

COALWORKS Limited

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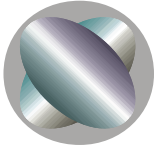
MULTIPLE SEAMS INTERSECTED AT FERNDALE

- *Ferndale Coal Project – Phase 1 drilling continues.*
- *3 from 7 drillholes completed.*
- *Multiple seams intersected in both the Newcastle Coal Measures and upper and middle Wittingham Coal Measures.*
- *Best hole intersected 9 seams greater than 1.5m thick in the upper and middle Wittingham Coal Measures, with a cumulative coal thickness of 22m.*

COALWORKS Limited (ASX: **CWK**) has continued Phase 1 Drilling at Ferndale (EL 7430). Three of the seven Phase 1 drillholes have been drilled, targeting open pit and underground coking/thermal coal. Current underground drilling targets include the upper Wittingham Coal Measures at depths greater than 150m, with the targeted coal seams being the Whybrow, Wambo, Whynot and Blakefield seams which are prospective for export thermal, semi-soft coking and PCI purposes. Hole FD004 has been recently completed, and the results will be reported once verified. The redrill of FD001 has reached in excess of 40m depth and will be cored through all coal-bearing sequences down into the upper portion of the Wittingham Coal Measures.

Resource estimation is ongoing during Phase 1 drilling operations. The resource model is constantly being upgraded as drilling data is acquired. Results from FD003 have led to an increase in underground mining potential. This increase was due to FD003 intersecting the Arrowfield, Piercefield Lower and Broonie Upper seams, with thicknesses above the 1.5m minimum value used for underground mining potential at Ferndale. The best hole intersected 9 seams greater than 1.5m thick in the upper and middle Wittingham Coal Measures, with a cumulative coal thickness of 22m. Samples of these seams have been collected during drilling to assess the quality of these additional seams, which may increase the exploration target estimation once laboratory results are received.

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The current target at Ferndale is 250-330 Mt which includes 50-80 Mt open pit coal in the Newcastle Coal Measures (NCM) at depths of between 20m and 70m, with the targeted coal seams being the Great Northern and Fassifern seams, which are recognised as having thermal potential in some areas of the Hunter Valley. These seams are present in some areas to the west of FD003. The seams of the NCM generally contain stone bands. The level of intra-seam stone banding in the NCM will need to be determined by setting maximum thickness limits. Coal core samples of several seams in the NCM have been taken, and will be analysed to determine whether they are economically viable. The potential quantity and quality is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. Further exploration is planned with an aim to upgrade the Exploration Target into a Resource¹.

Figure 1 shows drillhole locations, while coal seam summaries for FD001 - 003 are presented in Table 1. Seam assignments are tentative only, and are based on seam correlations with historical drillholes within and adjacent to the tenement. Figure 2 shows a 3-D schematic model of the projected exploration target seams in the Ferndale tenement.

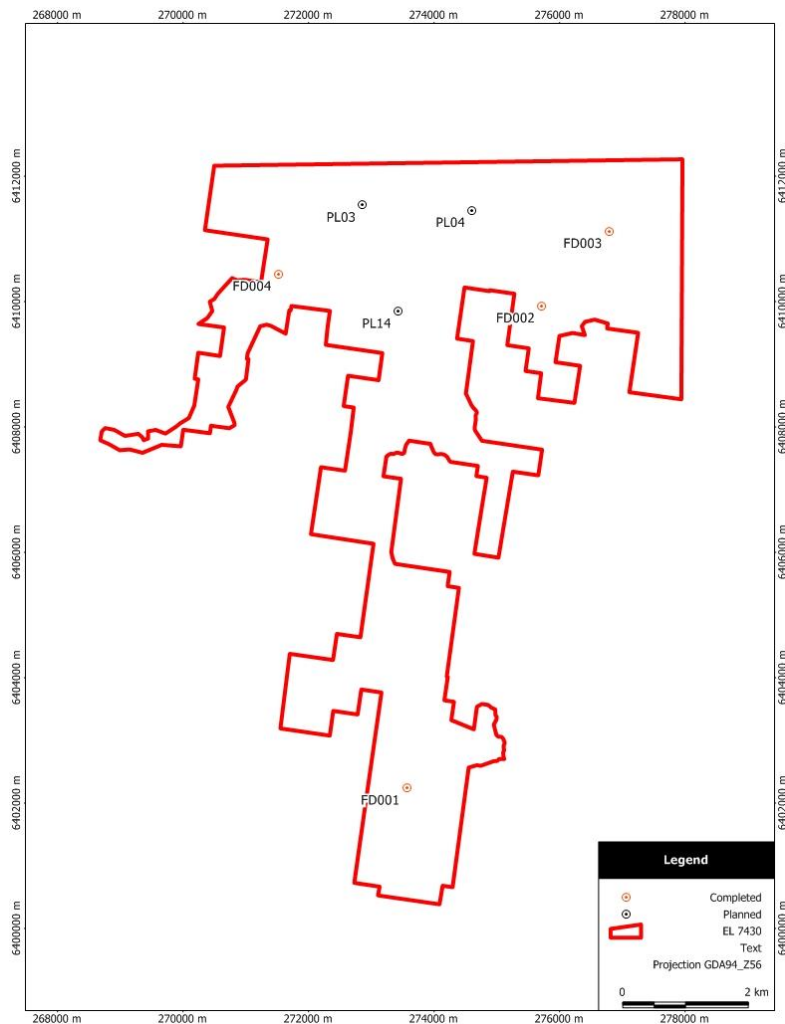
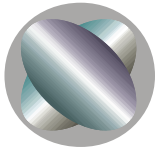


