



TRI-STAR ENERGY COMPANY

UPDATED COMBINED ANNUAL REPORT FOR PERIOD ENDING 9 AUGUST 2014

Exploration Licences:

24899, 24900, 24901, 24902, 24903, 24904, 24913, 24914, 26045, 27219, 27347, 27348, 29685, 29702, 29703, 29704, 29705, 29714, 29715, 29716, 29233, 29234 and 29235

Commercial in Confidence

Titleholder	Tri-Star Energy Company ARBN 089 539 695
Operator	Tri-Star Coal Operations LLC ARBN 138 462 281
Titles / Tenements	Pedirka Basin Project: EL 24899, 24900, 24901, 24902, 24903, 24904, 24913, 24914, 26045, 27219, 27347, 27348, 29685, 29702, 29703, 29704, 29705, 29714, 29715, 29716, 29233, 29234 and 29235
Report Title	Combined Annual Report for Period Ending 9 August 2014
Target Commodity	Coal and Base Metals
1:250 000 Mapsheets	Finke SG5303, Rodinga SG5302 and Hale River SG5303
Authors	Jennifer Entjes, Land & Tenure Coordinator James Butler, Geologist
Tenement Manager	Jennifer Entjes
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Contact Details	Tri-Star Energy Company PO Box 7128, BRISBANE QLD 4000
Telephone	(07) 3236 9800
Facsimile	(07) 3221 2146
Email for technical data	legal@tri-starpetroleum.com
Email for expenditure	legal@tri-starpetroleum.com

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EXECUTIVE SUMMARY

This Group Annual Technical Report for Exploration Licences (EL) 24899, 24900, 24901, 24902, 24903, 24904, 24913, 24914, 26045, 27219, 27347, 27348, 29685, 29702, 29703, 29704, 29705, 29714, 29715, 29716, 29233, 29234 and 29235 (“Tenures”) provides a summary of the activities undertaken on the Tenures since August 2013, including any results produced by these activities.

Tri-Star Energy Company is the sole titleholder of the tenures and Tri-Star Coal Operations LLC the operator of the tenures. The exploration program for these tenures is aimed at identifying the location and the structure of the Permian coals and ironstones of the Purni Formation, with the ultimate goal of mining these resources.

During this reporting period, Tri-Star conducted a further exploratory drilling program, cultural heritage and sacred site investigations, environmental site assessments, geological field mapping, compiled a conceptual development plan and conducted a review of its drilling procedures against plan requirements.

As detailed in Table 1, drilling consisted of 5 HRD holes totalling 1752.5m.

On 16 June 2014, Tri-Star presented to the offices of the Chief Minister, Treasurer and Minister for Mines and Energy its application for exercise of Ministerial discretion in support of the mineral tenure structure required for a detailed appraisal program to be conducted across the project area prior to development (‘Tri-Star’s application’). That application is presently under consideration by the Minister and other relevant members of the Executive.

On 9 August 2014, Exploration Licences EL 24899, 24900, 24901, 24902, 24903, 24913, 29702, 29703, 29705, 29714, 29715 and 29716 were due for renewal. Tri-Star applied for the renewals and sought a waiver of reduction on the basis that the waiver will preserve the status quo pending a determination of Tri-Star’s 16 June application and will assist Tri-Star to effectively carry out its exploration and appraisal activities for the Pedirka Coal Project Area, including the modelling of economically mineable coal seams.

During the next term, Tri-Star plans to develop an infill drilling program aimed at more reliable verification of the parameters and qualities of previously-identified coal deposits across the project area. Tri-Star will undertake further drilling at locations across the Pedirka Basin Project Area for that purpose in connection with the commencement of pre-feasibility assessment and evaluation of mine viability.

INTRODUCTION

The tenures subject to this report were granted to Tri-Star Energy Company at various dates between August 2006 and December 2012 covering an area of approximately 15,000 square kilometres (4,774 blocks).

