



31 October 2011

Quarterly Report – Q3 2011

Activities Report for the Quarter ended 30 September 2011

Summary of Coalworks Achievements in this Quarter

Ferndale Coal Project – Stage 2 drilling nearing completion at end of quarter, and Stage 3 drilling underway

- *Stage 2 drilling was completed in October with twelve holes drilled;*
- *Technical review of Stage 1 and Stage 2 drilling results progressing, aimed at identifying Coal Resources in the Newcastle and Wittingham coal measures; and*
- *Stage 3 drilling has commenced with one hole (FD020R) completed and another (FD021) underway at quarter's end.*

Vickery South – Bankable Feasibility Study (BFS) progressing

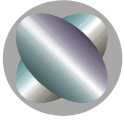
- *After the 18 July ASX announcement of Vickery South resources being increased by 15% to 58.5Mt, ICRA Vickery Pty Ltd is proceeding with spending of \$6m to finance completion of the Bankable Feasibility Study (BFS).*

Oaklands North - Environmental Baseline work and CTL PFS

- *Regional ground water monitoring continues at Oaklands North as part of ongoing Baseline work. CTL pre feasibility study work is currently ongoing as a component of study work recently completed by Minarco-MineConsult.*

Orpheus Energy Group Pty Ltd

- *Orpheus Energy Group Pty Ltd has been divested from Coalworks in a separate stock exchange listing (ASX:OEG).*



The locations of Coalworks' projects in Australia are shown in Figure 1 below.

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Coalworks Project Locations

Coalworks Limited

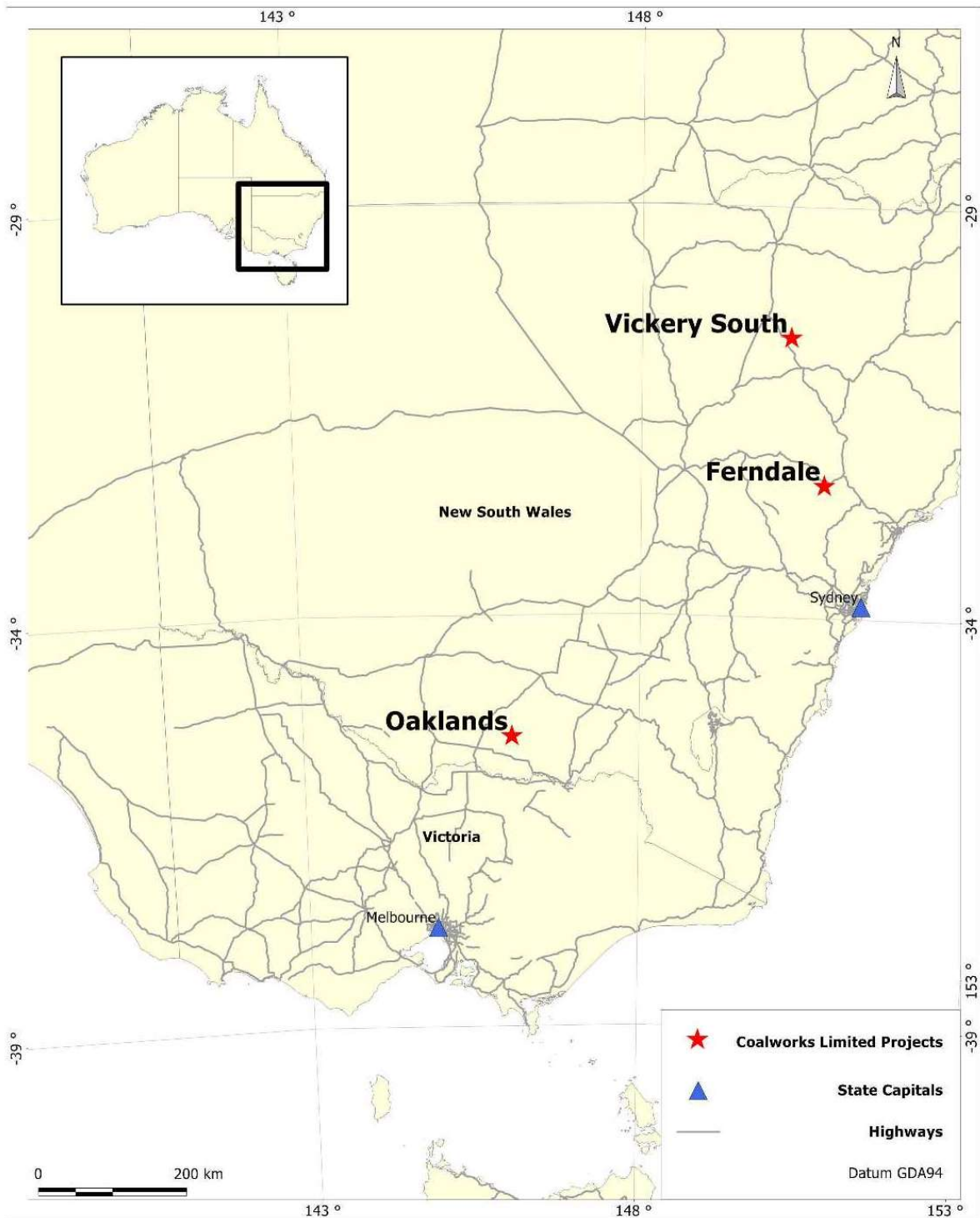
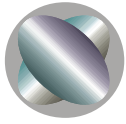


