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Annual Report

Exploration Licence 28/2008

201007 – 201211

20121105

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 current tenement holder of exploration licence 28/2008, Black Rock Energy Pty Ltd ("BRE"), was acquired by Indicoal Mining Australia Pty Ltd ("Indicoal") on 6 June 2011.

Golder Associates Pty Ltd ("Golder") was appointed by Indicoal to conduct a Concept Mining Study. The objective of this study was to assist Indicoal in evaluating the feasibility of developing the Langloh Project and support Indicoal's application for issuance of a mining lease.

Subsequently, Golder was also appointed by Indicoal to draft a Notice of Intent (NOI). The NOI is a formal notification to the EPA and the Minerals Department of Indicoal's intent to obtain environmental approvals and a mining licence with the intention of developing the Langloh Project.

Further, Coal Plus Pte Ltd (Singapore) was appointed by Indicoal to evaluate the Indian power sector, status of the Indian coal demand, regulatory environment and identification of potential coal off takers for coal to be produced by the Langloh Project. Discussions have also commenced with Meenakshi Energy Pvt. Ltd., an India based power producer, for long-term coal supply agreement.

Indicoal has also had preliminary discussions with TasRail and TasPorts to transport the coal from the Langloh Project site to a port for exports.

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1. Introduction

This report covers work 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 November 2011 to October 2012 ("Reporting Period"). The current tenement holder is BRE, which is a subsidiary of Indicoal. Indicoal acquired the tenement via its acquisition of BRE from Spitfire on 6 June 2011.

During the Reporting Period, Golder completed a Concept Mining Study on the Langloh Project. The Concept Mining Study shall form the basis for Indicoal's application for a mining licence to develop the Langloh Project. Indicoal has appointed Golder to also file a Notice of Intent with the EPA and the Minerals Department to initiate the process for completing an environmental impact assessment of the Langloh Project and obtain all environmental approvals required to commence development of the Langloh Project. Indicoal also appointed a Singapore-based consultant Coal Plus to evaluate the Indian power sector, status of the Indian coal demand, regulatory environment and identification of potential coal off takers for coal to be produced by the Langloh Project.

