

COALWORKS Limited

31 January 2012

Quarterly Report – 2011 Q4

Activities Report for the Quarter ended 31 December 2011

Summary of Coalworks Limited's Achievements in this Quarter

Ferndale Coal Project – Stage 3 drilling to progress on schedule

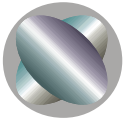
- *Stage 3 drilling has continued from the previous quarter with 20 holes drilled*

Vickery South – Bankable Feasibility Study (BFS) progressing

- *Final slim and large diameter labworks completed*
- *Coal characterisation work completed, final development footprint determined for the commencement of the Concept Mine Development Plan*

Oaklands North - Environmental Baseline work and Coal to Liquid (CTL) PFS continuing

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



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

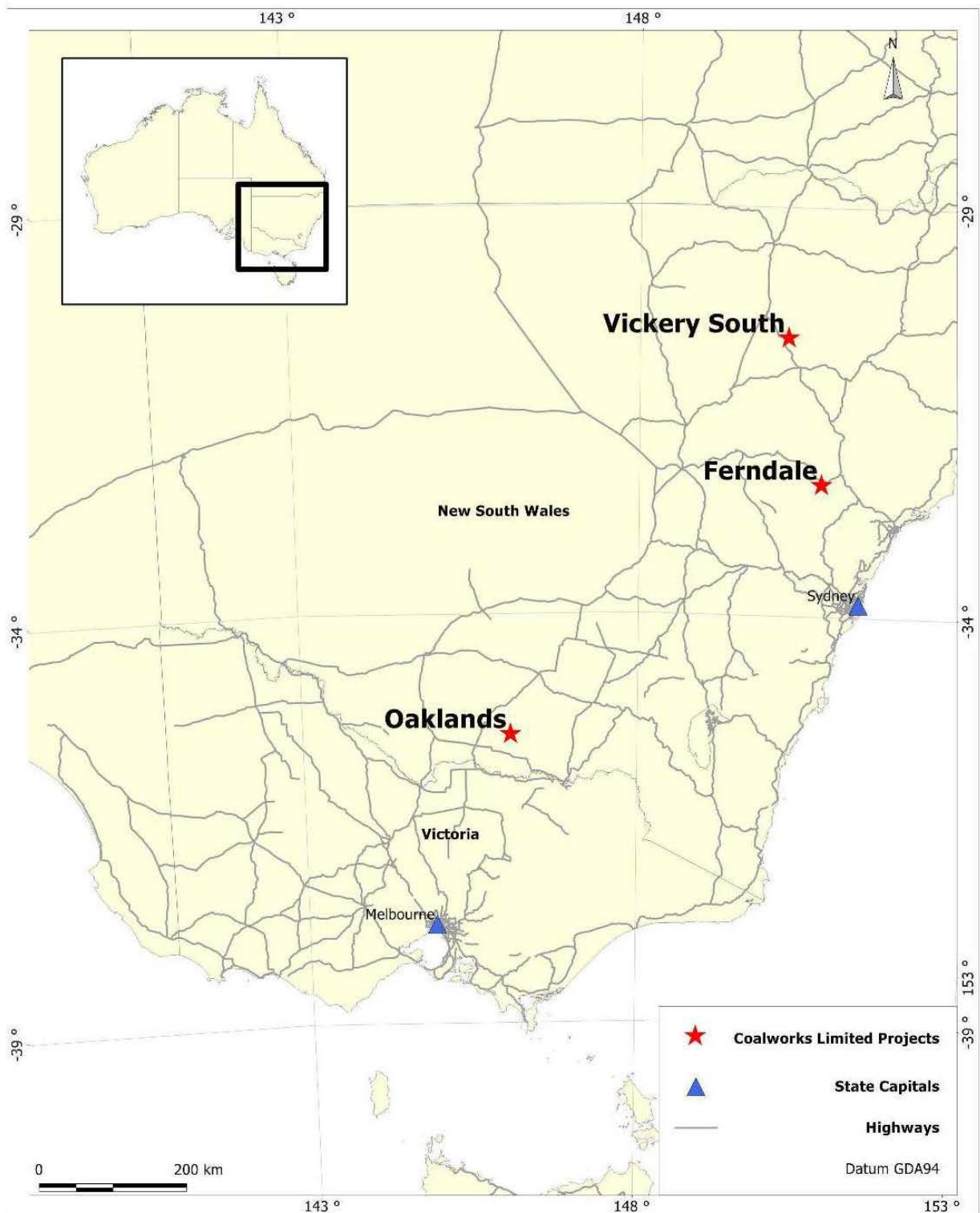
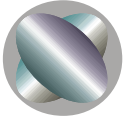


Figure 1: Coalworks Limited – location of projects.



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 3 drilling is on track with its aim of delineating open cut coal resources in the Newcastle Coal Measures. A substantial amount of activity has occurred during the Quarter, with a total of 20 holes completed. Although drilling of hole FD040 was completed to 121m on 14.12.2011, the corrected results are not yet available; these will be presented in the next Quarterly Report. Up to three rigs are currently conducting exploration drilling, with monitoring bore installation to commence soon. A fourth rig is due to commence exploration drilling in February. Plans for up to 60 additional drillholes in 2012 will extend the Stage 3 drilling program considerably.

Ferndale drilling results have continued to confirm the presence and continuity of potentially open cuttable and underground coal consistent with its Exploration Target of 350 to 530 Mt* (ASX: 26.10.2011) in the Newcastle Coal Measures and Wittingham Coal Measures.

Seam summaries for holes completed in the Quarter are given in Tables 1 to 21. 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. Coal seams less than 30cm thick and seams situated above the base of oxidation, have been included in the tables.