Figure 1: Coalworks Limited – location of projects.



Ferndale EL 7430 (Coalworks 92.5%, coal exploration)

Coalworks' subsidiary Loyal Coal, with its joint venture partner, Boardwalk Ferndale Pty Ltd is continuing its drilling program at Ferndale (EL 7430) - see Figure 2.

Stage 2 holes completed in Q3 include FD015, FD016, FD017 and FD018. The final Stage 2 hole, FD019, was completed in October.

The Stage 2 drilling program eventually comprised 12 cored holes (FD008 – FD019) situated in the northern, central and southern portions of the tenement. Stage 2 was aimed at further delineating the Newcastle and Wittingham coal measures in order to identify coal resources.

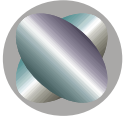
An assessment of both Stage 1 and Stage 2 drilling results is continuing and it is envisaged that coal resources (classified in accordance with the JORC Code) may be established for mining opportunities within the Wittingham Coal Measures by December 2011.

Stage 3 drilling has commenced and is aimed at delineating open cut coal resources within the Newcastle Coal Measures. Hole FD020R was completed and FD021 is underway at the end of the quarter, and drilling is continuing with two drilling rigs currently on site (Figure 2).

Coalworks' current Exploration Target at Ferndale is 350 to 530 Mt of coking/thermal coal. This includes up to 80 Mt open pit coal in the Newcastle Coal Measures at depths of between 20m and 70m, with the targeted coal seams being the Great Northern and Fassifern seams, which are prospective for export thermal coal. The target also includes 100-175 Mt from the upper Wittingham Coal Measures at depths greater than 150m, with the targeted coal seams being the Whybrow, Wambo, Whynot and Blakefield seams, which elsewhere in the Hunter Valley have export thermal, semi soft coking and PCI potential. The remainder of the target comprises 200-275 Mt from the middle Wittingham Coal Measures, with the main tentatively-correlated target seams being the Arrowfield, Bowfield, Piercefield Lower, Broonie (both upper and lower splits), and Bayswater seams. These are similarly recognised as high quality mineable seams with export thermal and coking potential.

Seam summaries for holes completed in the quarter are given in Tables 1 to 5. Results from recently completed hole FD019 (total depth 636.7m) will be presented when available. Note that many seams, in particular those in the Newcastle Coal Measures, contain stone bands that may be removed with selective mining. The seams in the tables are geological units, not potential working sections; potential working sections will be identified once all analytical results have been received.

For seam summaries of previous holes FD001 to FD014, please see ASX announcements (30.10.2010, 19.11.2010, 31.01.2011, 18.03.2011, 29.07.2011, 25.08.2011).



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Stage 1, 2 & WVH3A Completed Drill Holes - End September 2011