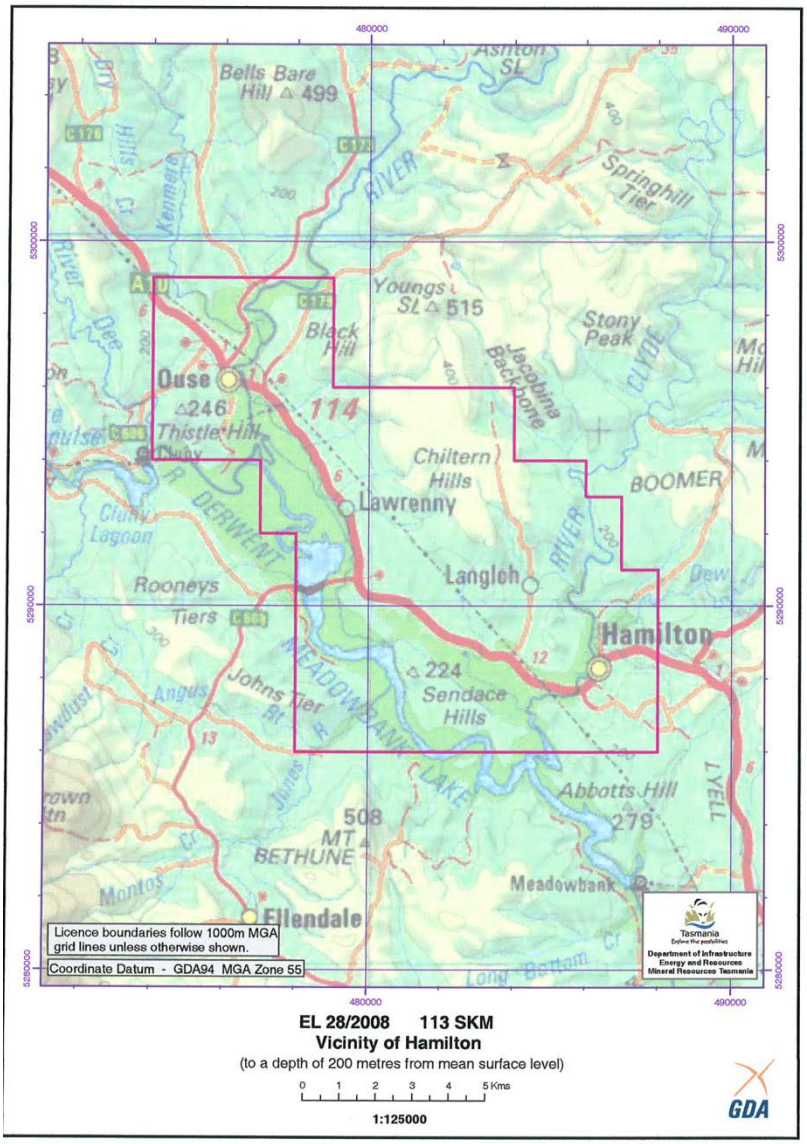

Figure 1: EL28/2008 Location Map

2. Review of Previous Work

A comprehensive data review was undertaken by Spitfire in conjunction with Marston during previous reporting periods. The purpose 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 11drillholes (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.

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.

3. Exploration Completed During the Report Period

Golder completed Concept Mining Study for Indicoal during the report period. This involved a study of geological, mining and infrastructure plans of the project in order to support a mining lease application. It also included a study of local geology of the deposit and an investigation of previous exploration programs within and surrounding the area of interest.

Golder compiled a borehole database using both historical and recent data to construct a geological model. In construction of the borehole database, Golder has utilised a variety of historical resources including;

- Capricorn Mining Ltd. Annual and Quarterly Reports
- Coal quality analysis reports produced by the Australian Mineral Development Laboratories (AMDEL) and SGS Australia Pty Ltd.
- Float-Sink data by SGS Australia Pty Ltd
- Geophysical logging data and reports by BPB Ltd
- Geophysical logging data and reports by Mitre Geophysics Pty Ltd
- Geophysical logging data and reports by Groundsearch Australia Pty Ltd
- Lithological logging data by Petrecon Australia
- Lithological logging data by Marston International Pty Ltd

Historical data from these sources was collated, cross referenced and verified in order to produce the project's final geological model.

A borehole database of available assays was constructed in-line with JORC requirements. The constructed database was imported into Maptek Vulcan software allowing for 3D geological modelling of the Langloh project.

In order to produce reliable results, Golder has ensured that all data had been verified and validated. Where this was not possible, discretion was used to amend or totally remove the data from the database.

Based on this model, an estimate of in-situ resources has been calculated and reported in accordance with the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code" 2004 edition (JORC) guidelines.