For seam summaries of previous holes FD001 to FD020, please see previous ASX announcements (30.10.2010, 19.11.2010, 31.01.2011, 18.03.2011, 29.07.2011, 25.08.2011).

Table 1: Total depths for all completed holes in EL 7430 Ferndale during the Quarter

Hole ID	Total Depth (m)
FD019	636.06
FD021	180.39
FD022	120.20
FD023	122.79
FD024	150.27
FD025	117.09
FD026	390.08
FD027	84.36
FD028	141.23
FD029	147.58
FD030	348.21
FD031	336.66
FD032	170.33
FD033	369.33
FD034	165.03
FD035R	174.51
FD036	194.90
FD037	168.23
FD038R	210.23
FD039	165.51
TOTAL:	4,392.99

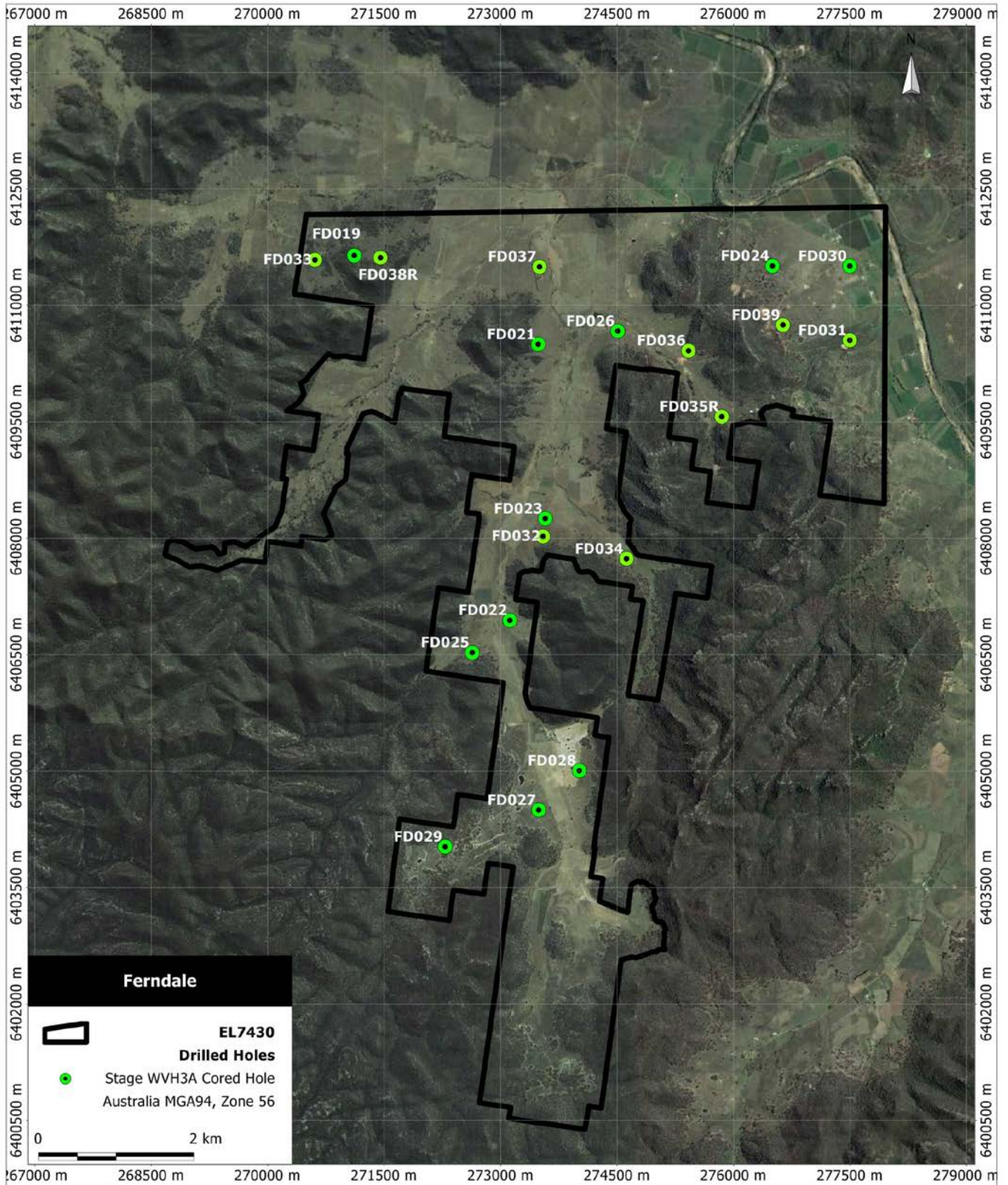
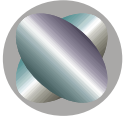


