

ASX Announcement  
11 January 2011

*By E-Lodgement*

## **Form 603 – Notice of Initial Substantial Shareholder Notice**

Please find attached a Form 603 Notice of Initial Substantial Shareholder Notice received by Cape Lambert Resources Limited.

Yours faithfully  
African Iron Ltd

Claire Tolcon  
**Company Secretary**

**Form 603**Corporations Act 2001  
Section 671B**Notice of initial substantial holder**

To Company Name/Scheme **AFRICAN IRON LIMITED (FORMERLY NAMED STIRLING MINERALS LIMITED)**  
 ACN/ARSN **123 972 814**

**1. Details of substantial holder (1)**

Name **CAPE LAMBERT RESOURCES LIMITED**  
 ACN/ARSN (if applicable) **095 047 920**

The holder became a substantial holder on **10 / 01 / 2011**

**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

| Class of securities (4)           | Number of securities | Person's votes (5) | Voting power (6) |
|-----------------------------------|----------------------|--------------------|------------------|
| <b>Fully paid ordinary Shares</b> | <b>120,000,000</b>   | <b>120,000,000</b> | <b>25.03%</b>    |
|                                   |                      |                    |                  |

**3. Details of relevant interests**

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

| Holder of relevant interest           | Nature of relevant interest (7) | Class and number of securities |
|---------------------------------------|---------------------------------|--------------------------------|
| <b>CAPE LAMBERT RESOURCES LIMITED</b> | <b>HOLDER OF SECURITIES</b>     | <b>120,000,000</b>             |
|                                       |                                 |                                |

**4. Details of present registered holders**

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

| Holder of relevant interest           | Registered holder of securities       | Person entitled to be registered as holder (8) | Class and number of securities |
|---------------------------------------|---------------------------------------|--|--------------------------------|
| <b>CAPE LAMBERT RESOURCES LIMITED</b> | <b>CAPE LAMBERT RESOURCES LIMITED</b> | <b>CAPE LAMBERT RESOURCES LIMITED</b>          | <b>120,000,000</b>             |
|                                       |                                       |  |                                |

**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

| Holder of relevant interest           | Date of acquisition | Consideration (9) |                                    | Class and number of securities |
|---------------------------------------|---------------------|-------------------|------------------------------------|--------------------------------|
|                                       |                     | Cash              | Non-cash                           |                                |
| <b>CAPE LAMBERT RESOURCES LIMITED</b> | <b>10/01/2011</b>   |                   | <b>REFER TO ATTACHED AGREEMENT</b> | <b>120,000,000</b>             |
|                                       |                     |                   |                                    |                                |

**6. Associates**

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

| Name and ACN/ARSN (if applicable) | Nature of association |
|-----------------------------------|-----------------------|
| N/A                               |                       |
|                                   |                       |

**7. Addresses**

The addresses of persons named in this form are as follows:

| Name                           | Address  |
|--------------------------------|--|
| CAPE LAMBERT RESOURCES LIMITED | 18 OXFORD CLOSE LEEDERVILLE, WESTERN AUSTRALIA |
|                                |  |

**Signature**

print name **CLAIRE TOLCON** capacity **COMPANY SECRETARY**

sign here  date **11 / 01 / 2011**

**DIRECTIONS**

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
  - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person ( eg. if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

**STIRLING MINERALS LIMITED**  
**(to be renamed African Iron Limited)**  
**ABN 24 123 972 814**  
**(Purchaser)**

and

**CAPE LAMBERT RESOURCES LIMITED**  
**ABN 71 095 047 920**  
**(Vendor)**

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**SHARE SALE AGREEMENT**

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THIS AGREEMENT is made the 17<sup>th</sup> day of December 2010

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**BETWEEN**

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**STIRLING MINERALS LIMITED** (to be renamed African Iron Limited) (ABN 24 123 972 814) of 945 Wellington Street, West Perth, Western Australia (**Purchaser**);

AND

**CAPE LAMBERT RESOURCES LIMITED** (ABN 71 095 047 920) of 18 Oxford Close, Leederville, Western Australia (**Vendor**).

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**RECITALS**

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- A. The Vendor is the legal and beneficial owner of 100% of the issued shares in the capital of Company.
- B. The Company is the current legal and beneficial owner of 80% of the issued shares in the capital of DMC Iron Congo.
- C. DMC Iron Congo holds 100% of the legal and beneficial interest in the Project.
- D. The Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Vendor Shares pursuant to the terms of this Agreement.

IT IS AGREED as follows:

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**1. DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Agreement:

**Agreement** means the agreement constituted by this document and includes the recitals.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**Authorisation** means any permit, approval, authorisation, consent, exemption, filing, licence, notarisation, registration, password or waiver however described and any renewal or variation to any of them.

**Broker/Consultant Options** means 20,000,000 Options.

**Business** means any business of the Company relating to the Project Assets.

**Business Day** means a day that is not a Saturday, Sunday or public holiday in Western Australia.

**Capital Raising** means the proposed placement by the Purchaser of a minimum of 320,000,000 Purchaser Shares at an issue price of \$0.30 each to raise a minimum of \$96,000,000 (on a post-Consolidation basis).

