TRI-STAR ENERGY COMPANY

COMBINED ANNUAL REPORT FOR
PERIOD ENDING 9 AUGUST 2015

Exploration Licences:

24899, 24900, 24901, 24902, 24903, 24904, 24913, 24914, 26045, 27219, 27347, 27348, 29685, 29702, 29703, 29704, 29705, 29714, 29715, 29716, 29233, 29234, 29235 and 30639.

Commercial in Confidence

Titleholder	Tri-Star Energy Company ARBN 089 539 695
Operator	Tri-Star Coal Operations LLC ARBN 138 462 281
Titles / Tenements	Desert Hills Project : EL 24899, 24900, 24901, 24902, 24903, 24904, 24913, 24914, 26045, 27219, 27347, 27348, 29685, 29702, 29703, 29704, 29705, 29714, 29715, 29716, 29233, 29234, 29235 and 30639.
Report Title	Combined Annual Report for Period Ending 9 August 2015
Target Commodity	Coal and Base Metals
1:250 000 Mapsheets	Finke SG5303, Rodinga SG5302 and Hale River SG5303
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Date of Report	8 October 2015
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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, 29235 and 30639 ("Tenures") provides a summary of the activities undertaken on the Tenures since August 2014, 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 completed a review of existing data of the project area and the surrounding basins to understand the extent of the mineralisation within the application areas.

On 19 December 2014, Tri-Star submitted a discovery report to the Department of Mines and Energy. The report was submitted in accordance with Section 32 (2)(b) of the *Minerals Titles Act (NT) 2010* and outlined discoveries made in the Pedirka Basin.

On 11 June 2014 Tri-Star issued a letter to the Department of Mines and Energy regarding compliance with the *Mineral Titles Act* (the Act). In order to achieve compliance with the Act, EL 26045 had to be 'split' so that it would not exceed the maximum allowable number of 250 blocks.

During the reporting period, Tri-Star appointed an Executive Safety Manager to manage the development of Tri-Star's Health and Safety Systems and review of the existing Safety Management System. The Executive Safety Manager will also be responsible for implementation of the company safety system and auditing of on-site safety systems during the 2016 drilling program.

Tri-Star have also engaged the services of EcOz Environmental Consultants to assist with the preparation of the next Mining Management Plan that is due for submission on the 24 December 2015.

During the next term, Tri-Star plans to develop a drilling program aimed at more reliable verification of the parameters and qualities of mineral deposits across the project area. Tri-Star will undertake further drilling at locations of geological interest 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 the Pedirka Project Area is to gather all existing data on the minerals present within the project area and evaluate their economic viability.

Preliminary investigations to date indicate high concentrations of silica quartz, low grade iron, sulphur and phosphorus.

Tri-Star's program for the reporting period is to investigate previously identified ferricrete deposits with lateritic profiles in addition to the exploration of a magnetic geological feature which may become the target for future drilling activities.

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.

On the 18 November 2014, the Northern Territory Department of Mines and Energy confirmed the reduction of EL26045 to 237 blocks and the remaining area, consisting of 241 blocks, was transferred to EL 30639.

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 24 granted Exploration Licences for mineral exploration in the Northern Territory, with this project area comprising 24 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 and other minerals 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 office-based studies and continued its extensive geological mapping of the project area. Tri-Star initiated discussions with the Central Land Council, appointed an Executive Safety Manager, liaised with landowners and amended its Mining Management Plan.

On 19 December 2014, Tri-Star submitted a discovery report to the Department of Mines and Energy. The report was submitted in accordance with Section 32 (2)(b) of the *Minerals Titles Act (NT) 2010* and outlined discoveries made in the Pedirka Basin.

On 13 July 2015, Tri-Star presented a JORC compliant report to the DME outlining the Coal Exploration Target and various development options in addition to the submission of a Project Agreement.

During the reporting system, Tri-Star engaged with the DME to discuss tenure types and a potential project agreement. To date, 12 meetings have been held between Tri-Star and the DME. Presently these negotiations remain ongoing.

Landowner Liaison

On the 12 September 2015, a landholder sent a letter to the Chief Executive of the Northern Territory DME confirming the positive relationship that Tri-Star and his company have with regard to Tri-Star's exploration activities on his land.

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

In compliance with Tri-Star's obligations pursuant to the *Heritage Act (NT) 2011, Aboriginal Land Rights Act (NT) 1976, Native Title Act 1993 (Cth)* and *NT Aboriginal Sacred Sites Act 1978* Tri-Star has entered into discussions with the Central Land Council in relation to exploration activities undertaken on the Tenures.

