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ANNUAL REPORT – GIPPS CREEK ROAD EL 23/2010
BLACK ROCK ENERGY PTY LTD
a subsidiary of Indicoal Mining Australia Pty Ltd

Annual Report
Exploration Licence 23/2010
201012 – 201111
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20111220

Abstract

The exploration licence 23/2010 at Gipps Creek Road (18km NW) is viewed as prospective for coal, and is referred to as the Avoca (Extension) Project, as the tenement is adjacent to the Company's tenement - EL27/2008, referred to as the Avoca Project. The Avoca (Extension) Project comprises a granted tenement covering an area of 123km², 18km NW of the town of Avoca. The objective of the first year's phase of work within the tenement was to add value by conducting an initial exploration program comprising reviewing historical data, geological ground mapping, data acquisition search and planning of additional detailed works for assessment of the development potential of the project area.

Marston International Pty Ltd (Marston) was assigned to manage the geological works in conjunction with the Avoca Project (EL27/2008).

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 November 2011.

The current tenement holder of exploration licence 23/2010, 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 1st annual report covers exploration works conducted within tenement EL23/2010, referred to as the Avoca (Extension) Project, which is in the district of Avoca (see Figure 1) within the reporting period of December 2010 to November 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 part of works during the reporting period.

Indicoal's objective at the Avoca (Extension) Project is to gather more detail on the extent of the coal seams and resource potential to determine the development potential. Historical works in the tenement area and associated works in the adjacent Avoca tenement have identified the presence of coal seams. Historical drilling around the Avoca region has defined a known area of coal seams and has provided some basic data on coal quality. However, there is not enough information at this stage to consider the coal prospectivity of the project.

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 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.

This report refers to the tenement number EL23/2010 which is in the district of Avoca, roughly 18km NW of the Avoca Township (see Figure 1).

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 reporting period for this licence report is 23 December 2010 (when the tenement was granted) to November 2011.

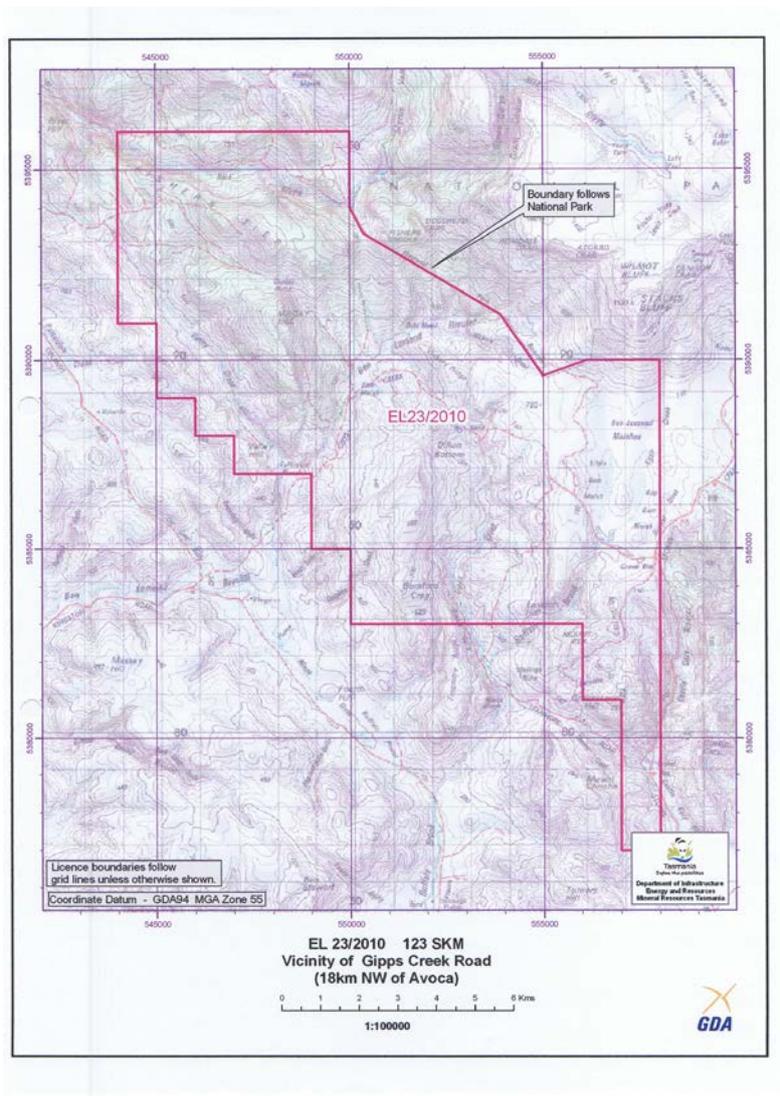


Figure 1: EL 23/2010 Location Map

2. Review of Previous Work

A preliminary data review was undertaken by Spitfire in conjunction with Marston and in association with the adjacent Avoca Project tenement. This was to gain an understanding of the geology and to ascertain the exploration process.

