

24 October 2011

Proposal No. P17621033

Jerko Zuvela - Managing Director
Indicoal Mining Australia Pty Ltd
Suite B
150 Hay Street
Subiaco WA 6008

RE: CONCEPT MINING STUDY PROPOSAL, LANGLOH DEPOSIT, HAMILTON, TASMANIA

Dear Jerko:

Thank you for your request to Golder Associates Pty Ltd (Golder) to provide a proposal to conduct a concept mining study of the Langloh coal deposit located near Hamilton, Tasmania. The Langloh project was recently acquired by Indicoal Mining Australia Pty Ltd (Indicoal). The project is reported to contain a thermal coal resource that could be supplied to domestic consumers or export customers. A small open cut is currently operating adjacent to the Langloh resource. The objectives of the study are to confirm the amount of resource present and develop a plan to economically exploit the resource as an export product.

Golder is well equipped to conduct the required study having previously conducted exploration and evaluation studies of the Langloh resource. We are familiar with the geology of the project area, and the mining conditions and constraints that are likely to be encountered. Golder has a team of experienced engineers and geologists who have worked on similar projects, and who will be able to prepare a comprehensive conceptual study of the project.

Scope of services

Golder proposes the following scope of work:

- Review all exploration data, previous technical reports, local and regional geology
- Identify geological hazards and barriers to mining.
- Prepare database of all exploration data.
- Construct geologic and coal quality model.
- Estimate in-situ resources
- Prepare conceptual plans an open cut mine, assess mining methods and equipment requirements.
- Identify conceptual level mine infrastructure requirements including mine facilities, coal processing plant (if required), utilities, mine access and product loading requirements.
- Identify concept level coal export logistics requirements from a Tasmanian port.



- Assess coal utilisation, identify coal washing requirements, identify export and domestic coal qualities and estimate product yields.
- Prepare FOB operating cost estimate for export product and FOR cost for domestic product.
- Estimate conceptual level capital costs for mine development, equipment, infrastructure, utilities and capital replacement.
- Prepare coal price forecast for selected product quality options for export and domestic thermal coal markets within conceptual development timeframe.
- Estimate conceptual level annual cash flows, discounted cash flow investment rate of return and project sensitivities.
- Conduct project risk assessment and prepare strategy to advance project to prefeasibility study level and required scope of work.
- Prepare report in accordance with JORC Code 2004.

Methodology

Golder proposes to conduct the study using historic exploration data and recent exploration results obtained by Spitfire Resources Ltd. The data will be used to construct geologic and coal quality models that will be used for resource estimation, mine design and preparation of a production schedule. The coal quality testing data will be used to evaluate product utilization and coal washing requirements.

Resources will be reported in accordance with the *“Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code”* 2004 Edition.

Mining parameters, operating costs, capital expenditure estimates, etc will be derived from recent studies conducted for similar operations and from Golder’s own records. Mine planning, mining equipment and infrastructure selection and costing will be performed on a conceptual level basis suitable for determining the indicative economic viability of the project.

The extent of resource sterilized by the electricity distribution towers on the property will be estimated and recovery options assessed.

A site visit will be undertaken to identify surface mining constraints, existing infrastructure, potential mine facility and infrastructure site locations; and to evaluate transport and port logistics options. The study will assume suitable logistics arrangements to export the coal will be available at a Tasmanian port.

Golder will not attempt to validate the data used in the study that is supplied by third parties or obtained from historic reports. The study will not address land acquisition, mining approvals and other permitting requirements. The accuracy of the study would be around $\pm 35\%$.

Golder Team

Golder proposes to use a team comprising experienced engineers and geologists with open cut mine planning experience, mine infrastructure and logistics specialists, and a mineral economist. A Golder Executive Consultant will supervise the work. The team will be based in Golder’s Newcastle office and will be supported by personnel from other offices as required.

Deliverables

Golder will provide a detailed written report in electronic format that will include a complete set of geologic, mining, and infrastructure plans. The report will initially be provided in a draft format for client review and feedback, followed by a final version that is materially the same as the draft version, except for correction of errors and minor improvements. Electronic copies of all plans, models and databases will be provided to Indicoal along with the final report. Golder estimates the study will take approximately 12 weeks to complete.

In addition to the final report Golder will provide Indicoal with regular written project status reports as well as verbal updates and emails on specific issues when encountered.

Cost of Services

The total cost of the study is estimated to be AU\$168,270. Professional fees are estimated to be AU\$165,170 and disbursements are estimated at AU\$3,100. Costs are summarized in Table 1.

