

COALWORKS Limited

23 February 2011

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

COALWORKS INCREASES VICKERY SOUTH INFERRED RESOURCES BY 20%

Highlight

- **51 Million tonnes JORC Inferred Resources identified to date during Stage 2 drilling program**

COALWORKS Limited (ASX:CWK) today announced an increase to its Inferred Resources (classified in accordance with the JORC Code) within the Vickery South Exploration Licence (EL7407) to a total of **51 million tonnes of bituminous coal**.

The additional resources are based on the results to date from the 53 hole, Stage 2 drilling program that commenced on 4 January 2011. 29 additional holes to date have been drilled, focusing on western extensions to the previously identified 42 million tonne JORC-classified Inferred Resources.

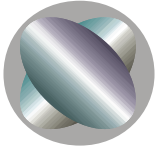
The additional resources are classified in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

There are currently four exploration drill rigs located at Vickery South, drilling both open and cored holes, with the drilling program to be completed by the end of March 2011, aimed at identifying Measured, Indicated, and Inferred JORC-classified Resources by late May 2011.

This resource definition work is on schedule for establishing Measured Resources for the Vickery South BFS to be completed in early 2012. Importantly, mine planning and mine reserve estimates will be finalised in time for the Vickery South Joint Venture to participate in the 2011 round of capacity applications by Port Waratah Coal Services (PWCS) at end July 2011. Capacity allocations will be announced by PWCS in December 2011.

CEO Andrew Firek said:

“Coalworks was very fortunate to secure three drilling rigs for the project, accelerating our progression towards BFS completion. The reported increase in coal resources with coking and export thermal potential within our Vickery South tenement will have a substantial positive impact on the project’s financial parameters.”



Drillholes

The resource estimate is based on results from the additional 29 exploration drillholes (VS016-VS044) drilled by Coalworks to date during the Stage 2 Campaign, including, 26 open drill holes & 3 cored drill holes, combined with previous Coalworks drillholes and several historical drillholes from within and to the immediate north of the tenement.

Figure 1 shows the location of drillholes in and around EL7407 (Coalworks drillholes are prefixed with VS). All historical data was validated against current drillhole seam intersections before inclusion in the data set, although geophysical data for these holes was not available and hence, seam correlations are tentative only.

All of the completed Coalworks drillholes which intersected coal were geophysically logged.

Tenement (Figure 1)

EL7407 is wholly owned by Coalworks (Vickery South) Pty Ltd. The EL covers an area of 7.2 sq. km and is located about 21km north-northwest of Gunnedah and 15km southeast of Boggabri.