**Cash Consideration** means \$47,000,000 to be paid to the Vendor in accordance with clause 4.



**Claim** means in relation to any person, a claim, action or proceeding, judgment, damage, loss, cost, expense or liability incurred by or to or made or recovered by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

**Company** means DMC Mining Limited (ABN 38 121 513 620).

**Company Group** means the Company and its current 80% interest in DMC Iron Congo.

**Conditions** means the conditions precedent set out in clause 2.1.

**Confidential Information** means any trade secrets, lists of information pertaining to clients of the Company Group and or suppliers, specifications, drawings, inventions, ideas, records, reports, software, patents, designs, copyright material, secret processes or other information, whether in writing or otherwise, relating to the Company Group.

**Consideration** means the Cash Consideration and the Share Consideration.

**Consolidation** means the proposed consolidation of the share capital of the Purchaser on a 6.75:10 basis.

**Contracts and Agreements** means the contracts, agreements and commitments entered into by the Company Group (or assumed or novated to the Company Group) in connection with the Project:

- (a) before the date of this Agreement as set out in Schedule 5; and
- (b) between the date of this Agreement and the Settlement Date,

which are not fully performed as at the Settlement Date.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Current SMZ Directors** means Tony King, Jason Bontempo and Stephen Brockhurst being all the directors of the Purchaser as at the Execution Date and immediately prior to Settlement.

**Deferred Consideration** means a payment of \$1.00 per tonne of iron ore shipped from the Mayoko Project whether direct shipping ore (**DSO**) (lump and fines), beneficiated DSO (sinter fines) or magnetite concentrate.

**Deferred Consideration Deed** means a deed between the Purchaser and the Vendor (in substantially the form as set out in Annexure A to this Agreement) pursuant to which the Purchaser grants the Vendor the Deferred Consideration.

**Department** means the relevant government authorities having authority in accordance with the law of Republic of Congo to administer or enforce the Mining Code.

**DMC Iron Congo** means DMC Iron Congo SARL incorporated in Republic of Congo and with its registered office being Parcelle 288, Quartier Socoprise, Point-Noire, Republic of Congo.

**Duty** means any stamp, transaction or registration duty or similar charge imposed by any Governmental Authority and includes any interest, fine, penalty,

charge or other amount imposed in respect of any of them, but excludes any Tax.

**Encumbrance** means any encumbrance, mortgage, pledge, charge, lien, assignment, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security or agreement of any kind given or created and including any possessory lien in the ordinary course of business whether arising by operation of law or by contract.

**End Date** means 5.00pm (WST) on 28 February 2011 or such other date as may be agreed between the Parties in writing.

**Environmental Law** means any law concerning environmental matters which regulates or affects any of the Exploration Permit, and includes, but is not limited to, laws concerning land use, development, pollution, waste disposal, toxic and hazardous substances, conservation of natural or cultural resources and resource allocation including any law relating to exploration for or development of any natural resource.

**Event of Insolvency** means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of the corporation;
- (c) any application (not being an application withdrawn or dismissed within 14 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purposes of:
  - (i) appointing a person referred to in paragraphs (a) or (b);
  - (ii) winding up a corporation; or
  - (iii) proposing or implementing a scheme of arrangement;
  - (iv) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (d) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 14 days;
- (e) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (f) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

**Execution Date** means the date of this Agreement.

**Existing CFE Loan** means the balance of the company loan between the Vendor and the Company the balance as at the 3 November 2010 being \$400,000.

**Exploration Permit** means:

- (a) Exploration Permit "2008-75" (Mayoko-Lékoumou);
- (b) any other exploration permit or exploration permits which may be granted in lieu of or relate to the same ground as, the exploration permit specified in paragraph (a); and
- (c) includes all rights to mine and other privileges appurtenant to the exploration permits referred to in paragraphs (a) and (b).

**Facilitation Agreement** means the agreement between the Company, Tanaka Mining Projects (Proprietary) Limited and Project Management International Limited dated 7 December 2007, titled "Facilitation Agreement" as terminated pursuant to a Deed of Termination between the parties dated 13 December 2010.

**General Meeting** means the general meeting of shareholders of the Purchaser to be held on 20 December 2010 (and any adjournment of that meeting) to consider, amongst other things, a change in nature and scale of the Purchaser's activities, the Consolidation, issue of the Share Consideration and the issue of Purchaser Shares the subject of the Capital Raising.

**Goodwill** means the goodwill of the Project including the exclusive right of the Purchaser to represent itself as carrying on the Vendor's interest in the Project as the successor of the Vendor.

**Governmental Authority** means a government or government department, a governmental or semi-governmental or judicial person (whether autonomous or not) charged with the administration of any applicable law.

**Grange Consulting** means Grange Consulting Group Pty Ltd (ABN 67 073 900 848).

**GST** has the meaning given to it in the GST Act.

**GST Act** means *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* and any regulations thereto or such other act or regulations of equivalent effect.

**Heads of Agreement** means the agreement entitled "*Heads of Agreement*" dated 4 November 2010 between the Purchaser and the Vendor (as varied).

**Immediately Available** means cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds into a bank account nominated in advance by the payee.

**Insolvency Provision** means any law relating to insolvency, sequestration, liquidation or bankruptcy (including any law relating to the avoidance of conveyances in fraud of creditors or of preferences, and any law under which a liquidator or trustee in bankruptcy may satisfy or avoid transactions), and any provision of any agreement, arrangement or scheme, formal or informal, relating to the administration of any of the assets of any person.

**Intellectual Property** means all trademarks, designs, patents and copyrights, whether Australian or foreign, and all customer listings and other industrial and intellectual property owned by the Company Group and exclusively subsisting in, exclusively used in or exclusively relating to the Project Assets.