Mining Management Plan

As part of Tri-Star's review of it's MMP, required by the *Mining Management Act 2011*, Tri-Star engaged the services of EcOz Environmental Services to amend Tri-Star's existing Mining Management Plan ('MMP').

On 24 December 2014, Tri-Star submitted its amended MMP, which was approved, and drilling activities authorised 10 February 2014.

On the 30 July 2015, EcOz assisted Tri-Star with clarifications raised by the DME on the 18 June 2015. Tri-Star provided EcOz with additional information to be incorporated into the updated MMP to be submitted to the DME for authorisation before 24 December 2015.

Safety Management

During the reporting period, Tri-Star appointed an Executive Safety Manager ('ESM') to oversee the improvement of Tri-Star's Health and Safety Management System and to audit on-site safety procedures during drilling activities.

The ESM has developed Tri-Star's Safety Management System and has implemented internal systems within Tri-Star to improve the company's safety culture.

ACTIVITIES ON THE SUBJECT TENURES FOR THE NEXT 12 MONTH PERIOD

Introduction

Tri-Star is poised to move forward with a JORC proving program with respect to possible commercial sand deposits and coal deposits, subject to a review and enhancement of the corresponding land titles held by Tri-Star in these deposits.

Geological Mapping & Sampling

Tri-Star Energy Company will carry out further geological mapping over the next twelve (12) month period. Tri-Star has recently identified an interesting geophysical feature within the Project Area. A large ring like structure with definite magnetic properties has been identified within the Project Area and requires closer examination. To best assess this prominent geophysical feature, Tri-Star has engaged external consultants to assist with additional geophysical interpretation and to develop a work program for the next phase of exploration.

In the coming year Tri-Star plan to gather and model data to determine the prominent locations for a ground magnetic program, review existing data logs from nearby holes to analyse basement rocks in the area. Tri-Star will also undertake ground magnetics, ground gravity and ground SAM programs and analyse the data gained from these programs.

Minerals Exploration

Based on the recently acquired geological information relating to the ring like structure identified on the tenures and a previous discovery report lodged in 2010 that identified another possible economic discovery in the form of Ironstone deposits Tri-Star Energy Company has revised its exploration rational to incorporate 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.

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 of other mineral deposits within the Tenures. 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 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, and landowner liaison.

Over the next 12 month period, Tri-Star will continue exploration activities across the project area. Tri-Star will seek to determine reliable verification of the parameters and qualities previously identified coal deposits across the project area and seek to determine what other potentially economic minerals are present within the Tenures. 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