Figure 1: EL7430 Ferndale - initial Phase 1 drillholes (prefixed FD) and drillsites

[NB – FD001 remains in progress]

¹It is uncertain if further exploration will result in the determination of a Mineral Resource.



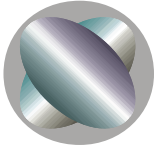
	Coal Seam (correlations tentative only)	FD001			FD002			FD003		
		From	To	Thickness	From	To	Thickness	From	To	Thickness
Newcastle Coal Measures	Great Northern	10.26	13.36	3.1	-	-	-	-	-	-
	Fassifern	35.94	37.1	1.16	24.6	27.58	2.98	-	-	-
	Upper Pilot	39.62	41.15	1.53	27.77	28.6	0.83	-	-	-
	Hartley Hill (Upper Split)				91.2	92	0.8	58.42	59.05	0.65
	Hartley Hill (Lower Split)				94	97	3	60.94	63.17	2.23
	Australasian				134.4	135.63	1.23	93.74	95.84	2.1
	Montrose				137.07	138.67	1.6	96.32	98.07	1.75
	Wave Hill				139.09	143.35	4.26	98.41	102.96	4.55
	Fern Valley (Upper Split)				145.54	146.03	0.49	103.74	105.45	1.71
	Fern Valley (Lower Split)				147.15	148	0.85	105.87	106.63	0.76
	Victoria Tunnel				148.4	150.7	2.3	108.15	111.18	3.03
	Nobbys				171.82	172.83	1.01	137.78	139.06	1.28
	Dudley				173.52	174.03	0.51	139.13	139.56	0.43
	Yard				183.2	183.81	0.61			
Wittingham Coal Measures	Whybrow (Upper Split)				258.08	259.67	1.59	231.18	233	1.82
	Whybrow (Lower Split)				261.31	262.18	0.87	235.04	236.18	1.14
	Redbank Creek				279.06	281.51	2.45	249.32	251.79	2.47*
	Wambo				305.94	307.13	1.19	295.57	298.06	2.49
	Whynot				338.38	341.66	3.28	309.57	311.64	2.07
	Unnamed				363.24	365.68	2.44**	340.85	343.18	2.33*
	Blakefield				380.25	382.75	2.5	356.73	359.39	2.66
	Glen Munro Upper							434.05	434.38	0.33
	Glen Munro Lower							439	439.63	0.63
	Arrowfield							456.45	458.62	2.17
	Bowfield							471.53	472.6	1.07
	Piercefield Lower							508.07	511.85	3.78*
	Vaux							519.06	519.79	0.73
	Broonie Upper							542.89	545.22	2.33
	Broonie Middle							556.06	556.74	0.68
Broonie Lower							573.05	574.35	1.3	
Bayswater							589.65	592.07	2.42***	

Table 1: Coalworks Ferndale Phase 1 Drilling preliminary geophysically corrected seam summary (all values are in metres).

* Includes 0.3-0.4m thick stone band.

** geophysics indicates possible high ash coal

*** intruded and heat-affected



Coalworks Managing Director and CEO Andrew Firek said: “This news increases our confidence in our resource target, especially in view of this added potential occurring in the quality Wittingham Coal Measures, where we target semi-soft coking and PCI coals. This work provides a foundation for a maiden resource at Ferndale.”