Figure 2: EL 7430 Ferndale - Completed Stage W VH3A holes at 31 December 2011

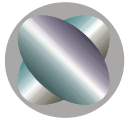


Table 2: Seam summary for hole FD019 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD019 (Fully cored from 34.44m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Great Northern Seam	18.90	20.72	1.82
	Fassifern Seam	34.00	36.05	2.05
	Upper Pilot 1 Seam	37.05	38.15	1.10
	Upper Pilot 2 Seam	38.60	39.60	1.00
	Upper Pilot 3 Seam	40.04	40.34	0.30
	Lower Pilot 1 Seam	78.86	79.51	0.65
	Lower Pilot 2 Seam	79.80	80.35	0.55
	Hartley Hill 1 Seam	90.34	90.90	0.56
	Hartley Hill 2 Seam	90.90	93.48	2.58
	Dudley Seam	167.97	168.59	0.62
	Borehole Seam	179.07	179.35	0.28
Wittingham Coal Measures	Whybrow 1 Seam	254.15	255.95	1.80
	Whybrow 2 Seam	257.83	259.00	1.17
	Redbank Creek 1 Seam	271.05	271.19	0.14
	Redbank Creek 2 Seam	271.53	273.22	1.69
	Wambo 1 Seam	302.19	303.19	1.00
	Wambo 2 Seam	312.17	312.79	0.62
	Whynot Seam	327.17	328.72	1.55
	Blakefield 1 Seam	350.87	351.17	0.30
	Blakefield 2 Upper Seam	379.58	380.56	0.98
	Blakefield 2 Lower Seam	381.26	381.74	0.48
	Glen Munro Rider Seam	414.72	414.90	0.18
	Glen Munro 2 Seam	434.03	434.62	0.59
	Arrowfield Seam	450.43	451.53	1.10
	Piercefield 3 Seam	537.07	537.63	0.56
	Vaux Seam	540.57	541.15	0.58
	Broonie 1 Seam	554.58	556.88	2.30
	Broonie 2 Seam	585.89	586.29	0.40
	Broonie 3 Seam	596.04	596.55	0.51
	Bayswater 1 Seam	610.58	614.76	4.18
Bayswater 2 Seam	618.59	619.58	0.99	
Bayswater 3 Seam	620.30	620.81	0.51	
Bayswater 4 Seam	626.36	626.62	0.26	
				End of Hole 636.06m

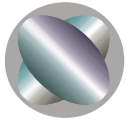


Table 3: Seam Summary for hole FD021 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD021 (Fully cored from 16.74m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Upper Pilot 1 Seam	16.74	16.99	0.25
	Upper Pilot 2 Seam	18.12	18.40	0.28
	Upper Pilot 3 Seam	19.19	19.37	0.18
	Middle Pilot 1 Seam	32.40	32.77	0.37
	Middle Pilot 2 Upper Seam	36.07	36.34	0.27
	Middle Pilot 2 Lower Seam	36.77	37.03	0.26
	Lower Pilot 1 Seam	57.80	58.05	0.25
	Lower Pilot 2 Seam	59.86	60.60	0.74
	Hartley Hill Rider Seam	73.60	74.04	0.44
	Hartley Hill 1 Seam	76.79	77.50	0.71
	Hartley Hill 2 Seam	77.63	78.75	1.12
	Hartley Hill 3 Seam	79.18	79.63	0.45
	Australasian 1 Seam	102.04	102.46	0.42
	Australasian 2 Seam	103.00	103.34	0.34
	Montrose 1 Seam	103.60	104.22	0.62
	Montrose 2 Seam	104.34	105.02	0.68
	Wave Hill 1 Seam	105.30	105.74	0.44
	Wave Hill 2 Seam	105.74	106.72	0.98
	Wave Hill 3 Seam	107.10	107.95	0.85
	Wave Hill 4 Seam	108.03	108.49	0.46
	Fern Valley 1 Seam	128.08	128.18	0.10
	Fern Valley 2 Seam	129.02	130.25	1.23
	Victoria Tunnel 1 Seam	130.70	131.87	1.17
	Victoria Tunnel 2 Seam	132.24	133.13	0.89
	Nobbys Seam	159.45	160.22	0.77
	Dudley Seam	160.78	161.48	0.70
Yard Seam	171.65	171.91	0.26	
Borehole Seam	172.21	172.56	0.35	
				End of Hole 180.39m

Table 4: Seam Summary for hole FD022 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD022 (Fully cored from 24.88m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 3 Seam	24.66	24.88	0.22
	Hartley Hill 1 Seam	54.35	55.02	0.67
	Hartley Hill 2 Seam	55.02	57.78	2.76
	Hartley Hill 3 Seam	57.27	57.78	0.51
	Australasian 1 Seam	93.81	94.60	0.79
	Australasian 2 Seam	94.74	95.42	0.68
	Montrose 1 Seam	95.47	96.02	0.55
	Montrose 2 Seam	96.21	97.02	0.81
	Wave Hill 1 Seam	97.41	98.01	0.60
	Wave Hill 2 Seam	98.06	99.55	1.49
	Wave Hill 3 Seam	99.82	101.09	1.27
	Wave Hill 4 Seam	101.19	101.63	0.44
	Fern Valley 1 Seam	104.51	104.98	0.47
	Victoria Tunnel 1 Seam	105.76	106.92	1.16
	Victoria Tunnel 2 Seam	107.26	109.06	1.80
				End of Hole 120.20m

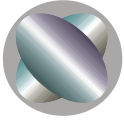


Table 5: Seam Summary for hole FD023 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD023 (Fully cored from 23.86m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	40.82	41.51	0.69
	Lower Pilot 1 Seam	44.03	44.12	0.09
	Hartley Hill 1 Seam	66.13	66.71	0.58
	Hartley Hill 2 Seam	67.26	68.46	1.20
	Hartley Hill 3 Seam	69.23	69.61	0.38
	Australasian 1 Seam	100.19	100.92	0.73
	Australasian 2 Seam	101.12	101.31	0.19
	Montrose 1 Seam	102.05	102.77	0.72
	Montrose 2 Seam	102.93	103.70	0.77
	Wave Hill 1 Seam	104.09	104.58	0.49
	Wave Hill 2 Seam	104.66	105.97	1.31
	Wave Hill 3 Seam	106.19	107.42	1.23
	Wave Hill 4 Seam	107.54	108.01	0.47
	Fern Valley 1 Seam	110.99	111.33	0.34
	Fern Valley 2 Seam	111.33	111.63	0.30
	Victoria Tunnel 1 Seam	112.11	113.17	1.06
Victoria Tunnel 2 Seam	113.76	115.59	1.83	
End of Hole 122.79m				

