



TRI-STAR ENERGY COMPANY

PARTIAL REDUCTION REPORT FOR EXPLORATION LICENCE 27348

FOR PERIOD ENDING ' NOVEMBER 2013

Titleholder	Tri-Star Energy Company ARBN 089 539 695
Operator	Tri-Star Coal Operations LLC ARBN 138 462 281
Titles / Tenements	EL 27348
Project Name	Pedirka Basin Project
Report Title	Partial Reduction Report for Exploration Licence 27348 for Period Ending November 2013
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Target Commodity	Coal and Base Metals
Authors	Jennifer Entjes, Land and Tenures Coordinator James Butler, Geologist
Contact Details	Tri-Star Energy Company PO Box 7128, BRISBANE QLD 4001
Telephone	(07) 3236 9800
Facsimile	(07) 3221 2146
Email	Brisbane@tri-starpetroleum.com

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SUMMARY

Section 94(2)(e) of the *Mineral Titles Act* 2010 (NT) ('the Act') 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. This Reduction Report for EL 27348 offers a summary of activities undertaken on the reduced area, including any results produced by these activities.

EL 27348 was granted 6 November 2009 for a term of six (6) years. Tri-Star Energy Company is the sole titleholder of EL 27348 and Tri-Star Coal Operations LLC is the operator of the tenure. EL 27348 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 in investigating and re-analysing the seismic data and other geological and geophysical data over EL 27348 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 27348 and therefore, Tri-Star has reduced approximately 50 per cent (%) of EL 27348.

INTRODUCTION

Tri-Star Energy Company ("Tri-Star") is the titleholder of Exploration Licence ("EL") 27348. A submission for partial reduction of 17 sub-blocks pursuant to section 29(2) of the Act was submitted to the Department of Mines and Energy ("DME") on 8 October 2013. The partial reduction reduced the area of tenure by 17 sub-blocks, which are located approximately 58 kilometres 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 27348 was granted to Tri-Star for a six (6) year period commencing 4 November 2009. The EL 27348 permit comprised of 332 sub-blocks at date of grant, approximately 1,022.26 square kilometres. On 5 October 2010, Tri-Star forwarded to the DME a proposal to voluntarily reduce 298 sub-blocks and to retain 34 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 27348 by the end of Year Four (4) of the licence. On 8 October 2013, Tri-Star proposed to reduce 17 sub-blocks, as shown in Figure 1. Tri-Star was notified by DME on 1 November 2013 that our reduction proposal was approved. The reduced blocks are identified in each of the Figures forming part of this report.

GENERAL AREA INFORMATION

EL27348 is located approximately 58 kilometres West of Finke in the southern Northern Territory near the border between the Northern Territory and South Australia, as shown in Figure 2.

The 17 sub-blocks provided for reduction are geologically located over the Eromanga, Amadeus and Pedirka Basin, as shown in Figure 3.

Table 1 shows the sub-blocks of the reduction area.

TABLE 1: EL 27348 Partial Reduction - 17 Sub-blocks

BIM	BLOCK	SUB-BLOCKS
SG53	1109	A, B, C, D, F, G, H, L, M, N
SG53	1037	Q, R, S, T, V, W, X, Y

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 Beddome 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

BASIN	AGE	STRATIGRAPHY
EYRE	TERTIARY	Recent sediments
		Eyre Formation
EROMANGA	CRETACEOUS	Winton Formation
		Allaru Mudstone
		Toolebuc Formation
	JURASSIC	Cadna-owie Formation
		Algebuckina Sandstone
SIMPSON	TRIASSIC	Poolowanna Sandstone
		Peera Peera Formation
PEDIRKA	PERMIAN	Walkandi Formation
		Purni Formation
	CARB.	Crown Point Formation
PRE-CARB.		Undifferentiated

Modified after Middleton et al 2005

PERMIT AND REDUCTION AREA GEOLOGY

The tenure is geologically located over the Eromanga, Amadeus and Pedirka Basins. 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 Tracey's Dam is situated near the centre of EL 27348. Lilla Creek also passes through the North-Western corner of the tenure.

Tri-Star has retained 17 sub-blocks of EL 27348, east of the reduction 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 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 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 eastern area covered by the tenure and Tri-Star has therefore relinquished 17 sub-blocks from EL 27348.