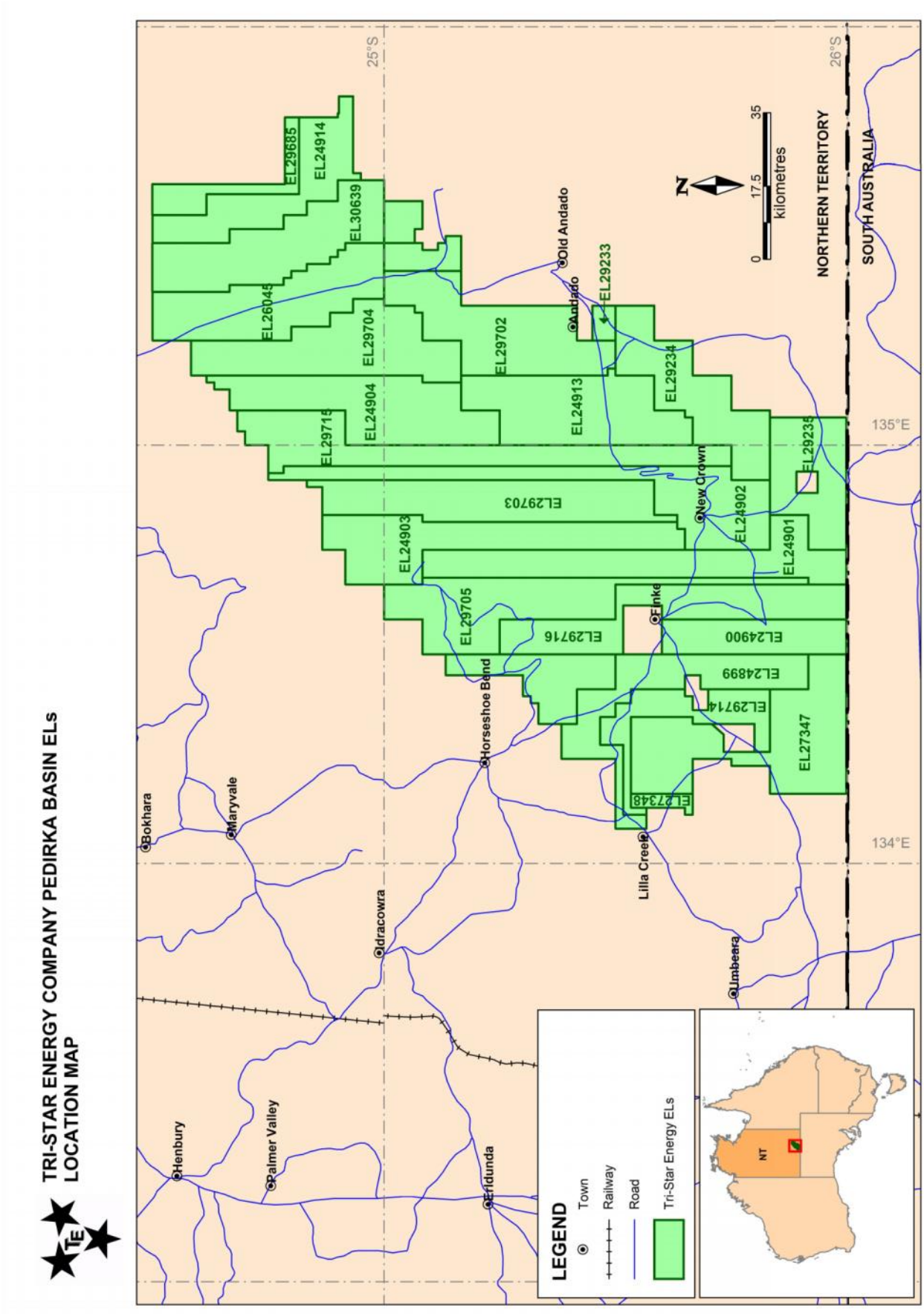

FIGURE 2 – SURFACE GEOLOGY MAP