Boardwalk Ferndale Pty Ltd

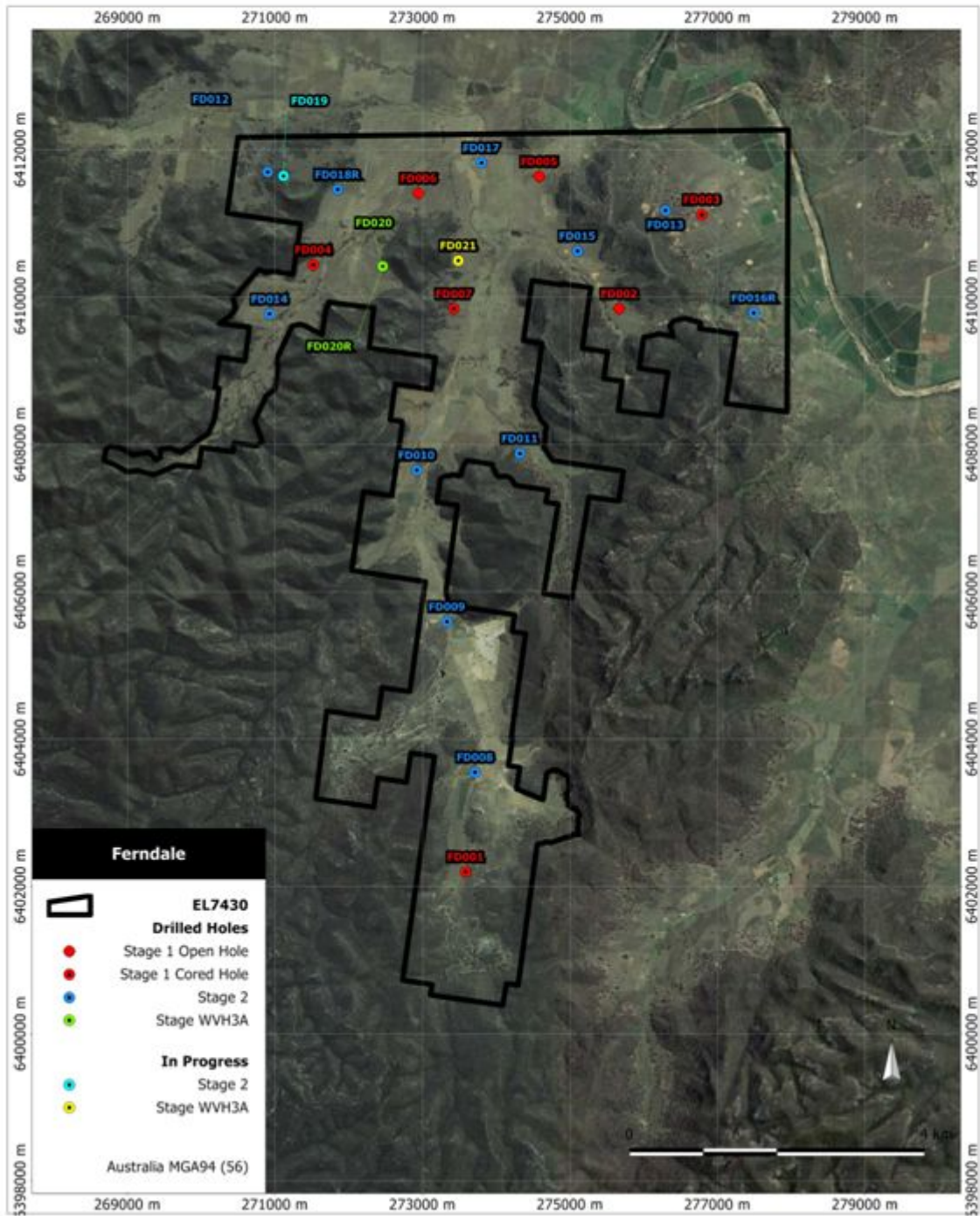
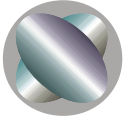
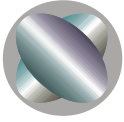


Figure 2: EL 7430 Ferndale - Completed Stage 1, 2 and 3 holes and active Stage 2 and 3 holes (FD019 has recently been completed).



