

---

**OPTION AND FARMIN JOINT VENTURE AGREEMENT**

---

**BETWEEN**

**SALISBURY EXPLORATION PTY LTD**

**AND**

**SALISBURY RESOURCES LTD**

**AND**

**AGRICOLA GOLD LTD**

*Prepared by*

**McDonald Steed McGrath - Lawyers**

*262-266 Pirie Street*

*(PO Box 3216 Rundle Mall) ADELAIDE SA 5000*

*Ph: (+618) 8223 5088*

*Fax: (+618) 8223 5290*

<b>1</b>	<b>DEFINITIONS AND INTERPRETATION</b>	<b>1</b>
1.1	Definitions	1
1.2	Interpretation	5
<b>2</b>	<b>Ministerial Approval of Agreement</b>	<b>6</b>
2.1	Approvals	6
2.2	Obligation to apply for Approvals	6
2.3	Failure to Obtain Approval	6
<b>3</b>	<b>COLLATERAL AGREEMENT</b>	<b>6</b>
3.1	Condition	6
3.2	Collateral transactions	7
3.3	Consequences of Termination	7
<b>4</b>	<b>GRANT OF OPTION AND PAYMENT OF OPTION FEE</b>	<b>7</b>
4.1	Payment of Option Fee	7
4.2	Grant of Option	7
4.3	Extension of Option Term	7
<b>5</b>	<b>RIGHTS AND OBLIGATIONS DURING OPTION PERIOD</b>	<b>8</b>
5.1	Obligations of Salisbury during the Option Term	8
5.2	Access to Mining Information and Tenements	8
5.3	Salisbury to Comply with Tenement Conditions	8
5.4	Compliance with Laws etc	8
5.5	Provisions of Exploration Information	8
5.6	Right to Caveat	9
5.7	No Ownership	9
5.8	Holding Rights	9
<b>6</b>	<b>INDEMNITY AND GUARANTEE</b>	<b>9</b>
6.1	Salisbury to Indemnify	9
6.2	Guarantor to Guarantee Obligations	10
<b>7</b>	<b>FAILURE TO EXERCISE OPTION</b>	<b>10</b>
7.1	Give up Possession	10
7.2	Return of Information	10
7.3	Removal of Caveat	10
<b>8</b>	<b>EXERCISE OF OPTION AND FORMATION OF EXPLORATION JOINT VENTURE</b>	<b>10</b>
8.1	Exercise of Option	10
8.2	Formation of Exploration Joint Venture	10
8.3	Payment of outstanding Rental on Goodall Tenements	11
8.4	Purpose of the Exploration Joint Venture	11
8.5	Minimum Expenditure	11
8.6	Second Earn-in	11
8.7	Transfer of Tenement Interest	12
8.8	Tenement Interest held in Trust	12

8.9	Free Carried Interest	12
<b>9</b>	<b>MANAGEMENT OF EXPLORATION JOINT VENTURE</b>	<b>12</b>
9.1	Management of Exploration Joint Venture during Earn-in	12
9.2	Manager	12
<b>10</b>	<b>TECHNICAL CONSULTATION COMMITTEE</b>	<b>13</b>
10.1	Technical Consultation Committee	13
<b>11</b>	<b>FEASIBILITY STUDY AND MINING</b>	<b>14</b>
11.1	Bankable Feasibility Study	14
11.2	Decision to Mine	14
11.3	Consideration of Decision to Mine	14
11.4	Election to Participate and Formation of Mining Joint Venture	15
11.5	Segregation of Mining Area	15
11.6	Terms of Mining Joint Venture	15
11.7	Mining Joint Venture Agreement	16
<b>12</b>	<b>INFORMATION, REPORTS AND CONFIDENTIALITY</b>	<b>17</b>
12.1	Reporting	17
12.2	Inspection of Mining Information	17
12.3	Parties may view Manager's Activities	17
12.4	Passing on Notices	17
<b>13</b>	<b>Termination</b>	<b>17</b>
13.1	Events of Termination	17
13.2	Effect of Termination	18
<b>14</b>	<b>CONFIDENTIALITY</b>	<b>18</b>
14.1	Confidential Information	18
14.2	Confidentiality	18
14.3	Permitted Disclosures	18
14.4	Public Announcements	19
14.5	Survival	19
<b>15</b>	<b>WITHDRAWALS</b>	<b>19</b>
15.1	Withdrawals - General	19
15.2	Survival of Certain Provisions on Withdrawal	20
<b>16</b>	<b>WARRANTIES</b>	<b>20</b>
16.1	Title, Encumbrances, Good Standing	20
16.2	Mining Information	20
16.3	Parties' warranties	21
<b>17</b>	<b>TENEMENTS</b>	<b>21</b>
17.1	Maintenance and upkeep of Tenements	21
<b>18</b>	<b>ASSIGNMENT OF TENEMENTS AND PRE-EMPTIVE RIGHTS</b>	<b>22</b>
18.1	Meaning of "Assign"	22
18.2	Pre-emptive Rights:	22

18.3	Assignments to a Related Body Corporate	22
18.4	Deed of Covenant	23
18.5	Restrictions on Right to Encumber	23
<b>19</b>	<b>DISPUTE RESOLUTION</b>	<b>23</b>
19.1	Procedures to settle dispute	23
19.2	Negotiation	23
19.3	Arbitration	23
<b>20</b>	<b>FORCE MAJEURE</b>	<b>24</b>
20.1	Suspension of Obligations	24
20.2	Obligations of a Party	24
<b>21</b>	<b>GOODS AND SERVICES TAX</b>	<b>24</b>
21.1	Definitions and interpretation	24
21.2	Supply as a going concern	25
21.3	GST payable on other supplies	25
<b>22</b>	<b>RIGHTS RELATING TO MORESTOE TENEMENT</b>	<b>26</b>
22.1	First Right of Refusal	26
22.2	Assignment to Related Body Corporate	26
22.3	Surrender or Relinquishment	26
<b>23</b>	<b>GENERAL</b>	<b>26</b>
23.1	Obligations personal	26
23.2	No partnership	27
23.3	Just and faithful	27
23.4	No responsibility for tax	27
23.5	Entire Agreement	27
23.6	Amendment	27
23.7	Counterparts and multiple originals	27
23.8	Waiver	27
23.9	Severance	27
23.10	Governing Law	28
23.11	Service of Process	28
23.12	Deemed Notice	28
23.13	Address for Service of Notices	28
23.14	Further assurance:	29
23.15	Contra proferentem excluded	29
23.16	Costs	29
23.17	Stamp Duty	29
23.18	Consent and Registration Fees	29
23.19	Further Assurances	29
<b>SCHEDULE 1</b>	<b>– TERMS OF OPTIONS</b>	<b>31</b>

**Date** .....December 2007

**Parties**

- 1** **SALISBURY EXPLORATION PTY LTD** (ACN 125 935 613) whose registered office is C/- McDonald Steed McGrath Lawyers 262-266 Pirie Street Adelaide, SA 5000 ("**Salisbury**")
- 2** **SALISBURY RESOURCES LTD** (ACN 127 977 468) whose registered office is C/- McDonald Steed McGrath Lawyers 262-266 Pirie Street Adelaide, SA 5000 ("**the Guarantor**")
- 3** **AGRICOLA GOLD LTD** (ACN 071 888 634) whose business address is 27 Matthew Street Bedford Park SA 5042 ("**Agricola**")

**Recitals**

- A. Agricola is the registered holder of Northern Territory Exploration Licence (Northern) 10320 and 10321 and of Northern Territory Mineral Claim (Northern) 4277 (herein collectively referred to as "**the Tenements**")
- B. Salisbury is a wholly owned subsidiary of the Guarantor;
- C. The Guarantor is an unlisted public company the directors of which intend to apply for listing of the company's shares in early 2008 on the ASX through an Initial Public Offering to raise between \$6,000,000 and \$7,000,000;
- D. Salisbury has or will enter into an agreement with Morestoe Pty Ltd in relation to Northern Territory Mineral Lease (Northern) 1049 ("**Morestoe Agreement**"). This Agreement is collateral to the Morestoe Agreement.
- E. The Parties have agreed to enter into this Agreement to permit Salisbury to acquire a joint venture interest in the Tenements for the purpose of exploring for Minerals, and, if successful, to develop one or more mines in the area of the Tenements to produce Minerals.