These tenures are located around Finke in southern Northern Territory near the border between the Northern Territory and South Australia, as shown in Figure 1. They lie approximately 160 kilometres southeast of Alice Springs and 90 kilometres east southeast of Erldunda on the Stuart Highway-Lasseter Highway junction. These tenures are geologically located over the Amadeus, Pedirka and Eromanga Basins, as shown in Figure 2.

The topography of the permit area, shown in Figure 3, is dominated by the floodplains of the Finke River, Lilla Creek and Goyder Creek. The central area of the tenure group is crossed by areas of north trending sand dunes that are less than 10 metres in height. The elevation above sea level increases towards the southern ends of the tenures where the Newlands and Beddome Ranges occur. 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 SG5306, Rodinga 1:250,000 map sheet SG5302, the Hale River 1:250,000 map sheet SG5303 and the McDills 1:250,000 map sheet SG5307. The exploration licences are located on the following 1:100,000 map sheets:-

- Pillar Range 5848;
- Day 5948;
- Poodinitterra 6048;
- Engoordina 5747;
- Musgrave 5847;
- Andado 5947;
- Nuckua 6047;
- Beddome 5746;
- Finke 5846; and
- McDills 5946.

Tri-Star's exploration rationale and objectives for these tenures consider the evaluation of the coal potential of the Permian Purni Formation, which contains coal seams that are likely to be correlatives of 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 subcrop is located. The coal quality in the permit area and actual local lateral extent of the coals will be revealed through the results of drilling activities.

The exploration program for this year included drilling activities. Further data review and interpretation are required together with more information on the coal's characteristics and economic potential. Encouraging coal results will necessitate the completion of preliminary mine and market investigations.

HISTORY OF TENURES

The tenures subject to this report were granted to Tri-Star Energy Company as the sole titleholder and operator as follows:-

Tenure	Grant Date
EL 24899	10 August 2006
EL 24900	10 August 2006
EL 24901	10 August 2006
EL 24902	10 August 2006
EL 24903	10 August 2006
EL 24904	8 September 2006
EL 24913	10 August 2006
EL 24914	8 September 2006
EL 26045	3 December 2007
EL 27219	4 November 2009
EL 27347	4 November 2009
EL 27348	4 November 2009
EL 29685	8 September 2006
EL 29702	10 August 2006
EL 29703	10 August 2006
EL 29704	8 September 2006
EL 29705	10 August 2006
EL 29714	10 August 2006
EL 29715	10 August 2006
EL 29716	10 August 2006
EL 29233	14 December 2012
EL 29234	14 December 2012
EL 29235	14 December 2012

On 30 June 2010, Tri-Star Energy nominated Tri-Star Coal Operations LLC as the operator of these tenures.

On 4 December 2013 Tri-Star applied to combine technical and expenditure reporting for ELs 29233, 29234 and 29235 to the Pedirka Coal Project (GR220/12). This application was approved by the Department of Mines and Energy ('DME') on 17 December 2013.

The permit area of these tenures is comprised of 4,774 blocks, as shown in Figure 4, located in southern Northern Territory around Finke and Charlotte Waters. 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.

On 9 August 2012, as part of the renewal of Exploration Licences 24899, 24900, 24901, 24902, 24903, 24904, 24913 and 24914, the tenures were split to comply with the max. The split tenures are described further as follows:

EL granted 20 December 2012	EL previously part of
EL 29685	EL 24914
EL 29702	EL 24913
EL 29703	EL 24903
EL 29704	EL 24904
EL 29705	EL 24901
EL 29714	EL 24899
EL 29715	EL 24902
EL 29716	EL 24900

On 17 July 2014, as part of the renewal of Exploration Licence EL 26045, Tri-Star applied to split to the tenure to comply with the maximum block requirements of the *Mineral Titles Act 2010*. Tri-Star is currently waiting for the outcome of this application.

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 primary structural features of the Pedirka Basin are the Eringa and Madigan Troughs, which are also the main depocentres that are separated by the McDills Anticline.

