

COALWORKS Limited

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The Manager
Company Announcements Office
Australian Securities Exchange Limited

Via e-lodgement

COALWORKS BUYS LAND TO DEVELOP VICKERY SOUTH COAL MINE

On 20 August 2010, Coalworks (Vickery South) Pty Ltd (**CVS**), a wholly owned subsidiary of **Coalworks Limited (ASX:CWK)**, entered into a binding contract to purchase "Kurrumbede" for \$13.944 million which is the main land required to develop the Vickery South Coal Mine, coal handling and preparation plant (**CHPP**) and mine infrastructure. The land, which exceeds 2,600 hectares, also extends to the main highway to the east of EL 7407 (See Map below) .

ITOCHU Coal Resources Australia (**ICRA**), a wholly owned subsidiary of the Japanese resources and trading conglomerate, ITOCHU Corporation, has arranged funding for the purchase from National Australia Bank supported by a corporate guarantee from ICRA.

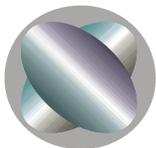
In addition, ICRA Vickery Pty. Ltd. (**ICRAV**) (a subsidiary of ICRA and party to a farm-in arrangement with CVS under which it may spend up to A\$11 million to acquire up to a 49% interest in the Vickery South Coal Project), has been granted an option to purchase up to 49% of Kurrumbede (subject to obtaining required Australian foreign investment approval). The option may be exercised during the period of the farm in arrangements between CVS and ICRAV.

CEO Andrew Firek said:

"We are especially pleased by this strategic acquisition and are appreciative of the strong support and commitment shown by ITOCHU in arranging funding for this purchase. The land purchase secures our development plans because it not only hosts our principal coal deposit but provides the best site for our CHPP, mine infrastructure and links the mine site with the main highway to the east. There is also surplus land for further development. We express our sincere thanks to ITOCHU which we believe now considerably strengthens the mine development process."

Coalworks is close to releasing its preliminary feasibility study which will be a further milestone in the mine development process.

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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.*

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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**

About ITOCHU

ITOCHU Corporation is a major Japanese trading house and, among other things, has extensive experience in the development of coal mines and the marketing and sale of coal globally and has investments in coal mines in Australia and Indonesia. ITOCHU had annual revenue of US\$36.722 billion and NET Income of US\$1.377 billion in the fiscal year ended March 2010.

