

OPERATIONS UPDATE

10 June 2010

Tiaro Coal Limited (**Tiaro**) (ASX: TCM) is an Australian coal exploration company that listed on the Australian Stock Exchange on 3 March 2008.

Objectives

Exploration

To discover, evaluate and develop coal deposits producing metallurgical (coking, PCI) and thermal coal products from the Maryborough Basin. The project is in favourable location as regards existing railway with spare capacity, existing infrastructure and population centres with skilled workforce and services.

Commodity Trading

To facilitate trade supply negotiations and agreements with suppliers of bulk minerals commodities predominantly in Australian and New Zealand markets.

HIGHLIGHTS

Exploration Program

- Potentially economic coal intersections have been made in 90% of drill holes completed in the recently completed 33 hole drilling programme.
 - A total of 4,747 metres has been drilled (average depth of hole 144m). All holes were drilled by Reverse Circulation method and were geophysically logged to confirm visual observations of coal intersections. Samples of coal for laboratory analyses were collected.
 - Individual coal seams are 0.25m to 2.5m thick and occur in packages of seams.
 - Due to wide spacing between drill holes (approx. 0.4 to 0.5 km in most cases) and large number of coal seams (about 6 to 12 in a typical drill hole), infill drilling will be required to confirm coal seam correlation in some parts of the sector covered by drilling to date.
- Western and eastern limit of the coal bearing target zone have been partly defined by drilling and geological mapping, confirming that the zone is 3 – 4km wide. The sector of the coal bearing target drill tested at approx. 0.4 – 0.5km spacing is 5km long and remains open toward north and south.
- Based on geological observations, coal intersections in wide spaced scout drill holes and gravity data, potential for extensions is very good.
- Data from this drilling programme, combined with data from earlier drilling programmes will be used for the maiden JORC resource estimate with an exploration objective of 20 – 30 million tonnes.

Coal Trading

- Trading operations have commenced following the inaugural board meeting held on 3 June 2010 of Australian Minerals Trading Pty Limited (**AMT**) a joint company of China Qinfra Group and Tiaro.
- A commodity trading target of 12 million tonnes per annum has been budgeted by AMT.

China Qinfra Group

- China Qinfra Group has increased its equity interest in Tiaro to 30%.

Offtake Agreement

- China Qinfra Group holds a coal off take agreement with Tiaro to the extent of its future production entitlement within the Tiaro coal tenements at selling prices to be determined at arm's length and on commercial terms.

TIARO EXPLORATION

**Tiara Coal-Dynasty Joint Venture
EPC 956/957 (T9/Munna Creek Project Area) – (Held 45% - Earning 65%)**

JORC definition drilling program comprising 4,747 metres over 33 holes commenced on 14 April 2010 and was completed on 3 June 2010.

Coal seams were intersected in 30 of the 33 holes to an average depth of 144 metres. Exception holes where no coal was intersected were programmed holes to test the extremities of the Tiara Coal Measures in the target areas (A) - Munna Creek and (B) - T9 (see **Figure 1**).

The target zone doubled in size following the results of the gravity survey completed earlier and the target area was defined as 3km-4km wide by 15 km long. This drilling program is being conducted with the target area and the target zone remains open towards the north and south (see **Figure 1**).

Initial field results are encouraging with a large volume of coal being intersected in the formation of multiple thin seams above 0.5metres in thickness (cut off) contained in working sections to an average depth of 150 metres.

To test these exploration targets a large volume of geophysical data has been amassed as a result of this program, which will now be the foundation for analysis and possible assessment a JORC compliant resource in the coming months. Coal quality testing on chip samples will also be used in reference with geophysical logging and gravity data to assist in seam correlation determination and potential JORC resource determination.

