

Quarterly Report

Activities Report for the quarter ended
30 June 2012 – Q4



Summary for Quarter ended 30 June 2012

COALWORKS

On 22 June 2012 Whitehaven Limited (**WHC**) announced that it had received acceptances for more than 50% of shares in Coalworks under its takeover bid launched on 7 May 2012

Subsequently on 4 July 2012 WHC announced it had reached more than 90% of acceptances and it would move to compulsorily acquire the remaining minority shareholders and delist Coalworks Limited from the ASX.

This Quarterly Report has been prepared in the context that the company will in future operate as an unlisted subsidiary of WHC.

Coalworks Limited has 3 tenements across locations in the Gunnedah Basin, Hunter Valley and Southern New South Wales.

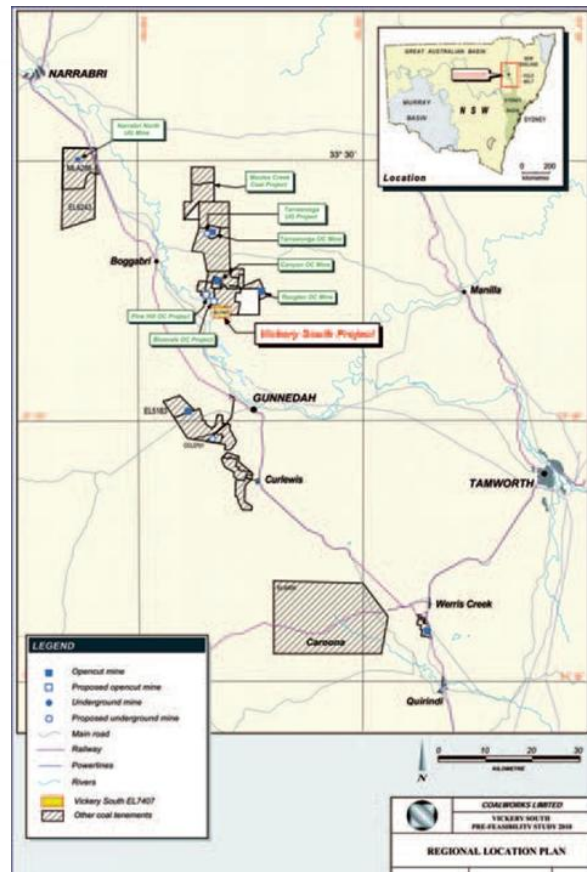
Current Projects including Tenement Details

Vickery South

Vickery South is a coking and export thermal coal project near Gunnedah, NSW. Coalworks has completed measured drilling and has identified a 58.5 Mt JORC compliant bituminous coal resource, which includes 48 Mt of measured resources, 0.1 Mt of indicated resource, and 10.4 Mt of inferred resource.

Coalworks' joint venture partner, Itochu Corporation, completed the required expenditure of \$5 million to earn 29% of Vickery South, and has now agreed to proceed to a Bankable Feasibility Study (BFS) by spending a further \$6 million, to increase its equity holding to 49%.

The Preliminary Feasibility Study (PFS) is now complete. The BFS is well underway and was expected to be completed by the end of 2012.



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Ferndale

Ferndale is a thermal and metallurgical coal project strategically located in the prime Hunter Valley coal region, close to rail infrastructure and only 125 km from the port of Newcastle. The Sandy Hollow rail line is adjacent to the north eastern side of the project lease.

Loyal Coal, a 92.5% owned subsidiary of Coalworks, owns 75% of the Ferndale Project and joint venture partner Boardwalk (a subsidiary of Whitehaven) owns 25% with the ability to increase its ownership to 50% upon completion of a BFS.

The joint venture's bankable feasibility study will consider both an open cut and an underground mine.

Coalworks has received independent advice from its technical expert stating that Ferndale has an inferred JORC resource of 743 Mt. Boardwalk / Whitehaven's independent advice suggests that Ferndale has an inferred and indicated JORC resource of 369 Mt.