Table 1
Summary of Fees and Disbursements

Task	Hours	Fees	Expenses	Total
1) Site visit, data collection, logistics review	68	\$16,720	\$2,100	\$18,820
2) Prepare geologic database	40	\$6,300	\$0	\$6,300
3) Construct model and estimate resources	80	\$13,020	\$0	\$13,020
4) Conceptual open cut plans & schedule	136	\$28,240	\$0	\$28,240
5) Conceptual mine equipment & infrastructure	50	\$11,320	\$0	\$11,320
6) Coal utilisation, washing, markets & prices	40	\$9,010	\$0	\$9,010
7) Conceptual logistics requirements	40	\$12,000	\$0	\$12,000
8) Operating costs, capital and cash flow	124	\$29,800	\$0	\$29,800
9) Risk assessment	24	\$7,200	\$0	\$7,200
10) Report preparation & review	148	\$31,560	\$1,000	\$32,560
Total Fees & Expenses:	750	\$165,170	\$3,100	\$168,270

The budget provides for a reasonable amount of time spent by consultants to perform project management and administration tasks as well as peer review, which is chargeable to the project. Disbursements will be charged at cost plus 10%

We propose that the work be carried out in accordance with our Standard Term and Conditions for Professional Services (LEG01 RL5, attached). Payment of invoices is required within 30 days of the date of the invoice.

We look forward to working with Indicoal and trust that the above scope and schedule of rates addresses your requirements. Please complete the attached Client Authorisation if you wish to proceed with the proposal or contact me on 02 – 4953 9888 with any questions.

GOLDER ASSOCIATES PTY LTD

Neil Fraser
Principal Mining Consultant

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Attachments: Terms and Conditions for Professional Services
Client Authorisation

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TERMS AND CONDITIONS FOR PROFESSIONAL SERVICES

Golder Associates Pty Ltd ("Golder") and the Client (as described in the accompanying Proposal) agree that any professional services, including subsequent services and charges (collectively the Services), to be provided by Golder relating to the Proposal will be on the following Terms and Conditions. Collectively the Proposal and the following Terms and Conditions form the Agreement between the Client and Golder.

1. **Standard of Care** – Golder shall provide the Services with such skill, care and diligence as is ordinarily exercised by consultants in similar circumstances at the time the Services are provided. Golder shall provide the Client the opportunity to provide feedback regarding the provision of the Services at any time.
2. **Site Disturbance** – Where fieldwork activities are undertaken as part of the Services, the Client understands that in the normal course of work some surface disturbance will occur. Unless expressly described in the Proposal, or required by law, Golder's responsibility to make good for disturbance caused during Golder investigation activity shall be limited to uncompacted backfilling of test pits and surface-plugging of boreholes not otherwise capped. Any other repair or re-instatement of pavements or other surface finishes shall be the Client's responsibility and is not part of this Agreement.
3. **Right of Entry, Permits, Site Information and Utilities** - The Client shall obtain all necessary permits and licenses and provide right of entry for Golder and its subcontractors to carry out the Services. The Client (at its own cost) shall provide to Golder in advance all relevant and necessary information, documents and other particulars concerning the provision of the Services including but not limited to any on-site hazardous materials and underground utilities. Golder shall rely on such information.
4. **Safety** – Golder shall be responsible only for its activities and that of its employees and nothing shall imply that Golder has any responsibility for job site safety which is the responsibility of the Client or its agents or contractors. The Client shall provide in advance any environmental, health, or safety policies or procedures it requires Golder to abide by during provision of the Services. If no policies or procedures are provided, Golder shall abide by its own policies and procedures in the provision of the Services. If in Golder's reasonable opinion it is unsafe to continue, Golder may suspend the Services without penalty until the unsafe condition is rectified. At no time shall Golder be deemed to be in control of the project site unless by prior written agreement in connection with specific Services.
5. **Payment** – The Client shall pay to Golder the Fees and Expenses as set out in the Proposal without set off or deduction. Where this Agreement has been entered into or authorised by an Agent (or a person purporting to act as an Agent) on behalf of the Client, the Agent and the Client shall be jointly and severally liable for payment of all accounts due to Golder under this Agreement. All monies payable by the Client to Golder shall be paid within thirty (30) days of the date of the invoice. Monies not paid within that period shall attract interest from the date of the invoice until payment at a rate of 1.5% per month, plus debt collection fees where applicable. Client shall notify Golder within ten (10) days of receipt of any invoice of any dispute with the invoice and the parties will promptly meet to resolve the dispute. Unless such notification is received by Golder, the Client agrees the invoice will be deemed valid and payment is due under the terms of this Condition.
6. **Rates** – The rates set out in the Proposal are applicable for 6 months after acceptance of the Proposal or the duration of the Services, whichever is lesser. Thereafter the Rates shall be reviewed and adjusted with respect to market conditions.
7. **Limitation of Liability** - To the maximum extent permitted by law:
 - (a) Subject to paragraphs (b) and (c) below, the liability of Golder, its employees, officers and directors arising out of the performance or non-performance of the Services, whether under law of contract, tort or otherwise, shall be limited in aggregate to the cost of rectifying the Services, or the amount of \$300,000, whichever is the lesser.
 - (b) Golder shall not under any circumstance be liable to the Client in respect to any indirect, consequential or special losses (including loss of profit, loss of business opportunity and payment of liquidated sums or damages under any other agreement).
 - (c) Golder will be deemed discharged from all liability in respect of the Services, whether under the law of contract, tort, or otherwise, on the expiration of one (1) year from the completion of the Services, the date of invoice in respect of the final amount claimed by Golder pursuant to Clause 5, or the termination of this Agreement, whichever is earliest. The Client shall not be entitled to commence any action or claim whatsoever against Golder or any employee, agent or sub-consultant of Golder in respect of the Services after that date.
8. **Ownership and Use of Work Product** - Intellectual property and copyright ("IP") in all drawings, reports, specifications, bills of quantity, calculations, software, and other documents created or provided by Golder in the provision of the Services shall remain the property of Golder. Subject to the Client complying with its obligations under this Agreement, the Client shall upon payment own all deliverables provided to it in the provision of the Services, and Golder grants to the Client a nonexclusive, non-transferable license to use the IP for the purposes described in the Proposal. The Client shall not use, or make copies of, the deliverables in connection with any work not included in the Proposal without prior written consent from Golder. If the Client is in breach of any obligation to make a payment to Golder, Golder may revoke the license to use the IP and the Client shall return to Golder all originals of deliverables provided under the Services and any copies thereof.
9. **Third party reliance** - Unless expressly agreed by Golder, no third party may rely upon any work product provided under this Agreement. The Client indemnifies Golder from any unlicensed use of or reliance on said work product.
10. **Confidentiality** – Subject to Clause 11 below, neither the Client nor Golder shall disclose to third parties any information provided by the other unless required by law or the information is already available to the public, or the other consents to the disclosure.
11. **Publicity** – The Client consents to Golder's use of a general description of Golder's Services, and general images of the Services, in Golder's internal and external marketing materials, including resumes, proposals, and promotional materials. Neither party shall otherwise use the name, trade marks, or trade names of the other, in part or in whole, without the other party's prior written approval.
12. **Dispute** - Any dispute between the Client and Golder shall be notified in writing by the aggrieved party to the other within 7 days of the onset of the dispute. It shall be handled as follows:
 - (a) Within 7 days of notification, the parties and their principals shall meet in good faith, without legal representation, in an attempt to resolve the dispute.