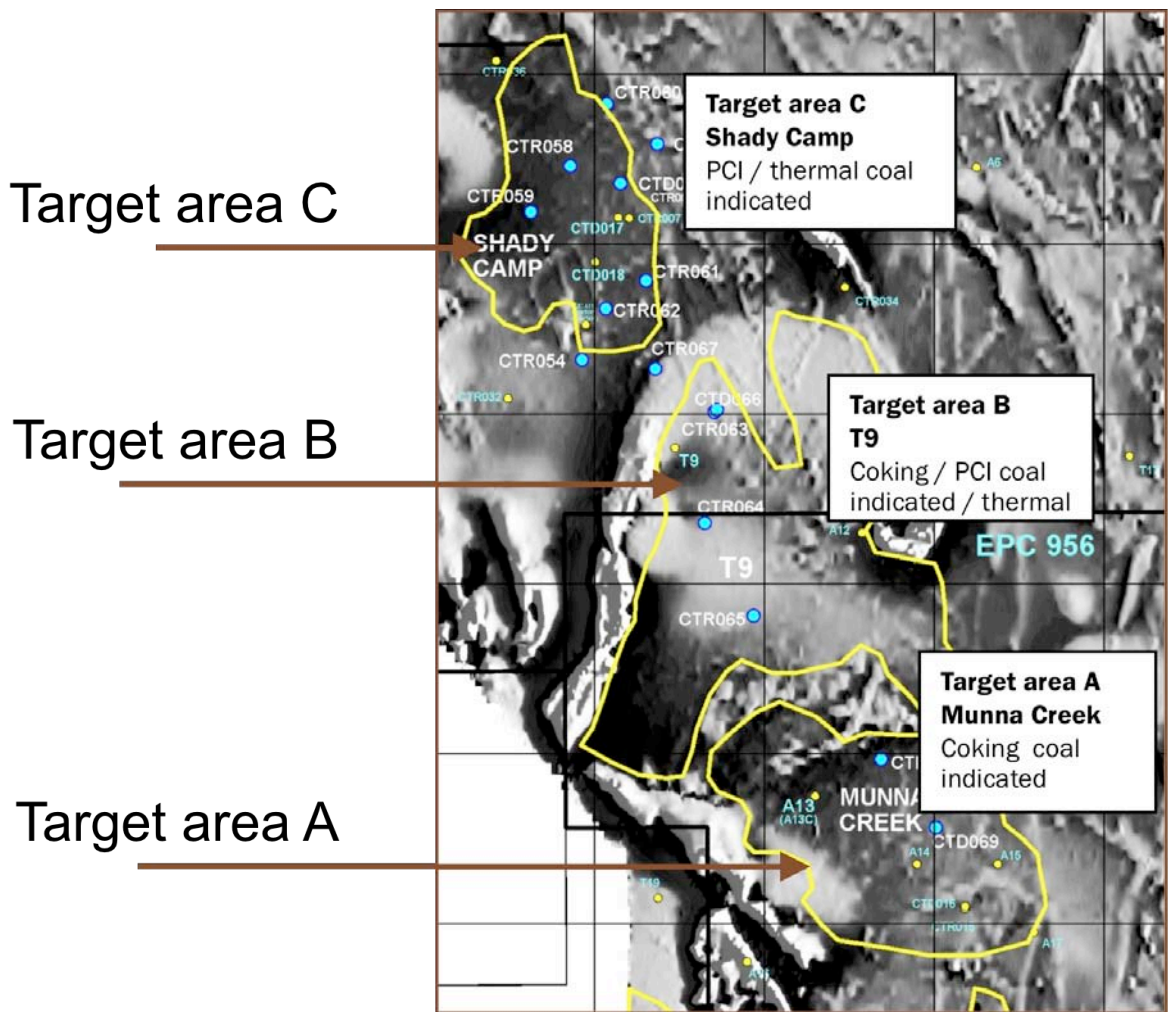


Figure 1 – Tiara West target areas, showing drill holes completed in earlier programmes.

