, 40 percent up on earlier contracts ... Benchmark Australian spot thermal coal prices leapt to a record \$83.38 on Tuesday, as Asian buyers scramble for prompt supplies ahead of winter.



Source: Consensus Economics and BBY consensus forecast thermal coal prices 2008-2010

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