Table 6: Seam Summary for hole FD024 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD024 (Fully cored from 12.75m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Upper Pilot 3 Seam	12.45	13.31	0.86
	Middle Pilot 1 Seam	31.62	32.13	0.51
	Middle Pilot 2 Seam	33.94	34.32	0.38
	Lower Pilot 1 Seam	44.75	45.20	0.45
	Lower Pilot 2 Seam	50.36	50.73	0.37
	Lower Pilot 3 Seam	52.78	53.06	0.28
	Hartley Hill Rider Seam	69.81	70.27	0.46
	Hartley Hill 1 Seam	72.59	73.24	0.65
	Hartley Hill 2 Seam	73.24	74.59	1.35
	Hartley Hill 3 Seam	74.46	74.59	0.13
	Australasian 1 Seam	95.03	95.77	0.74
	Australasian 2 Seam	96.16	96.37	0.21
	Montrose 1 Seam	96.81	97.55	0.74
	Montrose 2 Seam	97.73	98.41	0.68
	Wave Hill 1 Seam	98.84	100.41	1.57
	Wave Hill 2 Seam	101.99	102.28	0.29
	Wave Hill 3 Seam	102.42	102.90	0.48
	Wave Hill 4 Seam	103.03	103.44	0.41
	Fern Valley 1 Seam	128.36	128.63	0.27
Victoria Tunnel 1 Seam	129.43	130.58	1.15	
Victoria Tunnel 2 Seam	131.16	133.70	2.54	
End of Hole 150.27m				

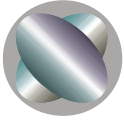


Table 7: Seam Summary for hole FD025 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD025 (Fully cored from 24.20m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	47.21	47.95	0.74
	Lower Pilot 2 Seam	49.86	49.96	0.10
	Lower Pilot 3 Seam	51.14	51.32	0.18
	Hartley Hill 1 Seam	66.84	67.64	0.80
	Hartley Hill 2 Seam	68.11	69.41	1.30
	Hartley Hill 3 Seam	69.80	70.48	0.68
	Australasian 1 Seam	104.21	104.91	0.70
	Australasian 2 Seam	105.02	105.19	0.17
	Montrose 1 Seam	105.58	106.44	0.86
	Montrose 2 Seam	106.54	107.45	0.91
	Wave Hill 1 Seam	107.76	108.35	0.59
	Wave Hill 2 Seam	108.40	109.87	1.47
	Wave Hill 3 Seam	109.93	111.22	1.29
	Wave Hill 4 Seam	111.29	111.79	0.50
End of Hole 117.09m				

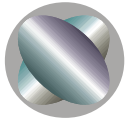


Table 8: Seam Summary for hole FD026 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD026 (Fully cored from 11.24m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Middle Pilot 1 Seam	38.92	39.32	0.40
	Middle Pilot 2 Upper Seam	41.80	42.11	0.31
	Middle Pilot 2 Lower Seam	42.53	42.71	0.18
	Lower Pilot 1 Seam	53.16	53.60	0.44
	Lower Pilot 2 Seam	56.10	56.79	0.69
	Lower Pilot 3 Seam	58.73	58.92	0.19
	Hartley Hill Rider Seam	71.18	71.82	0.64
	Hartley Hill 1 Seam	75.86	76.50	0.64
	Hartley Hill 2 Seam	76.70	77.78	1.08
	Hartley Hill 3 Seam	78.20	78.77	0.57
	Australasian 1 Seam	100.79	101.38	0.59
	Australasian 2 Seam	102.28	102.46	0.18
	Montrose 1 Seam	102.83	103.49	0.66
	Montrose 2 Seam	103.70	104.39	0.69
	Wave Hill 1 Seam	105.04	105.32	0.28
	Wave Hill 2 Seam	105.32	106.39	1.07
	Wave Hill 3 Seam	106.95	107.88	0.93
	Wave Hill 4 Seam	107.99	108.46	0.47
	Fern Valley 1 Seam	124.03	124.28	0.25
	Fern Valley 2 Seam	125.18	125.96	0.78
	Victoria Tunnel 1 Seam	126.82	127.96	1.14
	Victoria Tunnel 2 Seam	128.40	129.18	0.78
	Nobbys Seam	152.05	152.22	0.17
Dudley Seam	163.66	163.72	0.06	
Yard Seam	173.45	173.75	0.30	
Borehole Seam	174.48	174.82	0.34	
Wittingham Coal Measures	Whybrow 1 Seam	248.69	250.09	1.40
	Whybrow 2 Seam	251.97	252.99	1.02
	Redbank Creek 1 Seam	266.70	267.04	0.34
	Redbank Creek 2 Seam	267.50	268.94	1.44
	Wambo 1 Seam	304.04	305.06	1.02
	Wambo 2 Seam	309.54	309.76	0.22
	Whynot Seam	323.62	325.57	1.95
	Blakefield 1 Seam	368.38	369.39	1.01
Blakefield 2 Seam	370.42	371.82	1.40	
End of Hole 390.08m				

