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ANNUAL REPORT – AVOCA EL 27/2008
BLACK ROCK ENERGY PTY LTD
a subsidiary of Indicoal Mining Australia Pty Ltd

Annual Report
Exploration Licence 27/2008
201009 – 201110
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20110926

Abstract

The exploration licence 27/2008 at Avoca is viewed as prospective for coal. The historical mines of Merrywood, Stanhope, New Stanhope, Mt Christie, Old Workings (Excelsior) and Fenhope are within the tenement boundaries. The objective, at this stage, is to add value to the tenement by conducting further drilling. This will have the aim of

- 1) Identifying coal measures in the vicinity of previous mine workings
- 2) Testing for extensions of the lithic sandstone facies and coal measures to the south and west of the previous mine workings and
- 3) Testing for coal measures in the Triassic sequence in the Eastern and southern parts of the Tenement.

The Geological Coal consulting group given the task of properly assessing the project was again granted to Neil Fraser of Marston International Pty Ltd (Marston).

Large volumes of data were supplied by Black Rock Energy Pty Ltd. This data has been reviewed and an initial drill program testing the coal distribution quality has been planned and completed by Marston.

The current tenement holder of exploration licence 27/2008, Black Rock Energy Pty Ltd (BRE), was sold to Indicoal Mining Australia Pty Ltd (Indicoal) by Spitfire Resources Ltd (Spitfire) on 6 June 2011. Indicoal acquired the Avoca tenement as part of a transaction whereby it purchased all the issued equity and capital of Black Rock Energy Pty Ltd.

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1. Introduction

Indicoal's objective at Avoca is to gather more detail on the extent of the coal seams by conducting a review of the previous works by Spitfire and additional exploration works comprising of resource definition drilling. Historical drilling around the Avoca region has defined a known area of coal seams and has provided some basic data on coal quality. There is not enough information at this stage to move towards a resource calculation.

Coal is present in the Avoca area in an outlier of Triassic sediments of the Upper Parmeener Group. The coal seams occur in a fluvial lithic sandstone facies near the top of the sequence. Several small underground and open cut mines have operated in the area previously and have exploited a coal seam up to 3.5m thick. Previous production is estimated to be 400,000 tonnes. Seam thickness is reported to change rapidly and local faulting is present. A thick Jurassic age dolerite sill has intruded the sediments and is present over much of EL27/2008. The sill dips at about 5° to the west and is several hundreds of metres thick in places. It is located above the coal seams and from the limited amount of coal quality data available, it does not appear to have devolatilized the coal. Subsequent erosion has removed the dolerite in places exposing the underlying Triassic sediments and also appears to have eroded some of the coal bearing sequence in some areas.

Previous exploration drilling has been conducted by Mineral Resources Tasmania (MRT) around the previous mine workings (C series holes), by WMC in 1976 (TAR series holes) and by Shell Australia in 1977 (AV series holes). The location of these holes is shown in Figure 1. Holes TAR1, TAR2, TAR3, and TAR8 located thin coal seams preserved near the margins or immediately below the Jurassic sill. The coal bearing sequence appears to have been eroded along the course of Buffalo Brook. Buffalo Brook flows from the centre of the EL towards the south.

This report refers to the tenement number EL27/2008 which is in the district of Avoca, roughly 6km NNW of the Avoca Township (see Figure 1).

The current tenement holder is BRE, which is a subsidiary of Indicoal who acquired the Avoca tenement as part of a transaction whereby it purchased all the issued equity and capital of BRE from Spitfire on 6 June 2011.

The reporting period for this licence report is 1 July 2010 to 30 June 2011.