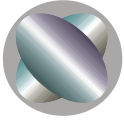
	Coal Seam (correlations tentative only)	FD015 (fully cored from 6m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	61	61.53	0.53
	Lower Pilot 2 Seam	63.76	64.68	0.92
	Lower Pilot 3 Seam	67.17	67.53	0.36
	Hartley Hill 1 Seam	79.99	80.69	0.7
	Hartley Hill 2 Seam	80.69	85.46	4.77
	Dudley Seam	170.64	170.87	0.23
	Yard Seam	180.37	180.6	0.23
	Borehole Seam	180.93	181.27	0.34
Wittingham Coal Measures	Wambo Upper Seam	310.41	311.67	1.26
	Wambo Lower Seam	314.99	315.17	0.18
	Whynot Middle Coal Seam	357.39	360.17	2.78
	Glen Munro 1 Seam	400.58	401.42	0.84
	Glen Munro 2 Seam	410.38	410.55	0.17
	Woodlands Hill Seam	415.39	415.68	0.29
	Arrowfield Seam	425.26	430.24	4.98
	Warkworth Upper Seam	485.2	486.38	1.18
	Warkworth Lower Seam	514.08	517.44	3.36
	Mt Arthur Upper Seam	525.96	526.54	0.58
	Mt Arthur Lower Seam	528.03	528.45	0.42
	Piercefield 3 Seam	551.83	552.38	0.55
	Piercefield 4 Seam	555.79	556.4	0.61
	Vaux Seam	568.59	569.88	1.29
	Broonie 1 Seam	583.64	585.1	1.46
	Broonie 2 Seam	609.21	612.34	3.13
	Broonie 3 Seam	618	618.66	0.66
	Bayswater 1 Seam	623.61	630.14	6.53
	Bayswater 2 Seam	634.74	636.24	1.5
	Bayswater 3 Seam	636.94	637.45	0.51
Bayswater 4 Seam	639.28	639.37	0.09	
		End of hole 662.5m		

Table 1 – Seam summary for hole FD015 (NB: all depths have been geophysically corrected)



	Coal Seam (correlations tentative only)	FD016R (fully cored from 92m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	29.8	30.04	0.24
	Lower Pilot 2 Seam	32.8	33.03	0.23
	Lower Pilot 3 Seam	33.46	34.07	0.61
	Hartley Hill 1 Seam	53.54	54.18	0.64
	Hartley Hill 2 Seam	54.18	58.66	4.48
	Dudley Seam	144.58	144.96	0.38
	Yard Seam	155.81	155.98	0.17
	Borehole Seam	156.08	156.54	0.46
Wittingham Coal Measures	Wambo Upper Seam	289.76	290.94	1.18
	Wambo Lower Seam	317.66	319.21	1.55
	Whynot Middle Coal Seam	340.37	341.4	1.03
	Whynot Lower Coal Seam	341.67	342.36	0.69
	Glen Munro 1 Seam	381.2	381.5	0.3
	Glen Munro 2 Seam	391.8	391.99	0.19
	Woodlands Hill Seam	393.73	393.88	0.15
	Arrowfield Seam	423.34	429.53	6.19
	Warkworth Upper Seam	464.59	465.22	0.63
	Warkworth Lower Seam	505.83	509.72	3.89
	Mt Arthur Upper Seam	513.97	514.57	0.6
	Mt Arthur Lower Seam	517.22	517.36	0.14
	Piercefield 3 Seam	541.81	542.07	0.26
	Piercefield 5 Seam	549.93	550.23	0.3
	Vaux Seam	567.15	567.93	0.78
	Broonie 1 Seam	595.16	595.4	0.24
	Broonie 2 Seam	602.5	603.26	0.76
	Broonie 3 Seam	606.56	608.55	1.99
	Bayswater 1 Seam	622.92	628.88	5.96
	Bayswater 2 Seam	635.99	636.6	0.61
Bayswater 3 Seam	637.5	638.56	1.06	
Bayswater 4 Seam	641.44	641.75	0.31	
		End of hole 660.19m		

Table 2 – Seam summary for hole FD016R (NB: all depths have been geophysically corrected)

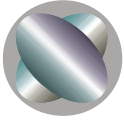


	Coal Seam (correlations tentative only)	FD017 (fully cored from 18m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Upper Pilot 1 Seam	24.81	25.05	0.24
	Upper Pilot 2 Seam	25.34	25.42	0.08
	Upper Pilot 3 Seam	28.32	28.69	0.37
	Lower Pilot 1 Seam	54.96	55.82	0.86
	Lower Pilot 2 Seam	57.78	58.01	0.23
	Hartley Hill 1 Seam	69.86	70.44	0.58
	Hartley Hill 2 Seam	70.44	77.37	6.93
		End of hole 123.05m		

Table 3 – Seam summary for hole FD017 (NB: all depths have been geophysically corrected)

	Coal Seam (correlations tentative only)	FD018R (fully cored from 24m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Fassifern Seam	34.9	36.63	1.73
	Upper Pilot 1 Seam	37.97	39.08	1.11
	Upper Pilot 2 Seam	39.47	40.3	0.83
	Upper Pilot 3 Seam	40.46	40.74	0.28
	Lower Pilot 1 Seam	81.4	81.75	0.35
	Lower Pilot 2 Seam	82.17	82.82	0.65
	Hartley Hill 1 Seam	94.75	95.09	0.34
	Hartley Hill 2 Seam	95.09	100.04	4.95
	Dudley Seam	172.66	172.91	0.25
	Yard Seam	185.13	185.36	0.23
	Borehole Seam	188.93	189.33	0.4
Wittingham Coal Measures	Wambo Upper Seam	315.37	316.34	0.97
	Wambo Lower Seam	324.29	324.91	0.62
	Whynot Middle Coal Seam	366.13	366.89	0.76
	Whynot Lower Coal Seam	369.15	369.72	0.57
		End of hole 407.15m		