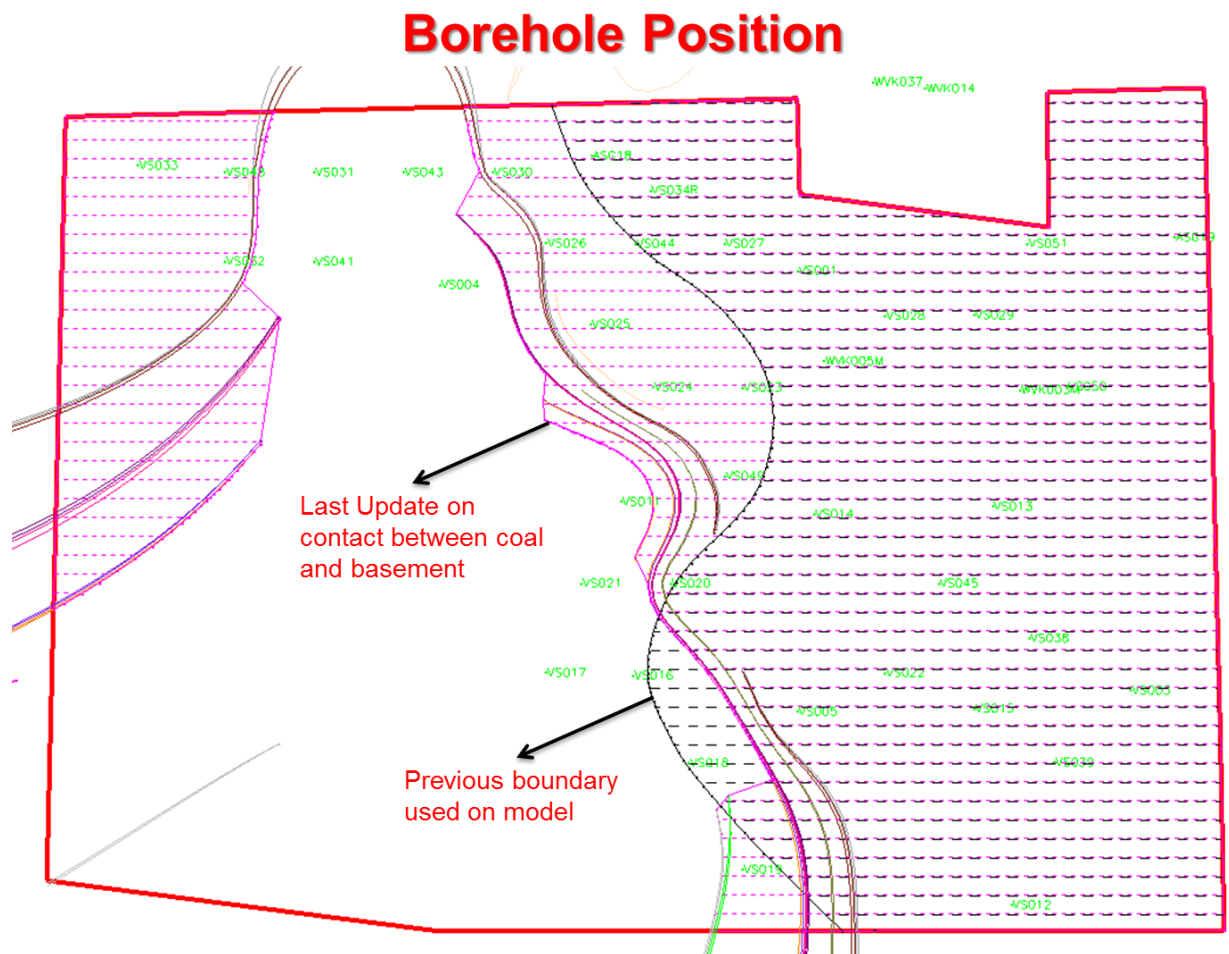
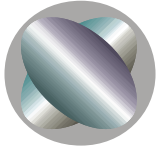


Figure 1 EL7407 Vickery South – Location Plan and Resource outline



Geology

Coal cores acquired to date within the Stage 2 program have been submitted for coal ply quality analysis at SGS laboratories in Muswellbrook. These initial bore cores analysis results are expected to be completed by late March 2011.

Stage 2 drilling results to date have indicated that the previously identified coal-bearing Maules Creek Formation of the Gunnedah Coalfield, located in the eastern half of the tenement, continues along the northern boundary and drapes the western side of the Boggabri Ridge. These additional areas containing coal seams have been included in the resource upgrade. Furthermore, a previously uncorrelated seam identified in the Stage 1 drilling program, has now been correlated within the Stage 2 program and included within the resource estimate. An assumed RD of 1.40 has been assigned to the unknown seam until ply quality results are available.

Refer to Figure 1 for resource boundaries, and geological cross sections in Figures 2 to 5 for seam interpretations across the tenement.

Previous Stage 1 drilling results (announced April 2010, to which the reader is referred) indicate the coal at Vickery South comprises a generally low to medium ash, bituminous coal with low to medium sulphur and high specific energy contents. Some seams show good coking potential (based on CSN and fluidity results), and Coalworks plan to submit selected samples for additional analyses to further define the coking potential.

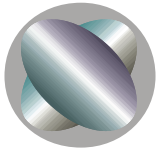
Estimation Method

Working section assumptions were used to estimate resources using a minimum potential working section thickness of 0.30m, maximum potential working section raw ash content 40% (adb), and no maximum overburden: coal ratio limit.

Relative densities used in tonnage estimates were corrected in accordance with the Preston Sanders method.

The ply intervals for each seam were combined to create potential working sections which were modelled using Minex software.

The base of weathering was assumed at a depth of 20 metres below topographic surface. Resources have been estimated on this basis.



Coal Resources (Table 1)

The Inferred Resources (classified in accordance with the JORC Code) in EL7407 total **51 million tonnes of bituminous coal**.

Previous Stage 1 drilling identified 42 million tonne JORC classified Resources within the eastern side of the tenement. Several of the Stage 1 drillholes indicated the presence of potentially mineable coal seams continuing along the northern boundary of the tenement and draping the western side of the Boggabri Ridge. Stage 2 drilling results to date have confirmed the presence of coal measures within this area.