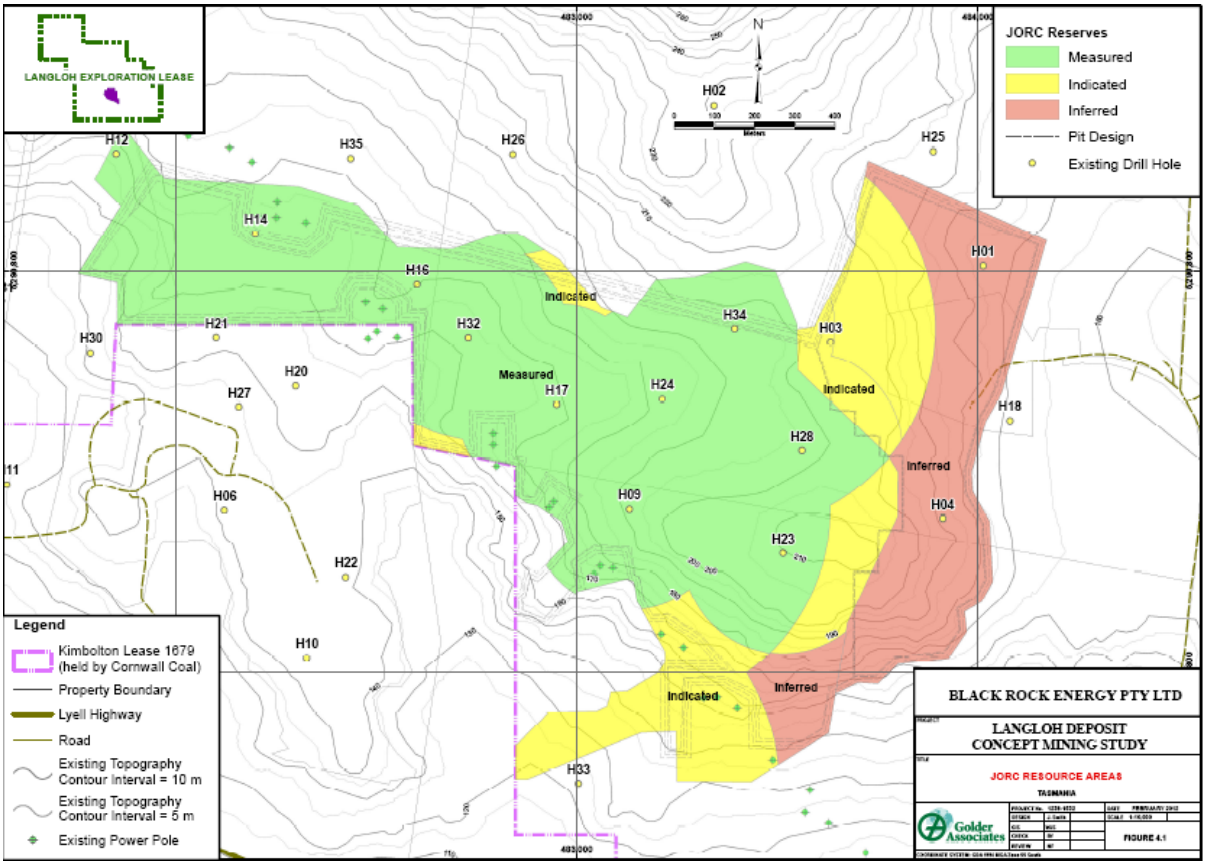

Figure 2: JORC Resource Areas

Golder also estimated Run-of-mine (ROM) coal tonnage, but this is not JORC compliant and has been only used to calculate conceptual production schedule, equipment requirements and financial estimates.

A unit based cost analysis consistent with a conceptual level study has also been conducted in order to estimate the economic validity of the mine plan. Due to conceptual nature of this study, an accuracy of +/-35% is to be expected as per Golder estimates.