**NOW IT IS AGREED AS FOLLOWS:**

**1 DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Agreement, including the recitals, the following terms, unless the context otherwise requires, have the following meanings:

"**Agreement**" means this agreement including the recitals and schedules hereto;

**"ASX"** means the Australian Stock Exchange or such other stock exchange in relation to which a Party's shares are listed from time to time;

**"Bankable Feasibility Study"** means a detailed written evaluation demonstrating the geological, metallurgical, engineering, environmental and economic feasibility of mining and processing minerals contained within the area of the Tenements and of constructing facilities to produce Minerals. Without limiting the generality of the foregoing the evaluation must:

- (a) be prepared by an organisation recognised in the mining industry in Australia as having the requisite qualifications and experience;
- (b) include all information and analyses customarily required by a lender in determining whether to make debt funding available for projects of a comparable size and scope on the basis that the lender is satisfied (having regard to the information which the evaluation includes with respect to: capital, and operating costs; environmental constraints; water and fuel supplies; waste disposal facilities; engineering facilities; engineering parameters; projected rates of return; and marketing strategies and opportunities), that the project has a value greater than the capital cost of implementing it;
- (c) without limiting the generality of paragraph (b), includes details of ore grades, throughput rates, recoveries, capital and operating costs and sales prices defined to such a degree of accuracy and reliability that the probability of any cash parameter varying to a less favourable degree than that presented in the evaluation is less than 15%; and
- (d) quantify the parameters listed in paragraph (c) using methodology and practices which are generally recognised and accepted in the mining, metallurgical and engineering industries (as the case may be) in Australia;

**"Business Day"** means a day on which banks are ordinarily open for business both in Darwin, Northern Territory and Adelaide, South Australia;

**"Claim"** means any cost, expense, loss, damage, claim, action, proceedings or other liability (whether in contract, tort or otherwise), however arising (whether or not presently ascertained, immediate, future or contingent) and includes legal costs on a full indemnity basis;

**"Commencement Date"** means the date of this Agreement.

**"Decision to Mine"** has the meaning given in Clause 11.2(a).

**"DPIFM"** means the Department of Primary Industry, Fisheries and Mines of the Northern Territory or such other department which exercises its functions and administers the Mining Act from time to time;

**"Encumbrance"** means any lien, mortgage, charge, encumbrance or other security of whatsoever description over the Tenements;

**"Exploration"** means all activities aimed at the discovery, location and delineation of Minerals on the Tenements and may include feasibility studies,

assessments, assays, metallurgical work and drilling, the maintenance and administration of the Tenements and the administration of field offices for the performance of this Agreement;

**"Exploration Costs"** means all costs, expenses and liabilities incurred in the course of or in connection with Exploration, accounted for in accordance with accepted accounting principles in Australia and may include a Management Fee;

**"Exploration Joint Venture"** means the joint venture between Salisbury and Agricola established under Clause 8.2;

**"First Tranche Consideration"** means the sum of \$100,000.00;

**"First Tranche Securities"** means:

(a) 500,000 SRL Shares; and

(b) 250,000 SRL Options;

**"Float"** is defined in Clause 4.3;

**"Force Majeure"** means, in respect of a Party, an event or circumstance that is beyond the reasonable control of the Party and that occurs without the negligence of that Party, and includes (provided the foregoing conditions are met) accident, storm, flood, fire, earthquake, explosion, peril of navigation, hostility, war (declared or undeclared), insurrection, sabotage, acts or threatened acts of terrorism, executive or administrative order or act of either general or particular application of any government prohibition or restriction by domestic or foreign laws, regulations or policies (other than laws specifically for that purpose passed by the Commonwealth), quarantine or customs restrictions, strike, lockout or industrial dispute, breakdown or damage to or confiscation of property, any delays (including to land access) occasioned by the deliberations of aboriginal groups over heritage or native title matters or compensation or the exclusion of vital areas as sacred sites; the insufficiency of funds does not of itself constitute Force Majeure;

**"Holding Costs"** means all Government fees and charges incurred or accrued during the Option Term relating to or required in order to maintain the Tenements in good standing;

**"Joint Venture Assets"** means all rights, titles, interest, Claims, benefits and all other property of whatever kind, real or personal, from time to time owned by any Party for the purposes of the Exploration Joint Venture, and includes the Tenements and the Mining Information;

**"Joint Venture Costs"** means all costs incurred in connection with the activities of the Exploration Joint Venture and accounted for in accordance with accepted accounting principles in Australia and may include a Management Fee;

**"Management Fee"** means a fee charged by the Manager of the Exploration Joint Venture as part of Exploration Costs, such fee to be no more than:

(a) 12% of all Exploration Costs (excluding any Management Fees and excluding drilling costs); and

(b) 5% of drilling costs;

**"Manager"** means the manager of the Exploration Joint Venture pursuant to the operation of Clause 9;

**"Minerals"** has the same meaning as the term "minerals" as defined in the Mining Act;

**"Mining Act"** means the *Mining Act* of the Northern Territory;

**"Mining Information"** means all information, data and records relating to the Tenements, including Exploration or other works carried out by any Party concerning the area of the Tenements including all surveys, maps, aerial photographs, electronically stored data, sketches, drawings, memoranda, drill cores, logs of those drill cores, geophysical, geological or drill maps, sampling and assay reports and notes;

**"Option"** means the option to enter into the Exploration Joint Venture granted in accordance with Clause 4.2;

**"Option Term"** is defined in Clause 4;

**"Option Payment"** means the sum of \$50,000 payable in accordance with Clause 4.1;

**"Parties"** means each of the parties to this agreement and their respective successors and permitted assigns;

**"Participating Interest"** means the following obligations, benefits and rights of an Exploration Joint Venturer expressed as a percentage determined in accordance with this Agreement:

(a) the obligations, subject to the terms of this Agreement, to contribute that percentage of all Joint Venture Costs;

(b) ownership of and obligation, right and benefit as a tenant in common to receive in kind and to dispose of for its own account that percentage of Minerals produced by the Exploration Joint Venture; and

(c) the beneficial ownership as a tenant in common of an undivided share in that percentage of all Joint Venture Assets;

**"Rehabilitation Obligation"** means Salisbury's obligation in respect of the costs of conducting rehabilitation of the Tenements in accordance with any requirements imposed by DPIFM but only in respect of so much of the costs arising from Exploration conducted by Salisbury, its servants, agents and contractors on the Tenements during the Option Term;

**"Second Tranche Consideration"** means the sum of \$100,000.00;

**"Second Tranche Securities"** means:

(a) 500,000 SRL Shares; and



(b) 250,000 SRL Options;

**"SRL Options"** means options to acquire shares in the Guarantor such options to have an exercise price of \$0.20 and be exercisable within 2 years from their date of grant and otherwise to be issued substantially in accordance with the Guarantor's standard option terms as set out in Schedule 1;

**"SRL Shares"** means ordinary fully paid shares in the capital of the Guarantor;

**"Tenement Expenditure Commitment"** means the sum of \$200,000.00 to be expended by Salisbury during the Earn-in Period in order to earn the initial Participating Interest in the Tenements;

**"Tenements"** means each of the tenement described in Recital A and includes also any renewals, extensions, modifications, substitutions or variations thereof and any other mining titles held from time to time by the Agricola or the Exploration Joint Venture in respect of the area of the Tenements or any part thereof, and any interest therein.

## 1.2 Interpretation

In this Agreement including the recitals unless the contrary intention appears:

- (a) words denoting the singular include the plural and vice versa;
- (b) a reference to any one of an individual, corporation, partnership, joint venture, association, authority, trust or government includes (as the context requires) any other of them;
- (c) any table of contents and headings are for convenience only and do not affect interpretation;
- (d) a reference to any instrument (such as a deed, agreement or document) is to that instrument as amended, novated, substituted or supplemented at any time and from time to time;
- (e) a reference to a party is a reference to a party to this Agreement and includes that party's executors, administrators, successors and permitted assigns;
- (f) a reference to "\$" or "dollars" is a reference to an amount in Australian currency;
- (g) monetary amounts and references to expenditure commitments and Exploration Costs referred to in this Agreement are expressed exclusive of GST;
- (h) a reference to a recital, clause, schedule or annexure is to a recital, clause, schedule or annexure of or to this Agreement;
- (i) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or substitution for, and any subordinate legislation under, that legislation or legislative provision;

- (j) where an expression is defined, another part of speech or grammatical form of that expression has the corresponding meaning;
- (k) where a matter is expressed to be within or to the knowledge of any person the matter is taken to be the best of the knowledge and belief of the person after having made reasonable enquiry;
- (l) "**Related Body Corporate**" has a meaning defined by section 50 of the Corporations Act;
- (m) "**including**" and similar expressions are not and must not be treated as words of limitation.