PERMIT GEOLOGY

The tenures are geologically located over the northwestern part of the Pedirka Basin where the section thins to the northwest, updip from the Eringa Trough depocentre. The zero edge of the Pedirka Basin is located through the centre of the tenures in a northeast-southwest direction and evidence of this is provided by units such as the Crown Point Formation cropping out along the basin margin in this area.

EXPLORATION OBJECTIVES AND RATIONALE FOR THE CURRENT TERM

The product targets of the exploration program are the coal 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, with this project area comprising 23 of those Exploration Licences. The tenures cover a large portion of the Pedirka Basin, favouring 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.

EXPLORATION ACTIVITIES DURING THE REPORTING PERIOD

Background

Tri-Star has studied a wide area of the western and northern portion of the Pedirka Basin to establish the geological framework of the Purni Formation coals and ironstones. During the reporting period Tri-Star conducted drilling activities and continued its extensive geological mapping of the project area. Tri-Star further conducted a cultural heritage and sacred site investigation, environmental site assessment, safety compliance audit, liaised with landowners and amended its Mining Management Plan.

Drilling

Tri-Star initially applied for its previous drilling program 21 January 2013. The drilling program was bid and tendered in Q4 2012 waiting for Departmental approval. The Department's initial response was not received until 24 April 2013 and final approval to the program was not forward to Tri-Star until 31 July 2013, after unavoidable rig release. Interim operations i.e. prior to 31 July 2013 were only able to be conducted under various ad hoc approvals to drill seven (7) coreholes on an interim basis. As a consequence of the alterations to Tri-Star's 2013 drilling program, Tri-Star was unable to secure an appropriate rig, with blowout prevention equipment of the kind required by the Department, so as to be able to complete the modified MMP program in Q3 2013. Consequently, Tri-Star's exploration schedule has been delayed by approximately twelve (12) months.

During the reporting period Tri-Star drilled 14 holes, totalling 2202.50 metres, in the various tenements using the Hydraulic Rotary (HRD) and Air-Core (AC) methods, summarised in Table 1. The locations of the fourteen (14) holes drilled are shown in Figure 6. The five (5) HRD holes were drilled to determine the presence of coal, the nine (9) air-core holes were drilled to determine the presences of other minerals. All of the significant coal intersections are summarised in Table 2.

Table 1. Drilling summary

Hole Type	Hole Numbers	No of Holes	Total Metres
HRD	PBCN_116 PBCN_117 PBCN_118 PBCN_119R PBCN_120	5	1752.50
AC	PAC001 PAC002 PAC003 PAC004 PAC005 PAC006 PAC007 PAC008 PAC009	9	450
Grand Total	-	14	2202.50

Table 2. Significant intersections summary

SAMPLE		LOCATION			SIGNIFICANT INTERSECTION	
Hole ID	Hole Type	Zone	MGA(East)	MGA(North)	Total Depth	Coal Intersection
PBCN_116	HRD	53	483049	7186182	222.00m	158.32 – 161.09 179.94 – 181.69 185.23 – 186.70 190.57 – 191.36 196.47 – 199.76
PBCN_117	HRD	53	483477	7181710	286.00m	183.28 – 188.34 204.10 – 206.76 222.91 – 223.36 223.55 – 224.08 228.05 – 231.35
PBCN_118	HRD	53	484093	7178182	352.50m	187.19 – 187.42 187.79 – 205.12 205.23 – 210.42 213.99 – 215.55 219.16 – 223.34 231.24 – 232.97 254.36 – 255.74 257.24 – 257.58 263.42 – 266.70
PBCN_119	HRD	53	484379	7175024	174.00m	Nil
PBCN_119R	HRD	53	484322	7174957	359.00m	208.07 – 208.90 211.75 – 212.41 213.19 – 234.82 235.04 – 240.27 243.39 – 243.64 257.34 – 261.50 275.65 – 277.34 282.56 – 283.97 289.76 – 291.87 297.06 – 300.17
PBCN_120	HRD	53	484708	7172626	359.00m	218.03 – 223.61 223.76 – 228.62 229.59 – 234.08 245.47 – 246.70 247.44 – 270.47 270.61 – 275.47 278.11 – 278.29 289.31 – 293.25 310.27 – 312.32 319.57 – 320.64 327.25 – 328.98 332.72 – 335.87

