

GRAVITY SURVEY COMPLETED

9 August 2010

Summary

Following completion of gravity surveys that commenced in May 2010, a number of new targets have been identified for further exploration and drill testing.

The results have greatly expanded the target areas beyond the Munna Creek and T9 targets, that were previously identified and where a resource estimation program is underway.

Following further analysis of drill results and coal quality testing, an increase in the resource target over Munna Creek and T9 is expected.

Gravity Survey

In May and July, Precision Exploration Services completed some 450 new gravity stations within the Tiaro Joint Venture EPC areas. The areas surveyed included the area to the south of Munna Creek, extending the gravity work completed in Shady Camp/T9/Munna area in November 2009. Several potential gravity target areas from Munna Creek to Curra in the south of EPC 956 were identified from this work.

Gravity surveys were also completed in the area north of T9 (EPC 957 and EPC 972), including follow-up stations in the Shady Camp East area, which was highlighted as a potential target in the 2009 survey. A small survey was also completed in the two retained blocks of EPC 967 (Toolara area). Distinct gravity lows have been confirmed in these areas.

The results of this work suggested several new potential targets that should be considered for further investigation and possible drill testing. The gravity target areas are listed in the following table and their locations indicated in relation to the gravity survey image on the following map.

Target Name	Licence	Target Size Km ²	Target - Size Estimate	Joint Venture
Shady Camp / Shady Camp East	EPC 957	15.0	20 - 30 million tonnes (see exploration target below)	TCJV / Dynasty
T9 / Munna Creek	EPC 956	25.0		
T3	EPC 956	15.0	New - to be determined	TCJV / Dynasty
M7	EPC 956	6.0	New - to be determined	TCJV / Dynasty
Gunalda	EPC 956	7.5	New - to be determined	TCJV / Dynasty
Curra	EPC 956	12.0	New - to be determined	TCJV / Dynasty
Toolara N1 & N2	EPC 967	21.0	New - to be determined	TCJV
Toolara South	EPC 967	20.0	New - to be determined	TCJV
St Mary's	EPC 972	10.0	New - to be determined	TCJV
Glenbar North	EPC 972	6.0	New - to be determined	TCJV
Glenbar South	EPC 972	4.5	New - to be determined	TCJV
Gundiah	EPC 1540	12.0	New - to be determined	TCJV
Sexton	EPC 1553	4.0	New - to be determined	TCJV