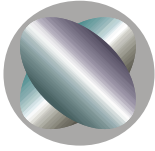
As previously mentioned, the update is based on the initial 29 drillholes completed in a 53 drillhole program. Positive results to date indicate that further drilling is required in the western half of the tenement, with the potential to further increase coal resources. Several future drill holes will be targeting this area.

With Base of Weathering (assumed consistent 20m below topography surface)

Seam	RD (Tonnes/m3)	Coal (Ktonnes)	Waste (Kbcm)	SR	Incremental Coal	Incremental Waste	Incremental SR
GDB	1.30	224.64	7,535.02	33.54	224.64	7,535.02	33.54
GDA	1.30	1,284.70	39,778.86	30.96	1,509.34	47,313.88	31.35
GD	1.36	4,633.19	80,845.17	17.45	6,142.53	128,159.05	20.86
WK	1.35	2,951.09	50,717.93	17.19	9,093.62	178,876.98	19.67
SHU	1.41	4,474.80	100,512.05	22.46	13,568.43	279,389.03	20.59
SHU2	1.41	8.75	5.58	0.64	13,577.18	279,394.61	20.58
SHL	1.41	4,986.51	22,089.13	4.43	18,563.69	301,483.74	16.24
SHL2	1.41	71.40	92.83	1.30	18,635.09	301,576.57	16.18
STU	1.33	358.04	9,756.77	27.25	18,993.13	311,333.35	16.39
ST	1.33	6,817.88	85,983.86	12.61	25,811.01	397,317.20	15.39
STL	1.33	204.83	1,965.16	9.59	26,015.84	399,282.36	15.35
BVU	1.42	4,597.60	58,803.35	12.79	30,613.44	458,085.71	14.96
BVL	1.38	3,856.15	3,813.35	0.99	34,469.59	461,899.06	13.40
BVL2	1.38	0.86	2.21	2.57	34,470.46	461,901.27	13.40
CNU	1.36	2,780.07	50,085.99	18.02	37,250.53	511,987.27	13.74
CNM	1.33	8,603.66	60,220.03	7.00	45,854.20	572,207.30	12.48
CNL	1.39	3,998.34	74,679.34	18.68	49,852.54	646,886.64	12.98
UN	1.30	808.52	19,922.70	24.64	50,661.06	666,809.34	13.16
Unassigned Waste		0.00	30,295.60		50,661.06	697,104.94	13.76
Total	1.37	50,661.06	697,104.94	13.76			

