

EAGLE NICKEL LIMITED

TAKONE PROJECT

**SURRENDER REPORT
FOR
EXPLORATION ACTIVITY**

EXPLORATION LICENSE EL73/2007 (Oonah)

FOR THE PERIOD 16 JUNE 2008 TO 10 NOVEMBER 2010

North Western Tasmania

Electronic Versions:

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November 2010**

BIBLIOGRAPHIC DATA SHEET

Project Name: Takone

Tenement Number: EL73/2007

Tenement Operator: Eagle Nickel Limited

Tenement Holder: Geotech International Pty Ltd

Report Type: Surrender

Report Title: Surrender Report for Takone Project EL73/2007 for the Period 16 June 2008 to 10 November 2010

Report Period: 16 June 2008 to 10 November 2010

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Target Commodity: Oil Shale, Coal

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ABSTRACT:

Location:

The Takone tenement (EL73/2007) is located in north western Tasmania, 25 km south of the port of Burnie.

Geology: The project area includes known oil shales and coal seams.

Work Done: Research into previous work carried out and short reconnaissance visit to the tenement.

Conclusions: The work done on the tenement was not encouraging and no further work is viable at present

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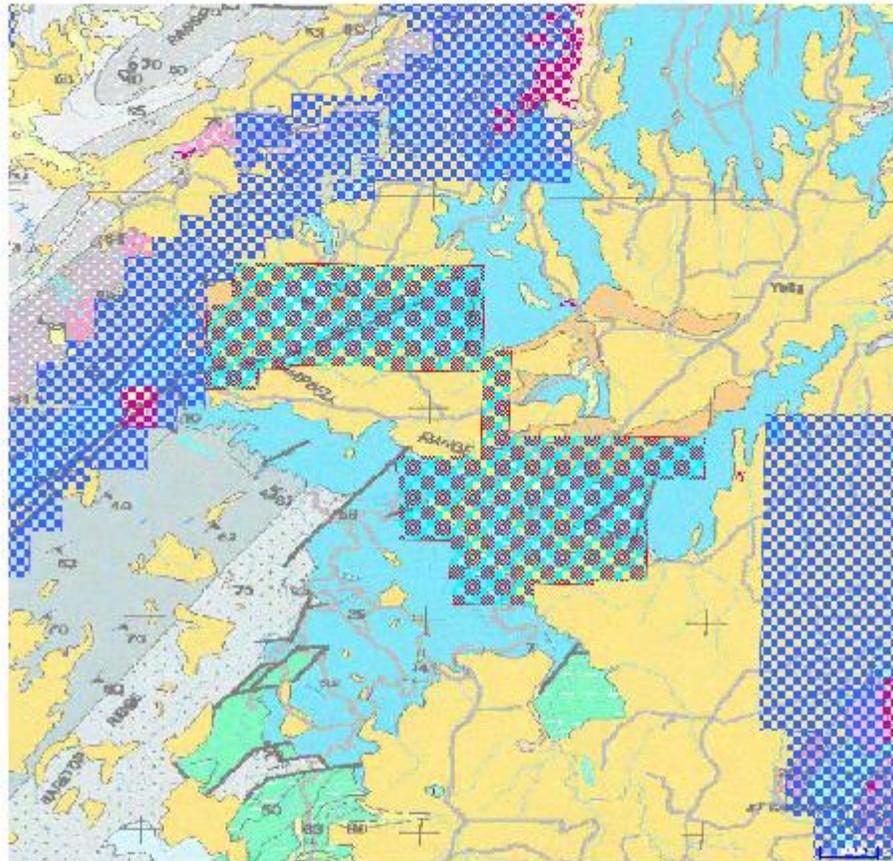
APPENDICES

Appendix 1

Appendix 2

E73/2007 Geological Map

Map Generated : 1/6/2010



Topographic base image from the LIST 

Legend

-  Geology Image
-  Exempt Areas
-  Licence Category 5 (Non-)
-  Licence Category 2 (Fuel)
-  Licence Category 1
-  Mining Leases

Figure 1. Current Tenement Map, not including relinquished area (From MRT)