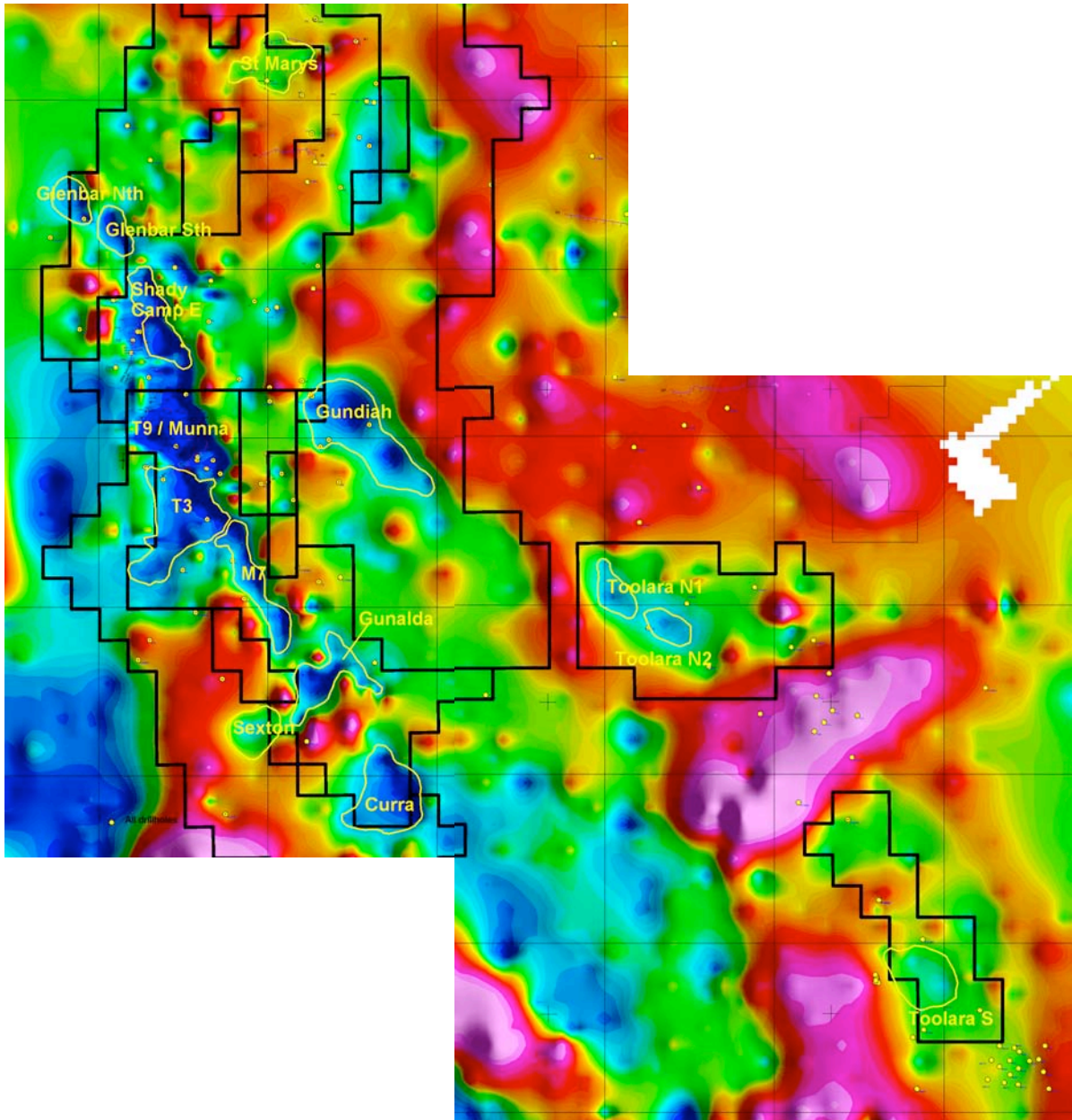


Figure 1 - Targets against the background of a Gravity Low Occurrence.

Gravity surveying is used to detect less dense bodies of rocks, such as coal seams, within higher density host formations. This is used to interpret prospective coal targets, which are identified on the above map, represented as gravity lows.

Next phase exploration

The joint venture management committees will meet early September to finalise plans for the next phase of exploration.

Drilling to test all new targets is being considered, together with further gravity work to fully define some targets.

A component of the work will be additional mapping in all the EPC areas to confirm the drill sites are suitable, check out some areas of lower order gravity lows, and also follow up of other occurrences such as the anthracite in EPC 1540.

There is also some infill gravity planned in Toolara South (EPC 967), in EPC1553 and EPC1540, and in the SE and NW corners of T9/Munna, and some detailed gravity traversing (100m stations) on 1 or 2 selected profiles across T9.



Drilling – EPC 956 and EPC 957

A 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 Tiaro Coal Measures in the target areas Munna Creek and - T9.

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.

52 samples have been delivered to ACIRL laboratory in Brisbane for testing. The samples will be analyzed for raw coal quality, including ash, CSN, sulphur and CV. Selected samples have been submitted for petrographic testing to determine rank variation across the deposit, HGI, ash fusion and ash analysis.

A large amount of geotechnical data has been amassed as a result of this program. This data will now be the foundation for analysis and possible assessment of 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.

Exploration Target

The prospective target zone doubled in size following the results of the gravity surveys completed earlier, with the main target area (Shady Camp in north to T3 in south) now extending over an area 15 km long by 3km-4km wide. A follow up drilling program is planned to test the northern and southern extents of this zone.

Based on the outcome of the 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 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.

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

TIARO COAL

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.

Quiet optimism

We are particularly encouraged by the recent reporting by Northern Energy ASX Announcement June 30, 2010) where they have reported a Probable Reserve of 5.9 million tonnes of hard coking coal in a similar geological setting.