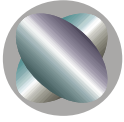


Table 9: Seam Summary for hole FD027 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD027 (Fully cored from 20.17m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	20.33	20.51	0.18
	Lower Pilot 2 Seam	24.21	24.48	0.27
	Lower Pilot 3 Seam	24.64	25.29	0.65
	Hartley Hill 1 Seam	42.14	42.57	0.43
	Hartley Hill 2 Seam	42.57	45.23	2.66
	Hartley Hill 3 Seam	44.62	45.23	0.61
	Australasian 1 Seam	67.63	67.99	0.36
	Australasian 2 Seam	68.67	68.91	0.24
	Montrose 1 Seam	69.15	69.98	0.83
	Montrose 2 Seam	70.11	70.93	0.82
	Wave Hill 1 Seam	71.29	71.84	0.55
	Wave Hill 2 Seam	71.91	73.32	1.41
	Wave Hill 3 Seam	73.38	74.52	1.14
	Wave Hill 4 Seam	74.57	75.52	0.95
				End of Hole 84.36m

Table 10: Seam Summary for hole FD028 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD028 (Fully cored from 20.70m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Hartley Hill 1 Seam	33.56	34.32	0.76
	Hartley Hill 2 Seam	34.53	36.06	1.53
	Hartley Hill 3 Seam	36.50	37.10	0.60
	Australasian 1 Seam	60.84	61.41	0.57
	Australasian 2 Seam	61.60	61.98	0.38
	Montrose 1 Seam	62.37	63.23	0.86
	Montrose 2 Seam	63.44	64.26	0.82
	Wave Hill 1 Seam	64.26	65.12	0.86
	Wave Hill 2 Seam	65.18	66.28	1.10
	Wave Hill 3 Seam	66.59	67.96	1.37
	Wave Hill 4 Seam	68.05	68.61	0.56
	Fern Valley 1 Seam	104.25	105.23	0.98
	Fern Valley 2 Seam	105.29	105.62	0.33
	Victoria Tunnel 1 Seam	105.93	107.04	1.11
	Victoria Tunnel 2 Seam	107.12	109.94	2.82
	Nobbys Seam	114.88	115.72	0.84
	Dudley Seam	115.72	116.06	0.34
Borehole Seam	128.76	129.20	0.44	
				End of Hole 141.23m

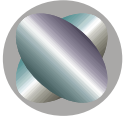


Table 11: Seam Summary for hole FD029 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD029 (Fully cored from 11.99m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	16.49	17.06	0.57
	Lower Pilot 2 Seam	17.17	17.47	0.30
	Hartley Hill 1 Seam	32.64	33.22	0.58
	Hartley Hill 2 Seam	33.62	34.60	0.98
	Hartley Hill 3 Seam	34.92	35.56	0.64
	Australasian 1 Seam	53.11	53.17	0.06
	Australasian 2 Seam	53.40	53.56	0.16
	Montrose 1 Seam	54.17	54.88	0.71
	Montrose 2 Seam	55.06	55.84	0.78
	Wave Hill 1 Seam	56.19	56.65	0.46
	Wave Hill 2 Seam	56.69	58.41	1.72
	Wave Hill 3 Seam	58.50	59.15	0.65
	Wave Hill 4 Seam	59.31	60.05	0.74
	Victoria Tunnel 1 Seam	73.48	74.43	0.95
	Victoria Tunnel 2 Seam	74.73	76.48	1.75
	Nobbys 1 Seam	95.40	96.49	1.09
	Nobbys 2 Seam	97.65	98.12	0.47
	Dudley Seam	103.42	104.35	0.93
	Yard Seam	111.25	111.53	0.28
Borehole Seam	117.29	117.68	0.39	
		End of Hole 147.58m		

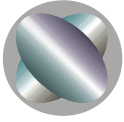


Table 12: Seam Summary for hole FD030 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD030 (Fully cored from 10.62m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Hartley Hill Rider Seam	12.07	12.98	0.91
	Hartley Hill 1 Seam	15.30	16.34	1.04
	Hartley Hill 2 Seam	16.34	17.85	1.51
	Australasian 1 Seam	48.80	50.01	1.21
	Australasian 2 Seam	50.89	51.34	0.45
	Montrose 1 Seam	51.59	52.50	0.91
	Montrose 2 Seam	52.62	53.53	0.91
	Wave Hill 1 Seam	53.85	55.91	2.06
	Wave Hill 2 Seam	56.52	57.03	0.51
	Wave Hill 3 Seam	57.21	57.91	0.70
	Wave Hill 4 Seam	58.03	59.22	1.19
	Fern Valley 1 Seam	60.55	61.18	0.63
	Fern Valley 2 Seam	61.85	63.19	1.34
	Victoria Tunnel 1 Seam	63.47	64.11	0.64
	Victoria Tunnel 2 Seam	64.29	66.11	1.82
	Nobbys Seam	88.15	89.36	1.21
	Dudley Seam	89.98	90.00	0.02
Yard Seam	100.63	100.88	0.25	
Borehole Seam	103.97	104.25	0.28	
Wittingham Coal Measures	Whybrow 1 Seam	183.66	185.27	1.61
	Whybrow 2 Seam	188.08	189.11	1.03
	Redbank Creek 1 Seam	207.80	208.19	0.39
	Redbank Creek 2 Seam	208.69	210.40	1.71
	Wambo 1 Seam	250.21	251.49	1.28
	Wambo 2 Seam	251.67	252.75	1.08
	Whynot Seam	267.25	269.14	1.89
	Blakefield Seam	312.67	315.40	2.73
		End of Hole 348.21m		