AUTHORISED ACTIVITIES AND RESULTS ON RELINQUISHMENT 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 27348 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 reduction area.

SUMMARY OF PREVIOUS EXPLORATION ON RELINQUISHMENT 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 27348 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 EL 27348. Tri-Star Energy Company has therefore reduced 50 per cent (%) of the tenure area, totalling 17 sub-blocks, and has retained the most prospective 17 sub-blocks (approximately 50 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 reduction area of EL 27348. Therefore, no previous coal exploration or accompanying data has been identified, as shown in Figure 6.

REASONS FOR RELINQUISHMENT & CONCLUSIONS

The relinquishment area was selected from EL 27348 for the following reasons:

- To comply with the conditions of the tenure; and
- Existing data indicates coal does not greatly extend into EL 27348.

No new exploration activities were conducted by Tri-Star within the relinquishment area under the authority of EL 27348 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 and limited existing tracks.

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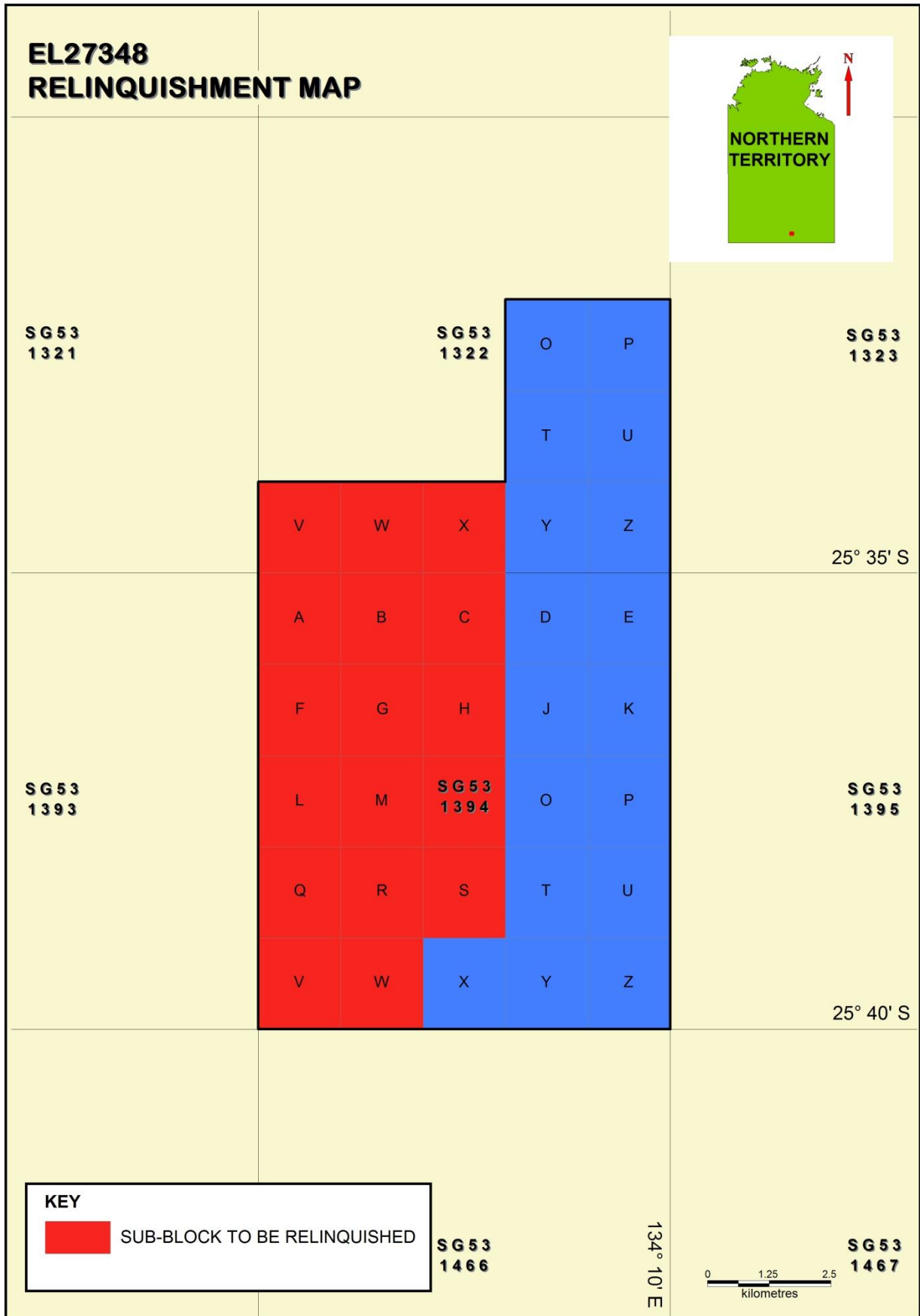
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FIGURE 1

