

30th July 2012

Anthony Wright
Peartree Resources

RE: EL27137 Exploration Proposal

Dear Anthony

HGS Australia is pleased to provide this proposal to conduct detailed geological surveys over a select area of interest within tenement EL27137.

The area of interest covers approximately 5,000m² within EL27137 which apparently contains historical mining. The purpose of selecting an area of significant size is to aid in defining structures of continuity over more than one sample of structural measurement. Selection of a small area opens the path to contamination and limited definition due to lack of information.

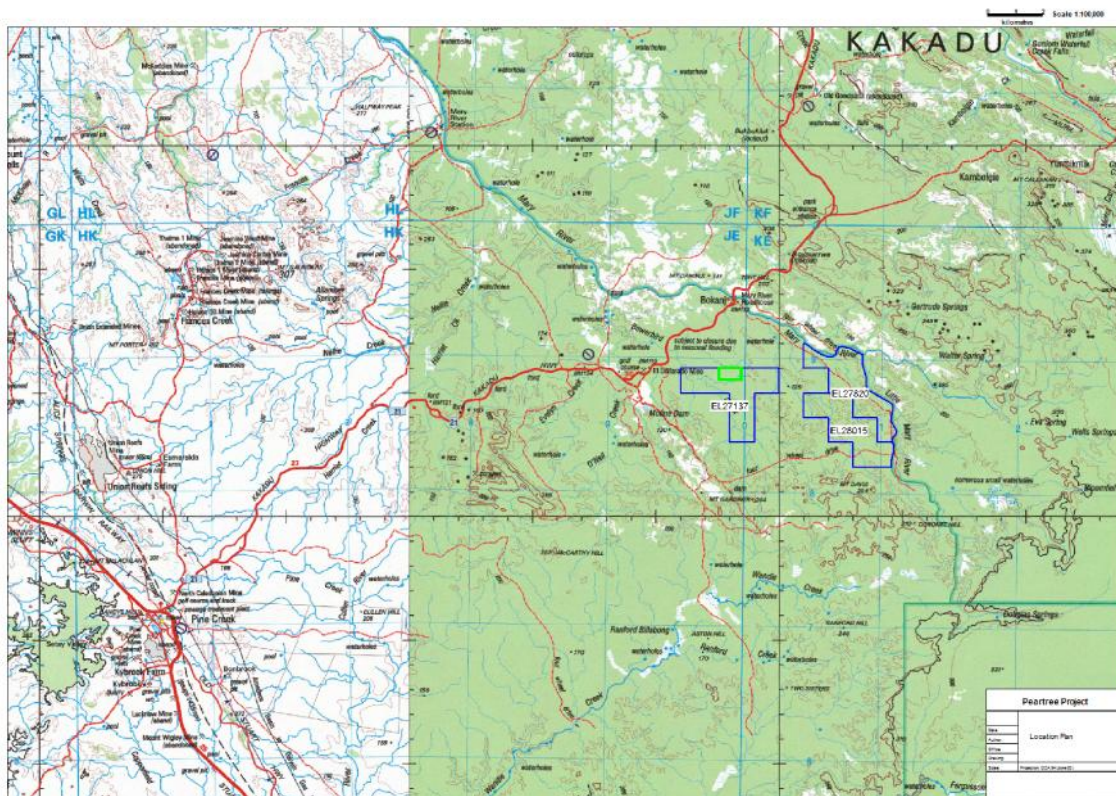


Figure 1: Regional location plan of the project area. Area of interest in green.

The program HGS is proposing is for a geologist and field assistant to conduct 2 simultaneous surveys over the area:

1. The geologist will detail map and take rock chip samples over outcropping lithologies,
2. The field assistant will take soil samples on a 50m x 100m staggered grid to be submitted to SGS Laboratory in Perth for full suite of 52 elements using the Mobile

Metal Ion (MMI) technology (see details on MMI at end of proposal).

