Titleholder: Tri-Star Energy Company ARBN 089 539 695
Operator: Tri-Star Coal Operations LLC ARBN 138 462 281
Titles / Tenements: EL 27219
Project Name: Pedirka Basin Project
Report Title: Partial Reduction Report for Exploration Licence 27219 for Period Ending 3 November 2013
Date of Report: 20 December 2013
Target Commodity: Coal and Base Metals
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SUMMARY

Pursuant to section 94(2)(e) of the Mineral Titles Act 2010 (NT) and regulation 86(4) and (5) of the Mineral Titles Regulations 2011 (NT) requires the submission of a Partial Reduction Report prepared by the titleholder about the work carried out up to time part of an exploration licence ceases to be in force. This Reduction Report for EL 27219 offers a summary of activities undertaken on the reduced area, including any results produced by these activities.

EL 27219 was granted 6 November 2009 for a term of five (5) years. Tri-Star Energy Company is the sole titleholder of EL 27219 and Tri-Star Coal Operations LLC is the operator of the tenure. EL 27219 is part of a group of licences (by way of combined technical reporting) assembled to create a large area that could feasibly be exploited as a coal project area.

Tri-Star has spent considerable time investigating and re-analysing the seismic data and other geological and geophysical data over EL 27219 and the surrounding tenures in the Project Area. Office-based studies, have determined that it is unlikely that the coal seams do not extend to EL 27219 and therefore, Tri-Star has reduced approximately 50 per cent (%) of EL 27219.

INTRODUCTION

Tri-Star Energy Company ("Tri-Star") is the titleholder of Exploration Licence ("EL") 27219. A submission for partial reduction of 18 sub-blocks pursuant to section 29(2) of the Mineral Titles Act 2010 (NT) ('the Act') was submitted to the Department of Mines and Energy ("DME") on 8 October 2013. The partial reduction reduced the tenure area by 18 sub-blocks, located approximately 33 kilometres North-West of Finke in the southern Northern Territory near the border between the Northern Territory and South Australia.

This report is produced pursuant to Regulation 86(1) of the Mineral Titles Act 2010 (NT), which states that the holder of an exploration licence: "must give the Minister the final report within 60 days after the mineral title has ceased to be in force for all or part of the title area".

TENURE INFORMATION

EL 27219 was granted to Tri-Star for a five (5) year period commencing 4 November 2009. The EL 27219 permit comprised of 496 sub-blocks at date of grant, approximately 1,536.73 square kilometres. On 5 October 2010, Tri-Star forwarded to the DME a proposal to voluntarily reduce 461 sub-blocks and to retain 35 sub-blocks. Tri-Star was notified by DME on 4 January 2011 that our reduction proposal was approved.

Pursuant to section 29(2) of the Act, Tri-Star was required to reduce 50% of the area of EL 27219 by the end of Year Four (4) of the licence. On 8 October 2013, Tri-Star proposed to reduce 18 sub-blocks, as shown in Figure 1. Tri-Star was notified by the DME on 1 November 2013 that our reduced proposal was approved. The reduced blocks are identified in each of the Figures forming part of this report.

GENERAL AREA INFORMATION

EL27219 is located approximately 33 kilometres North-West of Finke in the southern Northern Territory near the border between the Northern Territory and South Australia, as shown in Figure 2.

The 18 sub-blocks provided for reduction are geologically located over the Amadeus Basin, as shown in Figure 3.
Table 1 shows the sub-blocks of the reduced area.

**TABLE 1: EL 27219 Partial Reduction - 18 Sub-blocks**

<table>
<thead>
<tr>
<th>BIM</th>
<th>BLOCK</th>
<th>SUB-BLOCKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG53</td>
<td>1109</td>
<td>A, B, C, D, F, G, H, L, M, N</td>
</tr>
<tr>
<td>SG53</td>
<td>1037</td>
<td>Q, R, S, T, V, W, X, Y</td>
</tr>
</tbody>
</table>

The topography of the permit reduction area is shown in Figure 4. The tenure is traversed by various property access roads and tracks between the many dams and water bores. The reduction area is located on the Finke 1:250,000 map sheet, the Engoordina 1:100,000 map sheet and the Oodnadatta 1:1,100,000 map sheet.