Drilling programs conducted over the project area tenures during previous reporting periods encountered a ~20 metre thick coal seam at approximately 200 metres deep, and the most recent drilling programs conducted during the 2013 - 2014 reporting period has identified an additional seam of ~24 metre

thickness at shallower depths. Additional log and other data analysis will enable better stratigraphic profiling and more reliable cross sectional analysis across the project area.

Tri-Star believes that these good results validate Tri-Star’s exploration rationale to date.

In addition to the 2013-2014 drilling activities targeting coal measures, Tri-Star also conducted during March 2014 a shallow nine (9) air-core hole drilling program with a target depth of fifty (50) metres. All nine (9) air-core holes were drilled to determine the presence of gold. The locations of the nine (9) holes drilled are set out in Table 3.

Table 3. Air-Core Drilling Summary

	Hole ID	MGA (53) East (m)	MGA (53) North (m)	Total Depth (m)
1.	PAC001	513231	7207637	50
2.	PAC002	513257	7207634	50
3.	PAC003	513255	7207659	50
4.	PAC004	513234	7207659	50
5.	PAC005	513205	7207658	50
6.	PAC006	513206	7207634	50
7.	PAC007	513207	7207611	50
8.	PAC008	513232	7207611	50
9.	PAC009	513259	7207609	50

Downhole surveys were not carried out due to the short holes drilled in this program and the fact that all holes were vertical, and as such, confirmation/monitoring of the inclination of the holes were not necessary.

Landowner Liaison

Prior to the commencement of drilling activities, Tri-Star notified the relevant landowners and conducted follow up meetings onsite with landowners. Tri-Star continues to communicate with landowners on a regular basis and provide them with program details relevant to their properties, in an effort to maintain positive relationships with all landowners.

Cultural Heritage/Sacred Site Investigation

During the term, Tri-Star conducted a search of the Aboriginal Areas Protection Authority (AAPA) to determine the location of any registered sacred sites over the 23 exploration licences held by Tri-Star. Tri-Star produced a map highlighting the location of registered sacred sites and restricted works areas within the project area.

Tri-Star engaged the services of Tim Hill from Tim Hill Heritage Management Pty Ltd (‘Tim Hill’) to conduct cultural heritage site assessments across 319 probable or possible mineral drill sites, together with requisite access tracks to the north of New Crown Homestead. The site assessment was conducted by senior archaeologist Tim Hill during the period 3 – 5 June 2014 by helicopter and by foot. Tim Hill’s role was to identify any objects or site of aboriginal or other archaeological significance and advise Tri-Star accordingly. A copy of this report was provided to the Department of Mines and Energy (‘the DME’) on 8 July 2014.

Environmental Site Assessment

During the term, Tri-Star engaged the services of EcOz Environmental Services to conduct an environmental site assessment across 319 probable or possible mineral drill sites, together with requisite access tracks to the north of the New Crown Homestead. The environmental site assessment was conducted by senior environmental scientist Tom Reilly during the period 3 – 5 June 2014 by helicopter and by foot.

The purpose of the environmental site assessment conducted by EcOz was to identify the following:

- Whether drilling operations at proposed borehole locations are likely to impact on threatened species and/or endangered ecological communities.
- The presence of any existing weed infestations to inform focused weed management.
- Soil erosion potential/risk for each borehole location (based on land unit information)
- General site description for each proposed borehole location based on available land resources reports for New Crown and Andado Stations. Site photographs were provided by archaeology survey.

The report indicated that there were no site specific environmental recommendations required for the proposed drill holes locations as it would be highly unlikely that exploration drilling would have a significant impact on threatened species or endangered communities. A copy of this report was provided to the DME on 8 July 2014.

