

Quarterly Report

Activities Report for the Quarter ended 30 September 2009

HIGHLIGHTS

Oaklands

- ❖ All holes intersected coal in Measured Resource drilling program
- ❖ New coal analyses confirm the pattern of previous results
- ❖ Measured Resource drilling program is now complete with final 6 holes drilled during the quarter.
- ❖ Preliminary Mining Study underway - Minarco-Mineconsult engaged to review all geological data and continue preliminary mining studies
- ❖ Environmental baseline studies continuing in preparation for feasibility studies

Vickery South

- ❖ Coal Exploration Licence Granted. Vickery South has the potential to host both export thermal and coking coal
- ❖ Field Exploration Studies initiated

Hodgson Vale

- ❖ Site reconnaissance visit assesses areas for future exploration suitability



Oaklands EL6861 (Coalworks Limited 100%)

During the September quarter, Coalworks completed outstanding drilling on the Northern Measured Resource area. Six exploration holes, including ODH085, ODH087, and ODH089-ODH092, were drilled. In total, 1,143.9 m of exploration drilling, consisting of 951.9 m of open hole drilling and 192 m of fully cored drilling, was completed within the licence area. All of the drilling was completed within the northern part of the tenement (Figure 2). The focus to date has been on completing infill drilling to nominal 500m spacing, sufficient to establish Measured Resources (classified according to the JORC Code) within the northern area. All exploration holes drilled during the quarter were geophysically logged and depth corrected.

Table 1 is a summary of the coal seams intersected in drill holes during the quarter. Every hole intersected the targeted Lanes Shaft Seam, with intersections ranging from 12.77m to 18.86m thick.

Table 2 presents a summary of coal quality data for assays received during the quarter. All samples are from the Lanes Shaft Seam and represent potential working seam sections of < 40% ash. Full analyses have now been received for all partially cored holes sampled for coal quality and submitted for analysis by Coalworks (76 holes in total).

The receipt of final outstanding drillhole assay results (Table 2), has enabled final refinement of the geological model. Seam plies have been further defined and correlated. The geological model of the overburden has also been updated, confirming previous predictions of the hydrology and of the geotechnical parameters required for mine design.

Total Inferred and Indicated Resources, estimated previously to JORC standards, remain unchanged at a total of 760 million tonnes. Please refer to the 11 March 2009 ASX announcement for full details of the resources. A final resource model, including Measured, Indicated, and Inferred Resources, will be completed shortly and a final resource statement announced by early November, 2009.

Minarco-Mineconsult began reviewing all available geological, geotechnical and hydrological data during the quarter and preliminary mining studies are underway.

Further seasonal ecological surveys were conducted over the tenement by R W Corkery Pty Ltd during the September quarter. Results are expected in November.

Representative coal core samples from the Lanes Shaft Seam have been selected and dispatched for dustiness and spontaneous combustion propensity testwork. Results are expected in the December quarter.

Planning for bulk sampling, using large diameter coring techniques, continued during the quarter. An 8-inch (200mm) diameter barrel has been located and tenders for large diameter coring received. Drilling may possibly commence upon completion of the harvest in the new year.

The proposed work program for the forthcoming quarter includes completion of the Measured Resource estimation in the northern area, hydrological pump testing and possible large diameter coring for bulk sample test work.

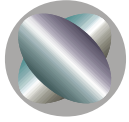


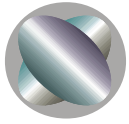
Table 1: Summary of holes completed during the quarter.

Hole No.	Hole type	Seam	Depth from (m)	Depth to (m)	Thickness (m)	Geophysical correction
ODH085	Partial core	Coreen Creek Seam	159.73	160.91	1.18	Yes
		Lanes Shaft Seam	176.56	194.20	17.64	Yes
ODH087	Partial core	Lanes Shaft Seam	170.85	186.90	16.05	Yes
ODH089	Partial core	Coreen Creek Seam	143.20	144.26	1.06	Yes
		Lanes Shaft Seam	163.00	181.86	18.86	Yes
ODH090	Partial core	Coreen Creek Seam	131.46	132.16	0.70	Yes
		Lanes Shaft Seam	152.90	169.05	16.15	Yes
ODH091	Partial core	Lanes Shaft Seam	151.15	165.05	13.90	Yes
ODH092	Open Hole	Coreen Creek Seam	113.94	115.83	1.89	Yes
		Lanes Shaft Seam	133.56	146.33	12.77	Yes

Table 2: Summary of finalised updated coal quality laboratory data results (air dried basis) received during the quarter.