**Inventory** means all stock (if any) owned by the Company Group and held in connection with the Project as at the opening of business on the Settlement Date.

**Invoice** means a tax invoice as defined in and for the purposes of the GST Act or any document allowing the Recipient to claim an input tax credit under the GST Act.

**Last SMZ Accounts** means the accounts of the Purchaser for the period from 1 July 2010 and ended on 30 September 2010, as set out in Schedule 9.

**Leases** means the leases of real property entered into by the Company Group, the details of which are set out in Schedule 8.

**Listing Rules** means the listing rules of the ASX.

**Loss** means losses, liabilities, damages, costs, charges and expenses and includes Taxes, Duties and Tax Costs.

**Management Accounts** means the accounts of the Company Group for the period from 1 July 2010 and ended on the Management Accounts Balance Date, as set out in Schedule 6.

**Management Accounts Balance Date** means 30 September 2010.

**Management/Broker Options** means the:

- (a) New Board Options; and
- (b) Broker/Consultant Options.

**Material Adverse Effect** means any one or series of events whether related or not which individually or in aggregate would or may:

- (a) when used in a Warranty in relation to the Company, have a material adverse effect on the financial position or performance, prospects, or operations of the Company when compared to what the financial position or performance, prospects, or operations of the Company would be if the Warranty were true, creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of the Company's assets, which in aggregate exceeds \$200,000;
- (b) when used in all other cases in relation to the Company, have a material adverse effect on the financial position or performance, prospects, or operations of the Company which creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of the Company's assets, which in aggregate exceeds \$200,000; or
- (c) affects the Vendor and its ability to comply with its obligations under this Agreement.

**Max Capital** means Max Capital Pty Ltd (ABN 97 106 553 244).

**Mining Code** means the applicable mining laws in the Republic of Congo (or any amendment or statutory replacement of that Code) and includes regulations and orders made under that Code.

**Mining Information** means and includes the following in the possession or control of the Company Group:

- (a) all surveys, maps, plans, geophysical plots (including magnetics and EM) and diagrams of the Exploration Permit and adjacent areas;
- (b) all samples and ores, drilling locations and logs from drilling conducted on the Exploration Permit or adjacent areas;
- (c) all assays, reports, listings, geological, geochemical and petrographic samples and reports of or with respect to ores extracted from or located upon the Exploration Permit or adjacent areas; and
- (d) all papers, notes, advices and reports extracted or compiled from or based upon the documents and items referred to above and all other data, specification records (in whatever form), reports, accounts and other documents or things and knowledge (whether reduced to writing or not) relating to the Exploration Permit or adjacent areas.

**Minister** means the minister responsible for the administration of the Mining Code from time to time.

**Minority DMC Iron Congo Shareholders** means the holders of shares in DMC Iron Congo other than the Company.

**New Board Options** means 18,000,000 Options and the New CEO Options.

**New CEO Options** means up to 12,000,000 Options to be issued following Settlement (subject to shareholder approval to be sought at a general meeting of the Purchaser) to a yet to be identified Chief Executive Officer of the Purchaser which will be issued with vesting conditions subject to the satisfaction of performance hurdles in relation to the Project.

**Offer Management Agreement** means the offer management agreement between the Vendor, the Purchaser, Patersons Securities Limited and Renaissance Securities (Cyprus) Limited which governs the conduct of the parties in relation to the Capital Raising.

**Officer**, in relation to a corporation, has the meaning given in Section 82A of the Corporations Act.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Option** means an option to acquire a Purchaser Share exercisable at \$0.30 on or before 31 December 2012 (on a post-Consolidation basis).

**Party** means a party to this Agreement and **Parties** means the parties to this Agreement.

**Plant and Equipment** means all plant, equipment, infrastructure, machinery, furniture, computer and communications hardware, fixtures and fittings,

consumables, spare parts, tools and other maintenance items owned by the Company Group and held in connection with the Project as at the opening of business on the Settlement Date and as indicated in Schedule 4. The actual Plant and Equipment on hand at the Settlement Date will be itemised and signed off by the Vendor and the Purchaser and may differ to those itemised in Schedule 4.

**Project** means the Mayoko iron ore project located in the Republic of Congo which comprises the Exploration Permit.

**Project Assets** means:

- (a) the Goodwill;
- (b) Plant and Equipment;
- (c) Inventory;
- (d) the Exploration Permit;
- (e) Contracts and Agreements;
- (f) Records;
- (g) Intellectual Property;
- (h) Trade and Other Debtors; and
- (i) the Mining Information and all other information which relates to the Project Assets.

**PSL Mandate** means the mandate between the Vendor, the Purchaser and Patersons Securities Limited pursuant to which the Vendor has engaged Patersons Securities Limited to act as a Joint Lead Manager and Joint Bookrunner to the Capital Raising.

**Purchaser Share** means a fully paid ordinary share in the capital of the Purchaser.

**Purchaser Warranties** means the representations and warranties of the Purchaser set out in Schedule 2 and **Purchaser Warranty** means any one of them.

**Records** means all records of the Company Group.

**Related Party** has the meaning given in section 228 of the Corporations Act.

**Related Body Corporate** has the meaning given in section 9 of the Corporations Act.

**RenCap Engagement Letter** means the engagement between the Vendor, the Purchaser and Renaissance Securities (Cyprus) Limited pursuant to which the Vendor has engaged Renaissance Securities (Cyprus) Limited to act as a Joint Lead Manager and Joint Bookrunner to the Capital Raising.

