# EXPLORATION LICENCE 27347
## PARTIAL RELINQUISHMENT REPORT
### FOR PERIOD ENDING 3 NOVEMBER 2010

<table>
<thead>
<tr>
<th>Titleholder</th>
<th>Tri-Star Energy Company</th>
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<tbody>
<tr>
<td>Operator</td>
<td>Tri-Star Coal Operations LLC</td>
</tr>
<tr>
<td>Titles/Tenements</td>
<td>EL 27347</td>
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<tr>
<td>Project Name</td>
<td>Pedirka Basin Project</td>
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<tr>
<td>Report Title</td>
<td>Exploration Licence 27347 Partial Relinquishment Report for Period Ending 3 November 2010</td>
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<tr>
<td>Author(s)</td>
<td>Ms Sophie Love, Land &amp; Contracts Manager and Mr James Butler, Geologist</td>
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<tr>
<td>Target Commodity</td>
<td>Coal and Base Metals</td>
</tr>
<tr>
<td>Contact Details</td>
<td>Tri-Star Energy Company</td>
</tr>
<tr>
<td></td>
<td>PO Box 7128 Riverside Centre</td>
</tr>
<tr>
<td></td>
<td>Brisbane QLD 4001</td>
</tr>
<tr>
<td></td>
<td>Ph: 07 3236 9800</td>
</tr>
<tr>
<td></td>
<td>Fx: 07 3221 2146</td>
</tr>
<tr>
<td></td>
<td>Email: <a href="mailto:brisbane@tri-starpetroleum.com">brisbane@tri-starpetroleum.com</a></td>
</tr>
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SUMMARY

Section 32 of the **Mining Act** requires the submission of a Relinquishment Report prepared by the titleholder for each current Exploration Licence. This Relinquishment Report for EL 27347 offers a summary of activities undertaken on the relinquished area in the past 12 months, including any results produced by these activities.

EL 27347 was granted 6 November 2009 for a term of six (6) years, to commence 4 November 2009. Tri-Star Energy Company is the sole titleholder of EL 27347 and Tri-Star Coal Operations LLC is the operator of the tenure. EL 27347 was recently joined to a group of licences (by way of combined technical reporting) that were assembled to create a large area that could feasibly be exploited as a coal producing area. The area covered by the group of licences will be referred to as the “Project Area”. Tri-Star Energy Company anticipates that this Project Area will ultimately create a large economic mining project.

The work program for EL 27347 during its first year of operations consisted of a geological and geophysical review of existing data and information towards determining the location of Permian coals within the Purni Formation and specifically, their depth, thickness, lateral extent and quality. It also required mapping activities and the determination of a drilling and/or seismic program moving forward. No field activities were conducted over the relinquished area during the first year of the licence.

During the first year of EL 27347, Tri-Star spent considerable time in investigating and re-analysing the seismic data, water bored and other geological and geophysical data over EL 27347 and the surrounding tenures in the Project Area. The data was highly promising and has therefore caused Tri-Star to revise and improve the original drilling program for the Project Area, to incorporate an ironstone deposit. The ironstone formation, located in between the De Souza and Crown Point Formation, is believed to be temporarily contemporaneous with the deeper Permian Purni coals to the North-East, which are also of great interest to Tri-Star. Office-based studies, however, have determined that it is unlikely that the coal seams extend to the western-most central area of EL 27347 and therefore, Tri-Star has relinquished 45 sub-blocks, approximately 13 per cent (%) of EL 27347.

Tri-Star has met all work and expenditure commitments for EL 27347 for the first year of the term.

INTRODUCTION

EL 27347 was granted to Tri-Star Energy Company on 6 November 2009, with the term to commence on 4 November 2009, and covered an area of 339 sub-blocks, approximately 1,038.45 square kilometres. On 5 October 2010, Tri-Star Energy Company forwarded to the Department a proposal to voluntarily relinquish 45 sub-blocks and to retain 294 sub-blocks, as shown in Figure 1. Tri-Star was notified by the Department on 4 January 2011 that our relinquishment proposal was approved. The relinquished blocks are identified in each of the Figures forming part of this report.

EL 27347 is located approximately 23 kilometres West of Finke in the southern Northern Territory near the border between the Northern Territory and South Australia, as shown in Figure 2. This tenure is geologically located over the Eromanga, Pedirka and Amadeus Basins, as shown in Figure 3.
FIGURE 2
FIGURE 3
The topography of the permit area is shown in Figure 4. The tenures are traversed by various property access roads and tracks between the many dams and water bores. The tenures are located on the Finke 1:250,000 map sheet, the Beddome 1:100,000 map sheet and the Oodnadatta 1:1,000,000 map sheet.