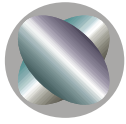


Table 13: Seam Summary for hole FD031 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD031 (Fully cored from 11.00m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Australasian 1 Seam	37.61	38.77	1.16
	Australasian 2 Seam	39.30	39.78	0.46
	Montrose 1 Seam	40.02	41.02	1.00
	Montrose 2 Seam	41.19	42.02	0.83
	Wave Hill 1 Seam	42.35	43.27	0.92
	Wave Hill 2 Seam	43.35	44.44	1.09
	Wave Hill 3 Seam	44.92	46.27	1.35
	Wave Hill 4 Seam	46.33	47.33	1.00
	Fern Valley 1 Seam	48.29	49.03	0.74
	Fern Valley 2 Seam	49.43	49.80	0.37
	Victoria Tunnel 1 Seam	49.91	50.93	1.02
	Victoria Tunnel 2 Seam	51.24	53.22	1.98
	Nobbys Seam	81.06	82.79	1.73
	Dudley Seam	83.14	83.25	0.11
Borehole Seam	95.84	96.14	0.30	
Wittingham Coal Measures	Whybrow 1 Seam	173.32	175.24	1.92
	Whybrow 2 Seam	178.63	179.35	0.72
	Redbank Creek 1 Seam	205.09	205.83	0.74
	Redbank Creek 2 Seam	206.54	208.21	1.67
	Wambo 1 Seam	240.76	241.94	1.18
	Wambo 2 Seam	242.42	243.15	0.73
	Whynot Seam	261.17	263.37	2.20
	Unknown A	274.32	274.55	0.23
	Unknown B	283.49	284.14	0.65
	Blakefield Seam	298.19	300.31	2.12
End of Hole 336.66m				

Table 14: Seam Summary for hole FD032 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD032 (Fully cored from 17.85m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	47.36	47.87	0.51
	Lower Pilot 2 Seam	50.43	51.14	0.71
	Hartley Hill 1 Seam	72.72	73.49	0.77
	Hartley Hill 2 Seam	73.49	76.29	2.80
	Dudley Seam	153.91	154.26	0.35
	Borehole Seam	162.61	163.26	0.65
End of Hole 170.33m				

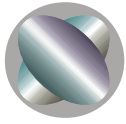


Table 15: Seam Summary for hole FD033 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD033 (Fully cored from 12.00m)		
		From (m)	To (m)	Geological Section Thickness (m)
	Middle Pilot 1 Seam	40.76	41.25	0.49
	Middle Pilot 2 Seam	46.55	46.72	0.17
Newcastle Coal Measures	Lower Pilot 1 Seam	64.18	64.58	0.40
	Lower Pilot 2 Seam	64.91	65.47	0.56
	Hartley Hill 1 Seam	76.40	77.01	0.61
	Hartley Hill 2 Seam	77.36	78.50	1.14
	Hartley Hill 3 Seam	78.96	79.63	0.67
	Australasian 1 Seam	102.47	103.03	0.56
	Australasian 2 Seam	103.41	103.61	0.20
	Montrose 1 Seam	104.26	104.94	0.68
	Montrose 2 Seam	105.05	105.80	0.75
	Wave Hill 1 Seam	106.07	106.75	0.68
	Wave Hill 2 Seam	106.78	108.17	1.39
	Wave Hill 3 Seam	108.36	109.13	0.77
	Wave Hill 4 Seam	109.26	110.07	0.81
	Fern Valley 1 Seam	122.21	122.47	0.26
	Fern Valley 2 Seam	122.47	122.85	0.38
	Victoria Tunnel 1 Seam	123.34	124.51	1.17
	Victoria Tunnel 2 Seam	124.85	125.98	1.13
	Nobbys Seam	146.51	147.28	0.77
	Dudley Seam	149.74	150.04	0.30
	Yard Seam	157.64	157.73	0.09
Borehole Seam	160.79	161.00	0.21	
Wittingham Coal Measures	Whybrow 1 Seam	235.02	236.77	1.75
	Whybrow 2 Seam	238.55	239.76	1.21
	Redbank Creek 1 Seam	252.08	252.26	0.18
	Redbank Creek 2 Seam	252.69	254.22	1.53
	Wambo 1 Seam	281.51	282.36	0.85
	Wambo 2 Seam	291.03	291.86	0.83
	Whynot Seam	307.45	309.22	1.77
	Unknown A Seam	314.89	315.71	0.82
	Unknown B Seam	327.05	327.70	0.65
	Blakefield 1 Seam	327.81	328.10	0.29
	Blakefield 2 Upper Seam	358.01	358.92	0.91
	Blakefield 2 Lower Seam	359.44	359.85	0.41
End of Hole 369.33m				

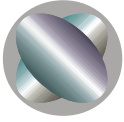


Table 16: Seam Summary for hole FD034 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD034 (Fully cored from 29.40m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Lower Pilot 1 Seam	36.89	37.97	1.08
	Lower Pilot 2 Seam	41.29	41.41	0.12
	Hartley Hill 1 Seam	64.85	65.64	0.79
	Hartley Hill 2 Seam	65.64	68.43	2.79
	Dudley Seam	149.02	149.64	0.62
	Borehole Seam	159.51	159.90	0.39
		End of Hole 165.03m		

Table 17: Seam Summary for hole FD035R (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD035R (Fully cored from 22.98m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Fassifern Seam	29.81	31.30	1.49
	Upper Pilot 1 Seam	32.90	33.94	1.04
	Upper Pilot 2 Seam	36.36	36.59	0.23
	Upper Pilot 3 Seam	36.86	37.22	0.36
	Lower Pilot 1 Seam	68.53	69.20	0.67
	Lower Pilot 2 Seam	71.33	71.58	0.25
	Lower Pilot 3 Seam	72.17	72.54	0.37
	Hartley Hill 1 Seam	93.67	94.29	0.62
	Hartley Hill 2 Seam	94.29	97.25	2.96
	Dudley Seam	168.89	169.49	0.6
		End of Hole 174.51m		