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EL27348 Location Map 2013

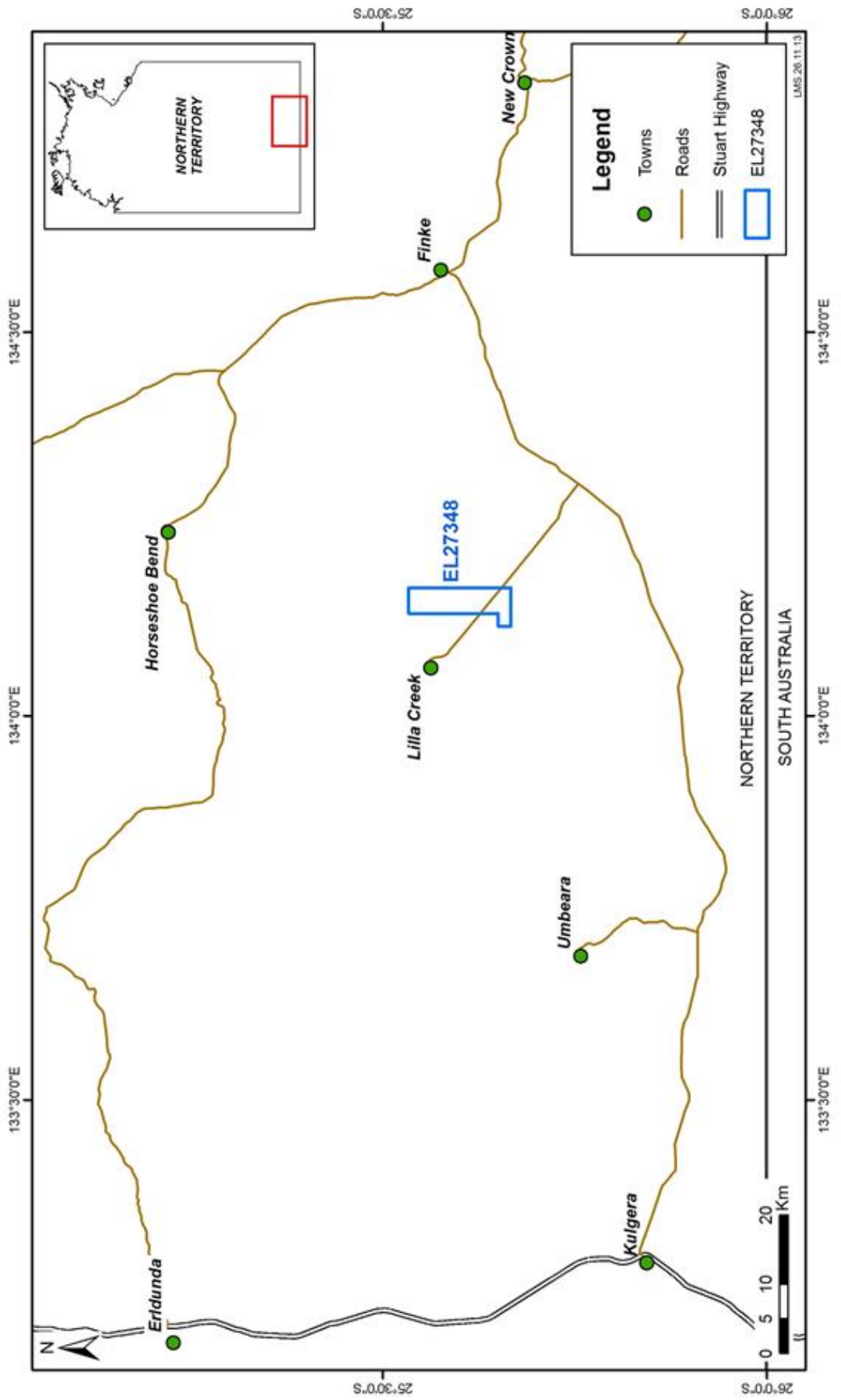


FIGURE 2

FIGURE 3



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EL27348 Relinquished Area Geological Region Map 2013