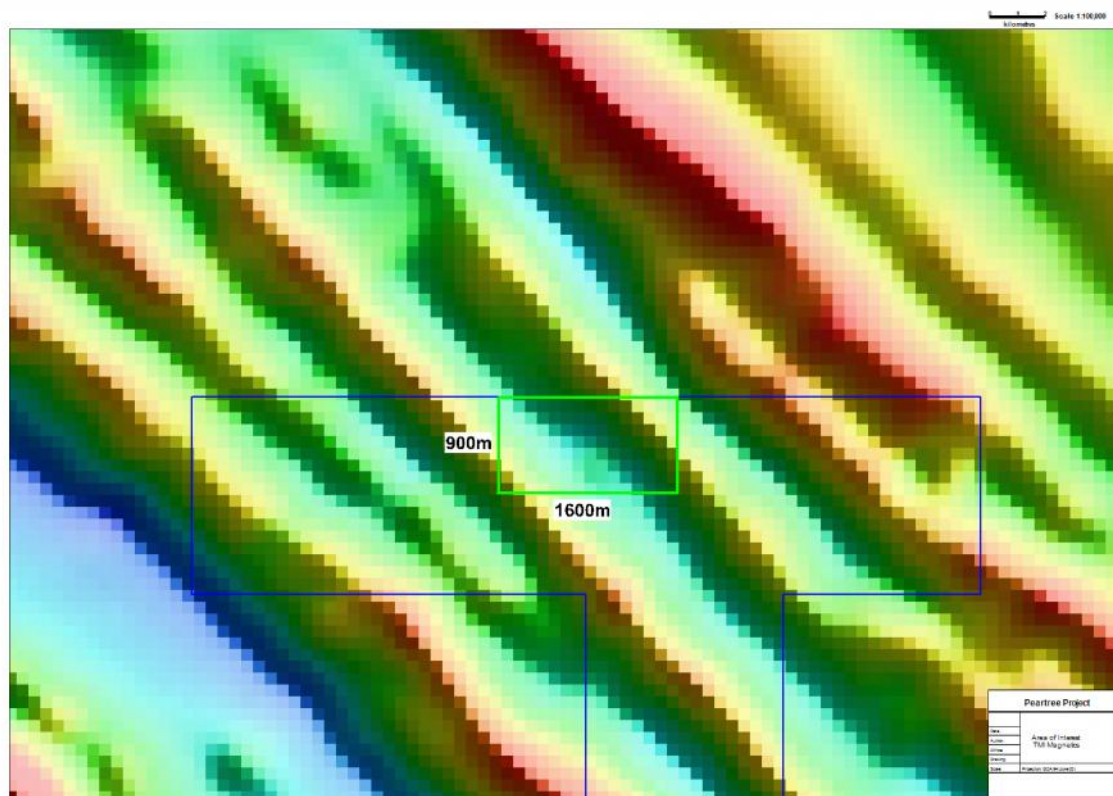


Figure 2: Area of interest (green) over magnetics.

