

COALWORKS Limited

28 October 2008

QUARTERLY REPORT

Oaklands EL6861 (Coalworks 100%, coal exploration/development)

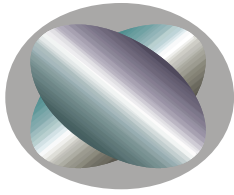
Summary of Coalworks' Achievements During September Quarter

- **Major drilling program** with 36 holes completed and up to three rigs used.
- **Increased JORC inferred resource** to 640 million tonnes of coal.
- **Strategic Alliance formed with Oaklands landowner** - a joint venture with Willala Pastoral Co Pty, one of the major owners within Coalworks' Oaklands licence area, will facilitate the development of the Oaklands coal mine.
- **A Conceptual Mine & Rail Study** - A conceptual Mine Study from our Consulting Engineers has been received with the Rail Study expected Nov 2008
- **Test Pit design to assist off-take agreements** - Test Pit design and related environmental studies are underway to facilitate off-take agreements and support other technical studies at Oaklands. The design will support Coalworks' plans for coal production.
- **Clean Coal Processing Study** – Work underway by leading engineers Uhde Shedden will provide a pre-feasibility study for clean coal processing options at Oaklands.

Drilling at Oaklands has continued throughout the quarter, with 36 holes drilled for a total of 3941 metres drilled. This rapid drilling program (using up to three rigs drilling a mix of cored, partly cored and open holes) has permitted a significant increase in resource tonnage at Oaklands. The revised inferred resource, announced on 2nd October, now totals **640 million tonnes** of sub-bituminous thermal coal [JORC inferred status - Refer ASX release dated 2.10.08]

The results from holes drilled during the quarter are tabulated in Table 1. Locations are shown on Figure 1. All holes have intersected coal in the main Lanes Shaft seam. Most holes have been geophysically logged. Oxidation of coal has been found to be limited to a small section of the Licence only.

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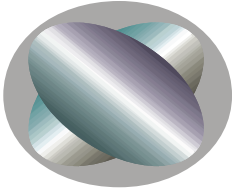
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Coal has been sampled from all holes drilled during the quarter where coal was cored (22 in all) but results have so far only been received for 4 holes (see Table 2 for proximate analyses). The remaining results are pending. The quality results received confirm the previous trend of higher specific energy coals in the northern part of the area. Higher ash occurs in the roof and floor plies of some intersections, but a thick working section is possible even where these high ash sections are excluded. Individual lower ash and higher energy plies exist in the seam, and potential exists for selective mining to maximise product quality. In hole ODH11, the seam has been partially eroded and oxidised; hence the thinner proposed working section in Table 2.

In addition to drilling to upgrade the resource, the drilling program has included fully cored geotechnical holes and hydrogeological bores to progress mine planning. Initial pumping tests have shown that groundwater is of good quality. Hydrogeological and geotechnical studies are continuing.

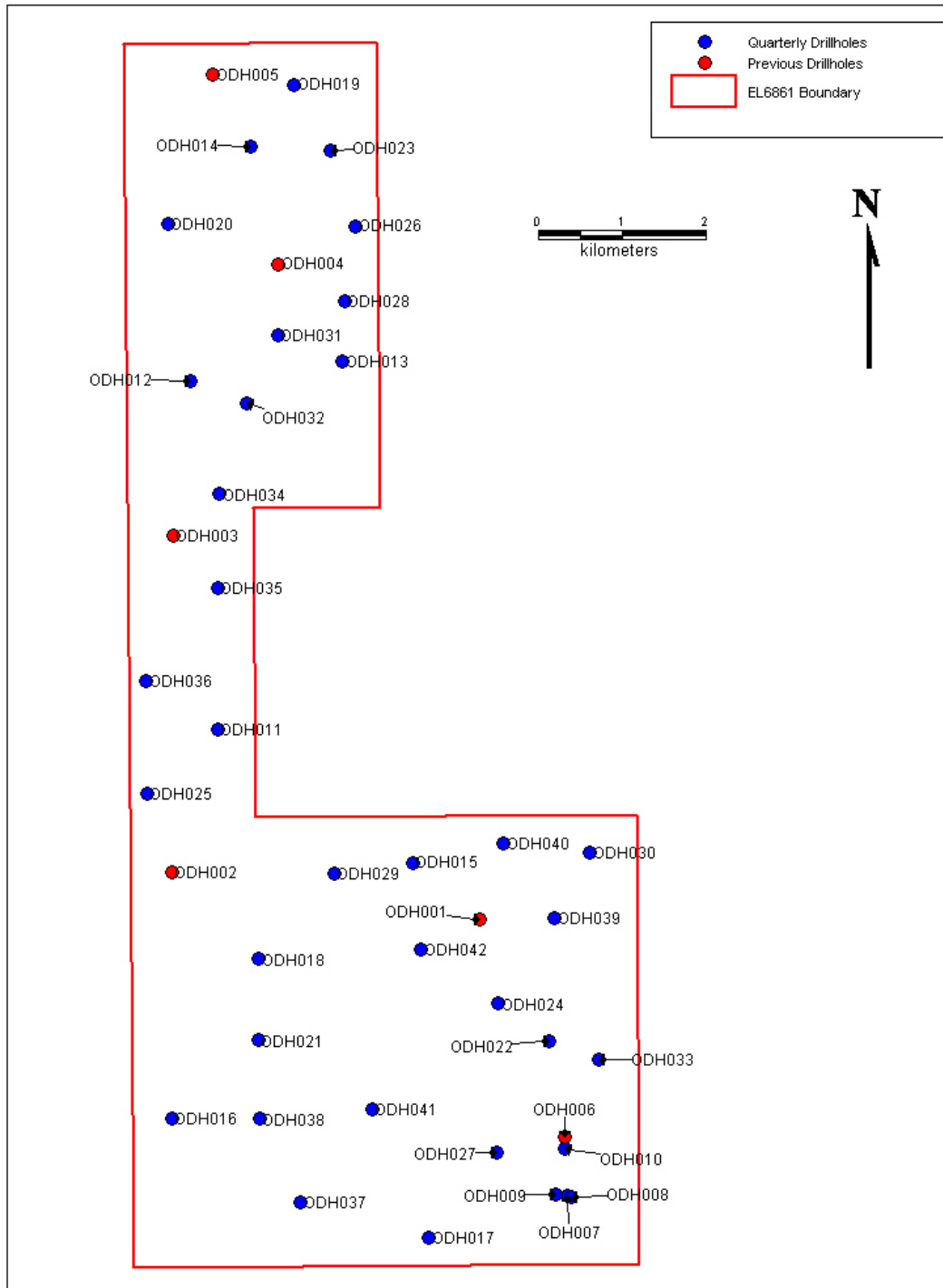
The current drilling program is expected to be completed in this (December) quarter. Once analytical results are received, resource estimates will be revised. Coalworks intends to announce revised resources, including indicated resources, for the project during this quarter.