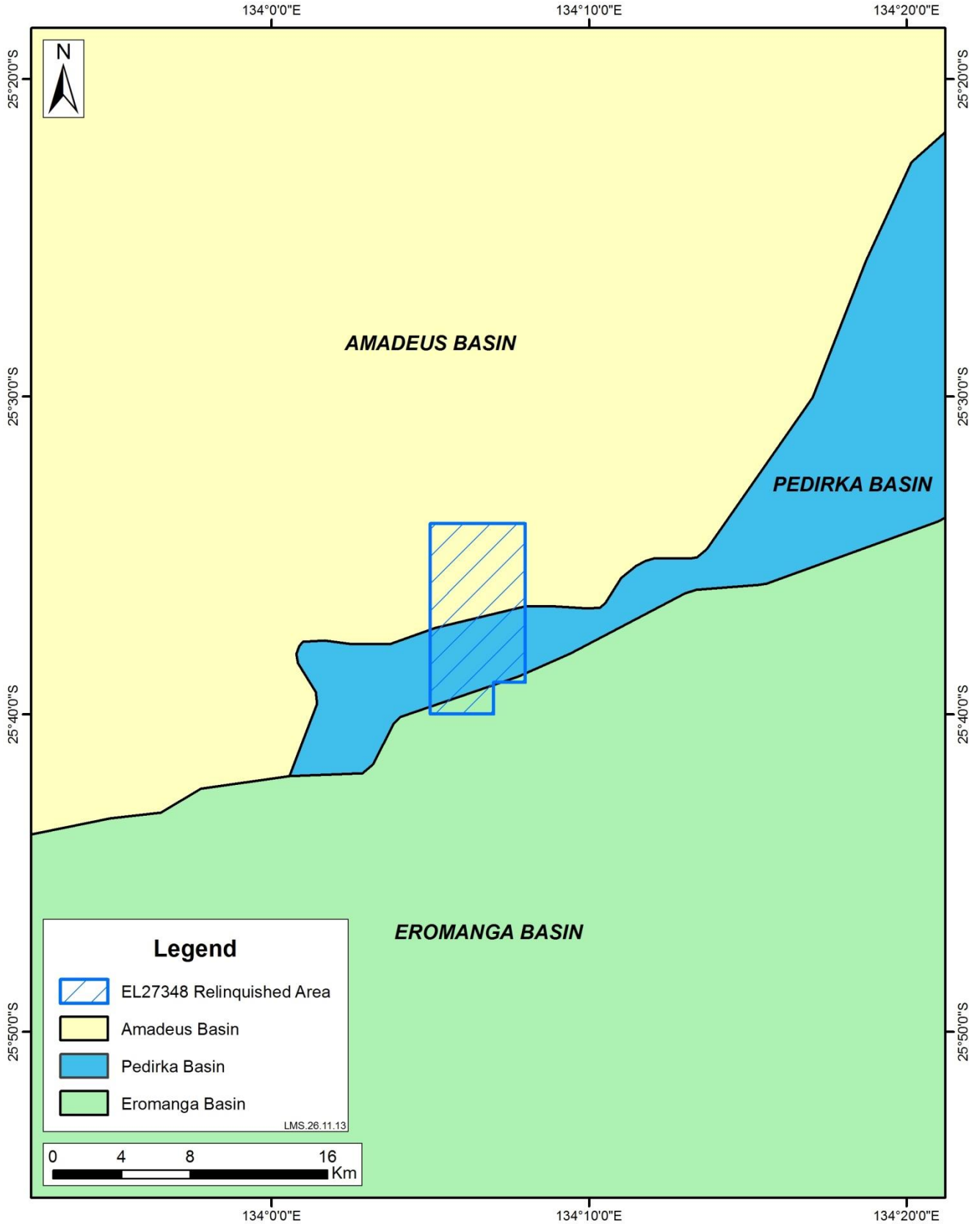
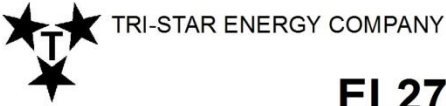