Hole No.	From (m)	To (m)	Seam Thickness (m)	Working Section thickness (m)	Moisture (%ad)	Raw Ash (%ad)	Total Sulphur (%ad)	CV (kcal/kg, corrected, ad)	CV (MJ/kg, corrected, ad)
ODH069	158.6	171.98	13.38	13.3	19.9	12.1	0.32	4841	20.3
ODH070	157.75	172.40	14.65	14.6	14.8	12.3	0.25	5220	21.9
ODH071	149.76	164.36	14.60	14.6	18.3	12.1	0.30	4959	20.8
ODH072	146.80	160.95	14.15	14.1	19.5	13.3	0.22	4681	19.6
ODH073	124.75	139.85	15.10	15.1	23.1	14.3	0.22	4241	17.8
ODH074	124.3	138.70	14.40	14.4	17.7	14.2	0.23	4706	19.7
ODH075	139.6	154.65	15.05	15.0	17.4	13.2	0.29	4916	20.6
ODH076	121.75	135.65	13.90	13.9	20.1	12.8	0.24	4665	19.5
ODH077	165.55	179.65	14.10	14.1	19.0	10.9	0.23	4968	20.8
ODH078	172.48	185.96	13.48	13.4	19.5	11.9	0.23	4714	19.7
ODH079	164.73	180.00	15.27	15.2	18.9	12.2	0.24	4828	20.2
ODH080	152.23	167.55	15.32	15.3	18.5	11.3	0.36	4924	20.6
ODH081	141.88	157.50	15.62	15.6	17.3	13.7	0.22	4776	20.0
ODH082	134.35	150.20	15.85	15.8	15.5	11.6	0.27	4682	19.6
ODH083	139.45	155.35	15.90	15.9	14.3	14.8	0.31	4961	20.8
ODH084	135.45	150.35	14.90	14.9	13.8	13.3	0.26	4689	19.6
ODH086	135.00	149.60	14.60	14.6	19.3	14.9	0.23	4557	19.1
ODH087	170.85	186.90	16.05	16.0	17.2	15.1	0.24	4813	20.2
ODH089	163	181.86	18.86	18.8	22.0	13.7	0.28	4556	19.1
ODH090	152.9	169.05	16.15	16.1	21.6	13.6	0.25	4515	18.9
ODH091	151.15	165.05	13.90	13.9	18.7	12.7	0.31	4839	20.3

All samples are from the Lanes Shaft Seam and represent potential seam working sections of <40% ash.



Vickery South (Coalworks Limited 100%)

The Exploration Licence has been formally granted. In anticipation of receiving the grant, Coalworks planned an initial exploration program for this area to target 50 to 70 Mt of coking/ export thermal coal. Work to confirm the geological interpretation will now proceed and is intended to provide baseline data to commence a preliminary mining study.

Ashford EL6511 (Coalworks 100%, limestone exploration)

An internal review has been conducted on this project in view of its possible divestment into a separate listed company which is under consideration. No field work was conducted due to the company's continuing focus on the Oaklands and Vickery projects. Field mapping is planned in the next quarter to confirm the best location for future quarrying activities.

Hodgson Vale EPC1145 (Coalworks 100%, coal exploration)

An internal review has been conducted on this project in view of its possible divestment into a separate listed company which is under consideration. Work completed during the quarter was limited to a site reconnaissance visit to assess the suitability of areas for future exploration. Drillhole planning will commence in the next quarter.