Minimum thickness Of 0.3m applied

Table 1 EL7407 Vickery South - Summary of Resources



Cross Section Line

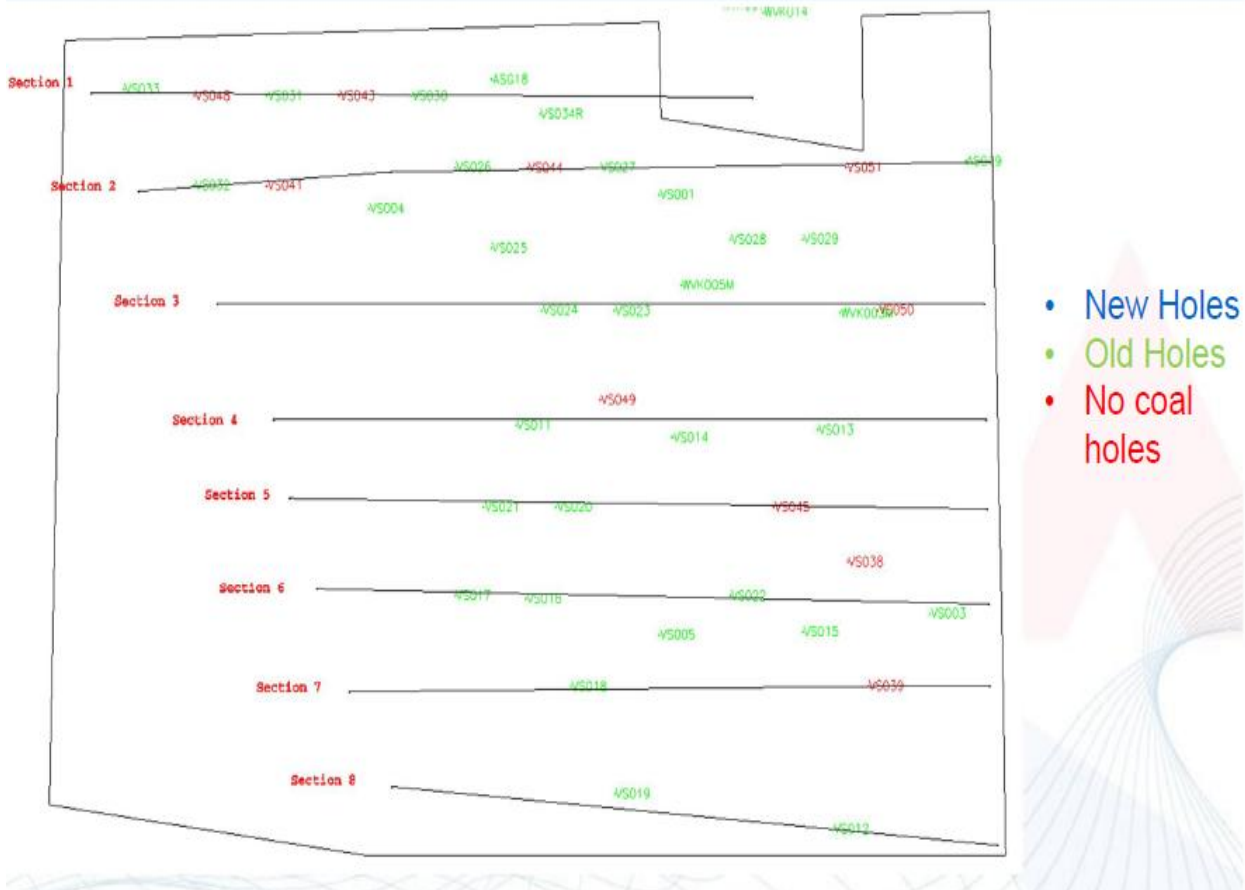
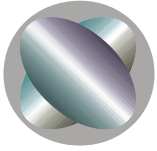


Figure 2: EL7407 Vickery South – X cross section location plan



Section 1, 2 & 3

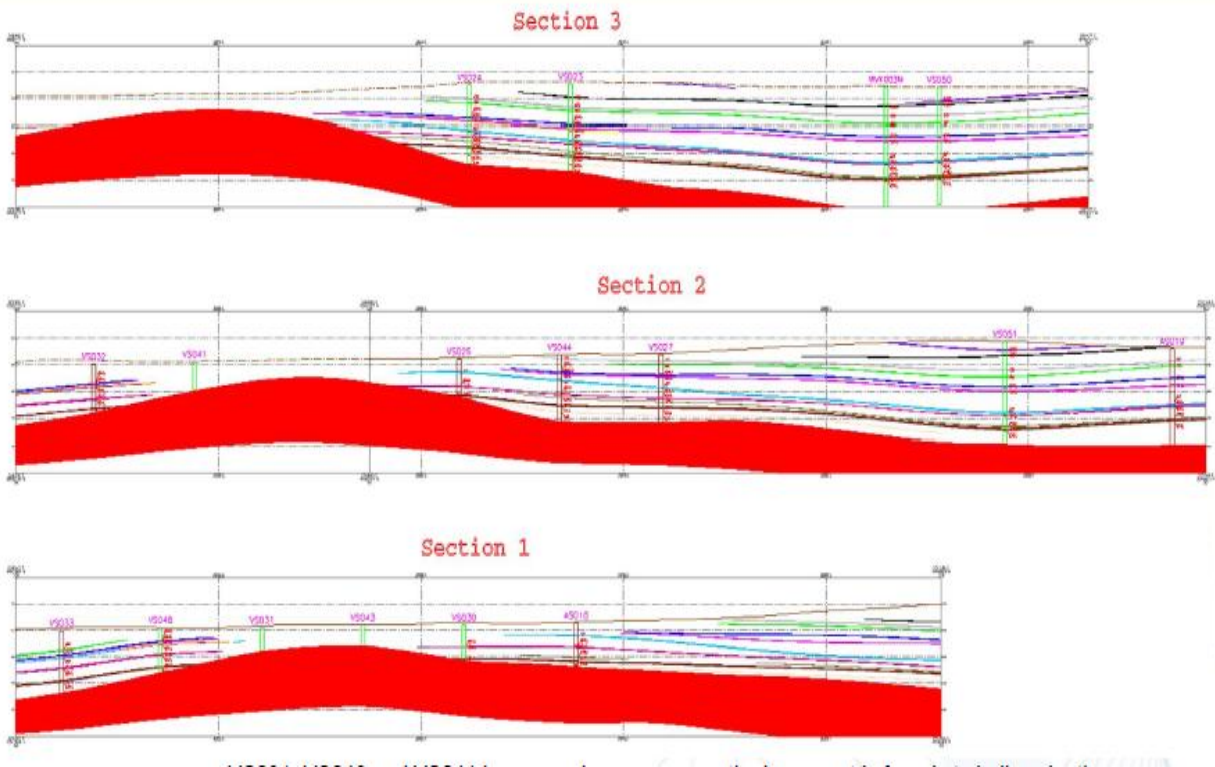
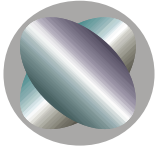


