

COALWORKS Limited

30 January 2009

QUARTERLY REPORT

Period Ended December 2008

Oaklands EL6861 (Coalworks 100%)

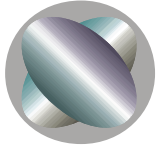
Summary of Coalworks' Achievements During December Quarter

- **Major drilling program** with 16 holes drilled and up to two rigs used.
- **Commencement of bulk sampling using clamshell excavator** in vicinity of planned trial test pit.
- **Decision made to move to feasibility studies on the Oaklands project.**

Drilling at Oaklands has continued throughout the quarter, with 16 holes completed for a total of 2,141 metres drilled. This rapid drilling program (using up to two rigs, a mix of cored, partly cored and open holes) has permitted an assessment of indicated resources to begin. Laboratory quality results are outstanding and upon receipt of these, a JORC Indicated resource can be determined within the southern portion of the tenement.

The results from holes drilled during the quarter are presented in Table 1. Hole locations are shown on Figure 1. All but one completed hole have intersected coal in the main Lanes Shaft seam. The one exception was drilled on the far eastern limit of the tenement, and intersected possible faulting. Hole ODH037 also displayed a geophysical signature that may indicate faulting. Further drilling in the vicinity will verify this. Most holes have been geophysically logged.

Coal has been sampled from all holes drilled during the quarter where coal was cored (13 in all) but results for the quarter are outstanding. Several, but not all results were received for previous quarter drilling. (see Table 2 for proximate analyses). The remaining results are also pending.



The few quality results received support 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, with the potential for selective mining to maximise product quality.

In addition to drilling to upgrade the resource, the exploration program has included fully cored geotechnical holes and hydrological bores to progress mine planning, and dewatering for the “Clam Shell” bulk sample exercise. Pump test results will be interpreted in the March quarter.

The current drilling program is expected to be completed in this (March) quarter. Once analytical results are received, resource estimates will be revised. Coalworks originally planned to announce revised resources, including indicated resources, for the project during the third quarter; however, laboratory results were not all available. It is planned to complete the resource upgrade in the current quarter.

Excavation commenced in December for a 3.5m by 1.5m large diameter “Clam Shell” hole dug using a 120 tonne crane to obtain a bulk sample of the Lane Shaft Seam for pilot plant testwork at ACIRL. The excavation and bulk sample is situated in the vicinity of the planned test pit. The excavation results to date have replicated the interpreted geology in the test pit area. Dewatering for the bulk sample has provided valuable pump test data relevant to planning future mining. Delivery of the bulk sample to ACIRL is envisaged in early February, 2009.

Coalworks’ board has reviewed the work to date and has approved the commencement of a feasibility study based on an initial pit location in the north of the project area, where coal qualities are highest.

Next quarter’s planned work includes ACIRL pilot plant testwork on the bulk sample, announcement of revised resources, and commencement of studies required for project feasibility, including a new drilling program to upgrade resources to JORC compliant measured status in the area of initial planned mining.

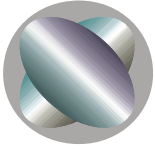
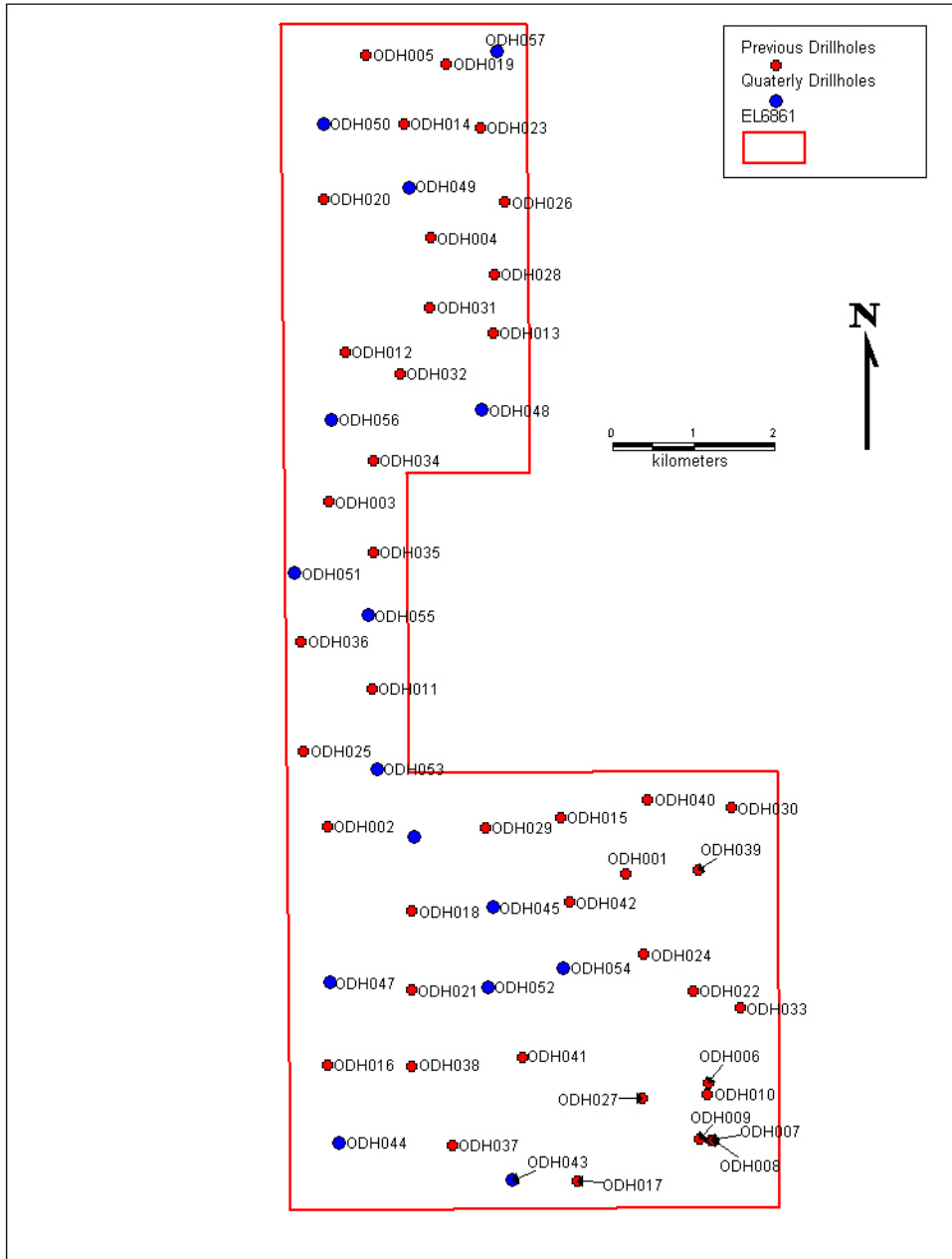