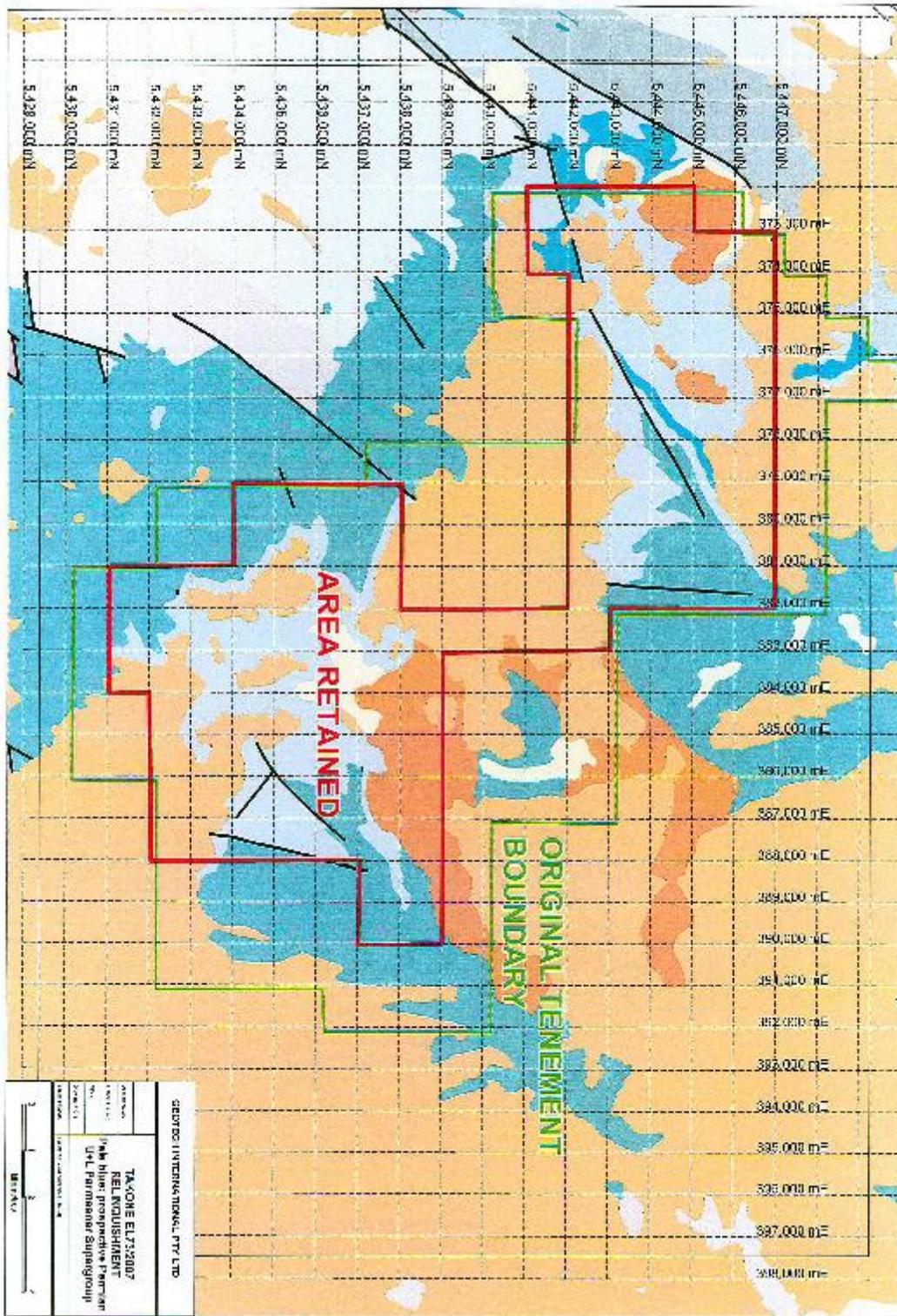


Figure 2. EL73/2007 – Map of Takone Project showing location of known coal and oil shale occurrences

1. Introduction

This report describes the exploration carried out by Eagle Nickel Limited on Exploration Licence EL73/2007 in the Oonah Region of Northern Tasmania for the period 16 June 2008 to 10 November 2010.

Past exploration for oil shale and coal beds has been undertaken by a number of companies and during the period all available previous work was evaluated and the prospectivity appraised.

Exploration Licence EL73/2007 is held by Geotech International Pty Ltd and has been operated by Eagle Nickel Limited since May 2010.

1.1. Location and Access

Exploration Licence EL73/2007 is located approximately 25 kilometres south west of Burnie and surrounds the locality of Takone in NW Tasmania. Potential resources lie in non-sterilised working forest areas.