Table 4 – Seam summary for hole FD018R (NB: all depths have been geophysically corrected)



	Coal Seam (correlations tentative only)	FD020 (fully cored from 30m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Great Northern Seam	23.58	24.36	0.78
	Fassifern Seam	40.78	42.2	1.42
	Upper Pilot 1 Seam	44.17	45.2	1.03
	Upper Pilot 2 Seam	45.95	46.89	0.94
	Upper Pilot 3 Seam	47.4	47.75	0.35
	Lower Pilot 1 Seam	87.06	87.36	0.3
	Lower Pilot 2 Seam	88.01	88.5	0.49
	Hartley Hill 1 Seam	100.15	100.48	0.33
	Hartley Hill 2 Seam	100.48	105.84	5.36
	Dudley Seam	179.97	180.26	0.29
	Yard Seam	190.08	190.17	0.09
	Borehole Seam	190.64	190.98	0.34
		End of hole 197.3m		

Table 5 – Seam summary for hole FD020 (NB: all depths have been geophysically corrected)

Vickery South EL 7407

(Coalworks (Vickery South) Pty Ltd 71%, ICRA Vickery Pty Ltd 29%)

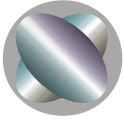
Updated Resources (calculated in accordance with the JORC Code) have been identified and total 58.5 Mt (ASX Release: 18.07.2011). These Resources include:

- **48 Million Tonnes of Measured Resources and 0.1 Million Tonnes of Indicated Resources** within the Eastern Zone
- **10.4 Million Tonnes of Inferred Resources** within North West & South West Zones

Coalworks Limited, with its joint venture partner, ICRA Vickery Pty Ltd (wholly owned subsidiary of ITOCHU Corporation) is proceeding to completion of the Bankable Feasibility Study (BFS). The BFS is due in 2012, with detailed engineering work currently underway.

Coalworks advanced its preparations with respect to seeking coal allocation at Port Waratah Coal Services Ltd (PWCS) for 2014 allocations. Following discussions with PWCS as to the constraints of allocation in 2014, Coalworks proposes to apply in 2012 for 2015 coal allocation.

No drilling was planned for or completed during the quarter.



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Completed Drill Holes

Vickery South
Coalworks Vickery South Pty Ltd.