TIARO COAL

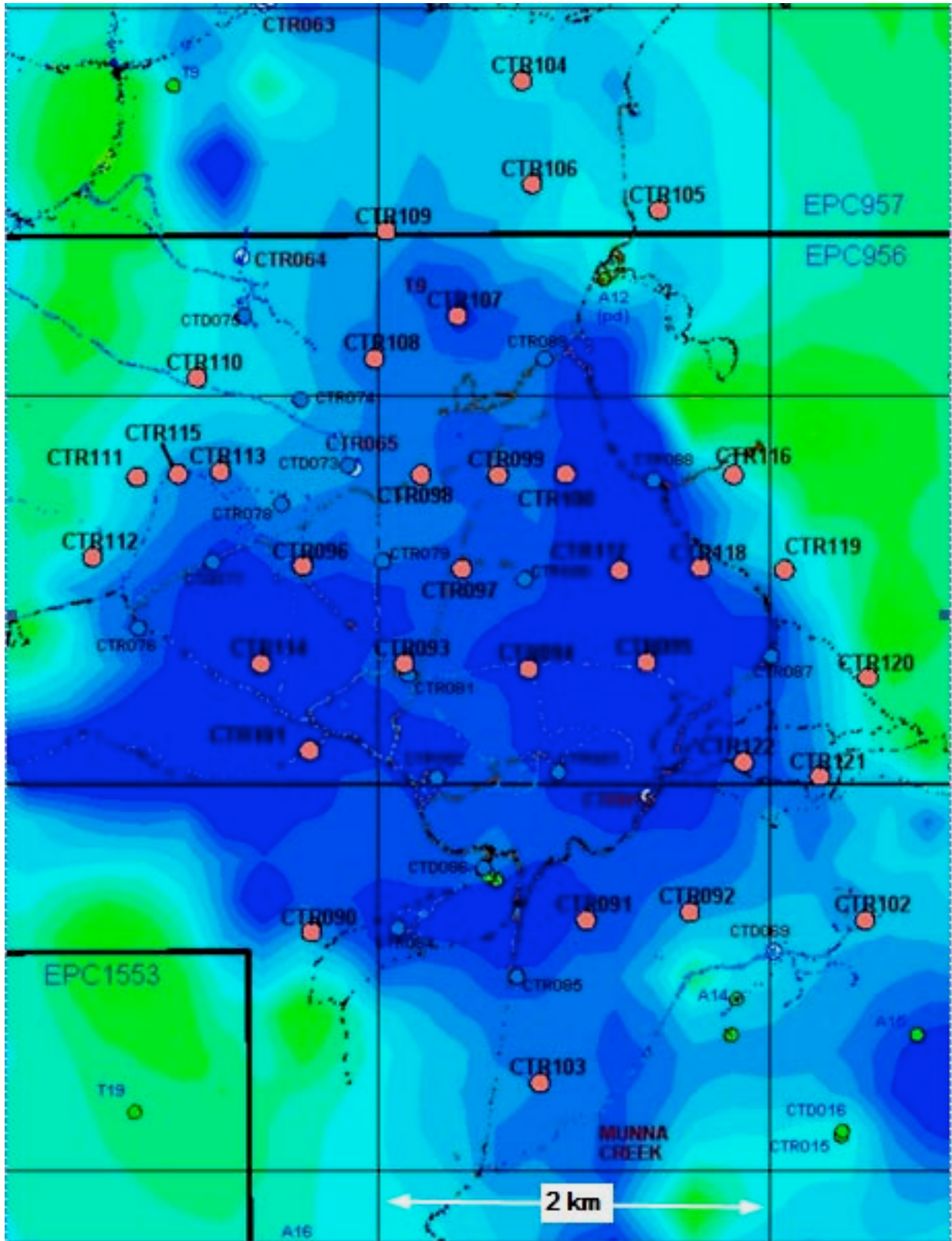


Figure 2 Drill hole locations of the current drilling programme set against the background of a Gravity Low Occurrence (90% of holes hit potentially economic coal intersections). The current programme is only over an area of 3km x 4km.



Exploration Target

Based on the outcome of this drilling program Tiaro's technical director, Mr Jacob Rebek is of the view that a coal resource of 20 to 30 million tonnes is achievable in the target zone. This includes a resource target in the order of 2-5 million tonnes of high quality coking coal with 9% ash in washed product at a yield of 68%.

Early evidence from this drilling program has highlighted the potential for large tonnage thermal coal within the current target area and in other targets within tenements held by Tiaro over the Tiaro Coal Measures.