Access to the tenement is via the many roads and tracks in the area.

1.2. Tenement Details

Exploration Licence EL73/2007 was granted to Geotech International Pty Ltd on 16 June 2008 for a period of 5 years with an original area of 202sqkm. See Figure 1 for tenement location. An area of 86sqkm was relinquished in July 2009. Leaving a total area of 116sqkm (Figure 2).

2. Geology

An oil shale unit and coal seams have been found in this tenement in two stratigraphic intervals within the Permian parts of the Lower and Upper Divisions of the Parmeener Supergroup within the Tasmanian Basin. There is evidence that the Parmeener Supergroup is up to two kilometres thick in areas. The Lower Division is predominantly of marine origin and the Upper division is totally of freshwater origins. The stratigraphic column can be seen in Figure 3.

The oil shale unit occurs close to the base of the Lower Permeener Supergroup above tillites and has been formed in a restricted marine environment. The Preolenna Coal Measures occur at the base of the Upper Parmeener Supergroup. Both of these units are found within the tenement and historically, the Takone region includes:

- Oil shale at Oonah
- Oil shale at Preolenna
- Coal at Preolenna
- Oil Shale at Cam River.

Oil Shale at Oonah

The Tasmanian oil shale from the base of Lower Permian of the Oonah region contains kerogen and is a variety of Tasmanite which occurs in only a few places throughout the world. The kerogen, consists of amber coloured flattened discs which have a distinct structure and clearly defined cell walls. The algal origins of the kerogen would have existed in a quiet ecosystem of shallow bays and estuaries which were favourable for the algae to multiply and build up 'spores' in the marginal marine waters.

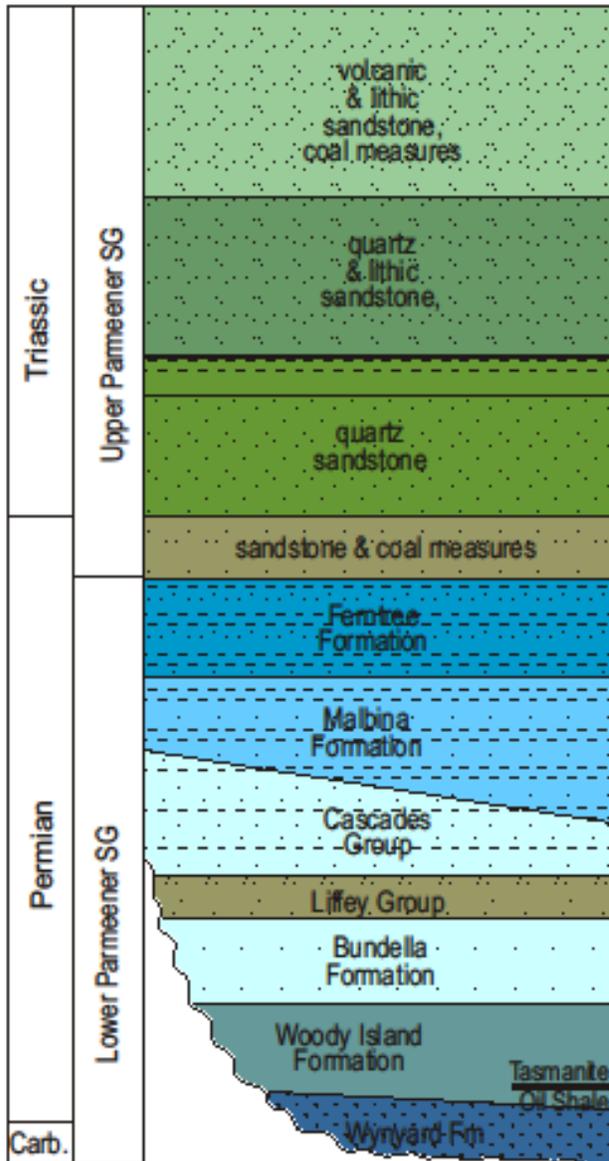


Figure 3. A generalised stratigraphic column and nomenclature for the Parmeener Supergroup. The Lower Parmeener Supergroup is divided into many local units (see Clarke, 1989), but is simplified here to broad units recognisable basin wide. The Upper Parmeener Supergroup nomenclature follows Forsyth (1989). FROM Reid & Burnett, (2004).