The difference in the JORC resource numbers arises due to differing assumptions used by each technical expert, primarily depth cutoff and seam thickness rather than the quantities of coal. For further information please refer to the Company's ASX announcement dated 22 May 2012 and Whitehaven's announcement dated 22 May 2012.

Oaklands North

The resource at Oaklands North is 822 Mt of sub-bituminous coal (121 Mt Measured, 572 Mt Indicated, 129 Mt Inferred). The option of mining and exporting this quality coal is still under review, but current world coal prices make this option marginal.

In the Quarter the following progress was made:

Vickery South

Additional sample testing was performed on CHPP water management, mining and site layout.

Groundwater monitoring and noise, dust and hood studies were continued preparatory to the EA for the tenement.

In the quarter the company spent \$1,256,566 on contractors continuing the conduct of these studies.

Ferndale

JORC Resource for Ferndale project and first phase of farm-in completed.

Whitehaven Coal Limited (ASX:WHC) announced on 22 May 2012 the results of a resource estimation study for the Ferndale Exploration Licence (EL7430) which totalled 369 million tonnes of bituminous coal (of which 8 million tonnes is Indicated Resources).

In summary:

- 287 million tonnes of Indicated and Inferred JORC Resource identified within the Newcastle Coal Measures amenable to open cut mining.
- A further 82 million tonnes of Inferred JORC Resource identified within the Wittingham Coal Measures, potentially amenable to underground mining.
- Whitehaven, through its wholly owned subsidiary Boardwalk Ferndale Pty Ltd, has satisfied farm-in requirements to receive a 25% interest in the Ferndale project (EL7430) and will receive a further 25% on completion on certain development milestones.



The resource estimate was prepared by JB Mining Services Pty Ltd on behalf of the Ferndale Coal Joint Venture which comprises Boardwalk Ferndale Pty Ltd, a wholly owned subsidiary of Whitehaven and Loyal Coal Pty Ltd a 92.5% owned subsidiary of Coalworks Limited (ASX:CWK). Boardwalk Ferndale Pty Ltd has a right to acquire up to a 50% interest in EL7430 through a farm-in arrangement.

The coal resource estimate was prepared in accordance with the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves (March 2003), and is reported in compliance with the Joint Ore Reserves Committee's Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (December 2004), the 2004 JORC Code.

In the quarter the company spent \$2,354 on the tenement activities.

Oaklands North EL 6861

The company continued using contractors to study gasification, coal to alternative products and alternative mining methods for the lease.

In the quarter \$3,861 was spent on these activities.

Corporate

During the Quarter Messrs Wayne Mitchell, and Ian Craig as well as Dr Andrew Firek resigned as Directors of the Company. In their stead Messrs Johann Jacobs, Garry Wayling and Austen Perrin were appointed to the Board as Non-Executive Chairman, Managing Director and Non-Executive Director respectively.

Cautionary Note:

This release may contain forward-looking statements that are based upon management's expectations and beliefs as regards future events. These statements are subject to risks and uncertainties that may be outside the control of Coalworks Limited and may cause actual results to differ from those outlined in this release. Except as required by ASX Listing Rules and other legal obligations, Coalworks Limited takes no responsibility for amending these statements to reflect a change of events or circumstances occurring after the release.

The following statements apply in respect of the information in this report that relates to Mineral Resources for the Ferndale Project: *The information is based on, and accurately reflects information compiled by Mr Stephen Hyland, who is a Fellow of The Australasian Institute of Mining and Metallurgy.*

Mr Hyland is a geologist employed as Principal Consultant by Ravensgate, mineral industry consultants. 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 Hyland 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 announcement that relates to Mineral Resources for the Vickery South and Oaklands North Projects: *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. Mr Morgan 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 for the Ferndale Project as reported by Whitehaven Coal Limited: The information that relates to the Ferndale Coal Resources is based on information compiled by Mr Greg Jones, a full-time employee of JB Mining Services Pty Ltd.

Mr Greg Jones is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

Mr Greg Jones consents to the inclusion in this Statement of the matters based on his information in the form and context in which it appears. The estimate of Coal Resources has been carried out in accordance with the JORC Code.