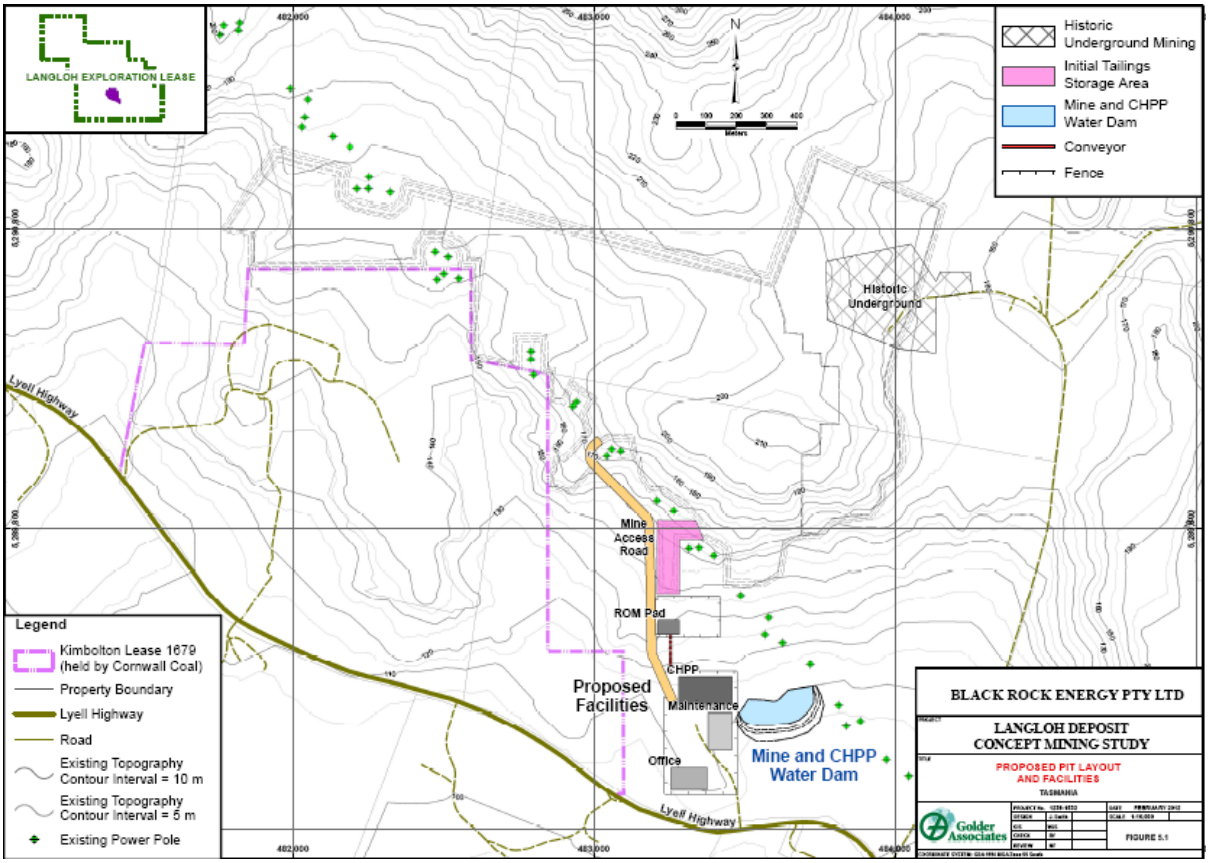

Figure 3: Proposed Pit Layout and Facilities

4. Results

Coal resources

Based on the current drilling information, Golder has estimated that the Langloh deposit contains 8.1 million tonnes (MT) of in-situ coal resources as detailed in table below;

Description	Coal resources (tonnes)	Moisture (% adb)	Ash (% adb)	Volatile Matter (% adb)	Fixed Carbon (% adb)	Calorific Value (MJ/kg adb)	Sulphur (adb)
Measured	5,500,000	4.6	25.7	17.3	52.5	23.8	0.31
Indicated	1,200,000	5.2	28.9	19.2	46.7	24.1	0.32
Inferred	1,400,000	4.9	27.7	18.3	49	24.8	0.30
Total	**8,100,000**	**4.7**	**26.5**	**17.7**	**51**	**24**	**0.31**

As can be seen in the table above nearly 68% of the resources are within a measured confidence level while nearly 83% of the total is measured and indicated status.

Given the high in-situ ash content of the seams, the option of washing coal has been evaluated. It is estimated by Golder that Langloh coal can be washed to obtain a product coal yielding 83% of ROM coal, containing 18% ash (adb), CV of 25.9 MJ/kg with a product moisture content of 8% (arb).

Production schedule

Golder designed a conceptual pit shell for use in designing a life-of-mine production schedule. Based on this design, Golder determined that the Langloh project could have a mine life of 8 years and produce a total of 6.7mt of coal. Average annual production is estimated at 910,000 tonnes.

This is subject to assumption of adequate mine and logistics infrastructure support, as the logistics options are still being evaluated and may prove to be a limiting factor (especially the rail capacity in Tasmania).