Oil Shale at Preolenna

At Preolenna which is the northern part of the tenement there are bands of cannel coal, also known as torbanite, within the thin seams of black coal which are stratigraphically on a higher level of the Lower Parmeener Supergroup. Their origins are thought to be associated with high concentrations of the alga Reinschia. The torbanite bands are very rich in volatiles and are often called 'oil shales' or 'kerosene shale'. This oil shale does not occur independently of coal.

The bands are between 23 and 60cm thick and lenticular in shape. In 1934 Rogers reported oil yields of 130 gallons per ton (590l/t).

Coal at Preolenna

This coalfield was reviewed by Bacon in 1991 and was correlated with the Mersey Coal Measure which occurs further east of the tenement. The seams are thin, discontinuous and dislocated by faults. They vary in width from 220 to 600mm thick with a steep dip of 14° to 25°.

There is evidence of 4 seams outcropping on the north-western bank of the Jessie Gorge, close to Preolenna, and also in the Flowerdale River valley south of Preolenna, extending for a distance of 3 kilometres. Other outcrops have been recorded in the area, one close to Relapse Creek south west of Preolenna and another west of West Takone. Mining has taken place at both Jessie Gorge (Preolenna Coal Mine) and in the Flowerdale River Valley (Torbanhill/Meunna Coal Mine).

Oil Shale on Cam River

Tasmanite oil shale has been reported on the Cam River near Tewkesbury, close to the Oonah deposit. It consists of 2 areas:

- Near the point of confluence of the eastern branch with main stream
- A larger deposit four miles west of the deposit listed above.

However, there is very little information available relating to these two occurrences and they are believed to be small.

3. Previous Exploration

A review of previous exploration reports on the area are as follows:

The Oonah Oil Shale was reported by the Mercury Newspaper as being discovered by Reid in 1923 with reported reserves of '6 million tons'. In 1924 Reid reconfirmed this reserve estimate.

In 1928 Blake confirmed the reserve and suggested an average 167 litres/tonne resource. He also stated that oil shale is found in northern Tasmania, west of the Tamar River across to Stanley in a band which is around 30km wide with an estimated 6 million tonnes of resource.

In 1944 Henderson carried out grab sampling of the outcropping oil shale, all of the Oonah oil shale area lies within this tenement. The shale characterisation based on 4 grab samples reportedly had a grade ranging between 5 and 21 gallons/tonne (20-90l/t)

Between 1980 and 1982 Petroquest carried out a geological review of the prospectivity of the northern Tasmania area resulting in a drilling program which included Oonah and Preolenna within the tenement area. However, although they generated maps showing target stratigraphy, the field work carried out was poorly documented.

In 1984 CRA carried out a geophysical appraisal of the coal prospectivity.

In 1991 Bacon reviewed all of the past work on the Preolenna coals.

To date, there is no documented drilling outside the retained area, and no university studies reported for the area.

4. Work Carried Out During the Reporting Period

The work carried out during the period consisted of office based research, including:

- Compilation of all past company exploration data, government reports, drill data.
- Processing of previous available drill data
- Assessment of prospectivity for coal and for oil shale within the tenement area.

A brief reconnaissance trip was made to the area, but no significant work was carried out.

5. Prospectivity Discussion

Oil shale prospectivity, and to a lesser degree, coal prospectivity, was reviewed, this did not include coal bed methane (the company does not hold coal bed methane rights).

Oonah Oil Shale

A large prospective area of about 30km², contains a flat lying tasmanite unit, which have potential for open pit mining. Research reports high oil yields of greater than 95l/t being found in surface samples. The drilling and trenching results indicate a known thickness of the oil shale of 0.3 to 1.0 metre.

The area is accessible via the numerous roads and tracks traversing the working forest area.

Tasmanite has potentially greater value than other types of oil shale as it can be recovered by flotation, rather than retorting, which gives a higher yield and is substantially cheaper to produce.

Preolenna Coal and Oil Shale

As the coal seams are thin and discontinuous, it is unlikely at this stage, that further exploration is warranted.

It is believed that the quantity of the oil shale is small, though no information has been found relating to the size of the resource. Further exploration work would be needed to ascertain whether the size of the oil shale reserve is economically viable.

6. Expenditure

Total expenditure for the reporting period was \$26,255.