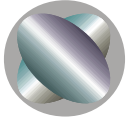


Figure 1: Project locations

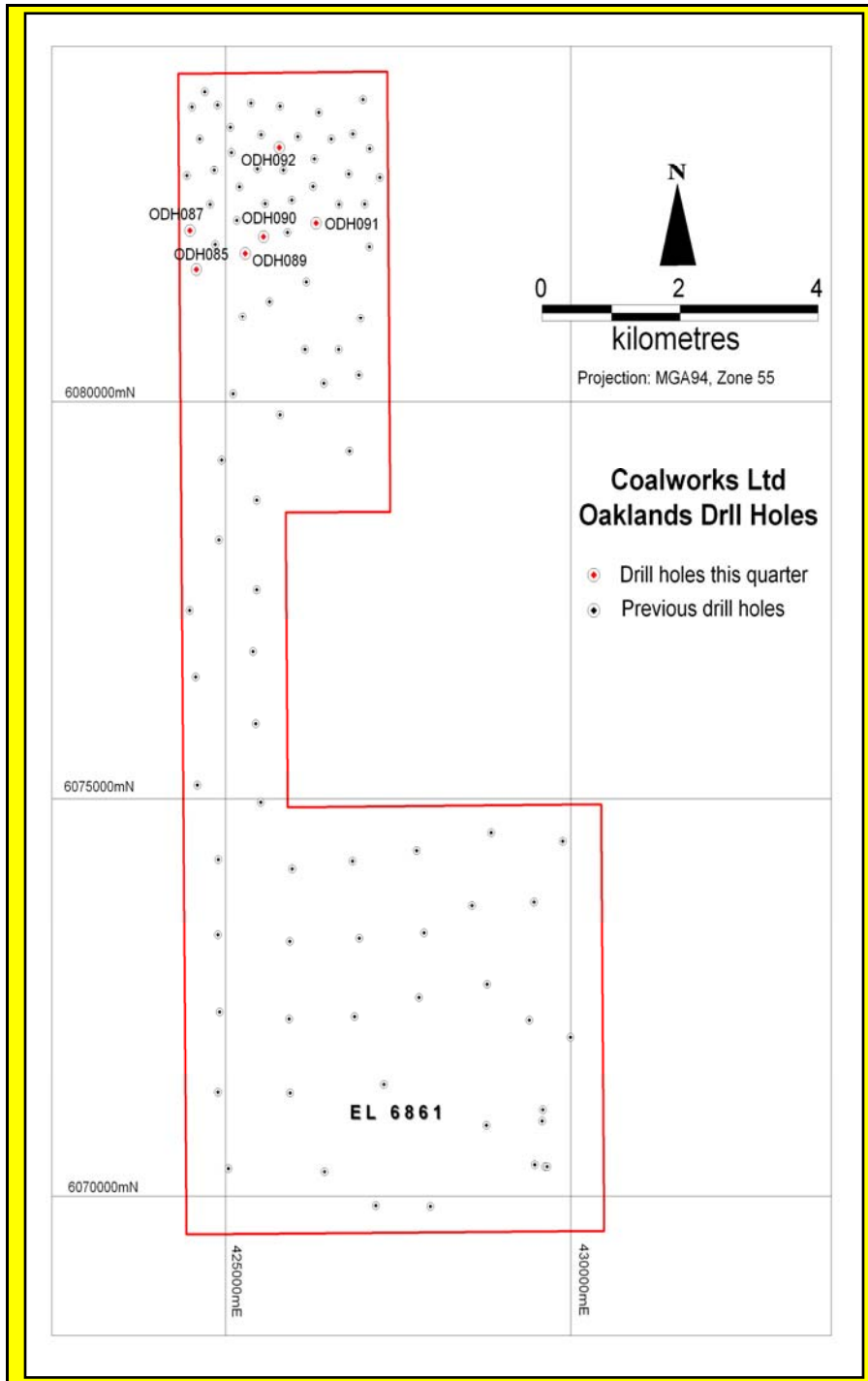
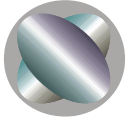
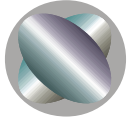


Figure 2: Oaklands drillhole locations

Cautionary Note: This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. These statements are subjected to risk and uncertainties that might be out of control of Coalworks Limited and may cause actual results to differ from the release. Coalworks Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.



The following statements apply in respect of the information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves: *The information is based on, and accurately reflects information compiled by Ms Sue Border, who is a Fellow of the Australasian Institute of Mining and Metallurgy, and Mr Tom Bradbury, who is a Member of The Australasian Institute of Mining and Metallurgy.*

Ms Border is the Principal of Geos Mining, a consultancy company providing specialist exploration services to the coal, uranium, gold, base metals and industrial minerals sectors. She has relevant experience in relation to the limestone deposit being reported on to qualify as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves. Ms Border has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Mr Bradbury is a geologist employed by Geos Mining. He has the relevant experience in relation to the coal deposits being reported on to qualify as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves. Mr Bradbury has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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Coalworks has a portfolio of projects in Australia including Oaklands (JORC inferred 760Mt thermal coal), Hodgson Vale (exploration target thermal coal), Vickery South (exploration target coking/thermal coal) and Ashford (limestone deposit with high value lime products as target).