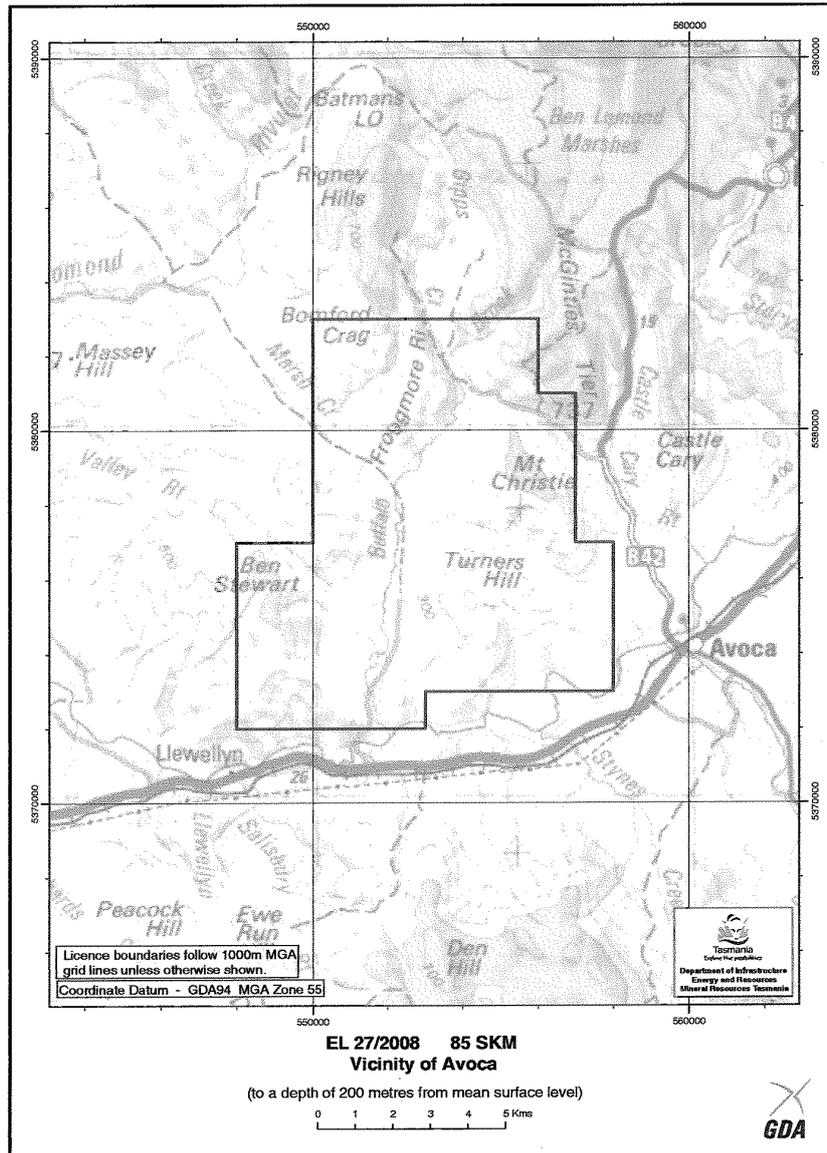


Figure 1: EL 27/2008 Location Map

2. Review of Previous Work

A comprehensive data review was undertaken by Spitfire in conjunction with Neil Fraser of Marston. This was to gain an understanding of the geology and to ascertain the exploration process.

During the previous reporting period, Spitfire conducted a drilling programme targeting coal seams within the licence area. Marston was contracted to run the drilling programme in accordance with the environmental recommendations set out by the MRT.

The drilling programme comprised:

- A site visit by Spitfire representatives to finalise the drill collar locations;
- A Work Programme Application (WPA) was submitted to MRT on the 23rd March 2010 and granted on the 28th April 2010;

- Marston supervised the drilling programme within the Avoca Tenement;
- KMR Drilling (a local drilling contractor) conducted the drilling operations (see Figure 2), comprising:

18 holes of RAB Drilling	Totalling	1023.70m
2 Holes of HQ3 Diamond Core Drilling	Totalling	89.00m
	Total	1112.7m

- Samples were collected and submitted to SGS in Newcastle for analysis;
- Down hole Surveying was completed at Avoca on all drill collars where possible;
- All drill sites were rehabilitated and a visual site inspection was conducted on all drill sites by the Marston Representatives to ensure minimal ground disturbance and that all environmental standards had been followed.