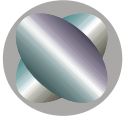


Table 18: Seam Summary for hole FD036 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD036 (Fully cored from 17.80m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Fassifern Seam	29.79	31.48	1.69
	Upper Pilot 1 Seam	32.92	33.92	1
	Upper Pilot 2 Seam	37.02	37.15	0.13
	Upper Pilot 3 Seam	37.41	37.54	0.13
	Lower Pilot 1 Seam	69.18	69.85	0.67
	Lower Pilot 2 Seam	71.63	72.07	0.44
	Lower Pilot 3 Seam	72.44	72.86	0.42
	Hartley Hill 1 Seam	89.03	89.9	0.87
	Hartley Hill 2 Seam	89.90	92.66	2.76
	Dudley Seam	177.89	178.53	0.64
	Yard Seam	186.92	187.14	0.22
	Borehole Seam	187.26	187.57	0.31
				End of Hole 194.9m

Table 19: Seam Summary for hole FD037 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD037 (Fully cored from 17.82m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Upper Pilot 2 Seam	20.82	21.37	0.55
	Upper Pilot 3 Seam	23.91	24.22	0.31
	Lower Pilot 1 Seam	53.74	54.38	0.64
	Lower Pilot 2 Seam	54.96	55.17	0.21
	Hartley Hill 1 Seam	73.38	74.11	0.73
	Hartley Hill 2 Seam	74.11	76.21	2.10
	Dudley Seam	150.02	150.67	0.65
	Yard Seam	158.10	158.28	0.18
	Borehole Seam	161.80	162.08	0.28
				End of Hole 168.23m

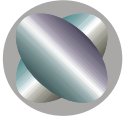


Table 20: Seam Summary for hole FD038R (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD038R (Fully cored from 8.00m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Great Northern Seam	33.80	36.04	2.24
	Fassifern Seam	51.97	53.71	1.74
	Upper Pilot 1 Seam	54.81	56.16	1.35
	Upper Pilot 2 Seam	56.96	57.88	0.92
	Upper Pilot 3 Seam	58.21	58.58	0.37
	Middle Pilot 1 Seam	71.86	72.37	0.51
	Middle Pilot 2 Seam	76.28	76.95	0.67
	Lower Pilot 1 Seam	99.35	99.90	0.55
	Lower Pilot Seam	99.90	100.30	0.40
	Lower Pilot 2 Seam	100.30	100.84	0.54
	Hartley Hill 1 Seam	112.03	112.63	0.60
	Hartley Hill 2 Seam	112.95	114.10	1.15
	Hartley Hill 3 Seam	114.54	115.02	0.48
	Australasian 1 Seam	141.80	142.57	0.77
	Australasian 2 Seam	142.72	142.98	0.26
	Montrose 1 Seam	143.68	144.29	0.61
	Montrose 2 Seam	144.39	145.06	0.67
	Wave Hill 1 Seam	145.28	146.09	0.81
	Wave Hill 2 Seam	146.19	146.87	0.68
	Wave Hill 3 Seam	147.57	148.15	0.58
	Wave Hill 4 Seam	148.24	149.10	0.86
	Fern Valley 1 Seam	163.69	164.03	0.34
	Fern Valley 2 Seam	164.20	164.57	0.37
	Victoria Tunnel 1 Seam	164.99	165.92	0.93
	Victoria Tunnel 2 Seam	166.43	167.61	1.18
	Nobbys 1 Seam	184.72	185.55	0.83
Dudley Seam	192.40	192.61	0.21	
Yard Seam	199.86	200.27	0.41	
				End of Hole 210.23m

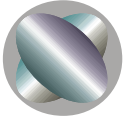
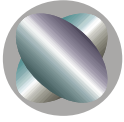


Table 21: Seam Summary for hole FD039 (NB: all depths have been geophysically corrected)

	Coal Seam (Correlations tentative only)	FD039 (Fully cored from 13.22m)		
		From (m)	To (m)	Geological Section Thickness (m)
Newcastle Coal Measures	Middle Pilot 1 Seam	19.80	20.20	0.40
	Middle Pilot 2 Seam	22.94	23.33	0.39
	Middle Pilot 2 Lower Seam	23.62	23.84	0.22
	Lower Pilot 1 Seam	34.43	34.67	0.24
	Lower Pilot 2 Seam	41.09	41.44	0.35
	Lower Pilot 3 Seam	43.62	43.88	0.26
	Hartley Hill 1 Seam	67.45	68.14	0.69
	Hartley Hill 2 Seam	68.14	69.6	1.46
	Australasian 1 Seam	105.25	106.75	1.50
	Australasian 2 Seam	107.55	107.68	0.13
	Montrose 1 Seam	107.91	108.84	0.93
	Montrose 2 Seam	108.91	109.87	0.96
	Wave Hill 1 Seam	110.27	110.79	0.52
	Wave Hill 2 Seam	110.84	112.32	1.48
	Wave Hill 3 Seam	113.04	114.18	1.14
	Wave Hill 4 Seam	114.32	114.87	0.55
	Fern Valley 1 Seam	115.81	116.10	0.29
	Fern Valley 2 Seam	117.00	117.38	0.38
	Victoria Tunnel 1 Seam	118.16	119.51	1.35
	Victoria Tunnel 2 Seam	119.91	122.14	2.23
Nobbys Seam	146.32	147.52	1.20	
Dudley Seam	148.00	148.05	0.05	
Yard Seam	157.72	157.76	0.04	
Borehole Seam	160.22	160.41	0.19	
		End of Hole 165.51m		



Vickery South EL 7407

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

Resources (calculated in accordance with the JORC Code) in EL 7407 total 58.5 Mt. These Resources include 48 Million Tonnes of Measured Resources and 0.1 Million Tonnes of Indicated Resources within the Eastern Zone and 10.4 Million Tonnes of Inferred Resources within North West & South West Zones (ASX Release: 18.07.2011), based on the Stage 1, 2 and 3 drilling program results (see Figure 3).

