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ANNUAL REPORT – LANGLOH EL28/2008

BLACK ROCK ENERGY PTY LTD

a subsidiary of Indicoal Mining Australia Pty Ltd

Annual Report

Exploration Licence 28/2008

201007 – 201110

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Abstract

The exploration licence 28/2008 at Hamilton is viewed as prospective for coal, and is referred to as the Langloh Project. The Langloh Project comprises a granted tenement covering an area of 113km² near the town of Hamilton, and the tenement surrounds the Kimbolton Coal Mine. The objective of the exploration program is to add value to the tenement by increasing the confidence of the resources delineated and conducting further assessment of the development potential within the project area.

Marston International Pty Ltd (Marston) was assigned to manage the geological works and assess the development potential from the works conducted, including the drilling program conducted during the previous reporting period.

Large volumes of historical data were reviewed for planning the initial drill program and the data generated from the drill program forms the basis of works conducted during the current reporting period to October 2011.

The current tenement holder of exploration licence 28/2008, 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 ownership of the 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

This report covers exploration works conducted within tenement EL28/2008, referred to as the Langloh Project, which is in the district of Hamilton (see Figure 1) within the reporting period of July 2010 to October 2011. The current tenement holder is BRE, which is a subsidiary of Indicoal, who acquired the tenement as part of a transaction whereby it purchased all the issued equity and capital of BRE from Spitfire on 6 June 2011.

The previous operators (Spitfire) conducted the majority of works during the reporting period.

Indicoal's objective at the Langloh Project is to gather more detail on the extent of the coal seams and resource potential to determine the development potential. Previous drilling works (by previous owners) within the tenement has delineated a coal resource and provided some preliminary coal quality data. There is not enough information at this stage to consider the development potential of the project.

The project area was extensively drilled and sampled by Capricorn Resources and Petrecon Australia between 1981 and 1982, with a total of 28 holes completed for 1,413 metres of drilling.

The coal-bearing formation in the Langloh area is part of a dominantly lithic sandstone sequence interbedded with minor mudstone and coal seams. The sequence is of fluvial origin and is part of the lithic sandstone sequence of the upper Parmeener Supergroup. Examination of the microflora from mudstone associated with the coal seams suggests that the sequence belongs to the *Craterisporites rotundas* zone and hence is Karnian in age (S.M Forsyth, pers. Comm.).

The lithic sandstone sequence is underlain by a quartzose sandstone sequence which is devoid of coal. The sandstones are confined to a wedge-shaped fault block, bound on the west by a Tertiary graben and to the east and south by a Jurassic dolerite.

Jurassic dolerite has intruded the sandstone sequence and now forms a 'floor' to the fault block, as drill holes in the coalfield have encountered dolerite at depth. The underlying dolerite sill that forms this 'floor' dips at 4° towards the west. Tertiary basalt flows cover the lithic sandstone sequence to the north and a basalt neck occurs on the western margin of the coalfield. This basalt neck or plug is related to a system of faults, the largest of which defines the eastern edge of the Tertiary graben (Morrison and Bacon, 1984).