**Repayment Date** means that date which is 5 Business Days after the date the Purchaser is re-admitted to Official Quotation.

**Representative** means, in relation to a party, that party's directors, officers, employees, agents or advisers (including without limitation lawyers, accountants,



consultants, bankers, financial advisers and any representatives of those advisers).

**Settlement** means the settlement on the Settlement Date of the sale and purchase of the Vendor Shares in accordance with the terms of this Agreement.

**Settlement Date** means that date which is 5 Business Days after the satisfaction or waiver of the last of the Conditions (or such other date as is agreed between the Parties).

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Consideration** means 120,000,000 Purchaser Shares (on a post-Consolidation basis) to be issued to the Vendor in accordance with clause 4.

**SMZ Tenements** means:

- (a) EL5671, EL6888 and EL7192;
- (a) any other tenement or tenements which may be granted in lieu of or relate to the same ground as, the tenements specified in paragraph (a); and
- (b) includes all rights to mine and other privileges appurtenant to the tenements referred to in paragraphs (a) and (b).

**Statutes** means all legislation of any country, state or territory enforced at any time, and any rule, regulation, ordinance, by law, statutory instrument, order or notice at any time made under that legislation.

**Tax** means any tax, levy, charge, impost, duty, fee, deduction, compulsory loan, withholding, stamp, transaction, registration, duty or similar charge which is assessed, levied, imposed or collected by any government agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or any other accounting imposed on, or in respect of any of the above but excludes Duty.

**Taxable Supply** has the meaning given to it in the GST Act.

**Tax Cost** means all costs and expenses incurred in:

- (a) managing an inquiry; or
- (b) conducting any objection, action, defence, or proceeding with the purpose of causing a withdrawal, reduction, postponement, avoidance or compromise of a demand or assessment relating to Tax issued by a Governmental Authority under a Tax Law,

in relation to Tax or Duty, but does not include the Tax or Duty.

**Tax Law** means any law relating to either Tax or Duty as the context requires.

**Tax Warranties** mean the tax warranties set out in paragraph 9 of Schedule 1.

**Trade and Other Creditors** means:

- (a) all amounts owing (or incurred but not yet invoiced) to suppliers by the Company;
- (b) PAYG taxes owing by the Company to the Australian Taxation Office;

- (c) Goods and Services Tax owing by the Company to the Australian Taxation Office; and
  - (d) any other amounts owing by the Company in relation to the Project,
- as at the Settlement Date.

**Trade and Other Debtors** means all trade debts and other receivables owed or incurred (but not yet invoiced) to the Company on the Settlement Date.

**Transaction** means the sale and purchase of the Vendor Shares on the terms and conditions set out in this Agreement.

**Transaction Document** means this Agreement.

**Transaction Period** means the period between the Execution Date and the earlier of:

- (a) the Settlement Date; and
- (b) the date this Agreement is terminated.

**Transitional Funding** means:

- (a) any funding provided by the Vendor to the Company to allow the Company to operate in the ordinary course of business;
- (b) any payments by the Vendor for Capital Raising costs including flights, accommodation, solicitors' fees, reimbursement of expenses in accordance with the terms of the PSL Mandate, RenCap Engagement Letter or Offer Management Agreement; and
- (c) all payments made, and all costs incurred, by the Vendor for the termination of the Facilitation Agreement,

during the Transitional Period.

**Transitional Period** means the period between the 4 November 2010 (being the date of execution of the Heads of Agreement) and the date before the date on which Purchaser is re-admitted to Official Quotation.

**Vendor Shares** means 100% of the Shares which are beneficially and legally owned by the Vendor.

**Vendor Warranties** means the Warranties set out in Schedule 1 and **Vendor Warranty** means any one of them.

## 1.2 Interpretation

In this Agreement unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) an obligation or liability assumed by, or a right conferred on, 2 or more Parties binds or benefits all of them jointly and each of them severally;
- (c) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;

- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (e) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Agreement and a reference to this Agreement includes any schedule, exhibit or annexure to this Agreement;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) a reference to \$ or **dollar** is to Australian currency; and
- (k) a reference to a payment is to a payment by bank cheque unless the recipient otherwise allows.

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## **2. CONDITIONS PRECEDENT**

### **2.1 Conditions**

Clauses 3 and 9 of this Agreement do not become binding on the Parties unless and until each of the following Conditions are satisfied or waived in accordance with clause 2.2:

- (a) the Purchaser completing a financial and legal due diligence on the Company and the Project, to the sole and absolute satisfaction of the Purchaser;
- (b) the Vendor completing a financial and legal due diligence on the Purchaser, to the sole and absolute satisfaction of the Vendor;
- (c) the Vendor and the Purchaser entering into a binding agreement pursuant to which the Purchaser will grant the Vendor the Deferred Consideration with effect from Settlement;
- (d) the Vendor and/or the Purchaser obtaining all necessary governmental and third party consents, authorisations and approvals (if any), to transfer the Company to the Purchaser;
- (e) the Purchaser obtaining all necessary shareholder approvals at the General Meeting required by the Corporations Act and the Listing Rules for the transactions contemplated by this Agreement including but not limited to the issue of the Consideration Shares and the Management/Broker Options (other than the New CEO Options); and

- (f) the Purchaser raising a minimum of \$96,000,000 under the Capital Raising and obtaining conditional approval to be quoted on ASX and for the Consideration Shares to be admitted to ASX (subject to ASX imposed escrow restrictions) subject to standard conditions, acceptable to the Purchaser and the Vendor .