This is the first annual report for EL23/2010, and as such, no previous works were carried out by the tenement holder.

3. Exploration Completed During the Report Period

Exploration works conducted by BRE during the current reporting period comprise works conducted by the current tenement owners and Spitfire. This involved reviewing historical data, geological ground mapping, data acquisition search and planning of additional detailed works for the next reporting period to help determine the prospectivity of the project area.

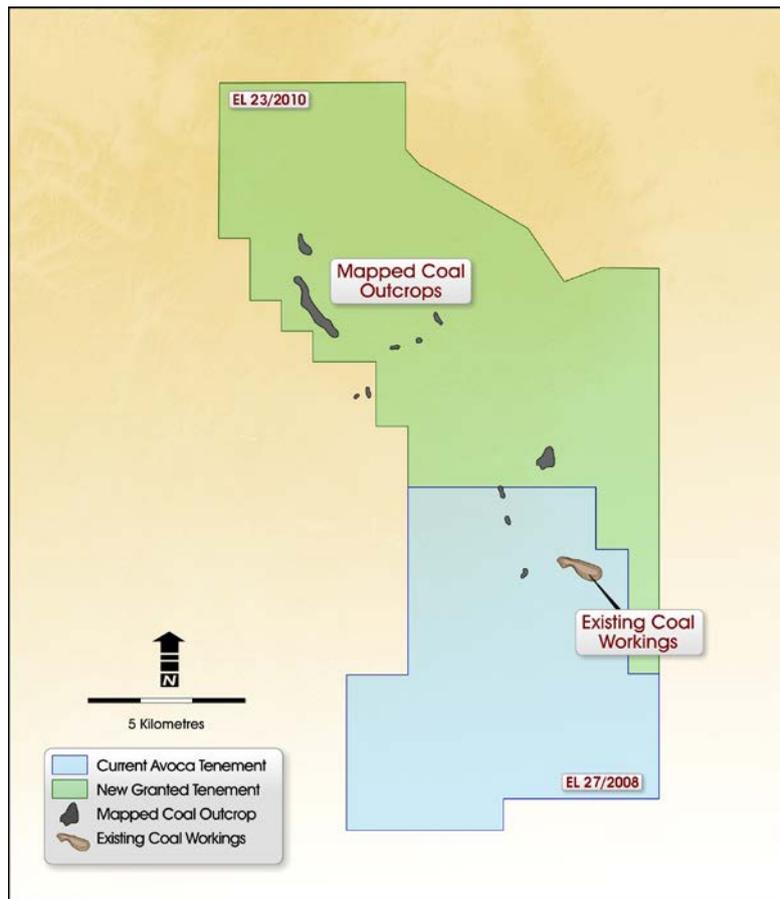


Figure 2: EL 23/2010 Coal Outcrop Map (with EL27/2008)

4. Results

The desk top studies and data searches, in association with works conducted within EL27/2008, provided the basis for completing an initial geological ground mapping exercise. This produced a coal outcrop map (see Figure 2) and will be used to create a coal seam correlation map for planning more detailed works during the next reporting period.

A further assessment of results derived during the current reporting period will be conducted during the next reporting period, and may lead to further detailed work comprising detailed studies, geological works, drilling and sampling, and metallurgical laboratory testwork during that period. These possible works within EL23/2010 will be conducted together with any works planned for EL27/2008. As such, Indicoal, in conjunction with Marston, will commence planning to conduct a drilling program within EL23/2010 and EL27/2008 during the next reporting period.

5. Conclusions

Indicoal acquired EL23/2010 in June 2011 and commenced assessment of all previous works within the tenement to determine the development pathway of the project area (including EL27/2008).

Exploration works were conducted within EL23/2010 for coal during the current reporting period, comprising desk-top studies and historical data review, geological ground mapping, data acquisition search and planning of additional detailed works for the next reporting period to help determine the prospectivity of the project area. The objective of the exploration was to locate and delineate coal seams.

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 EL23/2010 will be conducted in conjunction with the more advanced EL27/2008, which is located to the south of EL23/2010 and is the more advanced project in terms of exploration works conducted.

Estimated expenditure incurred during the current reporting period is approximately \$25,000, whilst proposed minimum expenditure for the next reporting period for EL23/2010 is listed below:

Type	Contractor	Cost
Consultation fees	Marston	\$15,000
Technical Assessment	Black Rock/Marston	\$5,000
Drilling Costs	KMR	\$45,000
Administration	Blackrock/MRT	\$5,000
Clearance and Environmental	Marston	\$5,000
Mapping and evaluation	Marston	\$5,000
Proposed Total Expenditure		\$80,000

Based on the estimated expenditure incurred for the current reporting period and proposed minimum expenditure planned for the next reporting period, the combined expenditure meets the current tenement conditions for the first two years of the term of the licence.

6. Environment

No environmental clearance works were conducted nor obtained from MRT during the reporting period.