Compliance Audit

During the current term, Tri-Star engaged Fellows Consulting Services to undertake an HSESMS compliance audit with regards to the current and proposed exploration activities in the Pedirka Basin, including a specific review of the approved Risk Management Plan ('RMP') dated December 2010 and Tri-Star's Health and Safety Management System (HSMS'). The audit together with pre-qualification audits for the current reporting period, were conducted by Damien Fellows who is Fellows Consulting Services' Director/Operations Manager. Mr Fellows attended Tri-Star's principal place of business 25 June – 4 July 2014 to conduct the audit.

Mr Fellows attended on site with Tri-Star's engineering team during the reporting period to oversee the implementation of Tri-Star's HSES.

Mining Management Plan

As required by the *Mining Management Act 2011*, Tri-Star Energy Company was required to amend its Mining Management Plan and seek authorisation for proposed drilling activities from the DME. On 24 December 2014, Tri-Star submitted its amended MMP which was approved and drilling activities authorised 10 February 2014. Tri-Star will lodge a further updated Mining Management Plan for authorisation before 24 December 2014.

ACTIVITIES ON THE SUBJECT TENURES FOR THE NEXT 12 MONTH PERIOD

Coal Drilling Program

Tri-Star Energy Company will develop an infill drilling program aimed at more reliable verification of the parameters and qualities of previously-identified coal deposits across the project area. Tri-Star will undertake further drilling at locations across the Pedirka Basin Project Area for that purpose in connection with the commencement of pre-feasibility assessment and evaluation of mine viability.

During the next term, Tri-Star may commence an extensive scouting coal drilling program for further resource assessment. All locations will be assessed for Cultural Heritage and environmental impact prior to disturbance. The precise location of holes are subject to the subsurface conditions encountered, topography of the surface and safety and logistical considerations. The data in relation to the program will be processed and assimilated into the data set to provide more accurate information as to the coal structure and potential of the coals within the Pedirka Basin.

Minerals Exploration

Tri-Star Energy Company will undertake research in relation to the presence of iron, gold and other minerals at various locations within the project area over the next reporting period. Surface sampling may be undertaken to further determine the presence and extent of mineral deposits. Promising results will lead to further exploration and research into its economic potential.

Geological Mapping & Sampling

Tri-Star Energy Company will carry out further geological mapping over the next twelve (12) month period. Tri-Star Energy Company will gather additional subsurface samples within its tenures for testing where necessary. Further data review and interpretation will be required, together with more information on the coal deposit characteristics and economic potential. Encouraging results will necessitate the completion of preliminary mine and market investigations.

REPORTS AND APPLICATIONS LODGED DURING THE REPORTING PERIOD

Tri-Star has lodged Expenditure Reports for each Exploration Licence along with a Project Expenditure Notice contemporaneously with this Annual Report. Tri-Star believes that no additional reports were required to be lodged during the reporting period.

SUMMARY

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 drilled 5 coal exploration holes during the reporting period on various Exploration Licences across the Project Area. Tri-Star further carried out a number of office-based studies including the processing of data obtained from field operations, geological field mapping, cultural heritage and sacred site investigations, environmental audit and site assessment and landowner liaison. Tri-Star has also continued its project assessment through the procurement of a conceptual development plan and the review of its drilling procedures, with the assistance of third party contractors.

Over the next 12 month period, Tri-Star will commence an infill drilling program and continue exploration activities across the project area. Tri-Star will develop an infill drilling program aimed at more reliable verification of the parameters and qualities previously identified coal deposits across the project area. Tri-Star will undertake further drilling at locations across the Pedirka Basin Project area for that purpose in connection with the commencement of pre-feasibility assessment and evaluation of mine viability. Tri-Star further intends to continue its extensive geological mapping and undertake sampling over the project area as required.