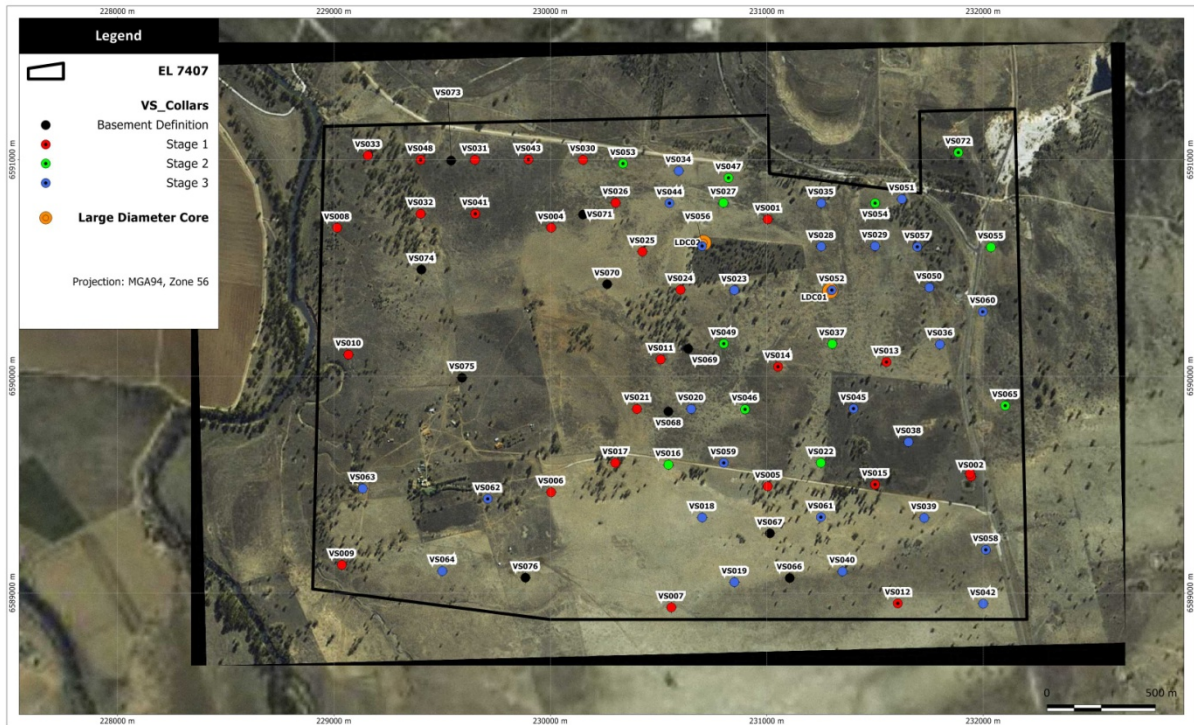


Figure 3: EL 7407 Vickery South drillhole location for Stage 1, 2 and 3 drilling programs.

Oaklands North EL 6861 (Coalworks Limited 100%)

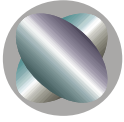
Environmental baseline, hydrogeology monitoring, and various coal tests and CTL prefeasibility work continued during the reporting period.

The prefeasibility studies are aimed at investigating the potential for a CTL plant design and construction to process the Lanes Shaft Seam at Oaklands by open cut mining methods. The PFS is focussed on a 21,000 bbl/day plant producing petrol and LPG. A recent study has identified a potential shortage of petrol in NSW and Victoria indicating that the above mentioned volumes of transport fuels could readily be absorbed by the domestic Australian market.

Orpheus Energy Group Pty Ltd

Orpheus Energy Group Pty Ltd, Hodgson Vale Coal and Ashford Limestone were divested from Coalworks Limited via a separate relisting of Orpheus Energy Limited on the ASX in mid-August 2011. Coalworks received 35 million shares and 17,500,000 options in Orpheus as a result of this divestment out of which a one-for-eight bonus dividend was paid in the form of Orpheus shares to Coalworks shareholders. Coalworks currently holds a 33% equity interest in Orpheus.

Orpheus is exploring for coal and industrial minerals with projects in Indonesia and eastern Australia.



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:
The information is based on, and accurately reflects information compiled by Mr Tom Bradbury, who is a Member of The Australasian Institute of Mining and Metallurgy.

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 Exploration Results, 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.

The following statements apply in respect of the information in this report that relates to Mineral Resources:
The information is based on, and accurately reflects information compiled by Mr Matt Morgan, who is a Member of The Australasian Institute of Mining and Metallurgy.

Mr Morgan is a geologist employed by Coalworks Limited. 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.

For further information, please contact:
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Email: info@coalworks.com.au

Coalworks has a portfolio of projects in Australia including:

1. **Vickery South, Gunnedah Basin (exploration target coking/thermal coal)**
 - # JORC Resources Increase by 15% to 58.5Mt - see ASX Announcement 18.07.2011
 - # ITOCHU to proceed with BFS for Vickery South - see ASX Announcement 18.05.2011
 - # ITOCHU signs Farm In Agreement in \$11m deal - see ASX announcement 04.05.2010
 - # Preliminary Feasibility Study – positive with semi soft coking coal forming 83% of product - see ASX announcement 15.06.2011
 - # ITOCHU Farm-in Stage 1 payment of \$5m and signing of JV agreement sees Itochu acquired a 29% interest in Vickery South - see ASX announcements 22.12.2010 and 23.2.2011
2. **Ferndale Coal Project**
 - # Coalworks includes its 92.5% owned subsidiary Loyal Coal Pty Ltd
 - # New Exploration Target 350Mt – 530Mt of coking/thermal coal - see ASX announcement 19.11.2010)
 - # Boardwalk Resources signed Farm-In and Joint Venture Agreements in \$25m deal - see ASX announcement 09.12.2010
3. **Oaklands Coal Project (JORC measured, indicated and inferred 822Mt thermal coal)**
 - see ASX announcement 5.11. 2009;
 - Strategic Alliance with Synthesis Energy Systems Inc to develop Oaklands coal-to-petrol plant announced – see ASX announcement 2.12.2009