Life-of-mine production schedule;

Year	Coal tonnage (ROMt)	Waste Volume (bcm)	Stripping Ratio (bcm/ROMt)
1	400,000	1,900,000	4.8
2	850,000	4,500,000	5.3
3	910,000	5,500,000	6.0
4	910,000	5,500,000	6.0
5	910,000	5,600,000	6.2
6	910,000	5,600,000	6.2
7	910,000	5,600,000	6.2
8	900,000	5,100,000	5.7
Total	**6,700,000**	**39,300,000**	**5.9**

Equipment selection

Given the size and shape of the Langloh project combined with annual waste and coal production, Golder determined that the mining method would be an open cut excavator/truck fleet operation supported by production dozers.

Golder selected an excavator truck/fleet that could accommodate waste removal and coal mining activities. The primary equipment selected is:

1. Hitachi EX1900- Hydraulic Backhoe, 12 cu.m. bucket capacity - 1
2. Caterpillar 777F End Dump Haul Trucks, 91-tonne capacity – 4
3. Caterpillar D11T Dozers, 611kW - 3
4. Driltech D45KS Drill, 152mm bit diameter -1.

Labour

To operate, maintain and supervise the mine, Golder has estimated that c20 operations personnel, 8 maintenance personnel and 11 salaried personnel would be required to sustain operations assumed at 1 shift of 12 hours per day and 6 days a week.

Transportation logistics

3 possible alternatives have been identified to transport coal from mine to port;

- Truck haulage across 250kms distance from mine to Bell Bay port;
- Part truck part rail haulage to Bell Bay port;
- Barging the coal down the river to a ship loading point off the coast of Hobart.

Indicoal also executed a Costs Agreement with TasPorts for TasPorts to provide advice in relation to the potential options for the exporting coal produced by the Langloh Project, using TasPorts' infrastructure and facilities.

Project Potential

Golder has estimated a positive return on investment for the Langloh project in both scenarios – when coal is washed as well as when coal is not washed.

The details of actual expenditure during the report period are shown in table below;

Expense Category	**A$**
Geology & Other	17,498
Feasibility costs	366,827
Administrative costs	38,432
Total YTD	**422,757**
Proposed total expenditure from previous annual report	385,000

5. Conclusions

In the next reporting period, Indicoal intends to prepare a mine development plan for Langloh project to be implemented upon receipt of all environment clearances and the receipt of the mining lease. Upon receipt of necessary approvals and after effective stakeholder engagement and subject to market conditions, the company intends to commence implementation of the mine development plan.

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

Proposed expenditure	**A$**
Environmental study	60,000
Mine development Plan	8,000
Administrative costs	6,800
Total	**74,800**

6. Environment

There were no activities that could have caused environmental disturbance during the reporting period.

During the reporting period, Golder has submitted a draft Notice of Intent on behalf of Indicoal for the project. The purpose of NOI is to:

- Provide formal notification of Indicoal's intention to develop the Langloh Coal Project.
- Initiate the environmental approvals process with the Environment Protection Authority Tasmania (EPA) under the *Environmental Management and Pollution Control Act* 1994 (EMPC Act).
- Initiate the development assessment process with the Central Highlands Council (Council).
- Outline the proposed project, including its potential economic, social and environmental benefits.
- Describe the existing environment and potential environmental impacts of the project.
- Outline high-level management and mitigation measures that are will minimise adverse environmental impacts as a result of the project.
- Provide sufficient information to allow the EPA to determine the appropriate level of environmental assessment for the project.

This NOI has been prepared in accordance with Section 27B of the EMPC Act.

A desktop environmental baseline study will be undertaken as part of the approvals process. This will involve the review of existing data to identify the key environmental factors likely to be impacted by the project. It is expected that these impacts can be managed or mitigated through careful planning of the project and through consultation with relevant stakeholders. In order to establish the nature of these impacts and to develop management and mitigation measures, further specialist studies will be undertaken and incorporated into the environmental permitting documents. The studies proposed to be undertaken at this point include the following;

- Native flora and fauna
- Groundwater impacts
- Ore and waste geochemistry
- Surface water and site water management
- Air quality
- Greenhouse gas
- Infrastructure and Transport
- Rehabilitation and mine closure

Indicoal is committed to establishing and maintaining relationships with its stakeholders and has put in place a framework for engagement, which will be implemented during the NOI and environmental scoping phase. Targeted consultations are planned with the following identified groups or individuals:

- Landholders impacted by the project footprint
- Regulators – such as EPA, MRT, Council
- Key government representatives – Minister for Energy and Resources and Minister for Environment, Parks and Heritage.
- Other stakeholders have been identified for consultation in subsequent stages, following the submission of the NOI and during the environmental impact assessment phase, and include:
- Hamilton community
- Ouse community
- Industry groups
- Conservation groups.