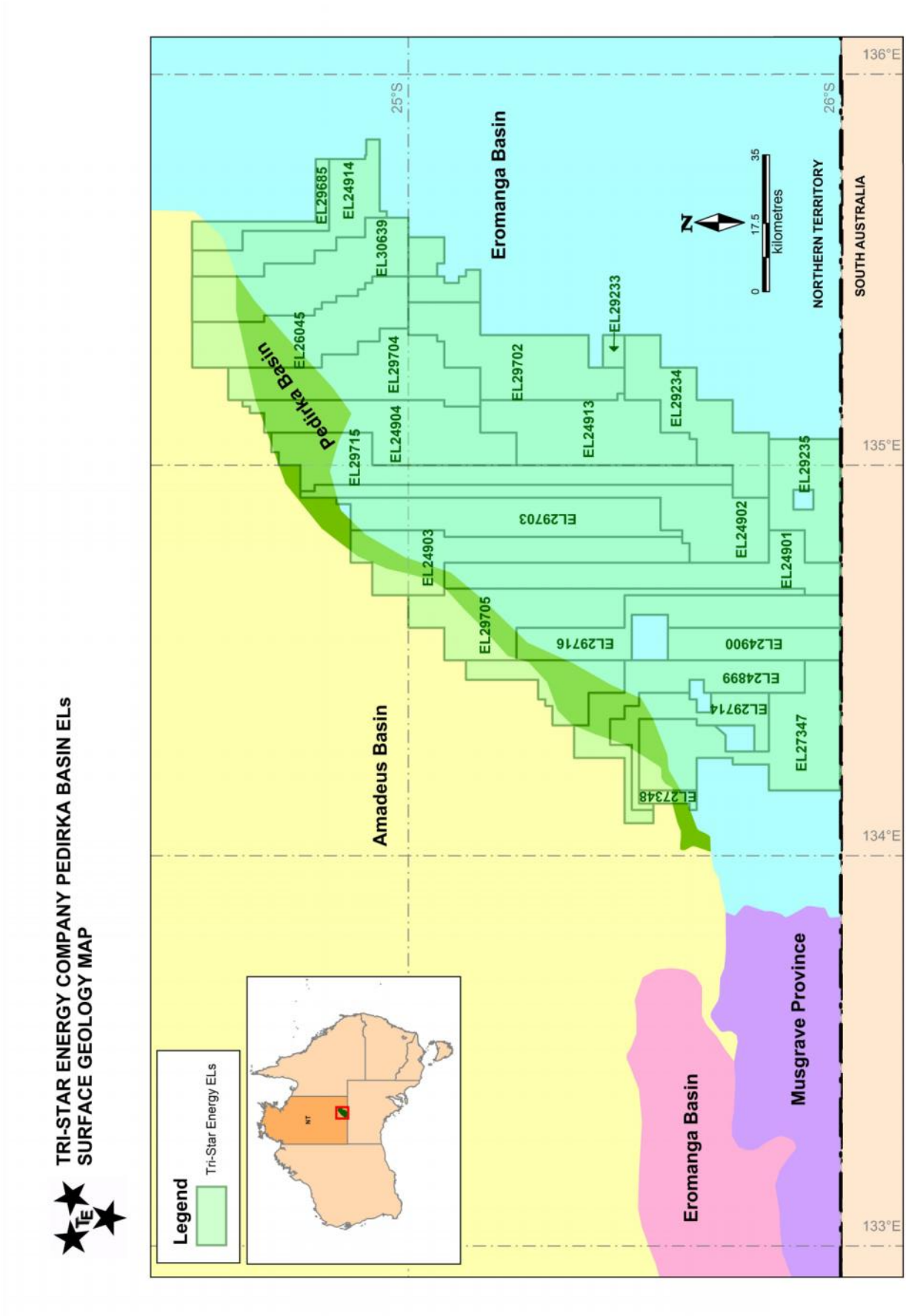

FIGURE 3 – TOPOGRAPHIC MAP

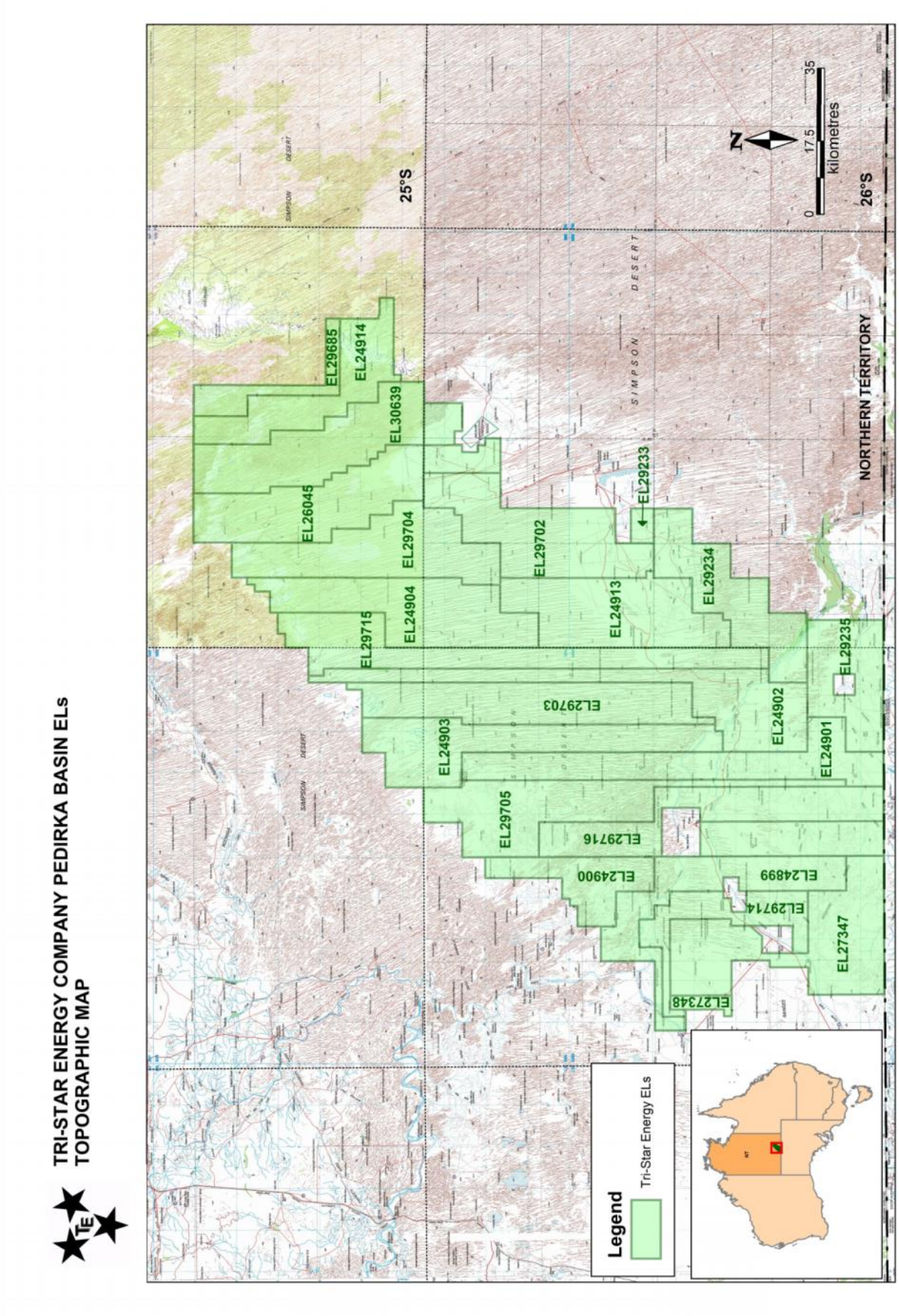