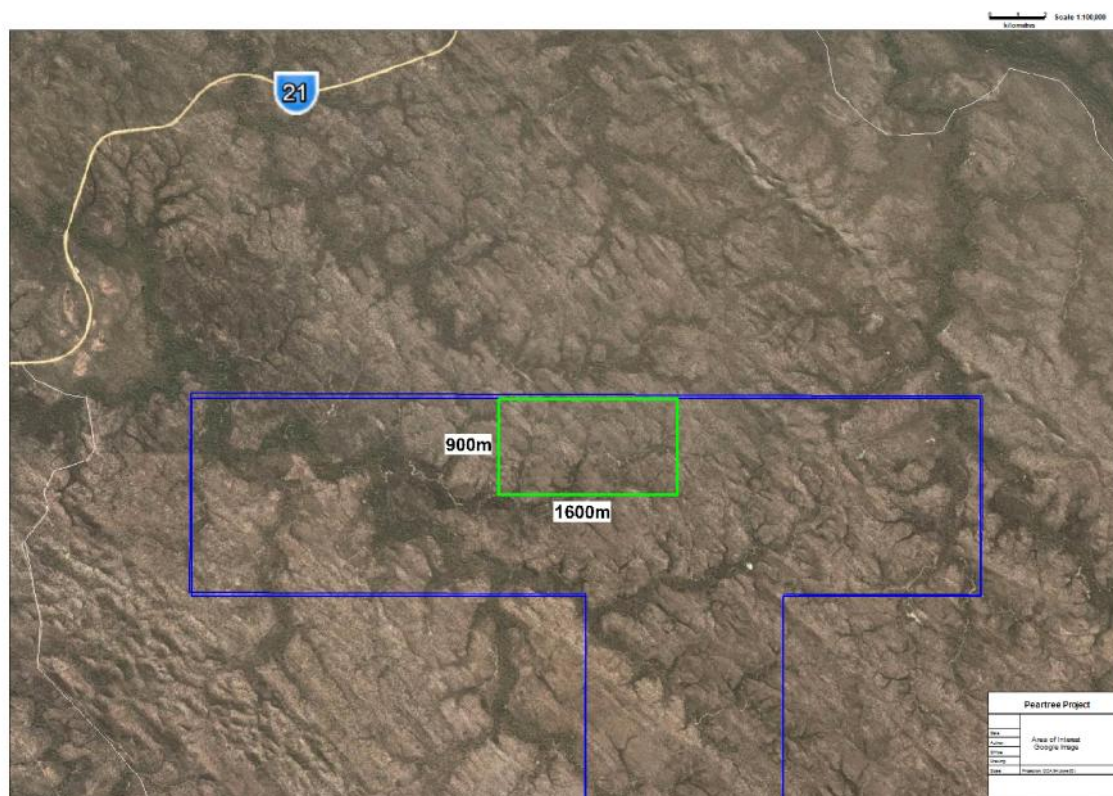


Figure 3: Area of interest (green) over Google Earth image.

Peartree Resources - Exploration Proposal

The rocks collected from the geologist will be brought back to HGS in Perth for XRF analysis and analysed under the microscope. A detailed structural map will be created using a GIS program.

The MMI analysis will determine mineralisation potential from 52 elements covering precious & base metals, REE, radioactive elements and other potential commercial elements. The MMI results will also define buried structures and lithologies that will enhance the geological mapping.

Combining these 2 methods will give us a full detail on the potential of this area in terms of structures, physical identification, mineralisation potential and lithological area.

In achieving the budget for the exercises, HGS has used average costs per day for all aspects of the operation with a series of in-built assumptions to achieve the outcome. The assumptions used in this proposal are as follows:

- MMI Sampling Rate: Estimated at 50 samples/day. This will be conducted with one person operating on a quad bike. Rates may be quicker depending on terrain.
- Vehicle hire cost: Rate is fixed at \$175/day per vehicle. This is fully inclusive of vehicle & tyre damage, and vehicle maintenance.
- Fuel: \$125/day per vehicle. This includes petrol for the quad bike.
- Equipment Hire of \$350 is for the use by HGS personnel consisting of quad bikes, satellite phones, GPS's, UHF radios, computers.
- Accommodation and messing to be provided at Kakadu Roadhouse at an assumed price of \$250/day. Food is allocated at \$60/day per person.
- Portable XRF is costed at \$360/day rental and should be required for a 2 day period only.
- Consumables include: sample bags, polyweave bags, cable ties, pens, batteries etc and is allocated a cost per MMI sample of \$1.50/sample.
- Transport includes equipment transported to Darwin and samples & equipment transported from Darwin to Perth. The cost is allocated at \$3/MMI sample.
- Flights are estimated via Qantas from Perth to Darwin and return at \$1100/person return.
- Assaying is through SGS Perth at \$36/sample for full suite of 52 elements (Figure 4) using the MMI patented process.
- Mobilisation and demobilisation is based on travelling from Perth to Site and returning. Allowances need to be made for 2 days which includes travelling to site, purchasing consumables, arranging equipment, and 2 days demobilisation to give time for arranging transport of samples to Perth returning equipment and travel back to Perth.

The anticipated cost of this program is as follows:

	EL27137
Personnel	\$17,175
Vehicles	\$1,925
Accommodation	\$3,820
Equipment Hire	\$3,150
XRF Hire	\$0
Fuel	\$1,250

Peartree Resources - Exploration Proposal

Transport	\$1,032
Consumables	\$516
Flights	\$2,200
Assaying	\$12,384
Management	\$1,440
Total	\$44,892
Cost/sample	\$131
Cost/Day	\$4,081

All costs exclude GST

The budget does not allow for unforeseen circumstances like adverse weather conditions or delays/sample reductions due to unknown topographical conditions. HGS has made some allowances in the assumptions and endeavours to ensure the project is within budget expectations.

The cost for the projects listed above includes management, organisation and reporting.

I hope this meets your requirements.

If this is acceptable please sign and return to HGS Australia via fax or email confirmation of agreement before Mobilisation to site.

Fax: (08) 9302 4980

Email: andrew@hgsaustralia.com.au

Return original signed copy by post to HGS Australia.

Unit 14 / 110 Inspiration Drive

Wangara, WA, 6065

Date: _____

Client Signature: _____

Client Name: _____

Client Position: _____

Andrew Hawker
Director & Principal Geologist
HGS Australia

MMI

Theory behind MMI is that a buried ore body through physical (e.g. capillary rise) and electrochemical processes frees mobile metal ions which are migrating to the surface, where they are weakly attached to soil particles. These mobile metal ions are sampled by the MMI technique. Their mobility is subsequently restricted by different processes resulting in them being permanently bound to the soil particles. These soil particles are now subject to other surface physical processes (weathering, erosion) resulting in them being spread away from the original area of occurrence at the surface (i.e. they are not located anymore on top of the buried mineralized zone). This is actually a dispersion zone.