Figure 1 Hole locations



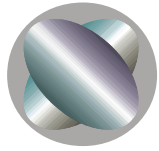


Table 1 Summary of holes completed during the quarter.

Hole ID	Seam Name	Top (m)	Base (m)	Thickness (m)	Total Depth (m)	Geophysically corrected
ODH037	Coreen Creek	91.7	92.3	0.6	136.65	Y
	Lanes Shaft	116	120.2	4.2		
	Lower Lanes Shaft	126.4	129.1	2.7		
ODH043	Coreen Creek	64.74	66.38	1.64	120.1	Y
	Lanes Shaft	97.37	113.5	16.78		
ODH044	Coreen Creek	99.5	100.19	0.69	142.1	Y
	Lanes Shaft	128.71	138.24	9.53		
ODH045	Hole abandoned - to be redrilled					
ODH046	Coreen Creek	46.5	46.9	0.4	85.1	Y
	Lanes Shaft	68.77	81.61	12.84		
ODH047	Coreen Creek	82.76	83.05	0.29	128.1	Y
	Lanes Shaft	109.02	124.45	15.43		
ODH048	no coal intersected				267.1	N
ODH049	Coreen Creek	131	131.65	0.65	164.65	Y
	Lanes Shaft	148.25	162.37	14.12		
ODH050	Coreen Creek	106.12	106.95	0.83	138.1	Y
	Lanes Shaft	120	134.41	14.41		
ODH051	Coreen Creek	144.4	145.15	0.75	179.1	Y
	Lanes Shaft	162.33	175.3	12.97		
ODH052	Lanes Shaft	83.37	99.9	16.53	102.1	Y
ODH053	Coreen Creek	53.1	53.4	0.3	84.1	Y
	Lanes Shaft	71.55	76.95	5.4		
	Lower Lanes Shaft	77.90	81.1	3.20		
ODH054	Lanes Shaft	80.95	88.65	7.7	99.0	Y
	Lower Lanes Shaft	89.35	94.95	5.6		Y
ODH055	Lanes Shaft	78.9	85.3	6.4	93.0	
	Lower Lanes Shaft	85.65	90.2	4.55		Y
ODH056	Coreen Creek	183.8	185.2	1.4	225.1	Y
	Lanes Shaft	204.9	214.2	9.3		
	Lower Lanes Shaft	214.95	222.07	7.12		
ODH057	Coreen Creek	136.44	137.15	0.71	177.1	N
	Lanes Shaft	160.62	175.6	14.98		N

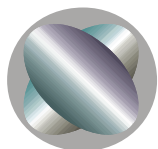


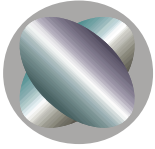
Table 2 Coal quality data results received during the quarter. All samples from Lane Shaft seam, and represent potential seam working sections.