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FIGURE 1 – LOCATION MAP

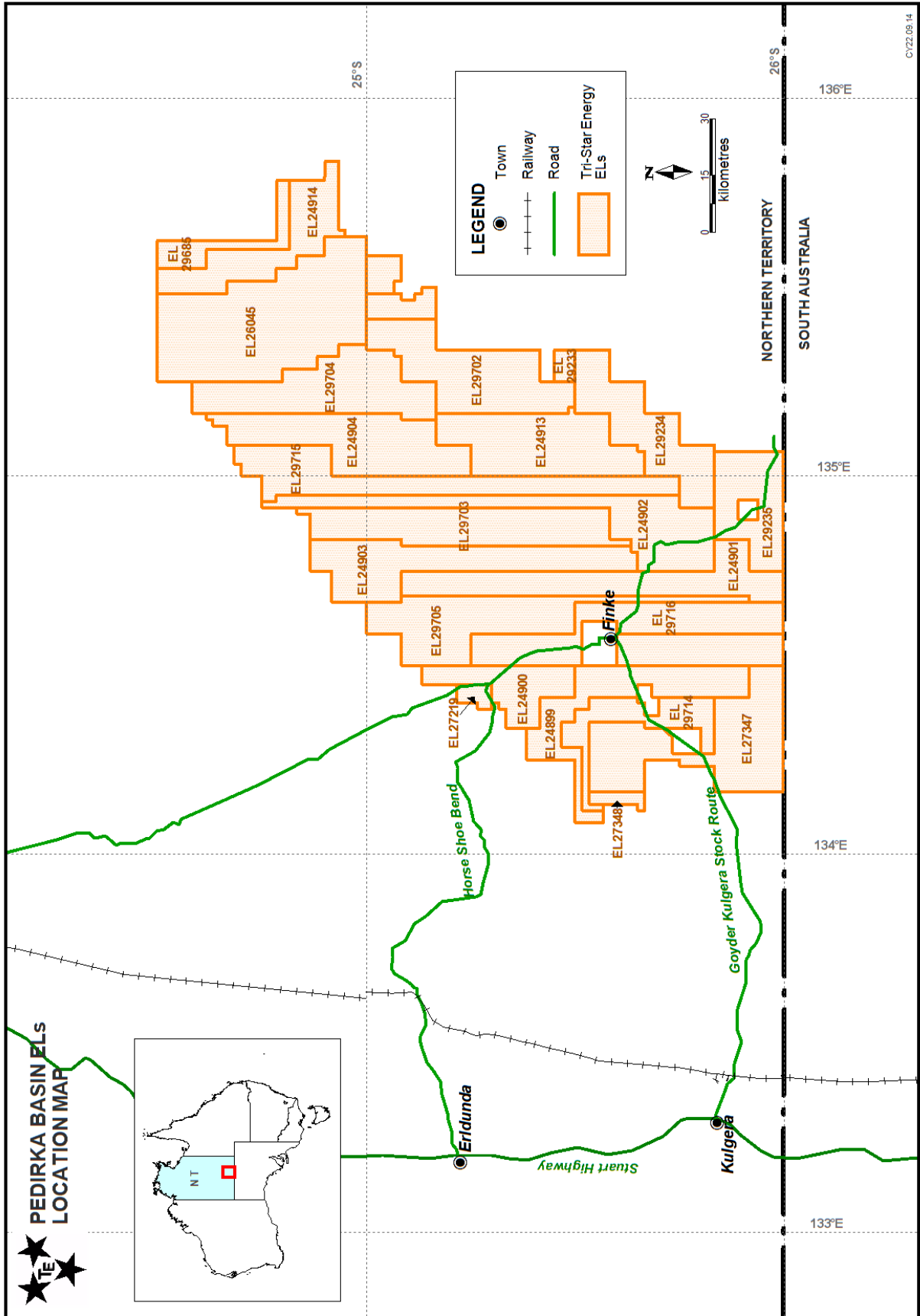


FIGURE 2 – SURFACE GEOLOGY MAP

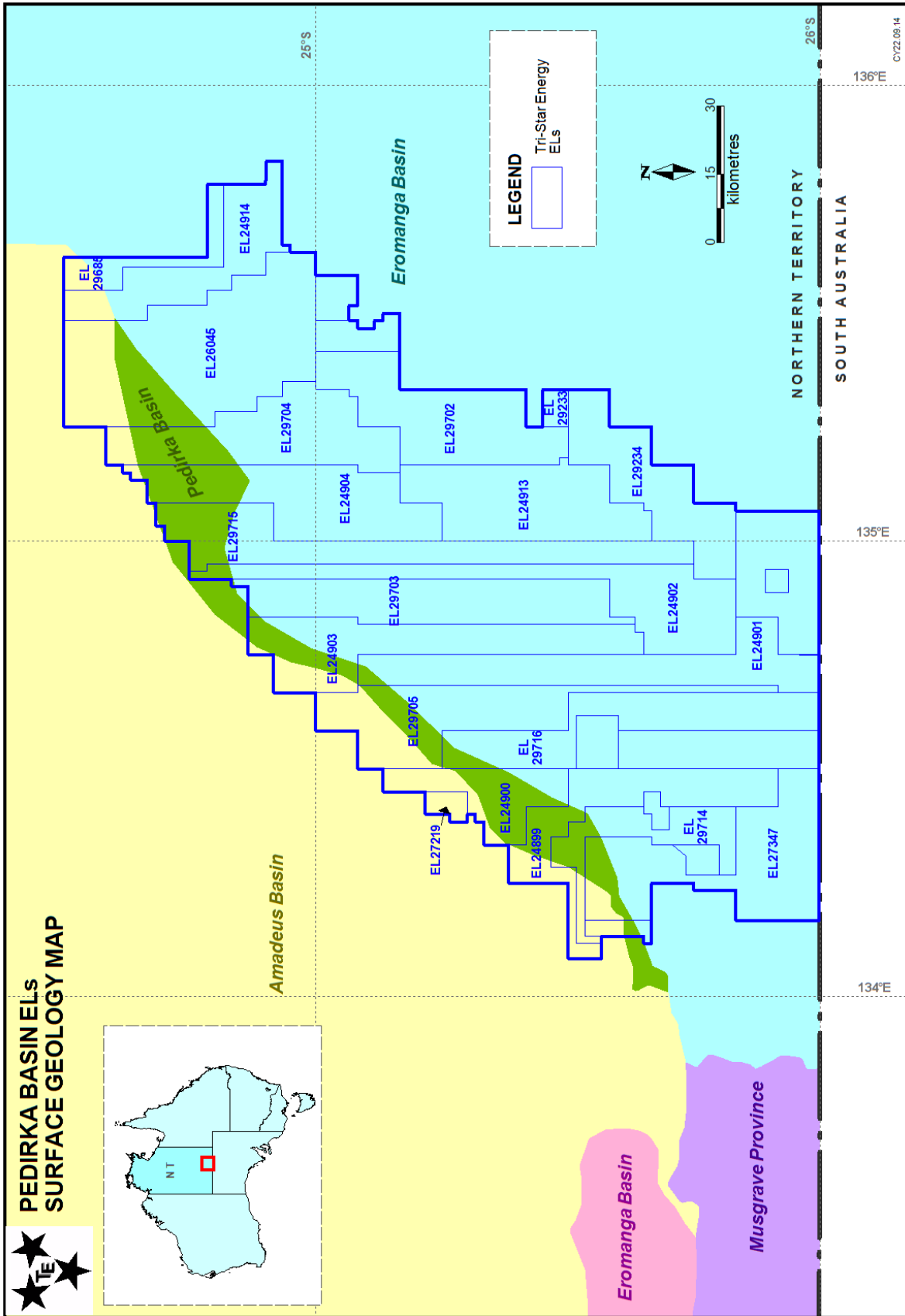