FIGURE 4 – BLOCK MAP

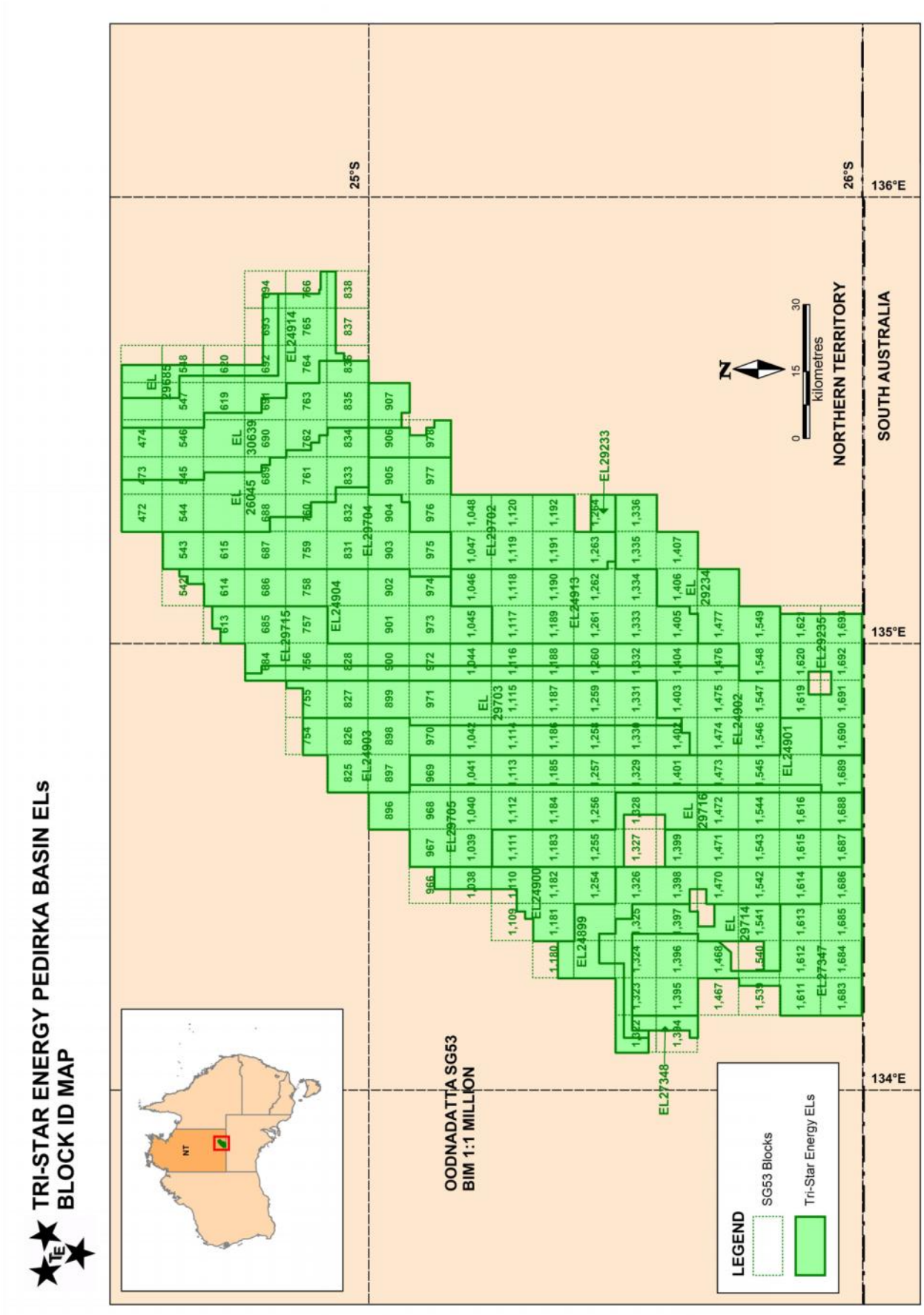

FIGURE 5 – CADASTRAL MAP