## **2.2 Benefit of the Conditions**

- (a) The Conditions in clause 2.1(a) and 2.1(c) are inserted in this Agreement for the benefit of the Purchaser and the Purchaser may, by notice in writing to the Vendor on or before the End Date, waive any of those Conditions.
- (b) The Condition in clause 2.1(d) is inserted in this Agreement for the mutual benefit of the Purchaser and the Vendor and the Purchaser may, by mutual agreement, on or before the End Date, waive that Condition.
- (c) The Conditions in clauses 2.1(b) and 2.1(e) are inserted in this Agreement for the benefit of the Vendor and the Vendor may, by notice in writing to the Purchaser on or before the End Date, waive any of those Conditions.
- (d) The Condition in clause 2.1(f) is inserted in this Agreement for the benefit of both the Purchaser and the Vendor and cannot be waived.

## **2.3 Best efforts**

- (a) The Purchaser must use its best efforts to ensure the Conditions in clause 2.1(a) and 2.1(c) are satisfied on or before the End Date.
- (b) The Purchaser and the Vendor must each use their best efforts to ensure the Conditions in clause 2.1(d) and 2.1(f) are satisfied on or before the End Date.
- (c) The Vendor must use its best efforts to ensure the Conditions in clauses 2.1(b) and 2.1(e) are satisfied on or before the End Date.
- (d) Each Party must provide all reasonable assistance to the others as is necessary to satisfy the Conditions.

## **2.4 Notice**

The Purchaser and the Vendor must promptly notify the other in writing if any of the Conditions are satisfied or cannot be satisfied.

## **2.5 Satisfaction or waiver of Conditions**

- (a) Subject to clause 2.2, if the Conditions set out in clause 2.1 are not satisfied, or waived, by the relevant Party in accordance with the provisions of this Agreement on or before the End Date (as varied or extended), this Agreement shall be deemed to be at an end and of no force or effect with no Party being subject to any of the obligations contained in this Agreement and, subject to clause 2.5(b), with no Party claiming any rights at law or in equity against any other Party save for the performance of those covenants and agreements (if any) which should have already been performed and all damages for breach of the same.

- (b) The Parties acknowledge and agree that, in the event this Agreement is terminated, subject to the provision of the necessary documentation, the Vendor will indemnify the Purchaser for all costs incurred by the Vendor which related with the Capital Raising.

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### **3. TRANSACTION**

#### **3.1 Agreement to buy and sell Vendor Shares**

The Vendor, as legal and beneficial owner of the Vendor Shares, agrees to sell free from Encumbrances, and the Purchaser agrees to purchase, the Vendor Shares for the Consideration, the grant of the Deferred Consideration and on the further terms and conditions set out in this Agreement.

#### **3.2 Associated Rights**

The Vendor must sell the Vendor Shares to the Purchaser together with all rights attached to them as at the date of this Agreement and that accrue between the date of this Agreement and Settlement.

#### **3.3 Title and Risk**

Title to and risk in the Vendor Shares passes to the Purchaser on Settlement.

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### **4. CONSIDERATION**

The Consideration payable by the Purchaser to the Vendor will be satisfied in full by:

- (a) the allotment and issue of the Share Consideration; and  
(b) the payment of the Cash Consideration.

at Settlement.

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### **5. DEFERRED CONSIDERATION**

In addition to the Consideration, the Purchaser will pay the Vendor the Deferred Consideration in accordance with the terms and conditions of the Deferred Consideration Agreement.

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### **6. ACKNOWLEDGEMENT AND UNDERTAKINGS**

- (a) With effect from Settlement:
- (i) subject to shareholder approval being obtained at the General Meeting:
    - (A) the company name of the Purchaser will change to "African Iron Limited";
    - (B) the Purchaser will adopt a new constitution;
  - (ii) each of the current directors and the company secretary of the Purchaser will resign; and
  - (iii) nominees of the Vendor will be appointed as directors and company secretary of the Purchaser.

- (b) Following Settlement, the Vendor undertakes to provide all reasonable assistance to the Purchaser and the Company in relation to the novation and or assignment of any Contracts and Agreements, Exploration Permit or Statutory Licences which have not been novated or assigned to the Company as the Settlement Date.
- (c) Prior to the Settlement Date, the Existing CFE Loan will be forgiven in its entirety so that as at the Settlement Date, the Company will have no outstanding loans or other balances owing to the Vendor (or its related entities) and there will be no liability whatsoever of the Company in favour of the Vendor (or its related entities).
- (d) The Purchaser acknowledges, covenants and agrees that nothing in this Agreement shall prevent the Vendor (directly or indirectly) from engaging in, or being involved in, any activities (including in the Republic of Congo) which are similar or the same as the activities undertaken, or to be undertaken, by the Purchaser or the Company.
- (e) The Vendor acknowledges and agrees:
  - (i) that, subject to any waivers granted by ASX, the Purchaser Shares to be issued to the Vendor as Share Consideration pursuant to this Agreement and the Management/Broker Options to be issued will be issued subject to any escrow provisions imposed by ASX and in any event the Purchaser Shares which comprise the Share Consideration will be escrowed for a period of at least 12 months commencing on the date of re-quotations of the Purchaser's securities on ASX (**Escrow Restrictions**); and
  - (ii) to execute, and procure the execution of such restriction agreements as required by ASX to give effect to the Escrow Restrictions.