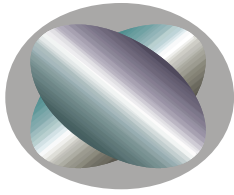
Bulk sampling of the coal is also planned this quarter to obtain samples for pilot plant testwork at ACIRL.



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Figure 1 Hole locations.

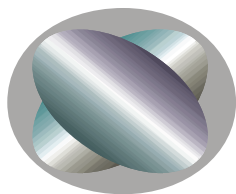




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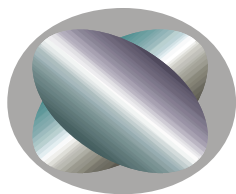
Table 1 Summary of drilling during the quarter.

Hole ID	Seam Name	Top (m)	Base (m)	Thickness (m)	Total Depth (m)	Geophysically corrected
ODH007	Lanes Shaft	57.63	67	9.37	91	Y
ODH008	Lanes Shaft	57.5	66.9	9.4	71	N
ODH009	Lanes Shaft	62.73	72.37	9.64	74.33	N
ODH010	Lanes Shaft	64.53	75.14	10.61	83	N
ODH011	Lanes Shaft	73.68	83.2	9.52	90.6	Y
ODH012	Coreen Creek	203.0	204.5	1.52	254	Y
		3	5			
ODH012	Lanes Shaft	222.6	241.1	18.5		Y
		8	8			
ODH013	Coreen Creek Upper Lanes Shaft	82.2	83.55	1.35	125.7	Y
		103.3	107.0			Y
		107.8	120.8			Y
		3	8			13.05
ODH014	Coreen Creek	117.9	118.6	0.7	160.12	Y
		136.5	150.1			Y
ODH014	Lanes Shaft	5	3	13.58		
ODH015	Lanes Shaft	65.84	81.45	15.61	87.3	Y
ODH016	Coreen Creek	87.7	88.68	0.98	135.1	Y
			129.4			Y
ODH016	Lanes Shaft	114.5	3	14.93		
ODH017	Coreen Creek Lanes Shaft Lower Lanes Shaft	52	52.5	<0.5	102.3	Y
		82.05	91.82			Y
		92.14	96.95			4.81
ODH018	Coreen Creek	59.5	60.3	0.8	105.44	Y



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	Lanes Shaft	86.4	97.93	11.53		Y
	Lower Lanes Shaft	98.41	101.4	2.99		Y
ODH01		125.4	125.5			Y
9	Coreen Creek	5	3	0.08	168	Y
	Lanes Shaft	147.4	162.7	15.46		Y
ODH02						Y
0	Coreen Creek	144	144.6	0.6	180	Y
	Lanes Shaft	159.9	175.9	16		Y
ODH02						N
1	Coreen Creek	65.5	67.08	1.58	117.3	N
	Upper Lanes Shaft	79.07	79.77	0.7		N
	Lanes Shaft	96.23	110.7	14.49		N
ODH02						N
2	Lanes Shaft	53.27	56.72	3.45	72.3	N
ODH02		162.2				Y
3	Lanes Shaft	3	175.6	13.67	186	Y
ODH02						N
4	Lanes Shaft	55.57	62.92	7.35	69.3	N
ODH02		120.8	132.3			Y
5	Lanes Shaft	3	1	11.48	142.1	Y
ODH02						N
6	Lanes Shaft	178	194	14	201	N
ODH02						N
7	Lanes Shaft	76	89.04	13.04	96.1	N
ODH02		112.1	113.0			Y
8	Coreen Creek	9	2	0.83	164	Y
	Lanes Shaft	132.9	148.6	15.7		Y
ODH02						N
9	Lanes Shaft	69.52	78.37	8.85	85.1	N
ODH03						N
0	Lanes Shaft	54.1	63.36	9.26	65.3	N
ODH03						N
1	Coreen Creek	122	123	<1	180	N
	Lanes Shaft	146	165	19		N
ODH03						Y
2	Coreen Creek	121.2	122.2	1	164	Y
	Lanes Shaft	143	159	16		Y