## **2 Ministerial Approval of Agreement**

---

### **2.1 Approvals**

Any provision(s) of this Agreement which require approval and registration in accordance with Section 173 of the Mining Act will have no force or effect until such provision(s) have received approval and registration ("**Ministerial Approval**").

### **2.2 Obligation to apply for Approvals**

Salisbury will as soon as practicable after the Commencement Date apply for any Ministerial Approval required and will be solely responsible for all registration fees and the preparation of the information required pursuant to section 173(5)(b) of the Mining Act, and Agricola agrees to furnish such information, execute all documents and do all other things necessary or desirable in order to expeditiously obtain Ministerial Approval and to give full force and effect to this Agreement.

### **2.3 Failure to Obtain Approval**

If Ministerial Approval has not been obtained within 90 days after the Commencement Date the Salisbury may terminate this Agreement with immediate effect by giving written notice to Agricola, in which event the Parties shall do all such things and sign all such documents as may be necessary in order to return each of them, to the extent reasonably possible, to the position each was in prior to the Commencement Date, including refund by Agricola of all monies paid to them by Salisbury hereunder.

## **3 COLLATERAL AGREEMENT**

---

### **3.1 Condition**

The Parties acknowledge and agree that this Agreement is conditional upon Salisbury and the Guarantor having entered into or, as soon as practicable hereafter, entering into the Morestoe Agreement on terms and conditions reasonably acceptable to them ("**Condition**") and in the event that Salisbury and the Guarantor, after having used their respective reasonable endeavours, have not met the Condition within 30 days after the Commencement Date, Salisbury and or the Guarantor may elect by notice in writing within a further 30 days, to terminate this Agreement in which event

the Parties shall do all such things and sign all such documents as may be necessary in order to return each of them, to the extent reasonably possible, to the position each was in prior to the Commencement Date, including refund by Agricola of all monies paid to them by Salisbury hereunder.

### **3.2 Collateral transactions**

The Parties further acknowledge and agree that the transactions contemplated by this Agreement and the transactions contemplated by the Morestoe Agreement are collateral and neither Salisbury nor the Guarantor shall be obliged to exercise the Option or to enter into the Exploration Joint Venture where there is a default or failure to complete by a party (other than Salisbury or the Guarantor) to the transaction contemplated by the Morestoe Agreement.

### **3.3 Consequences of Termination**

Save in respect of any antecedent breach of this Agreement or a breach by Salisbury or the Guarantor under the Morestoe Agreement, no Party shall be liable to the other in respect of any Claim arising out of termination of this Agreement under Clause 3.1 or (failure or refusal to meet the Minimum Expenditure commitment under Clause 8.5 following exercise of the Option) save that Salisbury shall continue to be responsible for the Rehabilitation Obligation.

## **4 GRANT OF OPTION AND PAYMENT OF OPTION FEE**

### **4.1 Payment of Option Fee**

Salisbury shall within 5 Business Days following the Commencement Date procure payment of the Option Fee to Agricola, by cash, bank cheque or other agreed means of payment.

### **4.2 Grant of Option**

Subject to clause 4.3, in consideration for the payment of the Option Fee and the undertakings of Salisbury contained in Clause 5 Agricola hereby grants to Salisbury the option to enter into the Exploration Joint Venture within 6 months from the Commencement Date or such longer period as may, at the request of Salisbury, be agreed by Agricola in writing ("**Option Term**").

### **4.3 Extension of Option Term**

It is acknowledged by the Parties that the Guarantor intends to undertake a capital raising and apply for listing of its shares on the ASX ("**Float**"). It is intended by the Guarantor that the Float take place in mid to late February 2008. In the event that there is a delay in the Float which prevents Salisbury from exercising the Option during the Option Term, Salisbury may within the Option Term extend the Option Term for up to a further 6 months ("**Extended Option Term**") PROVIDED that for every calendar month or part thereof during the Extended Option Term that the Option remains un-exercised by Salisbury or Salisbury has not terminated this Agreement pursuant to Clause 15, Salisbury shall pay to Agricola in advance the additional sum of \$8,000.00

and if Salisbury has requested an extension under, and complied with this Clause 4.3, the definition of Option Term for the purposes of this Agreement shall thereafter mean and include the Extended Option Term.

## **5 RIGHTS AND OBLIGATIONS DURING OPTION PERIOD**

### **5.1 Obligations of Salisbury during the Option Term**

Subject to this Clause 5, Salisbury shall, during the Option Term, maintain the Tenements in good standing and as part of that obligation will, on or before 31 December 2007, expend not less than \$30,000 in aggregate on Exploration on the Tenements which the Parties agree will be in the form of the preparation of a complete digital data base in respect of the Tenements (or other forms of Exploration as agreed by the Parties).

### **5.2 Access to Mining Information and Tenements**

In order to enable Salisbury to meet its obligations under Clause 5.1, Agricola shall provide to Salisbury, on a confidential basis, all Mining Information and shall further allow Salisbury free and unfettered access to the Tenements during the Option Term, subject to the indemnity in Clause 6.1.

### **5.3 Salisbury to Comply with Tenement Conditions**

The Exploration and access referred to in Clause 5.2 are at all times limited by and confined to activities which Agricola as holder of the Tenements would have the right to undertake in respect of the Tenements from time to time and Salisbury indemnifies and agrees to keep the Agricola fully and effectually indemnified against any breach of the Tenements conditions resulting from any act or omission by Salisbury in or associated with conducting Exploration and access referred to in Clause 5.2.

### **5.4 Compliance with Laws etc**

Salisbury shall comply with all relevant laws and regulations governing the conduct of its Exploration activities on the Tenements and shall pay:

- (a) all Holding Costs as and when they fall due, **SUBJECT** only to the Agricola providing to Salisbury in a timely manner all notices, invoices and other relevant correspondence relating to such Holding Costs; and
- (b) all costs of conducting rehabilitation of the Tenements in accordance with any requirements imposed by DPIFM but only in respect of so much of the costs arising from Exploration conducted by Salisbury, its servants, agents and contractors on the Tenements during the Option Term.

### **5.5 Provisions of Exploration Information**

Salisbury shall during the Option Term keep accurate and complete records in relation to Exploration conducted by it on the Tenements and shall in the event of expiry or termination of this Agreement without exercise of the Option, provide to Agricola, a report as to such Exploration which report shall be provided to Agricola subject to the confidentiality provisions set out in Clause 14 and shall contain such technical and financial information as may

be reasonably requested by Agricola for the purpose of enabling Agricola to comply with Government reporting and other obligations under the Mining Act.

#### **5.6 Right to Caveat**

- (a) Salisbury may lodge a caveat against the Tenements or take such other appropriate action provided for in the Mining Act to protect its interests hereunder and such caveat may be maintained by Salisbury in force until this Agreement expires or is validly terminated at which time, Salisbury shall take all necessary steps, at its own cost to remove any such caveat.
- (b) Agricola hereby agree not to take any steps to remove any such caveat unless and until this Agreement has expired or been validly terminated.
- (c) In the event that Salisbury has not exercised the Option during the Option Term and has failed or refused within 7 days thereafter to remove the caveat, Agricola is hereby authorised to do all such things and sign all such documents on Salisbury's behalf in order to effect removal of the caveat, at Salisbury's cost in all things including legal costs reasonably incurred by Agricola on a solicitor/client basis.

#### **5.7 No Ownership**

Salisbury shall not, by virtue of any expenditure on or in respect of the Tenements, or otherwise be entitled to any legal or beneficial interest in the Tenements and the Parties acknowledge and agree that nothing in this Agreement shall create any trust whether actual or constructive in favour of Salisbury.

#### **5.8 Holding Rights**

Agricola shall during the Option Term remain the sole registered holder of the Tenements and shall not enter into any agreement regarding the Tenements, other than this Agreement, except with the prior written consent of Salisbury (which consent will not be unreasonably withheld) and shall not otherwise dispose of or Encumber Agricola's interest in the Tenements;

### **6 INDEMNITY AND GUARANTEE**

#### **6.1 Salisbury to Indemnify**

During the Option Term, Salisbury agrees to indemnify and keep Agricola fully and effectually indemnified in relation to any Claim suffered or incurred, or brought, made or recovered by any person against Agricola or any of its officers, servants, agents, consultants or contractors arising out of:

- (a) any act or omission of Salisbury or any of its servants, agents, consultants or contractors in relation to its presence on or about, or Exploration carried out by it on, the Tenements; and
- (b) any breach of any provision of this Agreement by Salisbury or any of its servants, agents, consultants or contractors,

other than any Claim to the extent resulting from the negligent act or omission of Agricola, their servants, agents, contractors or consultants.