Figure 3: EL7407 Vickery South – indicative West to East geological cross-sections



Section 4, 5 & 6

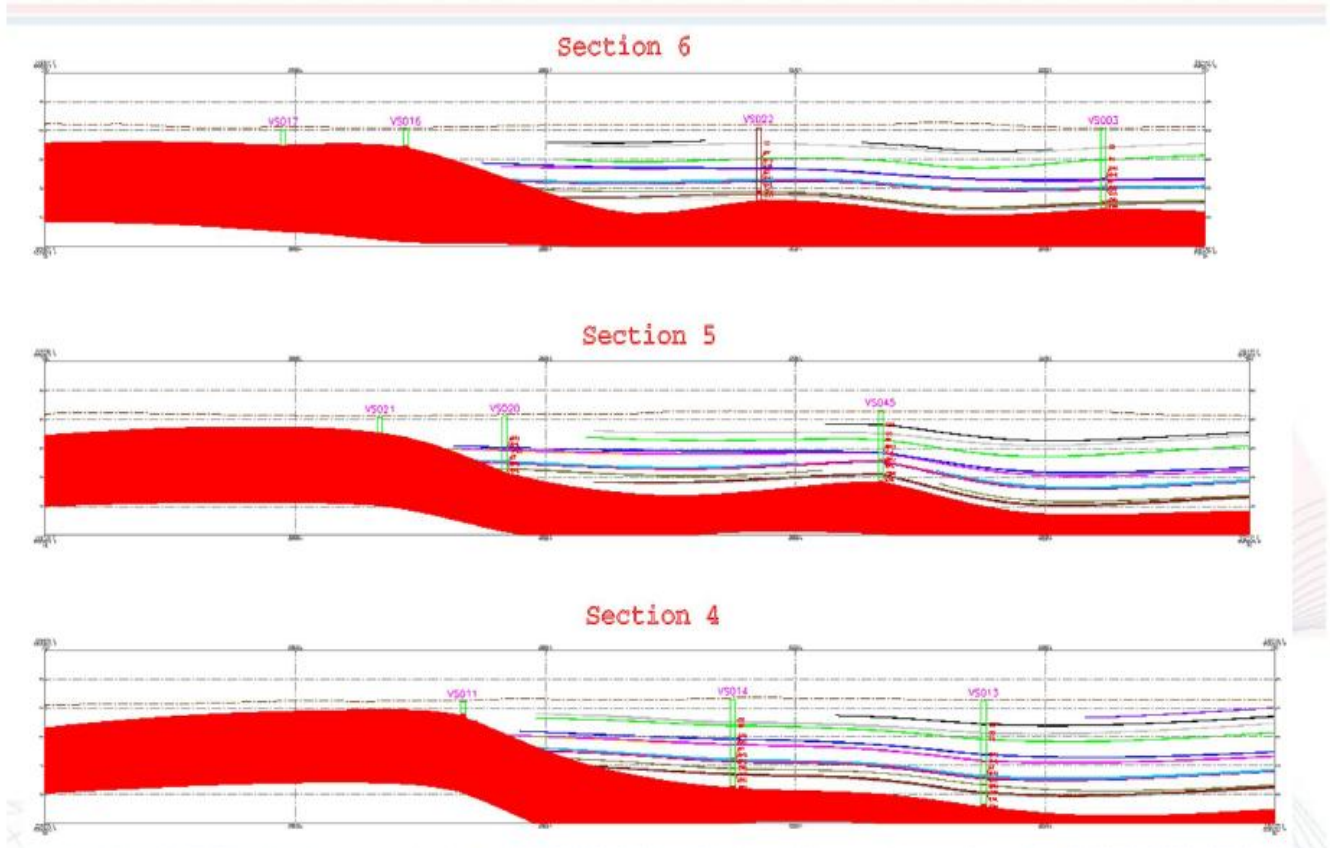
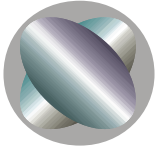