Tri-Star’s exploration rationale and objectives for EL 27347 consider the evaluation of the coal potential of the Permian Purni Formation, which contains coal seams that are likely to be correlatives of Upper Permian coal measures found in Queensland’s Bowen Basin. Exploration activities are intended to locate the sub-crop edge of the Purni Formation and Tri-Star’s activities have greatly narrowed the area in which the sub-crop is located. A further drilling and seismic program has been planned over the Project Area to identify the precise coal subcrop location over the Project Area. The coal quality in the Project Area and actual local lateral extent of the coals will be revealed through a comprehensive core drilling program over the Project Area.

Exploration activities on other tenures within the Project Area also uncovered a large ironstone deposit, which Tri-Star is aggressively exploring. In 2009, Tri-Star undertook a seismic survey program to delineate the shape of a large ironstone deposit. After evaluating the processed seismic sections gathered in the field program, Tri-Star has concluded that the deposit does not extend to the western-most area of EL 27347, and that the deposit is wholly located in the North-East of the Project Area.

HISTORY OF TENURE

EL 27347 was granted to Tri-Star Energy Company for six (6) years commencing 4 November 2009, as the sole titleholder and operator. Tri-Star Energy Company has recently nominated Tri-Star Coal Operations LLC as the operator of this tenure. After relinquishing 45 sub-blocks, the permit is now comprised of 294 sub-blocks located West and South-West of Finke. The permit area is located over surface lands that have not extinguished native title and which are currently comprised primarily of Perpetual Pastoral Leases, as shown in Figure 5.

EL 27347 originally comprised of 339 sub-blocks when it was granted to Tri-Star Energy Company on 6 November 2009. The 339 sub-blocks were described as follows:

<table>
<thead>
<tr>
<th>Table 1: SUB-BLOCK IDENTIFICATION TABLE</th>
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<tbody>
<tr>
<td>Block</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>SG531325</td>
</tr>
<tr>
<td>SG531397</td>
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</table>
Tri-Star has relinquished 45 sub-blocks, approximately 13 per cent (%), of EL 27347. Tri-Star has relinquished 45 sub-blocks, as shown in Table 2 below, retaining 294 sub-blocks.

<table>
<thead>
<tr>
<th>Block</th>
<th>Relinquished Area</th>
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</table>

**REGIONAL GEOLOGY**

The Pedirka Basin is an intracratonic basin located across the border between the Northern Territory and South Australia in central Australia, with the majority of the basin area occurring in the Northern Territory. The geologic units it contains are Permo-Carboniferous in age and are correlative with sediments of the Cooper and Officer Basins.

The eastern part of the Pedirka Basin is covered by a thin section of units of the Simpson Basin, which are Triassic in age. The sections of these two basins are then in turn overlain by a thicker succession of Eromanga Basin units, which are Jurassic-Cretaceous in age. Where the Simpson Basin section is absent, the Pedirka Basin is directly overlain by sediments of the Eromanga Basin. The primary structural features of the Pedirka Basin are the Eringa and Madigan Troughs separated by the McDills Anticline.

Table 3 below provides a stratigraphic table of the Pedirka Basin, and the overlying Simpson (where present) and Eromanga Basins. These basins are also overlain by a shallow section of fluvial and Aeolian units of the Eyre Basin, which is found at the surface.

<table>
<thead>
<tr>
<th>Basin</th>
<th>Age</th>
<th>Stratigraphy</th>
</tr>
</thead>
<tbody>
<tr>
<td>EYR</td>
<td></td>
<td>Recent sediments</td>
</tr>
</tbody>
</table>
PERMIT AND RELINQUISHMENT AREA GEOLOGY

The tenure is geologically located over the Eromanga, Amadeus and Pedirka Basins. Within the tenure area, units of the Pedirka Basin overlie the southern part of the Amadeus Basin and the Pedirka Basin section is predominantly covered by a substantial section of Cretaceous-Jurassic units of the Eromanga Basin. It is believed that Simpson Basin units are absent from the stratigraphic section in this area as it is located west of that basin’s margin.

The topography of the permit area, highlighted in Figure 4, show that Porcupine Dam, Lucky Dam and Parakylia Dam overlay EL 27347. Goyder Creek also runs through the middle of EL 27347 from East to West. The North-East section of the tenure is covered by sand ridges of approximately 10 metres in height.

Tri-Star has relinquished 45 sub-blocks, from the central western area of the tenure. The area relinquished has been determined to be furthest from any potential economic zone in the Project Area.