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## 7. CONDUCT BEFORE SETTLEMENT

### 7.1 Conduct of Company Group's Business

The Vendor covenants in favour of the Purchaser that during the period commencing on the Execution Date and expiring on the earlier of termination of this Agreement or the Settlement Date, the Company will not (and will procure that DMC Iron Congo will not), except as contemplated by this Agreement, without the prior written consent of the Purchaser (which may not be unreasonably withheld or delayed):

- (a) dispose of, agree to dispose of, assign, agree to assign, encumber or grant any option over any of its assets or any interest in any of them other than in the ordinary course of business;
- (b) subject to clause 7.2, grant any option to subscribe for any security in the Company Group or allot or issue or agree to allot or issue any security, share or loan capital or any security convertible into any share or loan capital in the Company Group;
- (c) resolve to reduce its share capital in any way;
- (d) enter into a buy-back agreement or resolve to approve the terms of a buy-back agreement;



- (e) declare or pay any dividend or make any other distribution of its assets or profits;
- (f) alter or agree to alter its constitution other than as provided for in this Agreement; or
- (g) resolve any new programs or budgets other than in the ordinary course of business,

provided that nothing in this clause 7.1 shall prevent the Company Group from running its business in the ordinary course of business.

## **7.2 Minority DMC Iron Congo Shareholders**

The Parties acknowledge and agree that, it is the intention of the Company to acquire all or some of the remaining shares in DMC Iron Congo SARL held by the Minority DMC Iron Congo Shareholders (**DMCIC Shares**) and, while it is not contemplated that this will occur prior to Settlement, completion of the Capital Raising or re-admission of the Purchaser to Official Quotation, to satisfy this acquisition, the Purchaser may issue Purchaser shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity of the Purchaser in part or full consideration for the acquisition of those DMCIC Shares, and such issue will not constitute a breach of this clause 7 by the Company or the Purchaser.

## **7.3 Conduct of the Purchaser**

The Purchaser covenants with the Vendor that during the period commencing on the Execution Date and expiring on the earlier of termination of this Agreement or the Settlement Date, the Purchaser will not, except as contemplated by this Agreement, without the prior written consent of the Vendor (which may not be unreasonably withheld or delayed) do anything to:

- (a) materially adversely affect the value of the Purchaser;
- (b) materially change the business or assets of the Purchaser; or
- (c) enter into any transaction.

## **7.4 Purchaser Access**

- (a) The Vendor agrees to allow the Purchaser access to the Project, the Records and other Project Assets on reasonable notice and at all reasonable times before the Settlement Date to enable the Purchaser:

- (i) to carry out a financial, commercial and legal due diligence on the Company Group; and
- (ii) to become familiar with the Project,

and will provide the Purchaser with all relevant information in respect of the Company Group, in order for the Purchaser to complete its due diligence.

- (b) Any information obtained by the Purchaser as a result of such access will be deemed to constitute Confidential Information for the purposes of clause 15.

## **7.5 Vendor Access**

- (a) The Purchaser agrees to allow the Vendor access to all records of the Purchaser and other assets of the Purchaser on reasonable notice and at all reasonable times before the Settlement Date to enable the Vendor to carry out a financial, commercial and legal due diligence on the Purchaser and will provide the Vendor with all relevant information in respect of the Purchaser, in order for the Vendor to complete its due diligence.
- (b) Any information obtained by the Vendor as a result of such access will be deemed to constitute Confidential Information for the purposes of clause 15.

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## **8. TRANSITIONAL OUTGOINGS**

The Parties agree that:

- (a) during the Transitional Period, the Vendor will make all payments relating to the Transitional Funding and any other costs associated with operating the Business on behalf of the Purchaser;
- (b) subject to Settlement, on the Repayment Date, the Purchaser must repay the Vendor an amount equal to the total Transitional Funding paid by the Vendor during the Transitional Period; and
- (c) all documentation evidencing payment of costs forming the Transitional Funding by the Vendor, will be retained by the Vendor and provided to the Purchaser prior to or on the Repayment Date.

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## **9. SETTLEMENT**

### **9.1 Time and Location of Settlement**

Settlement shall take place at 10.00am (Perth time) on the Settlement Date at the offices of the Purchaser in Perth, Western Australia or at such other offices as the Parties may otherwise agree and at such time as shall be agreed by the Parties.

### **9.2 The Vendor's obligations at Settlement**

At Settlement, the Vendor must confer on the Purchaser title to the Vendor Shares and place the Purchaser in effective possession and control of the Company. To this end, at or prior to Settlement:

- (a) the Vendor covenants to, deliver or cause to be delivered to the Purchaser in a form and substance satisfactory to the Purchaser:
  - (i) holding statement or share certificate in respect of the Vendor Shares, and any other documents that are necessary to vest full legal and equitable title in the Company in the Purchaser;
  - (ii) separate instruments of transfer in registrable form for the Vendor Shares in favour of the Purchaser (as transferee) which have been duly executed by the Vendor (as transferor);
  - (iii) the Mining Information and all other information which relates to the Project Assets;