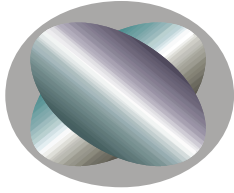
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ODH03 3	Lanes Shaft	45.1	53.44	8.34	57.1	N
ODH03 4	Coreen Creek	108	109	1	162	N
	Lanes Shaft	132	152	20		N
ODH03 5	Coreen Creek	73	74	<1	114	N
	Lanes Shaft	85	105	20		N
ODH03 6	Coreen Creek	114	116	<2	154	N
	Lanes Shaft	134	149	15		N
ODH03 7	Incomplete					N
ODH03 8	Coreen Creek	74.5	75.5	1	123.1	N
		102.7	119.8			N
	Lanes Shaft	1	9	17.18		
ODH03 9	Lanes Shaft	53.7	62.63	8.93	65.8	N
ODH04 0	Lanes Shaft	57.54	68.77	11.23	74.1	N
ODH04 1	Coreen Creek	72	73	<.5	117.15	N
			114.4			N
	Lanes Shaft	97.15	1	17.26		
ODH04 2	Coreen Creek	41	42	<0.5	88.75	N
	Lanes Shaft	65	80.7	15.7		N

Table 2 Coal quality data results received during the quarter. All samples from Lane Shaft seam, and represent potential seam working sections.

Drillhole	From	To	Thickness	Moisture (%ad)	Ash (%ad)	Total Sulfur (%ad)	CV (MJ/kg, corrected ad)	CV (kcal/kg, corrected, ad)
ODH011	78.94	83.03	4.09	14.3	17.2	0.29	20.4	4873
ODH013	109.09	120.88	11.79	17.3	14.1	0.21	20.2	4829
ODH014	137.93	149.91	11.98	15.3	11.5	0.28	21.9	5241
ODH015	65.9	81.3	15.40	20.6	15.7	0.40	n/a	n/a

Note – high ash plies at top and base of seam excluded where present.



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Ashford EL 6511 (Coalworks 100% limestone exploration)

Limited work has been carried out on this Licence during the quarter as efforts have been concentrated on advancing the Oaklands project. Contact has been established with a calcium carbonate industry specialist to determine marketing and economic issues for this project

Hodgson Vale EPC1145 (Coalworks 100%, coal exploration)

A review of the application and effectiveness of various geophysical methods was instigated during the quarter, and is continuing. Together with a review of past drillhole and water bore data, and the results from the five holes drilled earlier this year, this will be used to identify potential coal target areas and plan future drill hole 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.*

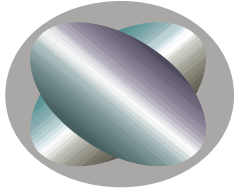
Ms Border is the Principal of Geos Mining, a consultancy company providing specialist exploration services to the coal, uranium, gold, base metals and industrial minerals sectors. She has relevant experience in relation to the limestone deposit being reported on to qualify as a Competent Person as defined 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.

For further information, please contact:

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Coalworks has a portfolio of projects in Australia including Oaklands (JORC inferred 280mt thermal coal), Hodgson Vale (exploration target thermal coal) and Ashford (limestone deposit with high value lime products as target).

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,024)	(1,024)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(1,024)	(1,024)
1.20	Cash at beginning of quarter/year to date	24,274	24,274
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	23,250	23,250

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	221
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment to directors includes services for prior years to the group.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,200
4.2 Development	-
Total	1,200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,040	51
5.2 Deposits at call	21,210	24,223
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	23,250	24,273

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Not Applicable		
6.2	Interests in mining tenements acquired or increased	Not Applicable		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	102,595,639	49,968,638		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	<i>Unlisted Options</i> <i>1,250,000</i>		<i>Exercise price</i> <i>\$0.20</i>	<i>Expiry date</i> <i>31/12/2009</i>
	<i>Unlisted Incentive Options</i> <i>4,100,000</i>		<i>\$1.00</i>	<i>31/12/2011</i>
	<i>5,450,000</i>		<i>\$1.50</i>	<i>31/12/2011</i>
	<i>5,450,000</i>		<i>\$2.00</i>	<i>31/12/2011</i>
7.8 Issued during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 28 October 2008

Print name: Tony Sin Pyng Teng

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.