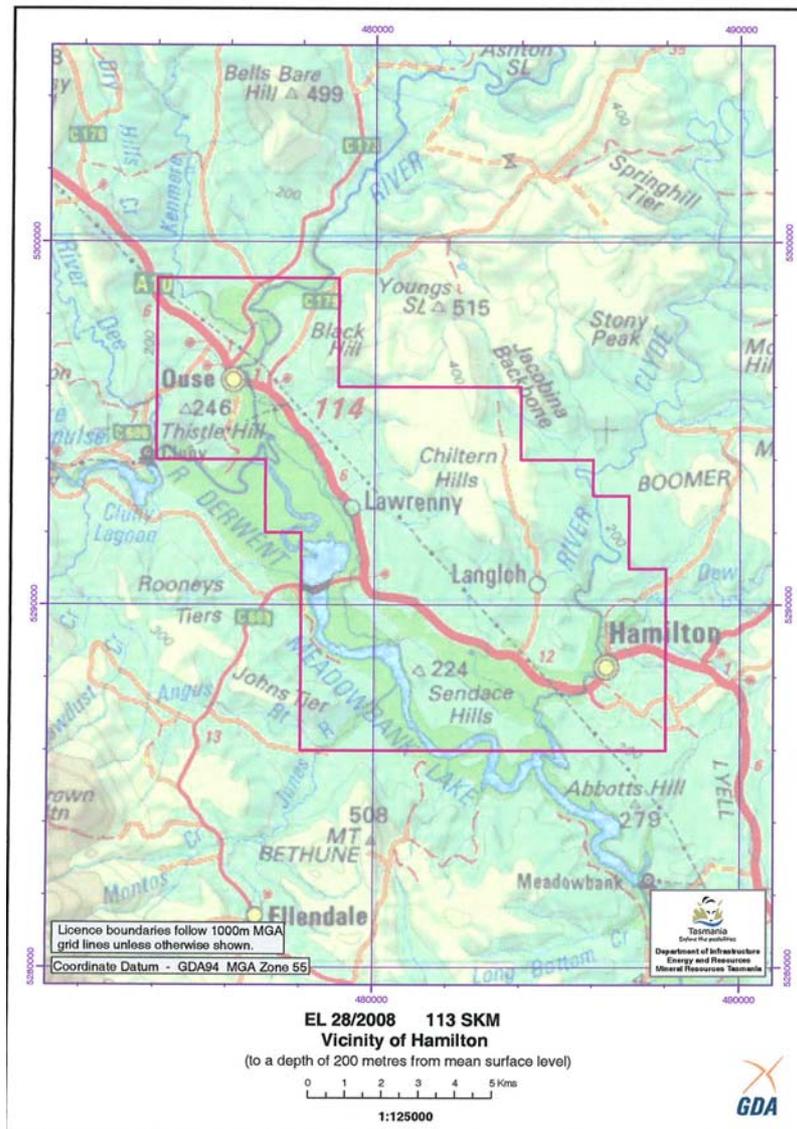


Figure 1: EL28/2008 Location Map

2. Review of Previous Work

A comprehensive data review was undertaken by Spitfire in conjunction with Marston during previous reporting periods. This was to gain an understanding of the geology and to ascertain the exploration process. Results of this work were noted in the previous annual reports.

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

The drilling program comprised:

- A site visit by Spitfire representatives to finalise the drill collar locations;
- A Work Program Application (WPA) was submitted to MRT on the 19th January 2010 and granted on the 10th February 2010;
- Marston supervised the drilling program within the tenement;

- Engaging KMR Drilling (a local drilling contractor) to conduct the drilling operations;
- The drilling program consisted of 11 drillholes (8 diamond and 3 RAB) for a total aggregate of 682 metres (see Figure 2);
- Samples were collected and submitted to SGS in Newcastle for analysis;
- Down hole Surveying was completed on all drill collars where possible; and
- 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.