## **6.2 Guarantor to Guarantee Obligations**

During the Option Term and thereafter if Salisbury exercises the Option, during the term of the Exploration Joint Venture, the Guarantor guarantees the due and punctual performance by Salisbury of all of Salisbury's obligations hereunder.

## **7 FAILURE TO EXERCISE OPTION**

---

If Salisbury does not exercises the Option within the Option Term then:

### **7.1 Give up Possession**

Salisbury shall promptly give up quiet and peaceable possession of the Tenements to Agricola;

### **7.2 Return of Information**

each Party shall promptly procure the return to the other Party of any documents or information provided by the former Party in respect of the Tenements after the Commencement Date; and

### **7.3 Removal of Caveat**

Salisbury shall promptly procure removal of any caveat lodged in respect of the Tenements or any of them and if Salisbury fails to do so within 7 days after being requested in writing by Agricola, Salisbury hereby irrevocably appoints Agricola as Salisbury's attorney with full right, authority and power to carry out Salisbury's obligations under this Clause 7.3.

## **8 EXERCISE OF OPTION AND FORMATION OF EXPLORATION JOINT VENTURE**

---

### **8.1 Exercise of Option**

Provided Salisbury is not in material breach of its obligations hereunder, Salisbury may exercise the Option at any time within the Option Term (subject to the Float having occurred), by giving written notice to Agricola ("**Exercise Notice**").

### **8.2 Formation of Exploration Joint Venture**

Salisbury shall within 30 days after giving the Exercise Notice procure payment to Agricola of the First Tranche Consideration and issue to Agricola (or such nominees of Agricola as Agricola notifies in writing to Salisbury) of the First Tranche Securities, whereupon the Exploration Joint Venture between Agricola and Salisbury shall be formed ("**JV Commencement Date**") with the parties initial Participating Interests in the Exploration Joint Venture being:

- (a) Salisbury – 51%

(b) Agricola – 49%

### 8.3 Payment of outstanding Rental on Goodall Tenements

Agricola shall within 5 Business Days after the JV Commencement Date pay to DPIFM the sum of \$8,000.00 being Agricola's agreed contribution to outstanding Government rental fees on Northern Territory Mineral Lease (Northern) 1049 as contemplated by the Morestoe Agreement.

### 8.4 Purpose of the Exploration Joint Venture

- (a) The purpose of the Exploration Joint Venture is to carry out Exploration upon the Tenements for Minerals and, if warranted, to develop and exploit the Tenements and carry out mining operations for the purpose of deriving production of Minerals therefrom.
- (b) Exploration Joint Venture activities shall include all activities properly carried out by the Manager for the purposes of the Exploration Joint Venture.

### 8.5 Minimum Expenditure

In order to maintain its Participating Interest in the Exploration Joint Venture Salisbury must within 12 months from the JV Commencement Date spend \$200,000.00 on behalf of both its Participating Interest and Agricola's Participating Interest on Exploration on the Tenements (not less than 50% of which must be expended by Salisbury on drilling on the Tenements) ("*Minimum Expenditure*").

### 8.6 Second Earn-in

- (a) If Salisbury has met the Minimum Expenditure in accordance with Clause 8.5, it may elect within 60 days thereafter, to obtain a further Participating Interest in the Exploration Joint Venture by paying to Agricola the Second Tranche Consideration and procuring issue to Agricola (or such nominees of Agricola as Agricola notifies in writing to Salisbury) of the Second Tranche Securities.
- (b) If Salisbury elects to earn its further interest by complying with Clause 8.6(a) the Participating Interests of the Parties shall be:
  - (i) Salisbury - 90%
  - (ii) Agricola – 10%
- (c) If Salisbury elects not to earn a further interest, or fails to comply with Clause 8.5, in which event it shall be deemed to have elected not to earn a further interest, the Exploration Joint Venture shall terminate and Salisbury shall have no further interest in or obligations in respect of the Tenements, save in respect of:
  - (i) any antecedent breach of its obligations hereunder;
  - (ii) the obligation to pay 51% of any costs of conducting rehabilitation of the Tenements in accordance with any requirements imposed by DPIFM but only in respect of so much of the costs arising from

Exploration conducted by Salisbury, its servants, agents and contractors on the Tenements from the JV Commencement Date to termination of the Exploration Joint Venture.

#### **8.7 Transfer of Tenement Interest**

Upon Salisbury earning its 90% interest in the Tenement following an election under Clause 8.6(a), Agricola shall forthwith at the request of Salisbury do all such things and sign all such documents as may be necessary in order to effect, at the cost of the Exploration Joint Venture, transfer of Salisbury's Participating Interest in the Tenement to Salisbury.

#### **8.8 Tenement Interest held in Trust**

From the commencement of the Exploration Joint Venture until transfer of Salisbury's Participating Interest in accordance with Clause 8.7 or until termination of the Exploration Joint Venture pursuant to Clause 8.6(c) (as the case may be), Agricola shall hold the Participating Interest (from time to time) of Salisbury in the Tenement on trust for Salisbury and the provisions of Clauses 5.6 and 5.8 shall continue to apply.

#### **8.9 Free Carried Interest**

From the JV Commencement Date (that is upon Salisbury earning its 51% Participating Interest in the Tenements), Agricola's Participating Interest in the Exploration Joint Venture shall be free carried through to Decision to Mine and Agricola will be under no obligation to contribute its relevant Percentage Interest to any Joint Venture Costs nor Exploration Costs incurred in the period from the JV Commencement Date the date on which a Decision to Mine is made.

### **9 MANAGEMENT OF EXPLORATION JOINT VENTURE**

#### **9.1 Management of Exploration Joint Venture during Earn-in**

Subject to the terms of this Agreement, Salisbury shall be the Manager of the Exploration Joint Venture while it is sole funding Exploration on the Tenements and thereafter while it holds a majority Participating Interest.

#### **9.2 Manager**

- (a) The Manager shall have day-to-day management and control of all Exploration Joint Venture activities. The Manager shall be authorised to:
  - (i) manage and supervise the construction, development, maintenance and operation of all Exploration Joint Venture facilities;
  - (ii) have exclusive control of Joint Venture Property and exclusive conduct of Exploration Joint Venture activities;
  - (iii) engage, supervise and control independent contractors;



- (iv) employ all labour and other personnel as its employees;
  - (v) engage, outside experts and consultants for technical and professional services;
  - (vi) prepare and file all required reports;
  - (vii) carry adequate insurance protecting Joint Venture Property and the Parties against third party liability and such other insurance as is deemed necessary by the Manager having regard to the best interests of the Parties;
  - (viii) pay lease rentals and other charges, royalties, rates and taxes in connection with Exploration Joint Venture activities;
  - (ix) acquire additional mining Tenements or other rights and which are considered by the Technical Committee to be necessary or desirable for the Exploration Joint Venture;
  - (x) apply for the amalgamation of expenditure or work commitments on any other Tenements; and
  - (xi) negotiate on behalf of the Parties with any native title holders or claimants in the area of the Tenements and otherwise issue notices or undertake such other activities as may be required in order to comply with the Native Title Act 1993 and/ or Aboriginal heritage legislation.
- (b) The Manager must act in accordance with good and accepted Exploration practices and its obligations as Manager, including the obligation to keep the Tenements in good standing
- (c) The Manager shall not be liable to any Party for any losses sustained or liability incurred by the Exploration Joint Venture, provided that after the Earn-in Period each Party shall be liable to indemnify the Manager in proportion to its respective Participating Interest in respect of the same, except where any such loss or liability arises by reason of the Manager's wilful misconduct.

## **10 TECHNICAL CONSULTATION COMMITTEE**

### **10.1 Technical Consultation Committee**

- (a) As and from the JV Commencement Date, the Exploration Joint Venture shall have a technical consultation committee ("**Technical Committee**").
- (b) Each Party shall appoint up to 2 representatives to the Technical Committee.
- (c) The Technical Committee shall meet regularly and at least semi-annually for the purpose of:
  - (i) the Manager reporting on and discussing with the non-managing Party, technical programs and budgets; and

- (ii) the Parties exchanging views and consulting generally on technical issues associated with Exploration.
- (d) For the avoidance of doubt, the Technical Committee shall not have any decision making powers.