We are confident that other target areas will exist in the uncontested areas of EPCA 1264 and EPCA 1269 areas in the Burrum Coal Measures (see Figure 2).

STATEMENT OF COMPLIANCE

The information in this report is 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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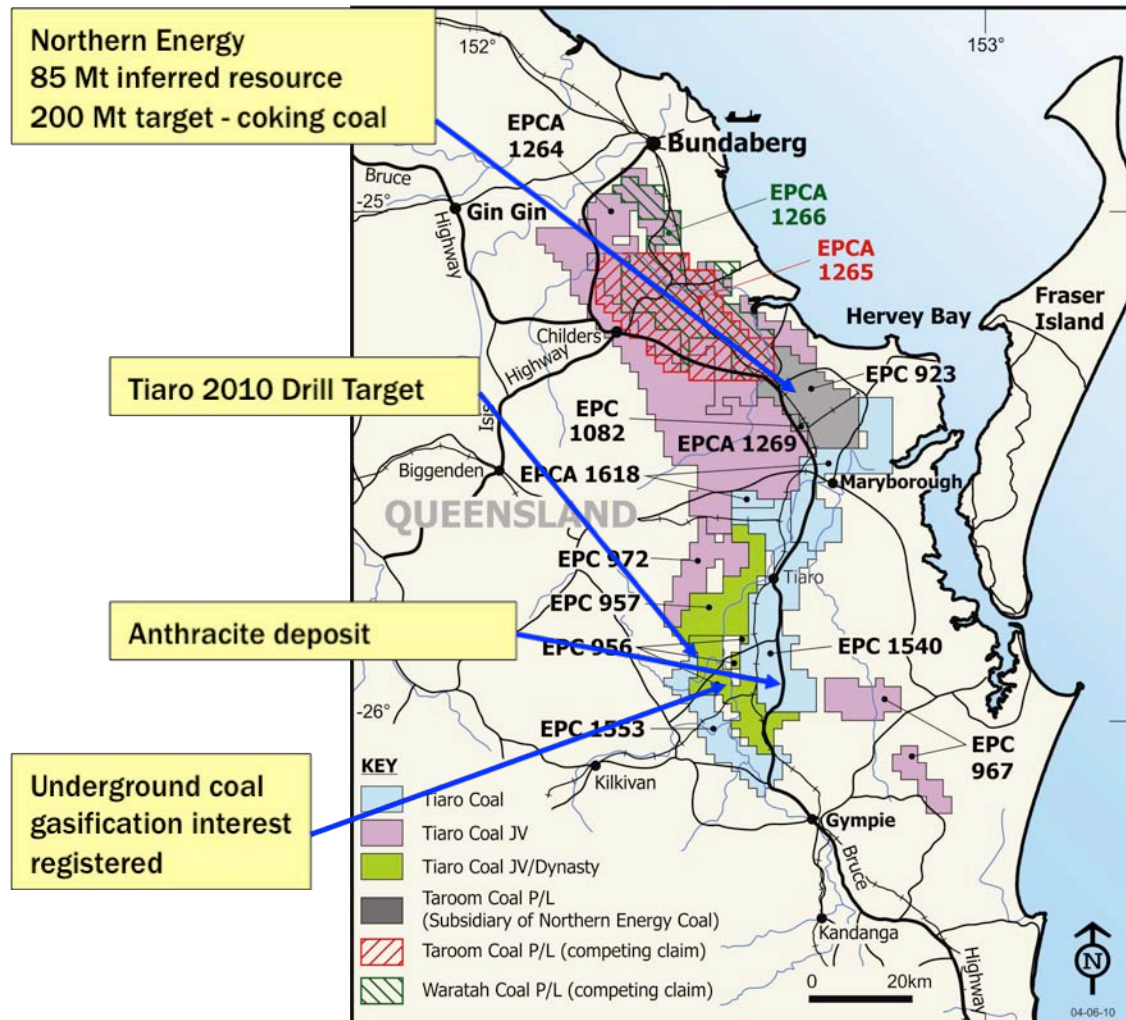


Figure 2 Tiaro tenements at 8 August 2010