

COALWORKS Limited

19 November 2010

The Manager
Company Announcements Office
Australian Securities Exchange Limited
Via e-lodgement

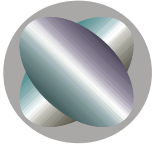
FERNDALE UPDATED EXPLORATION TARGET RANGES FROM 350Mt TO 530Mt

- ❖ *Ferndale Coal Project – Phase 1 drilling continues.*
- ❖ *5 out of 7 drillholes completed.*
- ❖ *Multiple seams intersected in both the Newcastle Coal Measures and upper and middle Wittingham Coal Measures.*
- ❖ *Exploration Target revised to include middle Wittingham Coal Measures*
- ❖ *Updated Exploration Target of 350 to 530 Mt of export quality thermal coal and coking coal in the Newcastle Coal Measures and Wittingham Coal Measures*

COALWORKS Limited (ASX: **CWK**) has continued Phase 1 Drilling at Ferndale (EL 7430). Five of the seven Phase 1 drillholes have been drilled, targeting open pit and underground coking/thermal coal. Current underground drilling targets include:

- a) the upper Wittingham Coal Measures (intersected in Coalworks drillholes at depths greater than 150m), comprising seams between the Whybrow and Blakefield seams;
- b) the middle Wittingham Coal Measures (intersected at depths greater than 300m), comprising seams between the Glen Munro and Bayswater seams.

The above seams are prospective for export thermal, semi-soft coking and PCI purposes. Holes FD004 (cored), FD001 (redrilled open hole) and FD005 (open hole) have recently been completed in the northwestern, southern and central northern portions of the tenement respectively (Figure 1). Two further holes are planned in the tenement's northern portion to complete the Phase 1 drilling program.



Exploration Targets in the Newcastle Coal Measures (NCM) will be revised upon completion of all Phase 1 holes, as the base of weathering and variability in the degree of basal erosion of the overlying Narrabeen Group sandstone, are crucial in determining the extents of any potential open cuttable coal in the tenement. Also, the seams of the NCM generally contain stone bands, some of which may be removed by selective mining, with identification of potential working sections underway. Coal core samples of several seams in the NCM have been taken, and laboratory analysis results have recently been received for some coal samples of the NCM, and these will be assessed and used to upgrade the geological model to determine whether they are economically viable.

Drilling results from FD003 and FD004 suggest that the seams of the upper and middle Wittingham Coal Measures (WCM) generally thicken and become up to approximately 20m shallower from west to east across the northern portion of the tenement. In the westernmost Coalworks hole FD004, the deepest (from 611-615.4m depth) and thickest potentially mineable seam intersected is the Bayswater Seam. Hole FD003 is the best Coalworks drillhole to date, having intersected 9 seams greater than 1.5m thick in the upper and middle WCM, with a cumulative coal thickness of 22m. Figure 2 shows a 3D schematic view from the geological model showing the target seams.

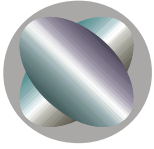
The results from FD001 in the south suggest that the seams of the upper WCM generally thicken and become approximately 30-50m deeper towards the Coalworks drillholes to the north. Recent drilling results are presented in Table 1 below.

Revised modelling in EL7430 Ferndale using historical and Coalworks drillholes FD001 to FD004 inclusive, has identified an Exploration Target of between 300 to 450 Mt of bituminous coal within the upper and middle Wittingham Coal Measures over the northern portion of the tenement. A seam thickness of 1.5m was used as the minimum value for underground mining potential at Ferndale, and no maximum depth limit was used. A summary of Exploration Targets in the Wittingham Coal Measures is presented in Table 2 below.