Drillhole	From	To	Thickness	Moisture (%ad)	Raw Ash (%ad)	Total Sulfur (%ad)	CV (MJ/kg, corrected, ad)	CV (kcal/kg, corrected, ad)
ODH16	114.41	129.37	14.96	12.4	16.6	0.26	21.31	5089
ODH17	81.71	96.75	15.04	13.5	23	0.28	18.74	4476
ODH18	59.6	101.06	15.62	14	17.5	0.38	20.41	4876
ODH21	66.3	110.72	15.9	14.9	15.3	0.29	NA	
ODH22	53.37	56.72	3.35	12.3	NA	NA	NA	
ODH24	55.57	62.9	7.36	14.3	NA	0.23	NA	
ODH25	120.83	131.06	10.23	16.67	16.97	0.26	NA	
ODH29	69.52	78.37	8.85	NA	20.72	0.23	NA	
ODH30	59.2	60.2	2.03	13.7	19.9	0.28	NA	
ODH38	102.8	119.49	16.7	14.7	16	0.28	NA	
ODH039	55.87	62.68	6.81	15.2	21	0.22	NA	
ODH040	59.64	68.77	8.35	16.7	21	0.22	NA	
ODH041	97.57	114.37	16.6	16.2	19.3	0.31	NA	
ODH042	65	80.7	15.48	NA	18	0.26	NA	

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

Ashford EL6619 (Coalworks 100% limestone exploration)

During the quarter the Company met with a specialist industrial minerals consultant resulting in the compilation of a marketing and development strategy for this project. A budget is being prepared for the next phase of exploration.



Hodgson Vale EPC1145 (Coalworks 100%, coal exploration)

Coalworks is currently formulating some additional exploration programs within its 100% owned Hodgson Vale tenement in the Clarence–Moreton Basin following the company's drilling program last year. Interpretation of the available data indicates the possibility of further exploration targets for medium grade thermal coal including the north west zone where thick coal seams have previously been intersected. The company may also test the area in the south of the tenement where Tertiary basalt cover obscures the coal bearing stratigraphy. Detailed seismic surveying would map the thickness of the Tertiary basalt and identify the Walloon (and possibly other) Coal Measures beneath the basalt cover. Reference for the interpretation of the seismic data would be provided by the results obtained from two proposed deep RC/diamond drill holes (Figure 2) which are under consideration.

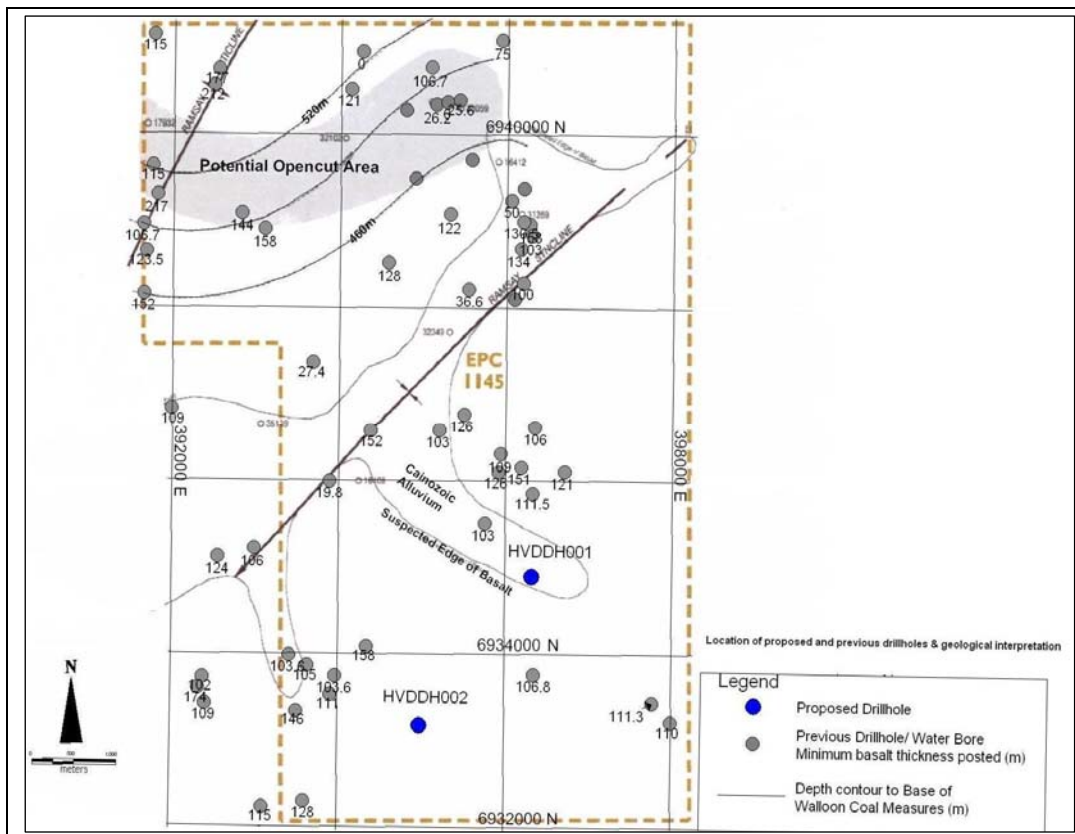
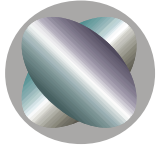


Figure 2: EPC 1145 with Proposed Drill Hole Locations (HVDDH's 001 and 002)



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 640Mt thermal coal), Hodgson Vale (exploration target thermal coal) and Ashford (limestone deposit with high value lime products as target).