FIGURE 3 – TOPOGRAPHIC MAP

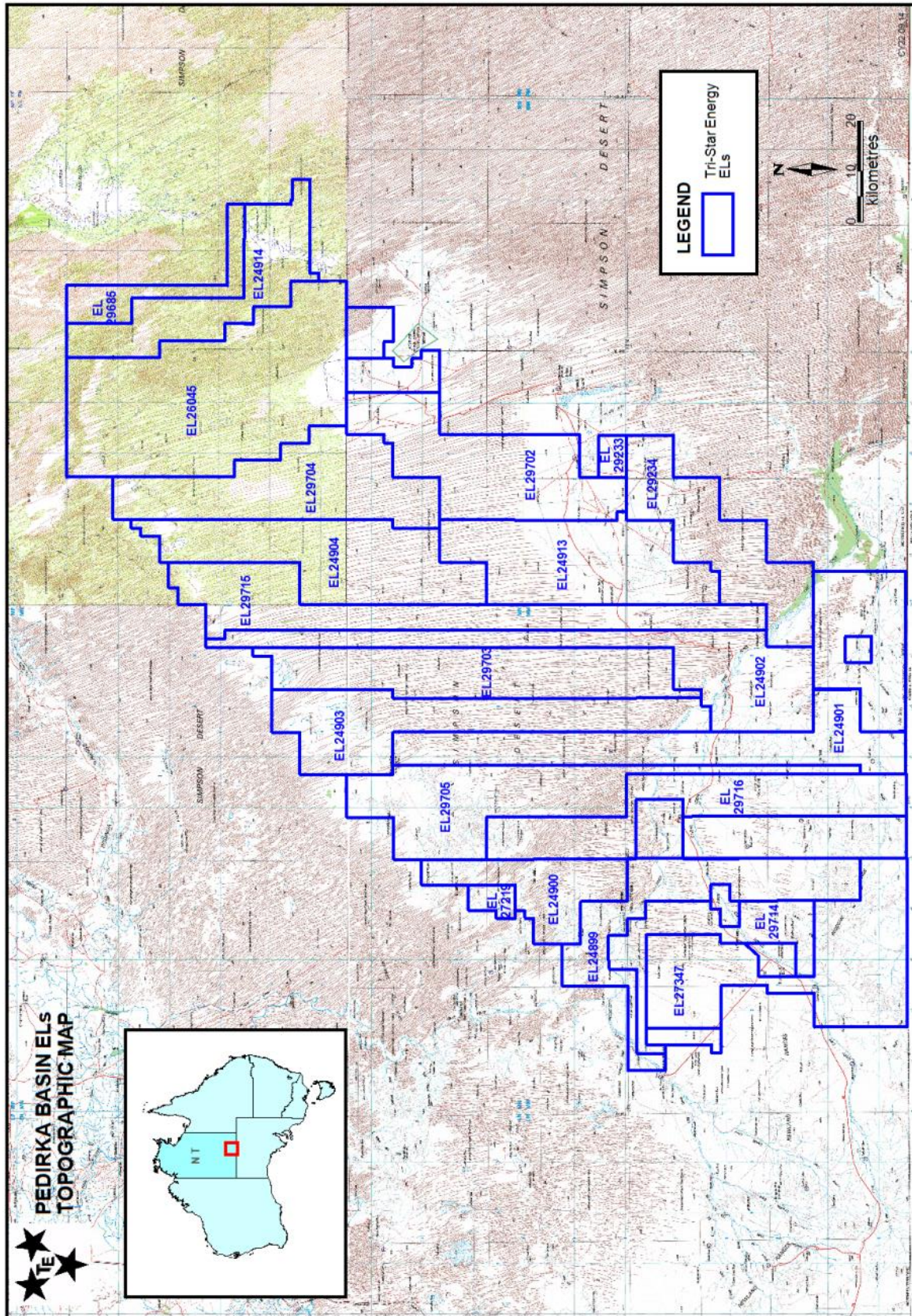


FIGURE 4 – BLOCK MAP