Figure 4: EL7407 Vickery South – indicative West to East geological cross-sections



Section 7 & 8

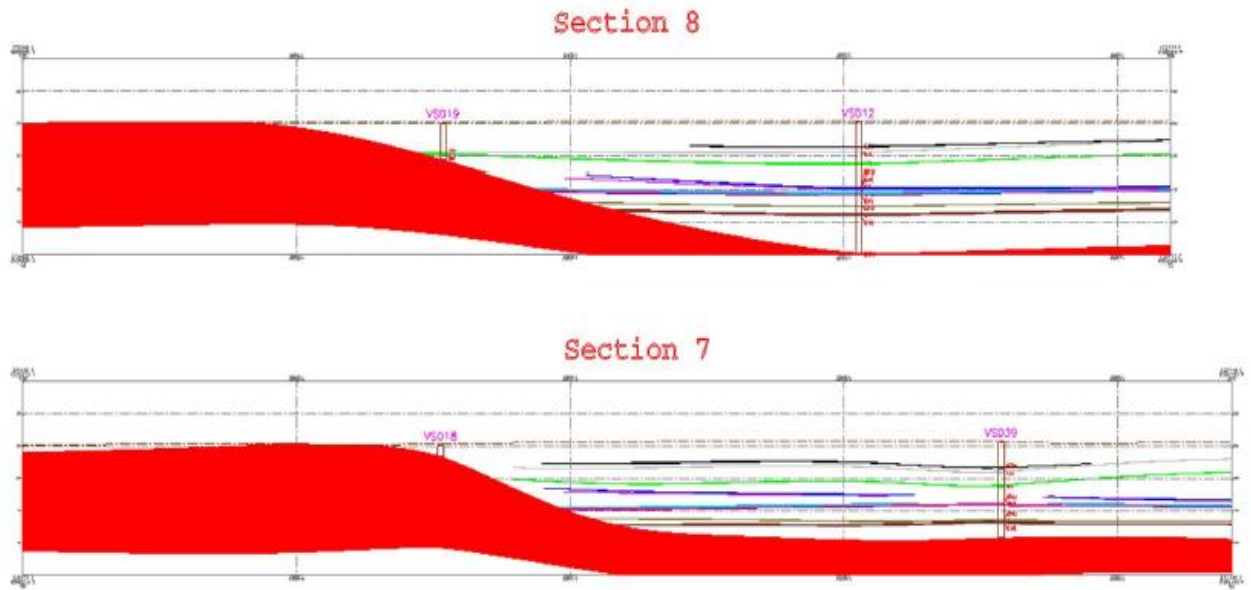
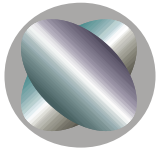


Figure 5: EL7407 Vickery South – indicative West to East geological cross-sections



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 announcement that relates to Exploration Results, Mineral Resources and Ore Reserves: *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.*

For further information, please contact:
Mr Andrew Firek, Managing Director & CEO
or Mr Tony Teng, Director & Company Secretary
Coalworks Limited
Tel: +61 2 9922 1344
Fax: +61 2 9922 4288
Email: info@coalworks.com.au
www.coalworks.com.au

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)
ITOCHU signs Farm In Agreement in \$11m deal (see ASX announcement 04.05.2010)
Preliminary Feasibility Study – positive with semi soft coking coal forming 84% of product (see ASX announcement 09.11.2010)
JORC Inferred Resources Increases by 20% to 51Mt (See Announcement 23.02.2011)
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 (See Announcement 19.11.2010)
Boardwalk signed Farm-In and Joint Venture Agreements in \$25m deal
(see ASX announcement 09.12.2010)