During the Quarter, Coalworks (Vickery South) Pty Ltd progressed work on the Bankable Feasibility Study (BFS) (due later in 2012), which involved the following activities:

- completion of slim- and large-diameter core coal quality testwork (with results to be presented when available);
- commencement of coal characterisation study;
- mine planning optimisation studies;
- environmental base line monitoring (dust, water noise, meteorological, surface water and groundwater quality);
- completion of preliminary rail spur and loop design and capital estimate;
- completion of stage 1 flood study;
- stakeholder liaison.

In the next quarter the company will proceed with BFS related activities with special focus on preparation of the Concept Project Development Plan and Preliminary Environmental Assessment.

25/10/2011

Completed Drill Holes

Vickery South
Coalworks Vickery South Pty Ltd.

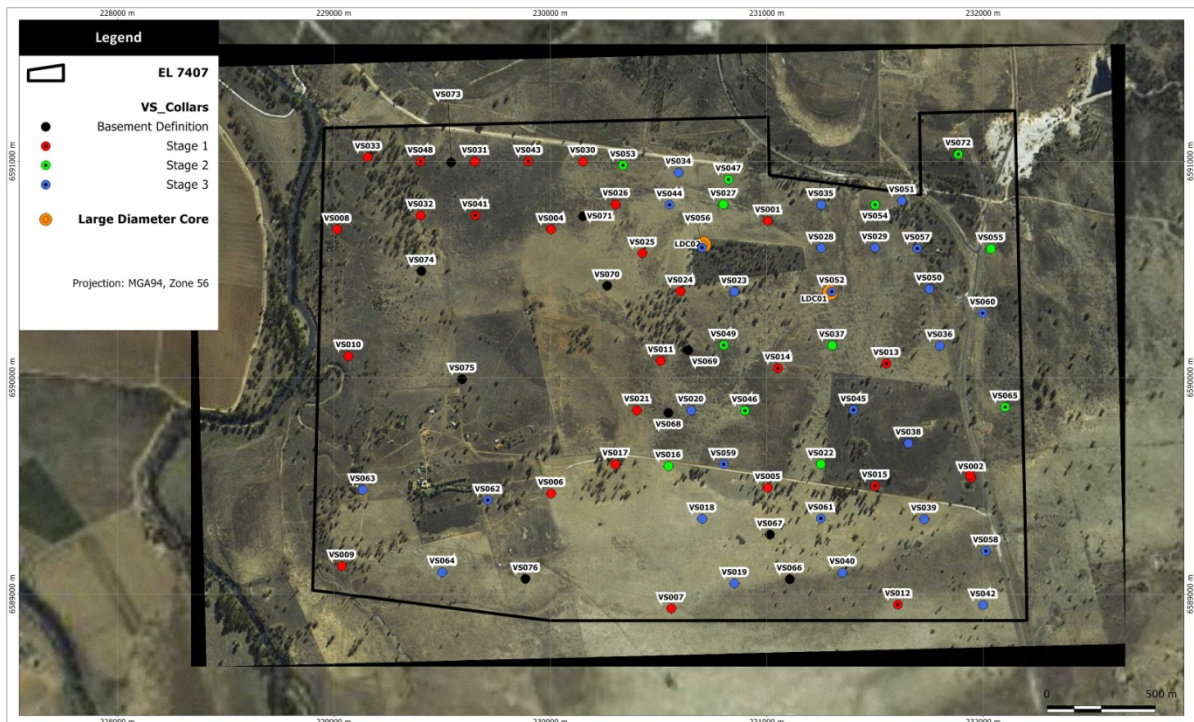
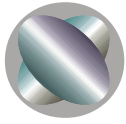


Figure 3: EL 7407 Vickery South drillhole locations for Stage 1, 2 and 3 drilling programs.



Oaklands North EL 6861 (Coalworks Limited 100%)

During the reporting period, an Alternative Products study was conducted as part of the CTL pre-feasibility work. This study investigated additional or alternative value-added options that could potentially be incorporated into a CTL plant designed and constructed to process the Lanes Shaft Seam at Oaklands by open cut mining methods

Other activities undertaken included environmental baseline monitoring and a community update to Urana Shire Council.

Optimisation of the project through considering alternative CTL products will be undertaken in the next quarter in tandem with commercial discussions. In this regard Coalworks intends to continue engaging with potential partners interested in forming a consortium to develop a CTL Plant at Oaklands.

ORPHEUS ENERGY GROUP PTY LTD

As stated in the last quarterly report, Orpheus Energy Group Pty Ltd, Hodgson Vale Coal and Ashford Limestone were divested from Coalworks Limited via a separate relisting of Orpheus Energy Limited (Orpheus) (OEG) on the ASX in mid-August 2011. Coalworks Ltd 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 now holds a 33.35% shareholding in Orpheus.

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

Please see Orpheus Energy Group quarterly report for details of their holdings.

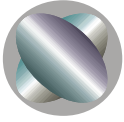
Cautionary Note: *This release may contain forward-looking statements that are based upon management's expectations and beliefs in regards to future events. These statements are subjected to risk and uncertainties that might be out of control of Coalworks Limited and may cause actual results to differ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

**Exploration Target*

It is common practice for a company to comment and discuss its exploration in terms of target and size type. The information in this report relating to an exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and grade is conceptual nature, there has been insufficient work completed to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

The following statements apply in respect of the information in this report that relates to Exploration Results in EL 7430 Ferndale and EL 6861 Oaklands North: *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 in EL7407 Vickery South: 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.

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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