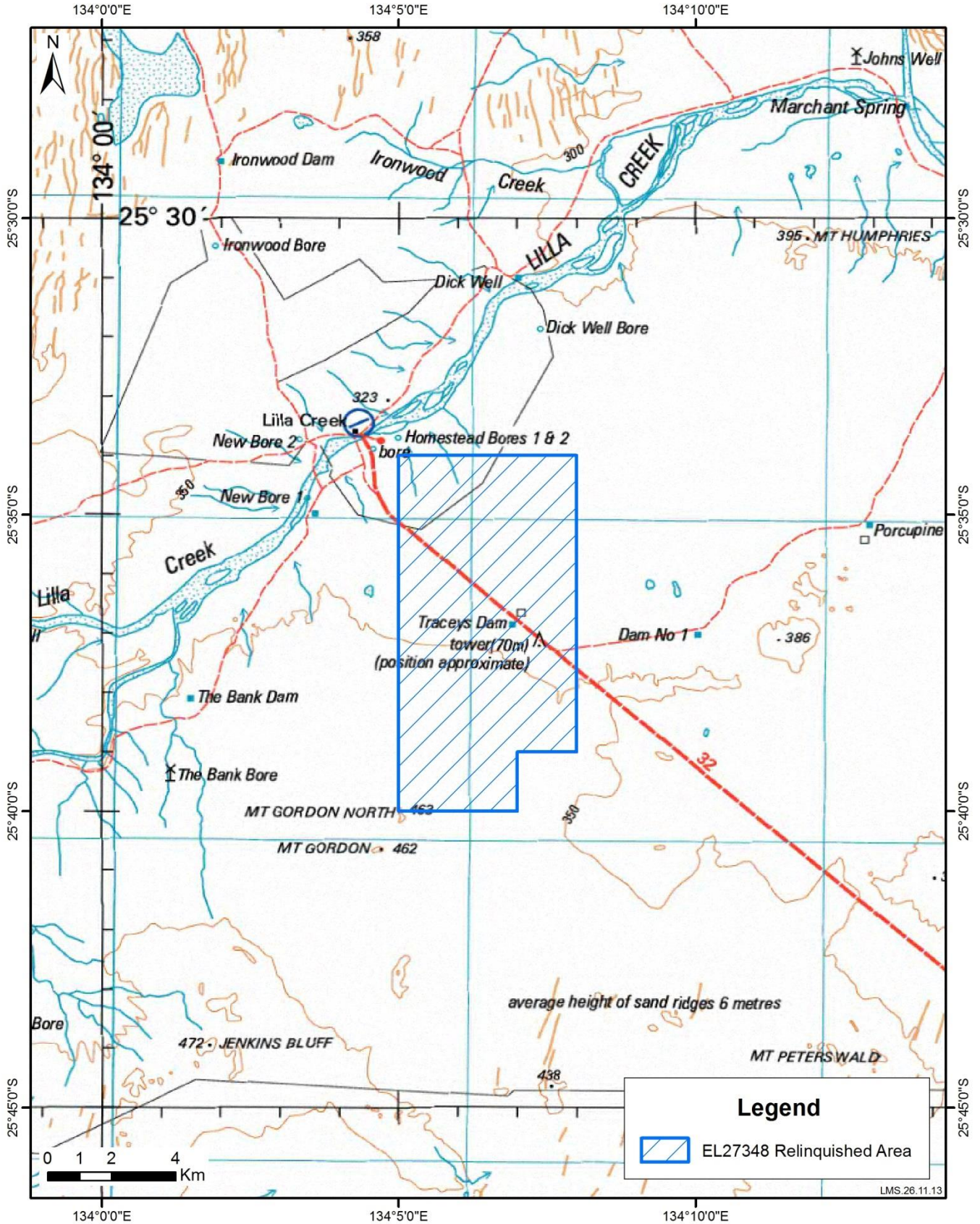