When the results of FD004 are finalised, the resource model and exploration target estimations will be reviewed.

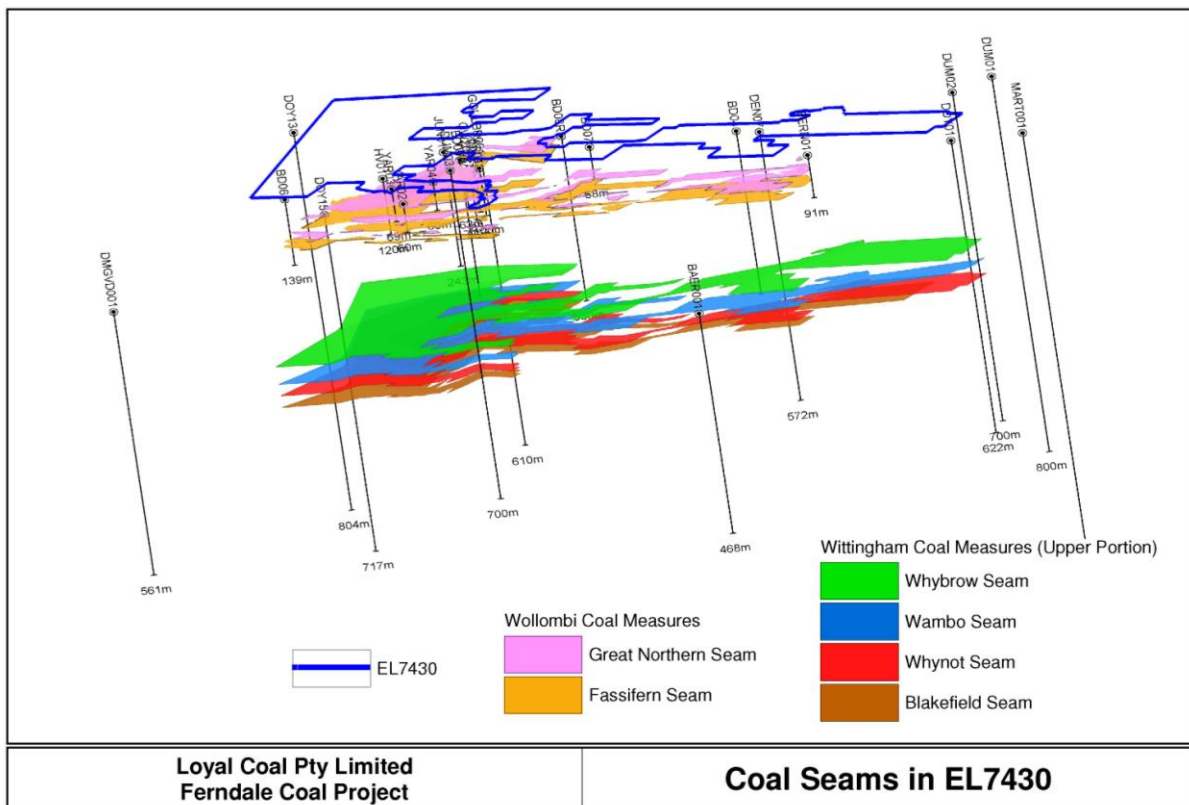
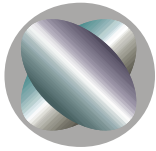


Figure 2 3-D schematic model of projected upper Newcastle Coal Measures and upper Wittingham Coal Measures seams in EL 7430, based on existing drillhole data.



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 and Mineral Resources: *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.

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About COALWORKS

Coalworks has a portfolio of projects in Australia including:

1. **Oaklands (JORC measured, indicated and inferred 822Mt thermal coal – see ASX announcement 5.11.2009;**
2. **Oaklands Bankable Feasibility Study underway;**
3. **Strategic Alliance with Synthesis Energy Systems Inc to develop Oaklands coal-to-petrol plant announced – see ASX announcement 2.12.2009**
4. **Vickery South, Gunnedah Basin (exploration target coking/thermal coal) JORC inferred resource 42MT (see ASX announcement 15 April 2010)**
5. **Hodgson Vale (exploration target thermal coal)**
6. **Ashford (limestone deposit with high value lime products as the target).**
7. **Ferndale Coal Project (Exploration Target 250-330Mt of coking/thermal coal) Refer ASX announcement 19.07.2010**