

COALWORKS Limited

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The Manager
Company Announcements Office
Australian Securities Exchange Limited

OAKLANDS COAL SUITABLE FOR GASIFICATION

- *Coalworks receives positive gasification test report from Gas Technology Institute in Chicago*
- *Oaklands Coal is amenable to gasification*
- *Oaklands Coal has a number of good gasification qualities*

COALWORKS Limited (ASX:CWK) today announced that it has received a report from the Gas Technology Institute in Chicago as part of the Coal To Liquids (CTL) Feasibility Study being conducted with its Strategic Alliance partner Synthesis Energy Systems Inc.

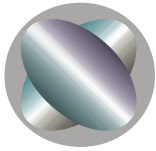
Coalworks has concluded its Oaklands coal tests at the Gas Technology Institute (GTI) in Chicago, which is a world leading coal research organisation. The purpose of the tests was to determine the suitability of Oaklands coal for fluidised-bed gasification. GTI was requested to conduct, Thermogravimetric Analyses (TGA) tests on a representative sample that was sent to GTI. The TGA tests provided initial information on reactivity, reactor sizing, and preferred operating gasification temperatures.

A second objective was to test the Australian coal in a one pound per hour mini-bench unit (MBU). The MBU test generated product gas data, larger quantities of spent residue for analysis, and provided an experimental “look” at fluidised bed solids stickiness at reaction conditions.

Based on the results obtained from chemical analyses, TGA tests and the MBU tests:

- (i) It was confirmed that Oaklands coal is amenable to gasification. Oaklands coal deposit is situated in south-western New South Wales, close to the Victorian border.

COALWORKS Limited ABN 51 114 702 831
Level 5, 44 Miller Street, North Sydney NSW 2060 AUSTRALIA
Ph: +61 2 9922 1344 Fax: +61 2 9922 4288
Email: info@coalworks.com.au
www.coalworks.com.au



- (ii) Coalworks' Australian coal sample reactivity is comparable with the Kentucky # 9 coal which was a coal known to be suitable for gasification;

This reactivity can therefore be used in ASPEN or FORTRAN modelling of the process to generate material and energy balances for various operating scenarios to secure desired Syngas composition.

The Oaklands coal was gasified in GTI's bench-scale unit at 1000°C and 10atm with steam and air to generate synthesis gas.

Oaklands Coal also displayed a number of good gasification qualities:

- (a) Carbon conversion was excellent showing high carbon conversion (99.6%);
- (b) The bench-scale unit operated well and the fluidised bed did not show signs of "stickiness" or agglomeration;
- (c) Results of the Toxicity Characteristic Leaching Procedure for the gasification residue (ash) showed that no hazardous substances were leached which indicates that the residue material from the gasification test could be put in a landfill as one of the environmentally acceptable disposal options.

CEO Dr Andrew Firek said this news provides a positive milestone in our CTL project development at Oaklands.

"We are further encouraged by the Victorian Government's completion of the Oaklands to Benalla rail upgrade expected to cost \$17 million. We have now developed working groups with the Victorian Government and rail and port providers to advance infrastructure development for the Oaklands Project.", he said.

"In addition recent hydrogeological testing by Coalworks at Oaklands has provided encouraging implications for the project."

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)*
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 250-300Mt of coking/thermal coal)*