The revised Exploration Target in EL7430 in the Wittingham Coal Measures comprises the following:

- an Exploration Target ranging from 100 - 175 Mt in seams of the upper WCM that have been tentatively correlated as corresponding to the Whybrow, Wambo, Whynot and Blakefield seams in the Wittingham Coal Measures, at depths greater than 150m. These seams are recognised as high quality mineable seams elsewhere in the Hunter Valley with coking coal potential;
- an Exploration Target ranging from 200 - 275 Mt in seams of the middle WCM that have been tentatively correlated as corresponding to the Arrowfield, Bowfield, Piercefield Lower, Broonie Upper, Broonie Lower and Bayswater seams in the Wittingham Coal Measures, at depths greater than 300m. These seams are recognised as high quality mineable seams elsewhere in the Hunter Valley with coking coal potential;

The Exploration Target in the Newcastle Coal Measures has not been revised since July 2010, and ranges from 50 - 80 Mt in seams that have been tentatively correlated as corresponding to the Great Northern and Fassifern seams at depths of between 20m and 70m, which make them potentially amenable to open cut mining. The seams are recognised as having thermal potential in some areas of the Hunter Valley.



This results in an updated total Exploration Target for the Newcastle Coal Measures and Wittingham Coal Measures at Ferndale of 350 Mt to 530 Mt.

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 Resource*.

Coalworks Managing Director and CEO Andrew Firek said: *“This news increases our confidence in the potential of the Ferndale Project to host a large coking and thermal coal resource and adds to our understanding of the distribution of the thicker and more continuous coal seams to target for resource definition. Once our initial 7 hole drilling program is completed and all coal analysis data is received, we expect to fulfil our objective of establishing an early resource and determining the distribution of semi soft coking and PCI coal potential at Ferndale.”*

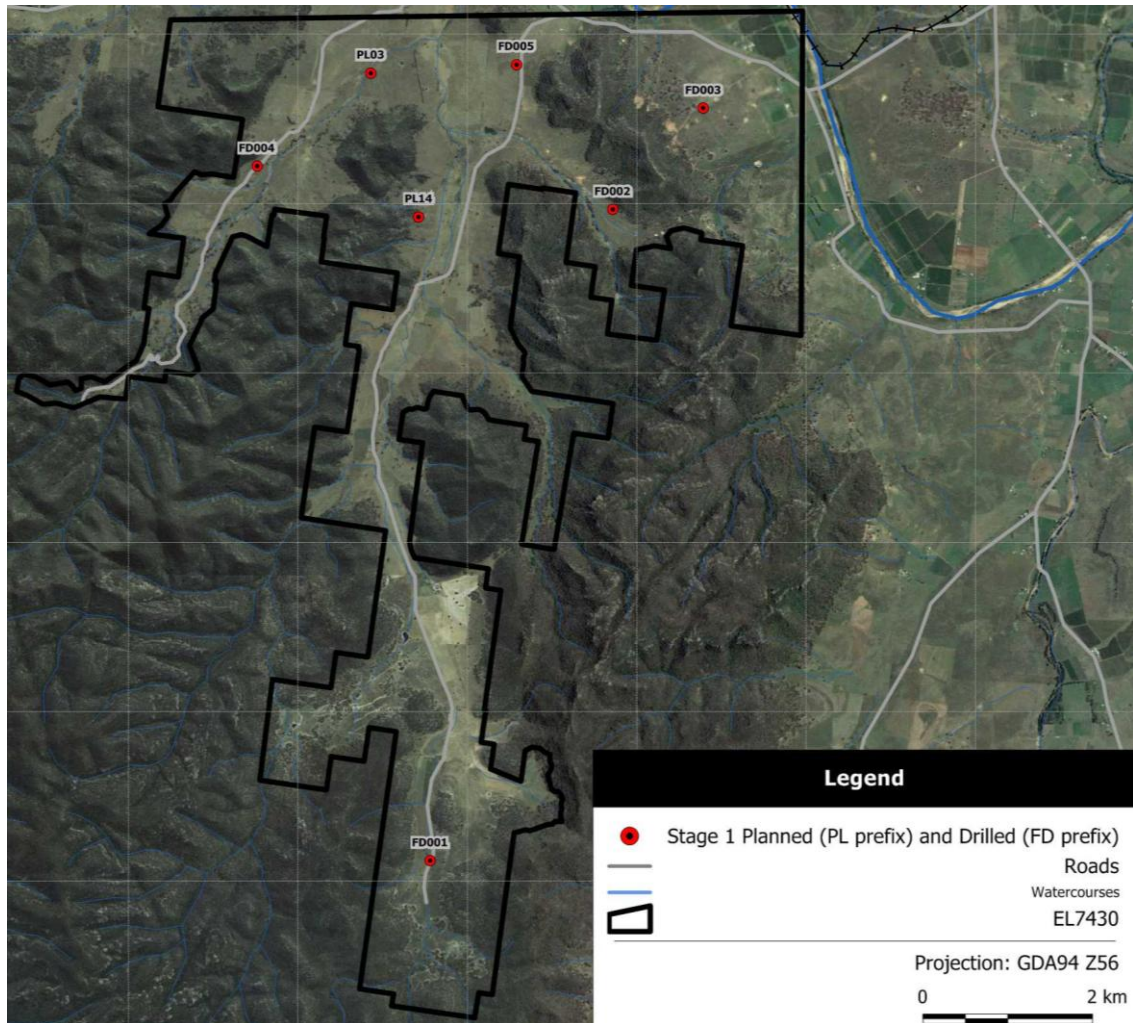
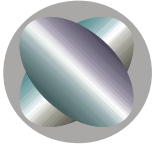