FIGURE 4



**EL27348 Relinquished Area
Topographic Map 2013**



EL27348 Relinquished Area Cadastral Map 2013

FIGURE 5

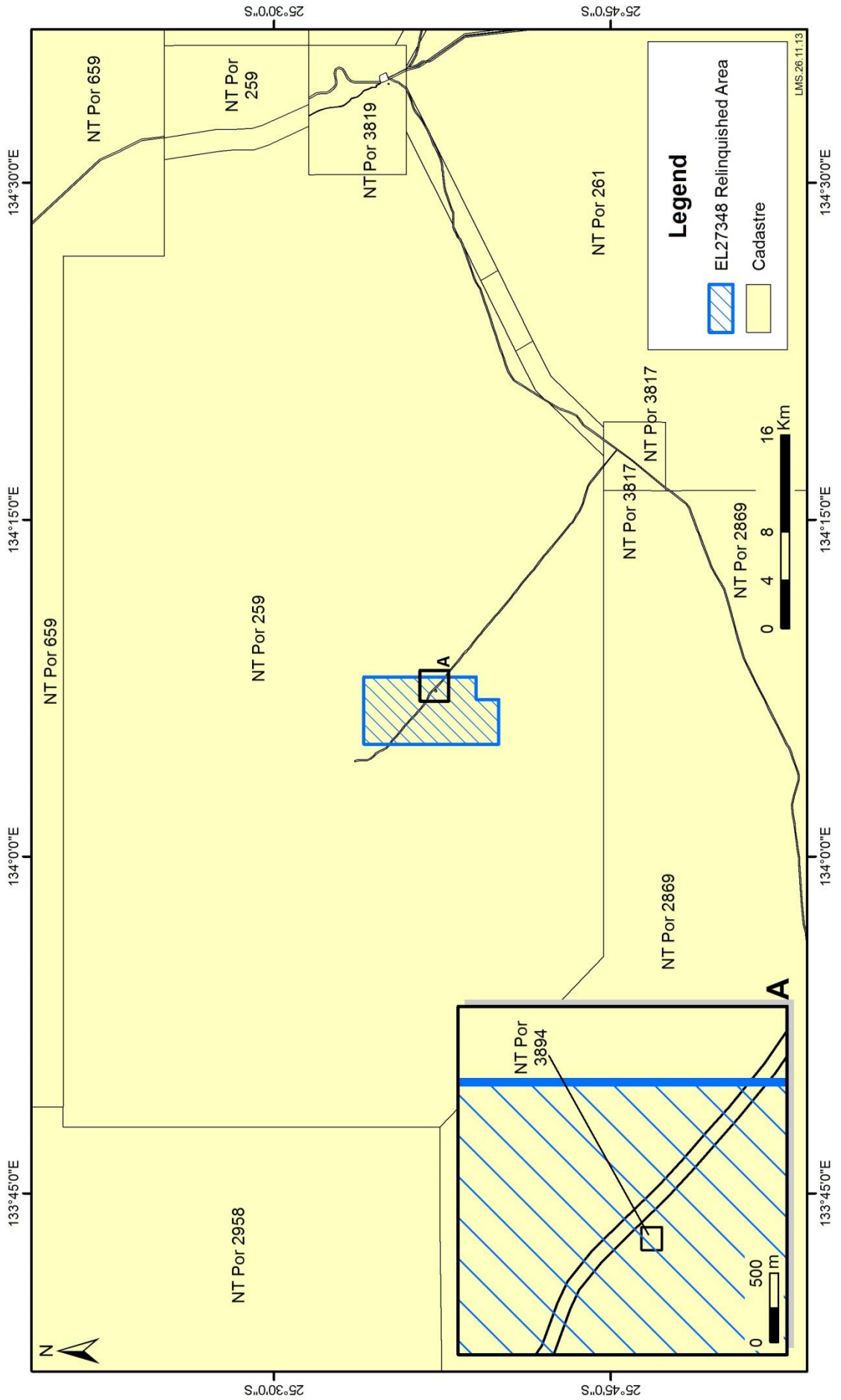
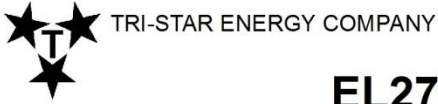


FIGURE 6



EL27348 Relinquished Area Data Summary Map 2013