- (b) If the dispute is not resolved under (a) the parties agree that the dispute shall then be subject to final expert determination. The expert shall be chosen by agreement between the parties.
 - (c) The parties irrevocably waive any recourse to further action.
 - (d) Notwithstanding the subject of any dispute, the parties agree to continue to perform all other obligations under this agreement.
13. **Termination** - Either party may terminate its obligations under this Agreement in the event of a substantial breach by the other party of its obligations and the breach has not been remedied within 30 days of a written notice requiring the breach to be remedied; OR without cause upon giving the other party 30 days' written notice of its intention to do so. Golder may suspend or terminate its obligations under this Agreement in the event of monies payable to Golder for the Services being outstanding for more than 30 days.
14. **Assignment** - Neither party and their respective successors may assign, transfer, or sublet any obligation under this Agreement without the prior written consent of the other party. Unless stated in writing to the contrary, no assignment, transfer, novation or sublet shall release the assignor from any obligation under this Agreement.
15. **Subconsultants** - If Golder considers it appropriate to do so, it may, with the Client's prior written approval, engage another consultant to assist Golder in provision of the Services. Such written permission from the Client cannot be unreasonably withheld. The Client acknowledges that Golder may have retained subconsultants affiliated with Golder to provide Services for the benefit of Golder. To the maximum extent allowed by law, the Client acknowledges and agrees it will not have any direct legal recourse to, and waives any claim, demand, or cause of action against, Golder's affiliated companies, and their employees, officers and directors.
16. **Miscellaneous** –
- (a) This Agreement shall be subject to either the laws of the State of Australia where the Services are provided, or if the Services are provided outside of Australia, the laws of the State of Australia which is the location of the Golder office that is the source of the Proposal.
 - (b) This Agreement is the entire Agreement between the parties for the provision of the Services in the Proposal and supersedes all other agreements, representations, correspondence, and discussions in connection with the Services. In particular, no terms incorporated into or referenced by any Purchase Order, however and whenever presented, shall at any time operate to amend or substitute for the terms of this Agreement.
 - (c) If any Clause of this Agreement is found to be inoperable due to illegality, such Clause is severed from the Agreement and the rest of the Agreement remains in force.
 - (d) Nothing in this Agreement, nor in the performance of the Services, shall be construed as creating a relationship of agency, partnership, or other relationship other than that of Client and Consultant between the parties.



CLIENT AUTHORISATION

Client:	Indicoal Mining Australia Pty Ltd	Phone:	08 6102 6991
Address:	Suite B	Fax:	
	150 Hay Street	ACN:	145 103 868
	Subiaco WA 6008	ABN:	64 145 103 868

We hereby authorise Golder Associates to carry out the work detailed in Proposal Number P17621033 dated 24 October 2011 for the amount of AU\$168,270 (excluding GST). We also confirm that we will make payment within 30 days of the date of invoice.

Signed: _____

Name: _____

Dated this _____ day of _____ 2008

Please return by fax to Neil Fraser on 02 4953 9844 or via email, nfraser@golder.com.au