## **11 FEASIBILITY STUDY AND MINING**

---

### **11.1 Bankable Feasibility Study**

- (a) At any time during the term of the Exploration Joint Venture the Manager may resolve to carry out a Bankable Feasibility Study with respect to commercial mining operations within the Tenements.
- (b) Upon completion of the Bankable Feasibility Study, each Party will be provided with a copy, and will have a period of 60 days to consider the findings and recommendations of the Bankable Feasibility Study.

### **11.2 Decision to Mine**

- (a) If the Manager is satisfied that there are sufficient ore reserves within the feasibility area to justify commercial mining operations, the Manager may make a decision to proceed with the development of a Minerals mining project in the Tenements ("**Decision to Mine**").
- (b) The Manager will notify Agricola of the Decision to Mine, which notification will:
  - (i) specify the part of the Tenements required for the conduct of mining ("**Mining Area**", and for the purposes of this Clause 11 "**Mining Area**" includes the area of any retention lease or mining lease applied for or proposed to be applied for pursuant to the Decision to Mine);
  - (ii) specify the location and delineation of the ore body or bodies;
  - (iii) set out in reasonable detail the nature and extent of the proposed mining operation;
  - (iv) set out estimates of the capital expenditure required for the establishment of the proposed mining operation and the probable period from commencement of planning to commencement of production; and
  - (v) set out estimates of the operating expenditure required for the conduct of the proposed mining operation.

### **11.3 Consideration of Decision to Mine**

- (a) As soon as practicable after completion of a Bankable Feasibility Study under Clause 11.2, any Party with a continuing Participating Interest in the Exploration Joint Venture shall be provided with a copy, and shall have a period of 60 days to consider the finding and recommendations of the Bankable Feasibility Study.

- (b) As soon as practicable after the expiration of the 60 day period referred to in Clause 11.3, the Parties shall meet to discuss the findings and recommendations of the Bankable Feasibility Study.

#### **11.4 Election to Participate and Formation of Mining Joint Venture**

- (a) If the Manager makes a Decision to Mine, each Party shall, within 60 days of being notified of the Decision to Mine, elect whether or not it wishes to participate in such development.
- (b) A Party that does not elect within 60 days of being notified of the Decision to Mine whether or not it wishes to participate in such development shall be deemed to have elected on the day 60 days after it is notified of the Decision to Mine that it does not wish to participate in such development.
- (c) When all of the Parties have elected or are deemed to have elected to participate or not to participate in such development, the Parties that have elected to participate in such development shall be associated in a Joint Venture ("**Mining Joint Venture**") to establish commercial mining operations in the Mining Area in respect of which the Decision to Mine is made.
- (d) Commercial mining operations will be carried out on the Mining Area at the sole risk expense and benefit of the Mining Joint Venturers.

#### **11.5 Segregation of Mining Area**

- (a) Upon the formation of the Mining Joint Venture, the Mining Area shall cease to be Joint Venture Property, and shall be owned by the Mining Joint Venturers in proportion to their respective participating interests in the Mining Joint Venture.
- (b) The Parties, or Agricola as applicable, shall transfer to the Mining Joint Venturers the Tenements in respect of which the Mining Joint Venture is established. To the extent that the Mining Joint Venture is established for less than all of a Tenement and the Tenement cannot be subdivided, or if a Tenement for any other reason cannot be transferred to the Mining Joint Venturers, then the holder of that Tenement shall hold the Tenement (to the relevant extent) on trust for the Mining Joint Venturers and shall act in respect of that Tenement interest as directed by the Mining Joint Venturers.

#### **11.6 Terms of Mining Joint Venture**

- (a) The participating interest of each Mining Joint Venturer ("**MJV Interest**") shall be in proportion to its relative Participating Interest in the Exploration Joint Venture at the time of formation of the Mining Joint Venture or as they may otherwise agree between themselves.
- (b) Salisbury shall be the manager of the Mining Joint Venture while it holds the majority participating interest.

- (c) The Mining Joint Venturers shall take in kind all production of Minerals derived from the Mining Area, in proportion to their respective MJV Interests.
- (d) The Mining Joint Venturers shall contribute to the costs incurred by the Mining Joint Venture in proportion to their respective MJV Interests.
- (e) The manager of the Mining Joint Venture shall have a lien over each Mining Joint Venturer's share of production to secure the payment of cash calls issued to that Mining Joint Venturer under the Mining Joint Venture. If a Mining Joint Venturer defaults in paying a cash call, the manager of the Mining Joint Venture may sell that Mining Joint Venturer's share of production and apply the sales proceeds towards paying the default amount.

#### 11.7 Mining Joint Venture Agreement

- (a) Following the formation of a Mining Joint Venture, the Mining Joint Venturers shall enter into a further agreement ("**MJV Agreement**") to govern the terms of the Mining Joint Venture.
- (b) The MJV Agreement shall contain terms consistent with this Agreement and the following principles:
  - (i) any Mining Joint Venturer that wishes to sell its MJV Interest shall first offer to sell that MJV Interest to the other Mining Joint Venturers on the same terms and conditions under which the Mining Joint Venturer is willing to sell to a third party;
  - (ii) the structure of the relationship shall be an unincorporated joint venture;
  - (iii) a particular majority of all MJV Interests will be required in relation to voting on:
    - (A) a decision to relinquish or surrender any tenement;
    - (B) a decision to acquire any tenement;
    - (C) a decision to abandon or suspend operations for a continuous period of more than 6 months;
    - (D) a decision to approve an encumbrance of joint venture property;
    - (E) approval of an annual program and budget and variations of more than 10%;
    - (F) contracts with parties related to any Mining Joint Venturer;
    - (G) major expansions; and
    - (H) chief executive and senior executive appointments reporting directly to the chief executive;
  - (iv) the Mining Joint Venturers will contribute to expenses of the Mining Joint Venture in proportion to their MJV Interests; for clarity

the Mining Joint Venturers agree that they will each take their share of production in kind and that they will not share in the income of the Mining Joint Venture; and

- (v) the liability of the Mining Joint Venturers will be several;
  - (vi) a dilution formula shall apply to the participating interest of a non-contributing Mining Joint Venturer;
  - (vii) a pre-emptive right, similar to that set out in Clause 18 shall apply to the sale or assignment of a Mining Joint Venturer's interest in the Mining Joint Venture
- (c) Mining operations shall not be carried out under the Mining Joint Venture unless and until the MJV Agreement has been executed by the Mining Joint Venturers.

## **12 INFORMATION, REPORTS AND CONFIDENTIALITY**

---

### **12.1 Reporting**

- (a) The Manager shall forward to the other Parties quarterly reports of Exploration results and activities. The information provided by the Manager shall also be sufficient for the Parties to meet their obligations of disclosure under the ASX listing rules.
- (b) The Manager shall immediately report to the other Party any drilling result of significance and any other material matters.

### **12.2 Inspection of Mining Information**

Each Party shall be entitled to have access to all Mining Information held by the Manager upon the giving of reasonable notice, provided that this may not unreasonably interfere with the activities of the Manager.

### **12.3 Parties may view Manager's Activities**

A Party not being the Manager shall upon reasonable notice to the Manager have the right to enter upon the Tenements at its own cost and risk for the purpose of viewing the Manager's activities, provided that this may not unreasonably interfere with the Manager's activities.

### **12.4 Passing on Notices**

Each Party shall promptly pass to the other Party any material notice or communication from DPIFM or any other government authority in any way affecting the Tenements or the Exploration Joint Venture.

## **13 Termination**

---

### **13.1 Events of Termination**

This Agreement terminates prior to the end of the Option Term in the following manner:

- (a) by a Party ("**Non-defaulting Party**"), where a Party ("**Defaulting Party**") is in breach of any of the provisions of this Agreement and

such breach has not been remedied within 14 days of the Non-defaulting Party giving notice to the Defaulting Party to remedy such breach ("**Default Notice**"), or, in the event that the breach is not capable of remedy, the Defaulting Party has not within the said period paid to the Non-defaulting Party such reasonable amount of monetary compensation as is set out in the Default Notice then upon expiry of the said notice period without need for further notice;

- (b) immediately and without the need for notice in the event that a Party commits an Act of Bankruptcy;
- (c) by Salisbury, where Agricola are in material breach of obligations under the licence conditions of any of the Tenements or under the Mining Act and such breach is not remedied within 14 days of receipt of notice of such breach; or
- (d) by Salisbury, giving to Agricola not less than 10 Business Days written notice of termination, where Salisbury is not then in material breach of any of its obligations hereunder (including the obligation to pay Holding Costs pro-rata to the date of termination).