- (iv) the common seal (and any duplicate common seal, share seal or official seal) of the Company (if any);
  - (v) all available copies of the constitution of the Company;
  - (vi) details of the current corporate key issued by the Australian Securities and Investments Commission for the Company;
  - (vii) the minute books and other records of meetings or resolutions of members and directors of the Company;
  - (viii) all registers of the Company (including the register of members, register of options, register of directors, register of charges);
  - (ix) all cheque books, financial and accounting books and records, copies of tax returns and assessments, mortgages, leases, agreements, insurance policies, title documents, licences, indicia of title, contracts, passwords to computers, certificates and all other records, papers, books and documents of the Company;
  - (x) separate restriction agreements (in the form required by ASX) duly executed by the Vendor in relation to the Consideration Shares to be issued to them pursuant to this Agreement and each of the recipients of the Management/Broker Options as required by ASX; and
- (b) procure that a directors' meeting of the Company is held to attend to the following matters (as applicable):
- (i) the approval of the registration (subject to payment of stamp duty), if applicable of the transfer of the Vendor Shares and the issue of a new share certificate for the Vendor Shares in the name of the Purchaser; and
  - (ii) the transaction of any other reasonable business of which the Purchaser may give notice before the Settlement Date.

### **9.3 The Purchaser's obligations at Settlement**

At Settlement, the Purchaser must:

- (a) deliver to the Vendor or its nominee Immediately Available Funds in the amount of the Cash Consideration;
- (b) allot and issue the Share Consideration to the Vendor or its nominee and deliver to the Vendor a holding statement for those Purchaser Shares and such other evidence reasonably required by the Vendor recording that the Share Consideration has been issued and allotted to the Vendor or its nominee;
- (c) allot and issue the Management/Broker Options (other than the New CEO Options) to the relevant parties ((or their nominees) (of which the Vendor may give notice before the Settlement Date)) and deliver to those parties a holding statement for those Options and such other evidence reasonably required recording that the Options has been issued and allotted to the parties (or their nominees);

- (d) give notice to Max Capital, Grange Consulting and any other providers of consulting services (as requested by the Vendor) of the immediate termination of all services it provides or is engaged to provide to the Purchaser as at the Settlement Date (subject to payment for all outstanding fees accrued up to the Settlement Date as disclosed to the Parties prior to Settlement);
- (e) deliver to the Purchaser the Deferred Consideration Agreement in a form and substance satisfactory to the Vendor and the Purchaser duly executed by the Purchaser; and
- (f) procure that a directors' meeting of the Purchaser is held to attend to the following matters (as applicable):
  - (i) the appointment as directors and secretaries of the Company of those persons nominated by the Purchaser by written notice before the Settlement Date;
  - (ii) the resignations of each of the current directors and secretary of the Purchaser with effect from Settlement, acknowledging that each of them has no Claim of any kind whatsoever against the Purchaser by way of compensation or entitlement for loss of office including (without limitation) in respect of his or her legal entitlements to accrued long service leave and annual pay (if any) (including delivery to the Purchaser of "Deeds of Release" in a form and substance satisfactory to the Vendor duly executed by each of the Current SMZ Directors);
  - (iii) the appointment of the new authorities to operate bank accounts of the Purchaser (as requested by the Vendor prior to Settlement);
  - (iv) revocation of all existing authorities to operate bank accounts of the Purchaser (as requested by the Vendor prior to Settlement); and
  - (v) the transaction of any other reasonable business of which the Vendor may give notice before the Settlement Date.

#### 9.4 Conditions of Settlement

- (a) Settlement is conditional on both the Purchaser and the Vendor complying with all of their respective obligations under this clause 9.
- (b) If a party (**Defaulting Party**) fails to satisfy its obligations under this clause 9 on the day and at the place and time for Settlement then any other party (**Notifying Party**) may give the Defaulting Party a notice requiring the Defaulting Party to satisfy those obligations within a period of 10 Business Days from the date of the notice and declaring time to be of the essence.
- (c) If the Defaulting Party fails to satisfy those obligations within those 10 Business Days the Notifying Party may, without limitation to any other rights it may have, terminate this Agreement by giving written notice to the Defaulting Party.

## 9.5 Settlement simultaneous

- (a) Subject to clause 9.5(b), the actions to take place under this clause 9 are interdependent and must take place, as nearly as possible, simultaneously. If one action does not take place, then without prejudice to any rights available to any Party as a consequence:
- (i) there is no obligation on any Party to undertake or perform any of the other actions;
  - (ii) to the extent that such actions have already been undertaken, the parties must do everything reasonably required to reverse those actions; and
  - (iii) each Party must return to the other all documents delivered to it under this clause 9, and must each repay to the other all payments received by it under this clause 9, without prejudice to any other rights any Party may have in respect of that failure.
- (b) The Purchaser may, in its sole discretion, waive any or all of the actions that the Vendor is required to perform under clause 9.2.

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## 10. PSL MANDATE, RENCAP ENGAGEMENT LETTER AND OFFER MANAGEMENT AGREEMENT

The Purchaser acknowledges and agrees:

- (a) that prior to the Execution Date:
- (i) it executed and accepted the terms and conditions of the PSL Mandate and the RenCap Engagement Letter; and
  - (ii) it executed and accepted the terms and conditions of the Offer Management Agreement;
- (b) to execute all such documents and do all such things as is required of the Purchaser in accordance with the terms and conditions of the PSL Mandate, RenCap Engagement Letter and Offer Management Agreement; and
- (c) to be bound by the terms of the PSL Mandate, RenCap Engagement Letter and Offer Management Agreement insofar as they relate to the rights and obligations of the Purchaser, including but not limited to the payment of fees pursuant to the PSL Mandate, RenCap Engagement Letter and Offer Management Agreement following successful completion of the Capital Raising and re-admission of the Purchaser to Official Quotation.