A Stakeholder Engagement Plan (SEP) has been prepared for this preliminary phase of approvals and will be regularly reviewed and revised, following each stage of consultations. During the first stage of consultations, targeted project briefings (meetings) will be held with regulators (including the Council) and key government representatives. Indicoal will be represented at these briefings by key staff and personnel from its environmental consultancy, Golder. The briefings will include a Powerpoint presentation and delivery of a project fact sheet. Summary information to be covered in this material includes:

- How will the product be mined?
- Where will the product go – potential markets?
- What are the transport routes?
- How many people will the project employ?
- What environmental studies will be completed?
- What is the overall project/approvals schedule?
- How will community / stakeholder views be considered?

To conclude, Indicoal intends to take every care to fully understand, plan for and minimise the environmental impact from the planned mining activities at Langloh.

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ADDENDUM

to

Annual Report

Exploration Licence 28/2008

201007 – 201210

20121105

REVIEW OF YEAR 4 WORK PROGRAM - 2012

The progress during previous year (year 4 included);

- Completion of a Concept Mining Study by Golder Associates. The objective of this study was to assist Indicoal in evaluating the feasibility of developing the Langloh Project and support Indicoal's application for issuance of a mining lease.
- Completion of a Notice of Intent ("NOI") by Golder Associates on behalf of Indicoal. This NOI will be sent by Golder Associates, on behalf of Indicoal, to the EPA and other stakeholders in support of its application to secure environmental approvals from the EPA to commence development of the Langloh Project.
- Commencement of a study by Coal Plus Pte Ltd. (Singapore) to evaluate the Indian power sector, status of the Indian coal demand, regulatory environment and identification of potential coal off takers.
- Finalization of discussions and negotiations for a long term coal supply agreement with Meenakshi Energy Pvt. Ltd., for use of coal in their 300-MW coal fired power plant in India
- Execution of Costs Agreement with TasPorts for TasPorts to provide advice in relation to the potential options for the exporting coal produced by the Langloh Project, using TasPorts' infrastructure and facilities.
- Conceptual study of logistics alternatives for transport of coal from Langloh Project site to a suitable Tasmanian port for export.

Considering the results of the Conceptual Mining Study and the market study, Indicoal has reached a conclusion that the Indian power sector is likely to be the optimal market for the sale of coal to be produced by the Langloh Project.

YEAR 5 WORK PROGRAM - 2013

The year 5 program will include;

- Prepare a mine development plan for the Langloh Project to be implemented upon receipt of all environment clearances and the mining lease.
- Formally submit the Notice of Intent to EPA and other stakeholders to obtain all the necessary environmental approvals to commence development at the Langloh Project.
- Apply to Department of Mineral Resources Tasmania for the issuance of a mining lease.
- Upon receipt of the environmental approvals and the mining lease and subject to market conditions, commence implementation of the mine development plan.
- Commence development of the logistics infrastructure upon confirmation of the logistics solution for transporting the coal from the mine site to an export port.
- Identification of potential contractors for mining and provision.

- Commence negotiations and documentation with various suppliers for provision of contract mining services.

The revised planned expenditure for the next reporting period for EL28/2008 is listed below:

Proposed expenditure	**A$**
Environmental study	60,000
Mine development Plan	8,000
Administrative costs	6,800
Total	**74,800**

The works outlined above will form the basis of works to be carried out for the project during the 5th year of the tenement. Indicoal/Black Rock Energy intends to develop the Langloh project further and take the project closer to a mining license.