### 13.2 Effect of Termination

- (a) Unless validly terminated by Salisbury pursuant to clauses 13.1(a), 13.1(b), or 13.1(c) Salisbury shall not be entitled to claim any compensation, costs or reimbursement of the Option Fee or the Rental Fee as a result of termination of this Agreement pursuant to this Clause 13.
- (b) Unless validly terminated by Agricola pursuant to clauses 13.1(a) or 13.1(b), Agricola shall not be entitled to any Claim against Salisbury as a result of termination of this Agreement pursuant to this Clause 13.
- (c) Subject to Clauses 13.2(a) and 13.2(b) any termination of this Agreement pursuant to this Clause 13 is without prejudice to the Parties' accrued rights and remedies.

## 14 CONFIDENTIALITY

### 14.1 Confidential Information

In this Clause 14, "**Confidential Information**" means all Mining Information and other information relevant to the Tenements or the terms of this Agreement or the performance of this Agreement and which is not in the public domain.

### 14.2 Confidentiality

Except as otherwise permitted under this Clause 14, each Party shall keep all Confidential Information strictly confidential.

### 14.3 Permitted Disclosures

A Party may disclose Confidential Information in the following circumstances:

- (a) A Party shall be entitled to disclose Confidential Information to any related body corporate which agrees with the disclosing Party to be bound by the confidentiality obligations of the disclosing Party.
- (b) A Party shall be entitled to make such disclosures as are required by law or by the rules of any Stock Exchange or regulatory agency having jurisdiction over such Party or its ultimate holding company.
- (c) A Party shall be entitled to disclose Confidential Information to any of the undermentioned persons whose legitimate interests reasonably require disclosure and who have first agreed in writing with the disclosing Party to be bound by the confidentiality obligations of the disclosing Party:
  - (i) any financier or prospective financier;
  - (ii) any professional adviser;
  - (iii) any assignee or prospective assignee.

#### **14.4 Public Announcements**

Agricola acknowledges that the Guarantor has an obligation to disclose all relevant information relating to the Tenements and the material terms of this Agreement in the course of the Float, including the names of the Parties and the terms of consideration under this Agreement and each hereby consents to the inclusion of that information in any prospectus published by the Guarantor in relation to the Float.

#### **14.5 Survival**

Notwithstanding the withdrawal of a Party from the Exploration Joint Venture or other termination of this Agreement, the obligations of confidentiality in this Clause 14 shall survive for a period of 3 years from the date of such withdrawal or termination.

### **15 WITHDRAWALS**

#### **15.1 Withdrawals - General**

- (a) Subject to Clause 3, Salisbury may not withdraw from the Exploration Joint Venture (after its formation) unless and until it has met the Minimum Expenditure.
- (b) Any Party (other than the Guarantor unless Salisbury has also withdrawn) may withdraw from the Exploration Joint Venture after Salisbury has met the Minimum Expenditure, on giving 30 days' notice to the other Party.
- (c) Upon withdrawing from the Exploration Joint Venture under paragraph (b), subject to this Clause 15:
  - (i) the rights, entitlements and obligations of the withdrawing Party under this Agreement shall cease (except those obligations which are expressed to survive termination) and it shall have no further interest in the Exploration Joint Venture; and

- (ii) the withdrawing Party's rights and interests under this Agreement and in the Tenements shall be deemed to have been transferred to the non-withdrawing Party for \$1 (payable on demand).
- (d) Nothing in this Clause 15 releases a withdrawing Party from any liability arising from any breach of this Agreement occurring, or an obligation to meet a funding commitment pro-rata accruing, prior to the date of such withdrawal or from the Rehabilitation Obligation.
- (e) As soon as practicable following its withdrawal, a withdrawing Party:
  - (i) which is the Manager shall deliver to the non-withdrawing Party all Mining Information, to the extent it has not already been provided.
  - (ii) Which holds a legal or beneficial interest in the Tenements shall do all such things and sign all such document as may be necessary in order to transfer to the non-withdrawing Party all its right, title and interest in the Tenements and in the event that a withdrawing Party fails or refuses to comply with its obligations under this Clause 15.1(e)(ii) it hereby irrevocably appoints the non-withdrawing Party its attorney with full right, power and authority to effect such transfer on the withdrawing Party's behalf.

#### **15.2 Survival of Certain Provisions on Withdrawal**

Notwithstanding anything in Clause 15.1, provisions expressed herein to survive termination shall remain binding on the Parties .

### **16 WARRANTIES**

#### **16.1 Title, Encumbrances, Good Standing**

Agricola hereby warrants that:

- (a) It is the sole legal and beneficial holder of the Tenements;
- (b) Agricola has complied with all obligations and laws in respect of the the Tenements;
- (c) Agricola has (subject to the relevant consents required to be granted under the Mining Act) full right, title and authority to grant the Option to Salisbury;
- (d) it is not engaged in any litigation, arbitration or other proceeding concerning the Tenements and it is not aware of any pending or threatened litigation, arbitration or other proceeding concerning the Tenements.

#### **16.2 Mining Information**

Agricola warrants to Salisbury that all Mining Information (if any) in the possession or under the control of Agricola relating to Minerals has been delivered to Salisbury. Salisbury acknowledges and agrees with Agricola that it shall rely entirely on its own judgment in assessing the Mining Information disclosed by Agricola to Salisbury.



**16.3 Parties' warranties**

Each Party warrants for the benefit of the other Party that:

- (a) it is validly incorporated, organised and subsisting in accordance with the laws of its place of incorporation;
- (b) it has full power and capacity to enter into and perform its obligations under this Agreement;
- (c) all necessary authorisations for the execution, delivery and performance by it of this Agreement in accordance with its terms have been obtained;
- (d) its execution, delivery and performance of this Agreement complies with its constitution and does not constitute a breach of any law or obligation, or cause a default under any agreement by which it is bound;
- (e) no meeting has been convened, resolution proposed or order made for the winding up, or the appointment of an administrator, of it, and no mortgagee or chargee has taken, attempted to take or indicated an intention to exercise its rights under any security; and
- (f) it enters into and performs this Agreement on its own account and not as trustee for or nominee of any other person.

**17 TENEMENTS****17.1 Maintenance and upkeep of Tenements**

Subject to any relinquishment required under the Mining Act or permitted under this Agreement, and provided that each Party shall be responsible for providing to the Manager, in a timely manner all such reports and other information, in that Party's possession or control as may be reasonably required by the Manager in order to comply with its obligations under this Clause 17 and provided further that the Manager shall not be in breach of its obligations hereunder as a result of any act or omission of the non-managing Party in conducting Exploration, then during the term of the Exploration Joint Venture:

- (a) the Manager shall maintain the Tenements in force and in good standing and free from any liability to forfeiture or non-renewal under the Mining Act;
- (b) the Manager shall lodge all statutory reports on the Tenements which fall due for lodgement under the Mining Act to the extent that such statutory reports relate to Exploration Joint Venture activities;
- (c) where required in order to maintain title over the Tenements, the Manager shall apply for and use best endeavours to obtain renewals of the Tenements or conversion of the Tenements into new mining titles under the Mining Act, as decided by the Manager; and

- (d) the Manager shall pay all fees, rents, rates and other monies levied or assessed upon the Tenements under the Mining Act and moneys so paid shall be Exploration Costs for the purposes of this Agreement unless otherwise agreed.

## **18 ASSIGNMENT OF TENEMENTS AND PRE-EMPTIVE RIGHTS**

### **18.1 Meaning of "Assign"**

In this clause 18, to "**assign**" an interest means to sell, transfer, assign, declare or permit or allow the creation of a trust in respect of or otherwise dispose of the whole or a part of that interest but does not include an indirect assignment of that interest by way of merger, takeover, scheme of arrangement or other restructuring of the assets of a Party or its ultimate holding company.