For example in Target Area C - Shady Camp in coal in diamond drill holes, such as those in CTD017 which include:

- a 2.60m "working section"¹ (102.72m to 105.32m) with raw ash of 48% (wash test yield at F1.60 was 41% for a thermal product containing 17% ash);
- a 0.30m coal seam (102.72m to 105.32m) gave raw ash of 23.3% and the wash test yield at F1.60 was 71% for a thermal product containing 12% ash;
- a 6.06m "working section" (128.94m to 135.00m) that has not been tested by washing; and

in hole CTD056 which include:

- a 2.8m "working section" (82.8m to 85.6 m) with raw ash of 47% (wash test yield at F1.60 was 41% for a thermal product containing 17% ash); and
- a 5.3m "working section" (121.7m to 127.0m) with raw ash of 49% (wash test yield at F1.60 was 39% for a thermal product containing 18% ash).

Additionally coal quality testing from diamond drill holes in earlier exploration programs within the target area have highlighted similar characteristics:

- a raw ash product with higher ash but with good calorific values
- high vitrinite values
- good volatile matter content
- good HGI index

Coal occurrence as having coking and PCI qualities have also been identified within the target area.

Accordingly it is expected that within the target area a resource containing a larger volume of thermal coal together with smaller volumes of coking and PCI coals will be defined. Due to high Specific Energy, thermal coals are expected to be suitable for export markets.

Underground Coal Gasification (UCG)

During this exploration campaign strong gas flows were experienced in drill holes in the southern parts of the target area.

Further assessment of the opportunity based on this discovery will ensue.

Under the DOME Under Ground Coal Gasification Policy guidelines Tiaro Coal has registered its interest over all tenement holdings for Nominated Areas for Insitu Coal Gasification Products

¹ A working section is at least a 5 metre seam containing at least 50% coal.



Tiaro Coal Joint Venture – TCJV -Tenements (Held 60% - Earning 80%)

The following exploration activities are underway in Tiaro’s other project areas (see Figure 3).

Tenement	Project Name	Tenement Area post partial relinquishment (sq kms)	Exploration Work/Activity
EPC 972	Tiaro Extended	144	Gravity Low Survey Geophysical Assessment Stratigraphical Drilling Campaign Planned
EPC 967	Wolvi	180	Stratigraphical Drilling Campaign Planned
EPC 1553	Gunalda	192	Gravity Low Survey Geophysical Assessment Stratigraphical Drilling Campaign Planned
EPC 1540	Gootchie	399	Geological Assessment

TCJV is currently awaiting determination by the Queensland Government Department of Mines and Energy of grant of permits for three other areas with potential for coal discovery consisting of:

- EPCA 1264 (Project Name: Isis) covering 900 sq kms;
- EPCA 1269 (Project Name: Duckinwilla) covering 900 sq kms;
- EPCA 1618 (Project: Tinana Creek) covering 297 sq kms

COAL TRADING

A joint venture company Australian Minerals Trading Pty Limited (**AMT**) has been formed to facilitate trade supply negotiations and agreements with suppliers in predominantly the Australian and New Zealand markets. AMT shareholders are Yuen Hoi Ltd, a wholly owned subsidiary of China Qinfu Group and Tiaro Coal.

The business objective of AMT is to establish a substantial trading house supporting the commodity requirements of its key shareholder China Qinfu Group. For 2010/2011 financial years a business growth target of up to 12 million tonnes of exported commodity is budgeted.

In conjunction with this commodity trading partnership Tiaro has agreed that it will request its wholly owned subsidiary Tiaro Energy Corporation Pty Limited (**TEC**) (participant in TCJV-Dynasty joint venture) to grant to China Qinfu Group or its subsidiaries the right of first refusal in respect to the entire off take of coal resources to which TEC is entitled (TEC is earning 65% interest in the joint venture), negotiable at arms’ length and on commercial terms.

Commissions earned by TCM from its investment in AMT will be used to facilitate funding of coal exploration at Tiaro and investment in new coal related activities.

STATEMENT OF COMPLIANCE

The information in this report that relates to Exploration Programs covering EPC 956, EPC 957, EPC 967 and EPC 1151 are based on information compiled by Jacob Rebek who is a member of Australian Institute of Mining and Metallurgy. Mr. Rebek is a qualified geologist and is a director of Tiaro Coal Limited.