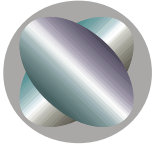
Figure 1: EL7430 Ferndale - Phase 1 drillhole locations (prefixed FD) and planned drillsites

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



Correlations to	FD001 (open hole)			FD004 (cored)			FD005 (open hole)			
	From	To	Thickness	From	To	Thickness	From	To	Thickness	
Newcastle Coal Measures	Great Northern	-	-	-	27.31	29.51	2.2	-	-	-
	Fassifern	-	-	-	46.16	48.48	2.32	25.62	27.27	1.65
	Upper Pilot	-	-	-	48.68	50.21	1.53	28.9	30.04	1.14
	Hartley Hill (U)	9.87	13.36	3.49	109.34	115.53	2.19	82.74	87.77	5.03
	Hartley Hill (L)	-	-	-	-	-	-	-	-	-
	Australasian	38.05	40.26	2.21	136.53	136.96	0.43	108.63	109.39	0.76
	Montrose	40.63	42.53	1.9	138.04	139.96	1.59	110.3	111.71	1.41
	Wave Hill	-	-	-	139.96	143.95	3.99	123.95	125.16	1.21
	Fern Valley (U)	-	-	-	158.85	159.63	0.78	137.22	138.47	1.25
	Fern Valley (L)	-	-	-	-	-	-	-	-	-
	Victoria Tunn	-	-	-	160.02	162.64	2.62	138.85	141.27	2.42
	Nobbys	-	-	-	183.13	183.88	0.75	167.1	167.8	0.7
	Dudley	-	-	-	190.37	190.96	0.59	167.94	168.9	0.96
Yard	98.32	98.49	0.17	200.09	200.83	0.74	179.8	180.05	0.25	
Widdingham Coal Measures	Whybrow (Up)	177.59	178.15	0.56	272.13	274.15	2.02	256.04	257.09	1.05
	Whybrow (Lower Spilt)	-	-	-	275.84	277	1.16	259.4	260.6	1.2
	Redbank Cre	200.31	203.4	3.09	289.25	290.5	1.25	274.01	276.5	2.49
	Wambo	242.41	243.79	1.38	322.25	323.42	1.17	306.36	307.44	1.08
	Whynot	266.62	268.02	1.4	345.62	347.38	1.76	333.84	336	2.16
	Whynot Lowe	268.57	269.26	0.69	-	-	-	-	-	-
	Unnamed	-	-	-	376.17	376.75	0.58	362.5	363.5	1
	Blakefield	312.06	312.65	0.6	398.93	399.92	0.99	373.5	376.5	3
	Glen Munro U	End of hole			466.38	467.22	0.84	End of Hole		
	Glen Munro Lower	-	-	-	467.8	468.02	0.22	-	-	-
	Woodlands Hill	-	-	-	470	470.01	0.01	-	-	-
	Arrowfield	-	-	-	472.87	473.01	0.14	-	-	-
	Bowfield	-	-	-	490.96	492.58	1.62	-	-	-
	Warkworth	-	-	-	517.53	518.4	0.87	-	-	-
	Mt Arthur	-	-	-	522.16	522.41	0.25	-	-	-
	Piercefield Upper	-	-	-	527.76	528.23	0.47	-	-	-
	Piercefield Lower	-	-	-	537.48	538.96	1.48	-	-	-
	Vaux	-	-	-	549.68	550	0.32	-	-	-
	Broonie Upper	-	-	-	569.74	571.58	1.84	-	-	-
	Broonie Middle	-	-	-	583.12	584.65	1.53	-	-	-
	Broonie Lower	-	-	-	600.41	600.93	0.52	-	-	-
	Bayswater Upper	-	-	-	610.98	615.37	4.39	-	-	-
	Bayswater Lower	-	-	-	618.49	619.63	1.14	-	-	-