### **18.2 Pre-emptive Rights:**

- (a) A Party may not assign its interest in the Tenements, the Exploration Joint Venture or under a Mining Joint Venture established pursuant to this Agreement ("**Interest**") without first offering that Interest in writing to the other non-assigning Party, such offer to include all relevant terms of the proposed assignment including the cash or cash equivalent terms of the proposed assignment ("**Offer**").
- (b) If the non-assigning Party does not accept the Offer within 20 Business Days after receipt of the Offer ("**Offer Period**"), then the assigning Party may, at any time within 60 Business Days after the expiration of the Offer Period ("**Assignment Period**"), sell the Interest to a third party, on terms no more favourable to such third party than those offered to the non-assigning Party. The Assignment Period shall be extended by a period equivalent to any period of delay occasioned by the deliberations of the non-assigning Party in respect of the consent required under Clause 18.2(d).
- (c) If the assignment has not taken place within the Assignment Period, the provisions of Clause 18.2(a) and 18.2(b) shall apply to any future proposed assignment as if no Offer had previously been made.
- (d) Any proposed assignee shall be subject to the approval of the non-assigning Party which approval shall not be unreasonably withheld. A non-assigning Party may make it a condition of its consent to the assignment that the assigning Party provides substantiation to the reasonable satisfaction of the non-assigning Party of the financial and technical capacity of the proposed assignee to meet the obligations of the assigning Party to the extent of such assignment

### **18.3 Assignments to a Related Body Corporate**

A Party may assign its Interest to a Related Body Corporate, provided that if the assignee ceases to be a Related Body Corporate of the assignor, it shall assign the Interest back to the assignor. The assignor shall remain liable for

the performance by the Related Body Corporate of the assignor's obligations under this Agreement.

#### **18.4 Deed of Covenant**

A Party shall not assign its Interest unless the proposed assignee first enters into a binding deed of covenant with the non-assigning Party agreeing to be bound by the terms and conditions of this Agreement relevant to that Interest as if expressly named in this Agreement as the assigning Party.

#### **18.5 Restrictions on Right to Encumber**

A Party shall not create or permit the creation of any encumbrance over the whole or part of its without the prior written consent of the other Party which consent shall not be unreasonably withheld.

### **19 DISPUTE RESOLUTION**

---

#### **19.1 Procedures to settle dispute**

- (a) If there is a dispute between the Parties relating to or arising out of this Agreement, the Parties must use reasonable endeavours acting in good faith to settle the dispute as soon as practicable.
- (b) The procedure that is to be followed to settle a dispute arising under this Agreement is:
  - (i) first, negotiation of the dispute under Clause 19.2;
  - (ii) then if necessary, determination of the dispute under Clause 19.3.

#### **19.2 Negotiation**

If there is a dispute between the Parties relating to or arising out of this Agreement, then within 7 days of a Party notifying the other of a dispute ("**Dispute Notice**"), senior representatives from each Party must meet and use reasonable endeavours acting in good faith to resolve the dispute through joint discussion.

#### **19.3 Arbitration**

- (a) If the dispute relating to or arising out of this Agreement is not settled under Clause 19.2 within 1 month of receipt of a Dispute Notice under Clause 19.2, either Party may terminate the negotiation process by written notice. The giving of such notice by a Party will, for the purposes of this Agreement, refer the dispute to be determined by arbitration under this Clause 19.3.
- (b) The arbitrator shall be chosen by the Parties, but in the absence of an agreement by the Parties as to the arbitrator within 7 days of the notice referring the matter to arbitration, the arbitrator shall be:
  - (i) in the first instance, a person appointed by the president of and being a member of the Australasian Institute of Mining and Metallurgy ("**AUSIMM**"); or

- (ii) in the event that the AUSIMM is unwilling or unable to appoint an arbitrator, such person as is appointed by the President of the Law Society of South Australia acting on the request of either party.
- (c) The arbitration will be conducted in accordance with the Commercial Arbitration Act 1985 of South Australia except that:
  - (i) the arbitrator must observe the rules of natural justice but is not required to observe the rules of evidence;
  - (ii) a Party may appoint a person, including a legally qualified person, to represent it or assist it in the arbitration;
  - (iii) the arbitrator does not have the power conferred by section 25 of the Commercial Arbitration Act 1985;
  - (iv) the arbitrator must include in the arbitration award the findings on material questions of law and fact, including references to evidence on which the findings of fact were based; and
  - (v) the Parties consent to an appeal to the Supreme Court of South Australia on any questions of law arising in the court of arbitration or out of the arbitration award.
- (d) Nothing in this Clause 19 prohibits a Party from seeking and obtaining appropriate injunctive or declarative relief.

## **20 FORCE MAJEURE**

### **20.1 Suspension of Obligations**

The obligations of a Party are suspended during the time and to the extent that a party is prevented from or delayed in complying with its obligations for reasons of Force Majeure.

### **20.2 Obligations of a Party**

If a Party is unable to perform its obligations due to Force Majeure it will:

- (a) as soon as possible after being affected, give to the other Party full particulars of the Force Majeure and the manner in which its performance is thereby prevented or delayed; and
- (b) promptly and diligently take all reasonable and appropriate action to enable it to perform the obligations prevented or delayed by Force Majeure, except that the other Party is not obliged to settle a strike, lockout or other industrial dispute.

## **21 GOODS AND SERVICES TAX**

### **21.1 Definitions and interpretation**

- (a) Any reference in this Clause 21 to a term defined or used in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.

- (b) Except where otherwise expressly stated, any amount referred to in this Agreement which is relevant in determining a payment to be made by one of the parties to the other is, unless indicated otherwise, a reference to that amount expressed on a GST exclusive basis.

## **21.2 Supply as a going concern**

- (a) The Parties agree that the assignment of the Participating Interest to Salisbury constitutes the supply of a going concern and, as understood by the Parties, is GST-free.
- (b) Agricola warrants that it is registered or required to be registered for GST and will remain so while this Agreement continues.
- (c) Notwithstanding the understanding of the Parties that the assignment of the Participating Interest to Salisbury constitutes the supply of a going concern and is GST-free, if for any reason the assignment of that interest is not accepted by the Commissioner in its entirety as a GST free supply of a going concern:
  - (i) Salisbury must pay to Agricola an amount equal to the amount of the GST payable by Agricola in respect of the sale within 14 days after the Commissioner confirms Agricola's liability to GST in an assessment or correspondence, together with an amount equal to any penalties or interest imposed on Agricola in respect of that amount;
  - (ii) Agricola must give Salisbury a copy of the assessment or correspondence received from the Commissioner and issue a tax invoice as a precondition to payment by Salisbury; and
  - (iii) it will not be a defence to any Claim for payment pursuant to this clause that Agricola failed to mitigate its damages by paying an amount of GST when it fell due.

## **21.3 GST payable on other supplies**

- (a) If GST is imposed on a supply made under or in connection with this Agreement (other than the supply constituted by the assignment of the Participating Interest to Salisbury), the consideration for the supply is increased by an amount equal to the consideration otherwise payable for the supply multiplied by the rate at which the GST is imposed under the GST law. The additional consideration is, subject to the supplier issuing a tax invoice to the recipient, payable at the same time and in the same manner as the consideration to which it relates.
- (b) If one of the Parties is entitled to be reimbursed or indemnified for a loss, cost, expense or outgoing incurred in connection with this Agreement, then the amount of the reimbursement or indemnity payment must be reduced by an amount equal to any input tax credit to which the Party being reimbursed or indemnified (or its representative member) is entitled in relation to that loss, cost, expense or outgoing.

---

**22 RIGHTS RELATING TO MORESTOE TENEMENT**

---

**22.1 First Right of Refusal**

- (a) In the event that Salisbury intends to assign the whole (but not a part) of its interest in Mining Lease (Northern) 1049 ("**the Morestoe Tenement**") either:

- (i) During the term of the Exploration Joint Venture; or
- (ii) Within 2 years after having withdrawn from the Exploration Joint Venture

it must first offer that interest to Agricola by notice in writing such offer to include all relevant terms of the proposed assignment including the cash or cash equivalent terms of the proposed assignment ("**Offer**");

- (b) If Agricola does not accept the Offer within 20 Business Days after receipt of the Offer ("**Offer Period**"), then Salisbury may, at any time within 90 Business Days after the expiry of the Offer Period, ("**Assignment Period**"), sell the Morestoe Tenement to a third party on terms no more favourable to such third party than those of the Offer.

If the assignment has not taken place within the Assignment Period, the provisions of Clause 22.1(a) and 22.1(b) shall apply to any future proposed assignment as if no Offer had previously been made.

**22.2 Assignment to Related Body Corporate**

The provisions of Clause 22.1 do not apply to an assignment by Salisbury to a Related Body Corporate, provided that Salisbury shall remain liable for the compliance by such Related Body Corporate with Clause 22.1 which shall remain binding on Salisbury notwithstanding such assignment.