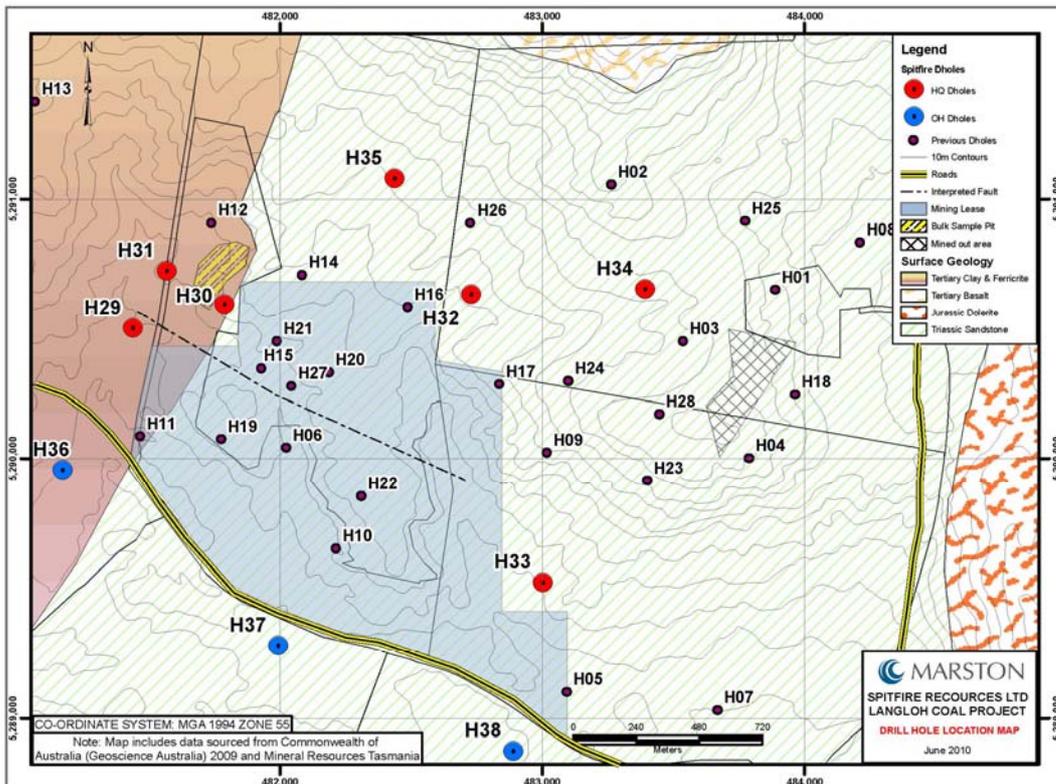


Figure 2: EL 28/2008 - Langloh 2010 Drill Hole Location Map

Only partial results of the drilling program were available during the previous reporting period. However, utilising the preliminary data, three coal seams were identified with an average of 3.6m in cumulative seam thickness and a coal resource was delineated.

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 the detailed assessment 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 completion of the drilling program via the assessment of the analytical results received

from the laboratory testwork and interpretation of the results from the geophysical down-hole surveying.

4. Results

Spitfire collected 12 coal seam and coal seam composite samples from the Langloh Project that were submitted for float-sink testing, with key results summarized below:

- export quality thermal coal product can be produced with an average apparent yield of 60%;
- the average indicative product quality is 14.3% ash, 0.4% total sulphur, with a calorific value of 27.0 Mj/kg (6448 kcal/kg) – all values reported on air dried basis;
- the average Hardgrove Index of >89 indicates that product coal will mill easily; and
- the ash fusion temperature for initial deformation of 1,246°C and base acid ratio of 0.33 indicate satisfactory boiler slagging and fouling characteristics.

Indicoal, in conjunction with Marston, has subsequently commenced a detailed 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 EL28/2008 in June 2011 and has commenced assessment of all previous works within the tenement to advance the development options for the project.

Spitfire conducted the majority of the exploration works within EL28/2008 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 program via the assessment of the analytical results received from the laboratory testwork and interpretation of the results from the 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 Langloh Project has the potential to significantly increase Indicoal's current reported coal resources within the tenement.

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 and further work comprising detailed studies, geological works, additional drilling and sampling, metallurgical laboratory testwork, infrastructure studies and assessing all development options may be conducted during the next reporting period.

Planned expenditure for the next reporting period for EL28/2008 is listed below:

| Type | Contractor | Cost |
|-----------------------------------|--------------------|------------------|
| Consultation fees | Marston | \$35,000 |
| Project Development Assessment | Black Rock/Marston | \$30,000 |
| Drilling Costs | KMR | \$45,000 |
| Administration | Blackrock/MRT | \$10,000 |
| Clearance and Environmental | Marston | \$5,000 |
| | | |
| Proposed Total Expenditure | | \$125,000 |

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 rehabilitated to local environmental standards.