EXPLORATION OBJECTIVES AND RATIONALE

The product targets of the exploration program are the coal and ironstone measures that occur in the upper portion of the Purni Formation. Tri-Star currently holds a total of 12 granted Exploration Licences for mineral exploration in the Northern Territory. These tenures cover some of the central and western parts of the basin. Therefore, Tri-Star is currently conducting exploration for the target coals from a basin-wide perspective. The objective of Tri-Star’s exploration program on these tenures for the current year is to
FIGURE 5
identify a deposit of Permian age coal from the Pedirka Basin that can be economically extracted and sold at a profit. Office-based studies have revealed that it is unlikely that the coal seam extends into the central western area covered by the tenure and Tri-Star has voluntarily relinquished 45 sub-blocks from EL 27347.

EXPLORATION ACTIVITIES CARRIED OUT ON THE RELINQUISHED AREA

EL 27347 was recently added to the Combined Technical Reporting Group titled the “Pedirka Basin Project”. Tri-Star Energy Company has also recently nominated Tri-Star Operations LLC as the operator of these tenures.

Tri-Star has studied a wide area of the western and southern portion of the Pedirka Basin to establish the geological framework of the Purni Formation coals and ironstones. To date, Tri-Star has reviewed an unconventional seismic acquisition program, fully reprocessed the results from the program and investigated information from available well logs and water well reports in the western Pedirka Basin. Tri-Star has further conducted extensive geological field mapping, surface sampling, lab analysis and designed a new seismic and drilling program for the Project Area. Tri-Star recently lodged an amended Mining Management Plan, encompassing EL 27347, with the Department and lodged an updated Risk Management Plan with NT Worksafe on 1 July 2010. In addition, Tri-Star conducted studies of the reprocessed sections of seismic gathered on the eastern edge of the basin. The seismic data was acquired by an Australia Company, Velseis Pty Ltd, during Tri-Star’s exploration program over other tenures in the Pedirka Basin Project in February 2009. This program was the first seismic survey conducted over the northwestern part of the Pedirka Basin. There is currently no seismic data or petroleum well data available over EL 27347, as shown in Figure 6.

Tri-Star initially applied for EL 27347 on the basis of its understanding of the surface geology, as shown in Figure 7, and designed a staged work program to confirm Tri-Star’s geological concept of the remote area and explore for commercial Purni coals. EL 27347 is generally covered with outcrops of the Carboniferous Langra sandstone and the Permian/Carboniferous Crown Point Formation. Tri-Star’s target formation was, and continues to be, the Early Permian Purni Formation, as this is the only coal-bearing formation in the Pedirka Basin. Since the Crown Point Formation outcrops should be stratigraphically adjacent to the Purni Formation, areas containing these outcrops may contain shallow subsurface Purni coal Formations. This was the exploration rationale for EL 27347 as Tri-Star commenced its work programs in the Project Area.

After the first program of field activity, which was focused on seismic, Tri-Star initially concluded that the Purni Formation extended much further west than originally anticipated. Therefore, EL 27347 became a target area for the subsequent work program. Since the Purni Formation outcrops appear to terminate to the east or northeast of EL 27347 and because the seismic results show a decreasing thickness as the Purni comes updip out of the basin, Tri-Star has concluded that the Purni Formation does not extend as far west as the central western area covered by EL 27347. Therefore, Tri-Star has decided to relinquish 45 sub-blocks, approximately 13 per cent (%) of EL 27346 and retain 294 sub-blocks, as these remaining sub-blocks are closer to the potential economic zone.
Figure 6

Legend
- Petroleum Wells
- Seismic Lines
- EL27347 Relinquishment Area

TRI-STAR ENERGY COMPANY
EL27347 Relinquishment Area
Data Summary Map
2011
Legend

EL27347 Relinquishment Area

TRI-STAR ENERGY COMPANY

EL27347 Relinquishment Area
Surface Geology Map
2011

FIGURE 7
REPORTS LODGED DURING THE REPORTING PERIOD

An annual report and annual expenditure statement for EL 27347 was lodged on 3 December 2010. Tri-Star Energy Company believes that there were no other reports that were required to be lodged during this period.

CONCLUSIONS

Tri-Star Energy Company has made great progress towards locating the coal subcrop of the Permian Purni Formation coals, as well as identifying their depth, thickness, lateral extent and quality through field operations and office-based studies during the reporting period.

Tri-Star conducted office-based studies including the processing and reprocessing of the available seismic data surrounding EL 27347 obtained from field operations over other tenures in the Project Area, water well analysis, gathering seismic and well data from South Australia, further extensive geological mapping and research of previous exploration data.

Office-based studies in relation to this tenure and over the Project Area have indicated that the Purni coal do not extend to the central western area covered by EL 27347. Tri-Star Energy Company has therefore relinquished 45 sub-blocks, approximately 13 per cent (%) of the tenure area, and has retained the most prospective 294 sub-blocks.
BIBLIOGRAPHY