**22.3 Surrender or Relinquishment**

In the event that Salisbury intends to voluntarily relinquish or surrender the whole (but not a part) of its interest in the Morestoe Tenement either:

- (a) During the term of the Exploration Joint Venture; or
- (b) Within 2 years after having withdrawn from the Exploration Joint Venture

it shall first give 20 Business Days notice to Agricola of such intention. For the avoidance of doubt, nothing in this Clause 22.3 obliges Salisbury to give Agricola an Offer under Clause 22.1

---

**23 GENERAL**

---

**23.1 Obligations personal**

Each Party is individually responsible only for its own obligations under this Agreement and except as expressly provided in this Agreement has no obligation or liability with respect to the obligations of any other Party.

**23.2 No partnership**

Nothing in this Agreement is deemed to create or constitute a partnership between the Parties under the partnership laws of Australia or any of its states and territories and except as expressly provided in this Agreement no Party may act, nor does any Party have express or implied authority to act for or in any way bind or commit another Party to any obligation.

**23.3 Just and faithful**

Each Party covenants and agrees with each other Party to be just and faithful in dealings with each other in all matters arising out of or connected with this Agreement.

**23.4 No responsibility for tax**

No Party is responsible for any other Party's obligations under the income tax laws of Australia, or of any other applicable jurisdiction.

**23.5 Entire Agreement**

This Agreement constitutes the entire agreement between the Parties in relation to its subject matter and supersedes all correspondence, negotiations and other communications between the Parties in relation to the subject matter of this Agreement.

**23.6 Amendment**

This Agreement may only be amended in writing signed by the Parties and not in any other manner.

**23.7 Counterparts and multiple originals**

This Agreement may be executed in any number of counterparts and all of those counterparts taken together will be deemed to constitute the same instrument.

**23.8 Waiver**

The failure by any Party at any time to enforce any of its powers, remedies or rights under this Agreement will not constitute a waiver of those powers, remedies or rights or affect the Party's rights to enforce those powers, remedies or rights at any time. Any single or partial exercise of any power, remedy or right does not preclude any other or further exercise of it or the exercise of any other power, remedy or right under this agreement.

**23.9 Severance**

If any provision of this Agreement is prohibited, invalid or unenforceable in any jurisdiction, that provision will, as to that jurisdiction, be ineffective to the extent of the prohibition, invalidity or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of that provision in any other jurisdiction.

### **23.10 Governing Law**

This Agreement is governed by the law in force in South Australia and the Parties submit to the non-exclusive jurisdiction of the courts of South Australia and all courts competent to hear appeals from the courts of South Australia in respect of all proceedings arising in connection with this Agreement.

### **23.11 Service of Process**

Any notice which a Party desires to give or which under this Agreement is required to be given, may be signed by that Party or on behalf of that Party by a director or the secretary, manager or solicitor of that Party and may be served on another Party by handing it to that Party personally or by sending it pre-paid post or facsimile transmission to the other Party at that Party's address as first appearing in this Agreement or at such other address as is notified by that Party in writing from time to time.

### **23.12 Deemed Notice**

A Notice is deemed to have been served:

- (a) in the case of personal service upon handing the notice to the other Party;
- (b) in the case of service by prepaid post, on the second Business Day following the day on which it was posted; and
- (c) in the case of service of facsimile transmission if transmitted on a Business Day, upon the issue of a notice from the sending transmitter that the transmission has been satisfactorily completed but if transmission is effected after 5.00 p.m. (recipient's time) on a particular day it will be deemed served at 9.00 a.m. (recipient's time) time on the next Business Day. A Party may by notice to the other Party specify an address for the service of process. Otherwise the Parties agree that any process to be served on it in respect of any matter arising out of this Agreement may be served by delivery to its registered office or at its address specified in this Agreement or as subsequently notified by a party in writing.

### **23.13 Address for Service of Notices**

For: Salisbury and the Salisbury Resources Limited  
 Guarantor  
 C/O McDonald Steed McGrath  
 Lawyers  
 262 Pirie Street ADELAIDE SA  
 5000  
 PO Box 3216 Rundle Mall SA 5000  
 Fax: (08) 8223 5290



For: Agricola

Willam Rex Jettner

27 Matthew Street, Bedford Park,  
SA 5042

Fax: (08) [TBA]

**23.14 Further assurance:**

Each Party must do, sign, execute and deliver and must procure that each of its employees and agents does, signs, executes and delivers all deeds, documents, instruments and acts reasonably required of it or them by notice from another Party effectively to carry out and give full effect to this Agreement and the rights and obligations of the Parties under it, both before and after the Commencement Date.

**23.15 Contra proferentem excluded**

No term or condition of this Agreement will be construed adversely to a Party solely on the ground that the Party was responsible for the preparation of this Agreement or that provision.

**23.16 Costs**

Each Party shall bear and be responsible for its own costs in connection with the preparation, execution, and completion of this Agreement.

**23.17 Stamp Duty**

Salisbury shall pay any stamp duty relating to this Agreement.

**23.18 Consent and Registration Fees**

Ministerial consent and other Government charges relating to this Agreement and/or the Exploration Joint Venture shall be Joint Venture Costs and paid by the Manager.

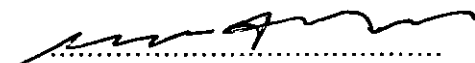
**23.19 Further Assurances**

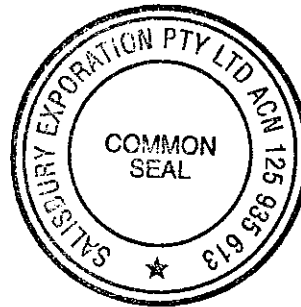
Each Party must execute all documents and do all things reasonably necessary or desirable to give full effect to this Agreement and to any matter or thing contemplated pursuant to this Agreement.

**EXECUTED as an Agreement** on the day and date first appearing herein.

**EXECUTED** by **SALISBURY** )  
**EXPLORATION PTY LTD** in )  
 accordance with the Corporations )  
 Act 2001 in the presence of )


  
 .....  
 Director

  
 .....  
 Director / Secretary



**EXECUTED** by **SALISBURY** )  
**RESOURCES LTD** in accordance )  
 with the Corporations Act 2001 in )  
 the presence of )


  
 .....  
 Director

  
 .....  
 Director / Secretary



**EXECUTED** by **AGRICOLA GOLD** )  
**LTD** in accordance with the )  
 Corporations Act 2001 in the )  
 presence of )

  
 .....  
 Director

  
 .....  
 Director / Secretary

## SCHEDULE 1 – TERMS OF OPTIONS

- Each Option entitles the holder to subscribe for one Share upon exercise by notice in writing and payment of the Option price, during the exercise period;
- The exercise price of each Option is \$0.20;
- The exercise period of the Options is from the date the Company issues the Options to 5.00pm (CST) on [OPTION EXPIRY DATE];
- An Option will not confer an entitlement to receive a dividend declared or paid by the Company, or an entitlement to vote at a general meeting of the Company nor will it confer an entitlement to participate in any pro rata or entitlement offer of securities to shareholders;
- Subject to the Company's constitution, each Share issued pursuant to the exercise of an Option will rank equally in all respects with other issued shares;
- The Company will apply to the ASX for official quotation of the Options and will apply to the ASX for official quotation of the Shares issued upon exercise of Options within the time period required by the Listing Rules;
- The Options will be freely transferable;
- Any Option not exercised before the end of the exercise period will lapse at the end of the exercise period;
- All Options may be exercised if a takeover bid (as defined in the Corporations Act) is made for Shares;
- In the event of a reorganisation or reconstruction of the capital of the Company, the rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reorganisation or reconstruction of capital at the time of the reorganisation or reconstruction.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to this formula:

$$A = O - \frac{E \{P - (S + D)\}}{(N + 1)}$$

Where:

- A = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying shares into which one Option is exercisable;
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlement date (excluding special crossings or overnight sales)
- S = the subscription price for an ordinary share under the pro rata issue;
- D = the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and
- N = the number of ordinary shares that must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.

- If there is a bonus issue to the holders of ordinary shares in the capital of the company the number of ordinary shares over which an Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been issued before the record date of the bonus issue.

- Option holders appearing on the Company's register of Option holders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meetings and all notices of general meetings and will have the right to attend but shall have no right to vote at that meeting.