The main difference between the classical geochemical soil sampling and the MMI technique is the fact that the former samples and witnesses the dispersion zone, while the latter gives us accurate information regarding the exact location of the buried bodies.

Recent understandings in MMI interpretations through vast collated databases have resulted in alternative interpretation analogies, from the previous method of response ratios, and mineral associations using the raw data. Some ideas of these interpretations are:

- Residual deposits are greater than 10 times the raw data background.
- $\text{Au} > 30\text{ppb}$ may result in 2ppm Au within the top 100m.
- $\text{Ce} < 10\text{ppb}$ equates to mafic/UM environments
- $\text{Ce} > 1000\text{ppb}$ will result in a granitoids, sediment or BIF.
- Pb and $\text{Zn} > 1000\text{ppb}$ may indicate VMS style deposit.
- $\text{Au} \times \text{Ag}$ will assist in determining auriferous deposit focal points to aid drill hole design.
- $\text{Ni} > 8000\text{ppb}$ may determine an accumulate komatiite.
- $\text{Ni} > 2000\text{ppb}$ equates to an ultramafic.
- $\text{Ni/Ce} < 1$ equates to a granitoid
- The presence of Mo is favourable and may be indicative of strongly oxidised and alkaline (mantle derived) hydrothermal fluids.
- Fe & Ti aid in defining BIFs and magnetite.
- Ca & Mg define alkalinity and certain ranges define limestones or secondary carbonates.

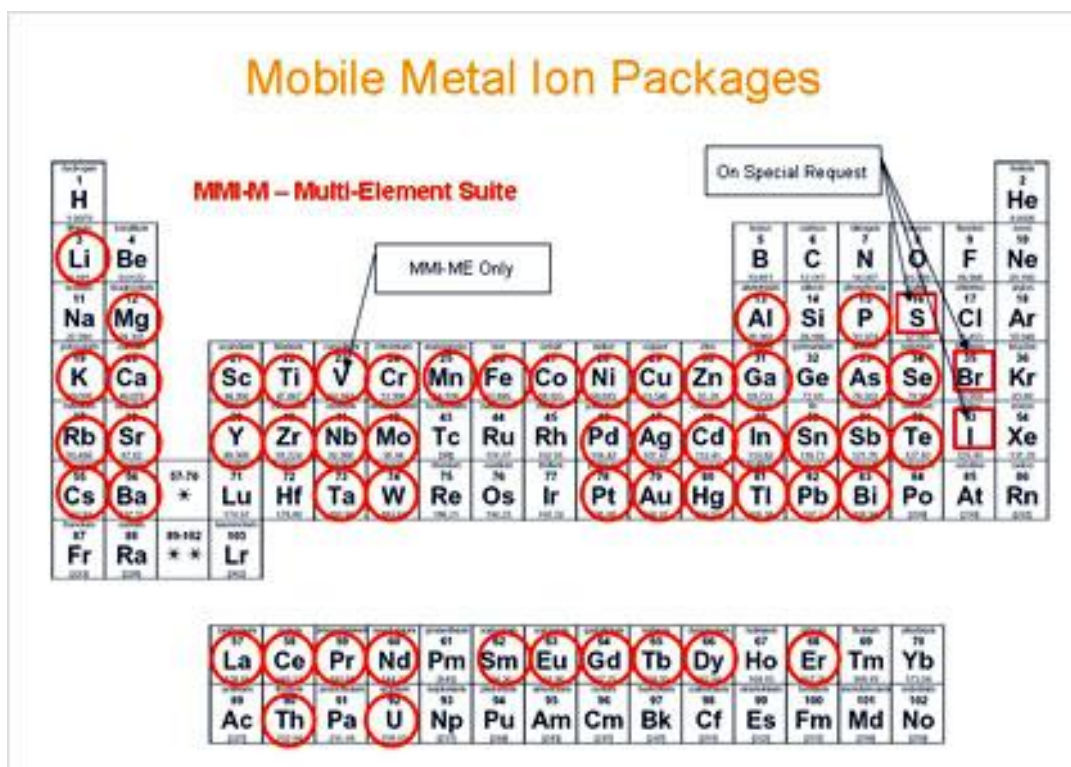


Figure 4: MMI-M full suite of elements analysed.