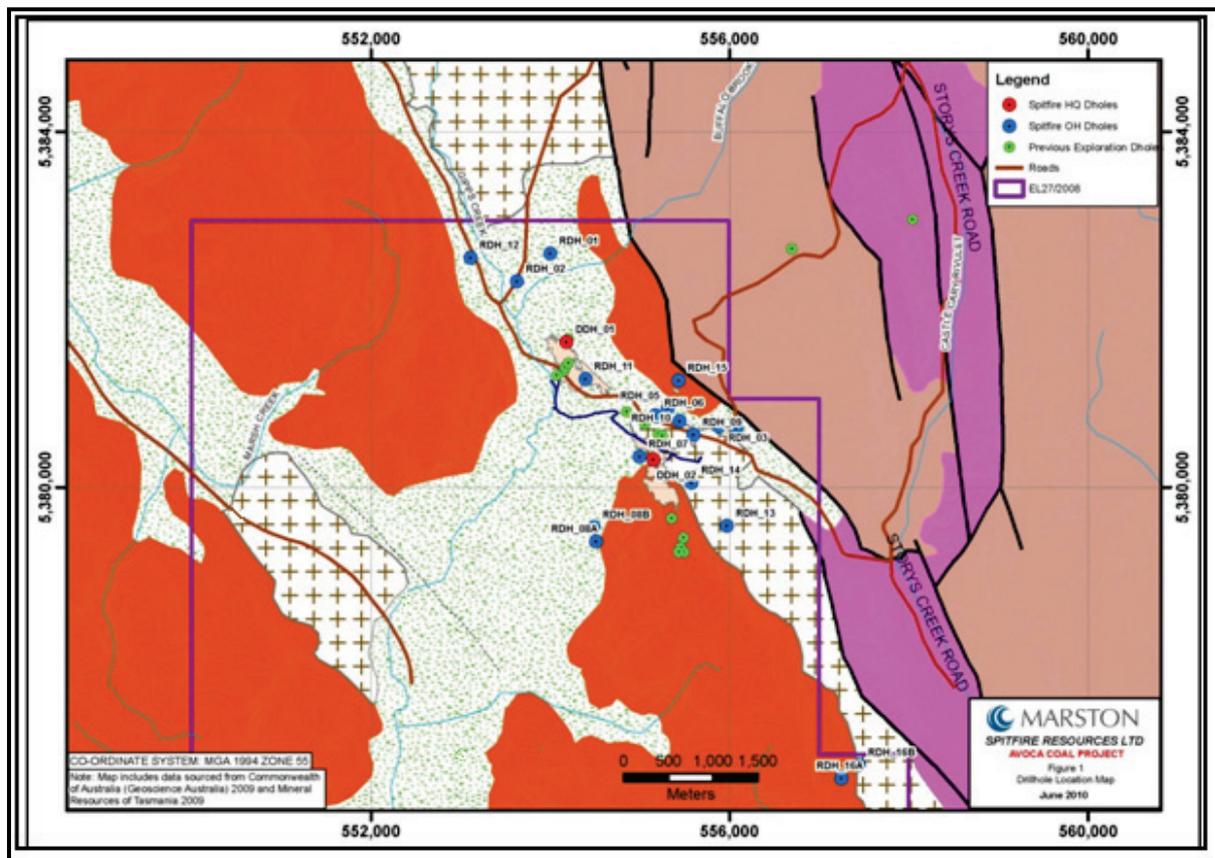


Figure 2: EL 27/2008 - Avoca 2010 Drill Collar Location Map

Only partial results of the drilling programme were available during the previous reporting period. However, these did provide encouraging preliminary results, with multiple coal seams, in some instances up to 3.5 metres thick, intersected over a strike length of up to 5-7km. The extensive nature of the coal seams indicated the possibility that the Avoca Project may host significant coal volumes. Coal has been mined in the areas surrounding Avoca almost continually since 1923.

Selected samples from the drilling program were despatched to SGS in Newcastle for a 3-month program of coal quality analysis. These coal quality results and those of the drilling program were not available during the previous reporting period, but form the

basis of works during the current reporting period and will be used to determine the next phase of work within the project.

3. Exploration Completed During the Report Period

Exploration works conducted by Spitfire during the current reporting period comprise completing the drilling programme, collection of samples for laboratory testwork and geophysical down-hole surveying.

4. Results

Spitfire collected four coal seam composite samples from the Avoca Project that were submitted for float-sink testing, with key results summarized below:

- one sample produced export quality thermal coal with an apparent yield of 85%;
- indicative product quality is 12.3% ash, 0.51% total sulphur with a calorific value of 28.9 Mj/kg (6,902 kcal/kg) – all values reported on air dried basis;
- the average Hardgrove Index of 52 indicates that product coal will mill satisfactorily; and
- the ash fusion temperature for initial deformation of +1,570 0C and base acid ratio of 0.54 indicate satisfactory boiler slagging and fouling characteristics.

This sample shows that good coal quality can be located at Avoca. However, due to the limited drilling campaign undertaken during the previous reporting period, more exploration drilling and testing of the area is required to qualify this sample as representative.

Indicoal, in conjunction with Marston, has subsequently commenced a desk top review of the works conducted by Spitfire. Based on the assessment of results derived during the current reporting period, further detailed work comprising detailed studies, geological works, additional drilling and sampling, and metallurgical laboratory testwork may be conducted during the next reporting period.

5. Conclusions

Indicoal acquired EL27/2008 in June 2011 and has commenced assessment of all previous works within the tenement to determine the development pathway of the project.

Spitfire conducted exploration on EL27/2008 for coal during the current reporting period. The objective of the exploration was to locate and define coal seams. Exploration involved completion of the drilling programme, collection of samples for laboratory testwork and geophysical down-hole surveying.

Indicoal's strategy of becoming a player in the Australian coal mining industry requires a significant resource tonnage to be defined within its Tasmanian tenements. The Avoca

area has the potential to significantly boost Indicoal's overall resource tonnage, as presently there are no defined or reportable resources within this historically mined area.

Indicoal, in conjunction with Marston, intends to fully evaluate the development potential of the Tasmanian coal assets it recently acquired during the next reporting period. This will comprise a detailed assessment of results derived during the current reporting period, further work comprising detailed studies, geological works, additional drilling and sampling, and metallurgical laboratory testwork may be conducted during the next reporting period.

All works considered for EL27/2008 will be conducted in conjunction with the recently granted EL23/2010, which is located to the north of EL27/2008.

Planned expenditure for the next reporting period for EL27/2008 is listed below:

Type	Contractor	Cost
Consultation fees	Marston	\$45,000
Technical Assessment	Black Rock/Marston	\$10,000
Drilling Costs	KMR	\$75,000
Administration	Blackrock/MRT	\$10,000
Clearance and Environmental	Marston	\$5,000
Mapping and evaluation	Marston	\$5,000
Proposed Total Expenditure		\$150,000

6. Environment

All environmental advice and clearance was obtained from MRT before work commenced and every care was taken to avoid environmental sensitive areas.

All drill pads and collars were rehabbed to local environmental standards.