7. Conclusion

The deposits of both oil shale and coal are small and spread out with limited information available. The general consensus is that the resources are too small and difficult to extract to be economically viable. It has been decided that the further exploration on this tenement is not warranted.

8. References

Askins, P.W. 2009. Takone Project, Relinquishment Report for part EL73/2007 for the Period 16 June 2008 to 15 June 2009.

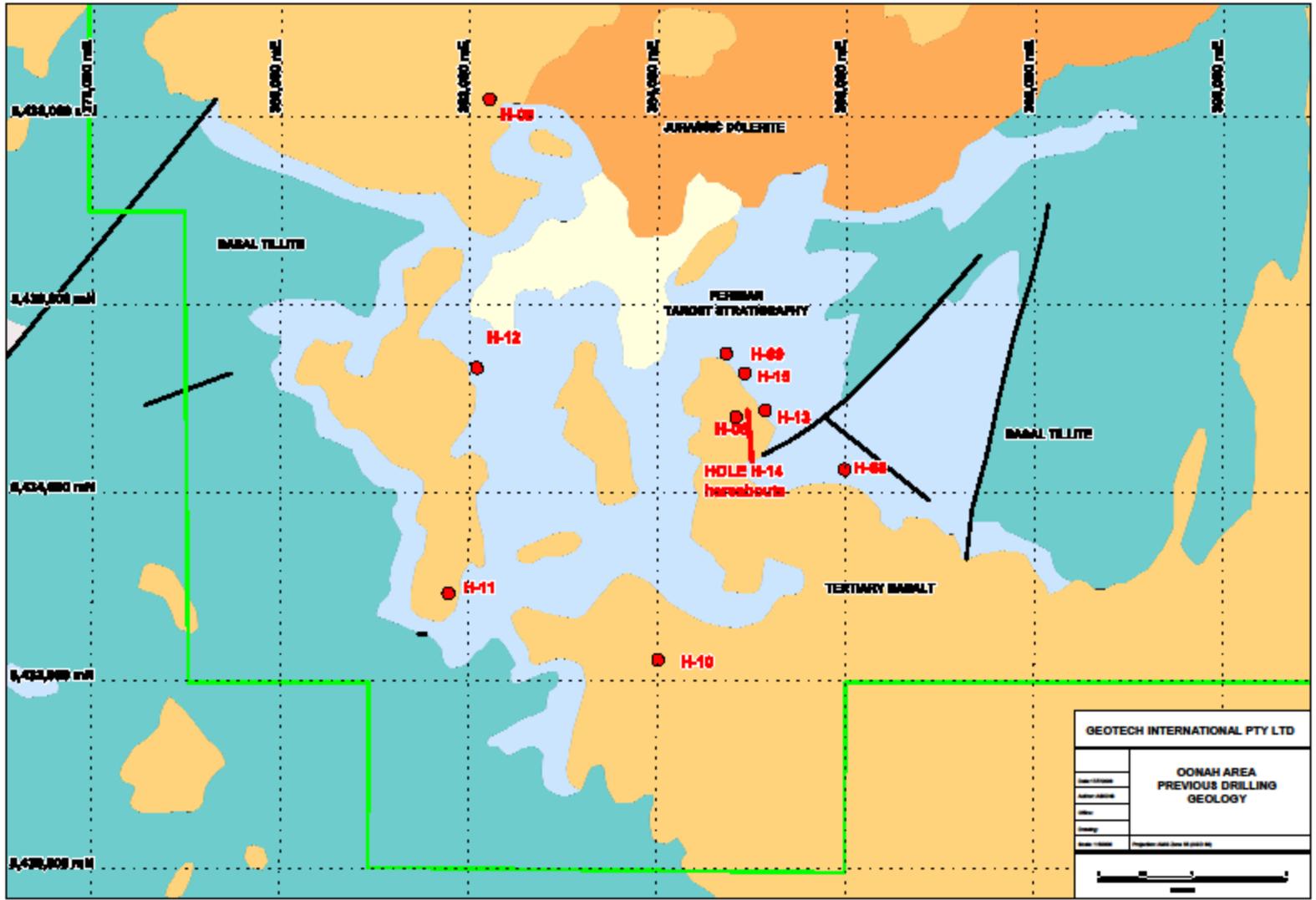
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APPENDIX 1

Geological Map showing Previous Drilling



APPENDIX 2

Tenement Map Showing Preolenna Coal Area and Oonah Oil Shale Areas