**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 2 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 2: Stratigraphic Table of the Pedirka Basin**

<table>
<thead>
<tr>
<th>BASIN</th>
<th>AGE</th>
<th>STRATIGRAPHY</th>
</tr>
</thead>
<tbody>
<tr>
<td>EYRE</td>
<td>TERTIARY</td>
<td>Recent sediments, Eyre Formation</td>
</tr>
<tr>
<td>EROMANGA</td>
<td>CRETACEOUS</td>
<td>Winton Formation, Allaru Mudstone, Tooliubuc Formation, Cadna-oowe Formation, Algebuckina Sandstone, Poolowan Sandstone</td>
</tr>
<tr>
<td>SIMPSON</td>
<td>TRIASSIC</td>
<td>Peoa Peoa Formation, Walkandi Formation</td>
</tr>
<tr>
<td>PEDIRKA</td>
<td>PERMIAN</td>
<td>Purni Formation, Crown Point Formation</td>
</tr>
<tr>
<td>CARB</td>
<td>PRE-CARB</td>
<td>Undifferentiated</td>
</tr>
</tbody>
</table>

Modified after Midleton et al. 2000
PERMIT AND RELINQUISHMENT AREA GEOLOGY

The tenure is geologically located over the Amadeus Basin, Musgrave Province and Eromanga Basin. Within the project 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 reduced permit area, highlighted in Figure 4, shows that EL 27219 is surrounded by the Rumbalara Claypan Dam, the Halfway Dam, the Henbury Claypan Dam, the Miers Dam and the Mount Squire Dam. Sand ridges of approximately 5 metres in height run from the North-Western corner of the tenure to the South of the tenure. EL 27219 is generally covered with outcrops of the Carboniferous Langra sandstone and the Permian/Carboniferous Crown Point Formation.

Tri-Star has retained 17 sub-blocks of EL 27219, South-East of the reduced area. The retained area is the area that Tri-Star has determined to be closest to the potential economic zone of 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 23 granted Exploration Licences (including EL 27219) 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 is to 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 western area covered by the tenure.

AUTHORISED ACTIVITIES AND RESULTS ON REDUCTION AREA

In summary, Tri-Star has undertaken the following activities to support its decision regarding the location of the reduced area:-

- review of coal analysis and data compilations, engaged in geological mapping and transportation studies. Tri-Star has engaged with third parties, including consultants and industry bodies in relation to its exploration activities;
- geophysical surveying, acquisition of seismic data and aggressive coal drilling program over other tenures in the project area; and
- process and reprocessed available seismic data surrounding EL 27219 obtained from field operations over the Project Area.

No field work was conducted on the reduction area.

HAZARD INFORMATION

No hazard information is required, as Tri-Star Energy Company has not undertaken any field activities on the reduction area.

COAL DATA

No coal data is available, as no field activities were undertaken on the reduced area.
SUMMARY OF PREVIOUS EXPLORATION ON REDUCTION AREA

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 on adjacent tenures and office-based studies.

Tri-Star conducted office-based studies including the processing and reprocessing of the available seismic data surrounding EL 27219 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 into the areas covered by EL 27219. Tri-Star Energy Company has therefore reduced approximately 51 per cent (%) of the tenure area, totalling 18 sub-blocks, and has retained the most prospective 17 sub-blocks (approximately 49 per cent).

An extensive data review of the DME’s company report system and of their Departmental records have not identified any previous coal permits located over the reduced area of EL 27219. Therefore, no previous coal exploration or accompanying data has been identified.

REASONS FOR REDUCTION & CONCLUSIONS

The reduction area was selected from EL 27219 for the following reasons:

- To comply with the conditions of the tenure; and
- Existing data indicates coal does not greatly extend into EL 27219.

No field activities were conducted by Tri-Star within the EL27219 reduction area to provide further information. In considering the geology of the region, the potential for significant commercial Permian coal potential from the relinquishment area is considered moderate but constrained by depth. As mentioned above, there may be access and operational constraints due to the topography in these areas.
BIBLIOGRAPHY


FIGURE 1

TRI-STAR ENERGY COMPANY

EL27219
RELINQUISHMENT MAP

KEY
RED SUB-BLOCK TO BE RELINQUISHED

NORTHERN TERRITORY

25° 15' S

25° 20' S

134° 25' E

kilometres
FIGURE 2

EL27219 Location Map
2013

Legend
- Towns
- Roads
- EL27219 - Retained Area

NORTHERN TERRITORY

SOUTH AUSTRALIA

Charlotte Waters
New Crown
Finke

0 5 10 20 Km

134°30'0"E 134°45'0"E 135°0'0"E

29°30'S 29°15'S

TRI-STAR ENERGY COMPANY
FIGURE 4

EL27219 Relinquished Area
Topographic Map 2013
FIGURE 5

EL27219 Relinquished Area
Cadastral Map 2013

Legend
- EL27219 Relinquished Area
- Cacastre

Scale: 0 5 10 20 Km