Mr. Rebek has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr. Rebek consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

FURTHER INFORMATION

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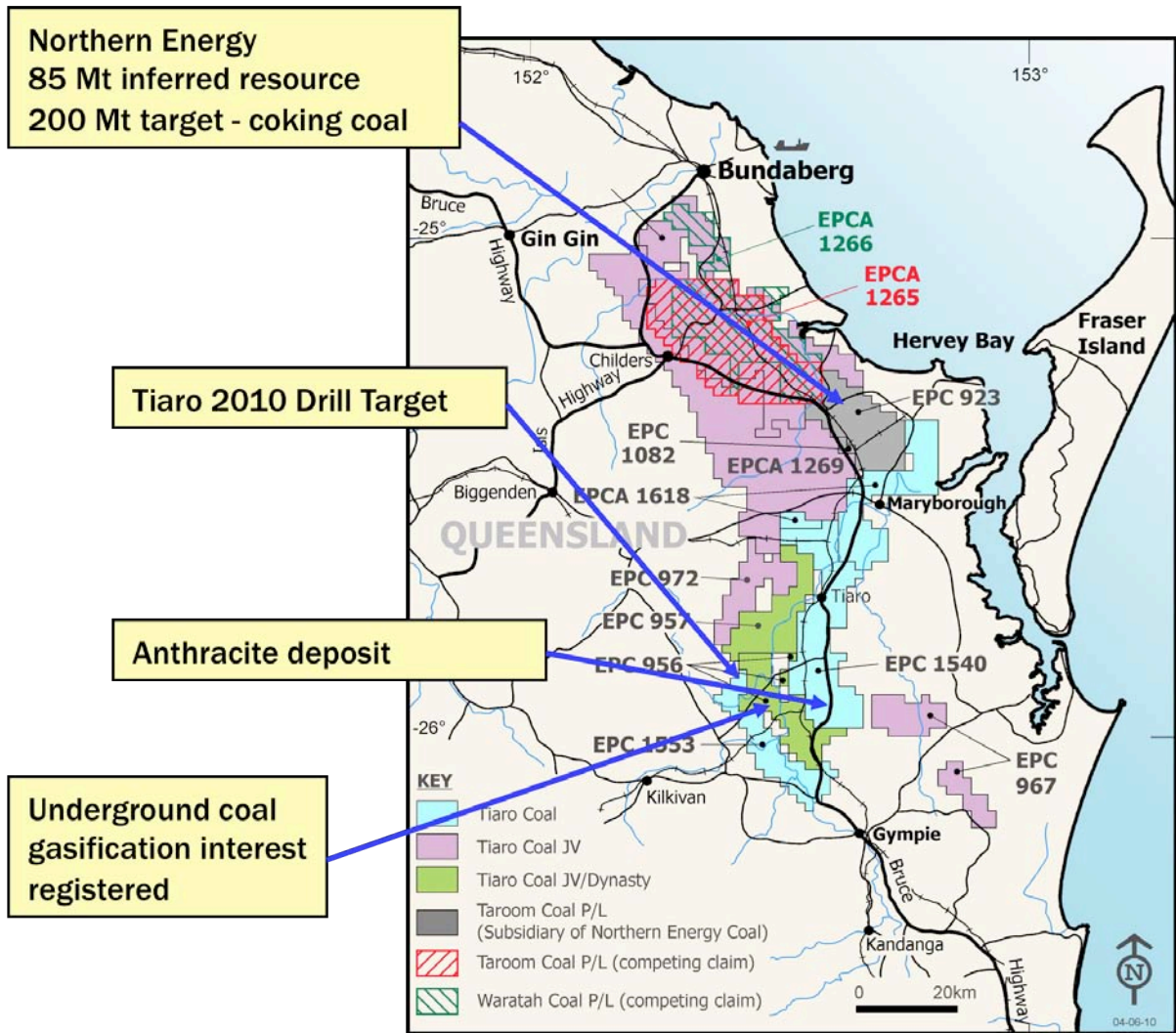


Figure 3 Tiaro tenements at 8 June 2010 including proposed areas of partial relinquishment