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



Seam	Stratigraphic interval	Total Area (x10 ⁶ m ²)	Assumed Thickness range (m)	Exploration Target (Mt) ¹
Whybrow	Upper Wittingham Coal Measures	36	1.5 – 2.0	30-50
Wambo		14	1.5 – 2.5	10-20
Whynot		37	1.5 – 3.3	30-55
Blakefield		35	1.5 – 3.0	30-50
Sub-total (Range):				100-175
Arrowfield	Middle Wittingham Coal Measures	3	1.5 – 2.2	3-5
Bowfield		8	1.5 – 1.6	5-10
Piercefield-Lower		25	1.5 – 3.8	20-30
Broonie-Upper		36	1.5 – 2.3	30-50
Broonie-Lower		2	1.5 – 1.6	2-5
Bayswater		132	1.5 – 4.4	140-175
Sub-total (Range):				200-275
Total (WCM) (Range):				300-450
Grand Total (WCM & NCM) (Range):				350-530

Table 2: EL7430 Ferndale - Summary of Exploration Targets (as at 19/11/10)

¹ Estimated using minimum seam thickness 1.5m, no maximum depth limit, and assumed insitu relative density 1.32 (based on analysis results from drillhole DM Doyles Creek 15).

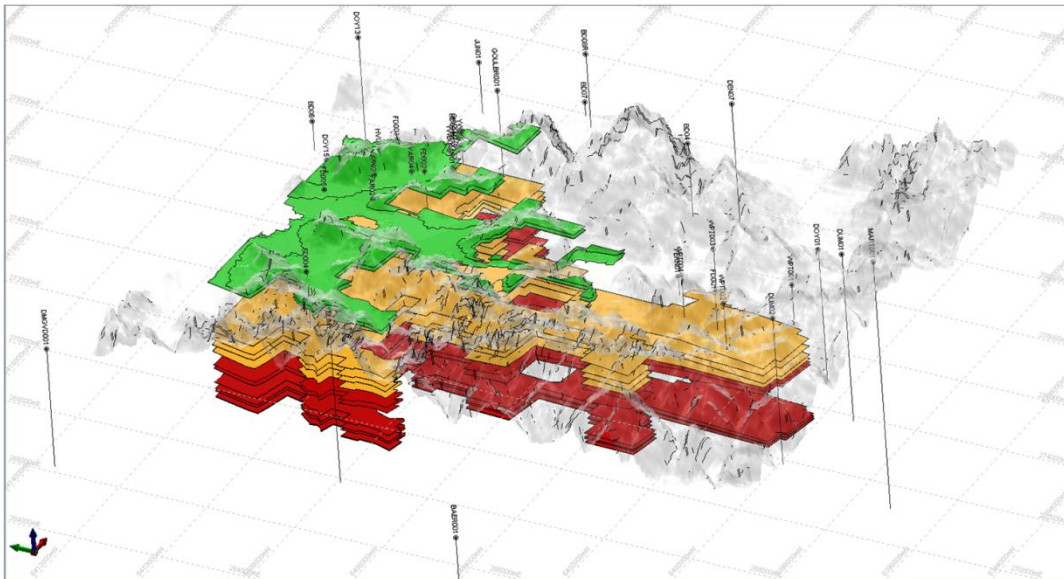
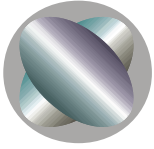


Figure 2 View to northeast of 3-D schematic model showing drillholes, data points and projected targeted seams (clipped to EL boundary). The upper NCM seams are shown in green, the upper WCM seams in orange, and the lower WCM seams in red. Topographic surface is shown in grey (Vert. Exagg: 5)



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 (New Exploration Target 350Mt – 530Mt of coking/thermal coal)**