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## 11. REPRESENTATIONS AND WARRANTIES BY THE VENDOR

### 11.1 Representations and Warranties

The Vendor gives the Vendor Warranties in favour of the Purchaser, on the Execution Date and on each day between the Execution Date and the Settlement Date (including at Settlement).

## **11.2 Independent Warranties**

Each of the Vendor Warranties is to be construed independently of the others and is not limited by reference to any other Vendor Warranty.

## **11.3 Indemnity by Vendor**

- (a) The Vendor indemnifies and agrees to indemnify the Purchaser and the Company against, and must pay the Purchaser an amount equal to, any Loss suffered or incurred by the Purchaser or the Company in connection with a breach of the Vendor Warranty.
- (b) For the avoidance of doubt, in respect of any breach of Vendor Warranty, Loss includes an amount that would be necessary to put the Purchaser or the Company (as applicable) in the same position as if the Warranty had been true.

## **11.4 Notification of Warranty Breaches**

The Vendor must promptly notify the Purchaser if at any time after the date of this Agreement it becomes aware that:

- (a) the Vendor Warranty has ceased to be true; or
- (b) an act or event has occurred that would or might reasonably be expected to result in the Vendor Warranty ceasing to be true if it were repeated immediately at Settlement,

and must also provide the Purchaser with details of that fact.

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## **12. QUALIFICATIONS AND LIMITATIONS ON CLAIMS**

### **12.1 Limitation Periods**

The Vendor is not liable for a breach of a Vendor Warranty unless the Purchaser notifies the Vendor in writing of the breach by the following times:

- (a) seven years after Settlement in respect of the Tax Warranties.
- (b) one year after Settlement in respect of all other Vendor Warranties.

### **12.2 Meaning of Vendor's Knowledge**

Where any Vendor Warranty is qualified by the expression "so far as the Vendor is aware" or "to the best of the Vendor's knowledge, information and belief" or any similar expression, the Vendor will be deemed to know or be aware of a particular fact, matter or circumstance if a director, officer or senior manager of the Vendor:

- (a) is actually aware of that fact, matter or circumstance on the date the Vendor Warranty is given, acting reasonably; or
- (b) would reasonably be expected to be aware of that fact, matter or circumstance if, on the date the Vendor Warranty is given, they had made reasonable enquiries as to the accuracy of the Vendor Warranty.



### **12.3 Monetary Limit**

The maximum aggregate amount which the Purchaser may claim against the Vendor for a breach of Vendor Warranty is \$47,000,000.

### **12.4 Investigation by Purchaser**

Subject to clause 12.1, the Vendor Warranties or Claims under any indemnity or guarantee granted in favour of the Purchaser under this Agreement are qualified and subject to:

- (a) disclosure and information made available by the Vendor or the Company to the Purchaser's solicitors as part of the investigation and inquiry made or to be made by or on behalf of the Purchaser and any disclosure provided by the Vendor or the Company to the Purchaser prior to the Execution Date; or
- (b) any information available on public registers in relation to the Company maintained by any Governmental Agency.

All information relating to the Company Group of which the Purchaser has knowledge (actual or constructive) will affect any Claim which the Purchaser is entitled to bring and will operate to reduce any amount recoverable by the Purchaser under this Agreement.

### **12.5 Mitigation**

The Purchaser must take reasonable action to mitigate all Claims for breach of a Vendor Warranty under this Agreement.

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## **13. WARRANTIES BY THE PURCHASER**

### **13.1 Purchaser Warranties**

The Purchaser gives the Purchaser Warranties in favour of the Vendor on the date of this Agreement and the Purchaser Warranties will be deemed to be repeated immediately before Settlement.

### **13.2 Independent Warranties**

Each of the Purchaser Warranties is to be construed independently of the others and is not limited by reference to any other Purchaser Warranty.

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## **14. MAINTENANCE OF EXPLORATION PERMIT**

### **14.1 Obligations during the Transaction Period**

Between the date of the Heads of Agreement and the earlier of Settlement and termination of this Agreement, the Vendor must procure that DMC Iron Congo maintains the Exploration Permit in full force and keeps it in good standing and free from any liability to forfeiture or non renewal under the Mining Code.

### **14.2 No relinquishing of Exploration Permit**

- (a) Without limiting clause 14.2(b), during the Transaction Period, the Vendor agrees to not relinquish any portion of its interest in the Exploration Permit except with the agreement of the Purchaser, such agreement not to be unreasonably withheld.

- (b) The Purchaser acknowledges that DMC Iron Congo is required to file the first renewal of the Exploration Permit in January 2011 and that the first renewal will require the relinquishment of up to 50% of the surface area of the Exploration Permit and execution of this Agreement by the Purchaser constitutes consent for the relinquishment in accordance with clause 14.2(a).

### **14.3 Parties to be kept informed**

During the Transaction Period, the Company shall promptly pass to the Purchaser any notice or communication from any government authority in any way affecting the Exploration Permit.

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## **15. CONFIDENTIALITY**

### **15.1 Terms to remain confidential**

Each Party is to keep confidential the terms of this Agreement, and any other Confidential Information obtained in the course of furthering this Agreement, or during the negotiations preceding this Agreement, and is not to disclose it to any person except:

- (a) to employees, legal advisers, auditors and other consultants requiring the information for the purposes of this Agreement;
- (b) with the consent of the other Parties;
- (c) if the information is, at the date of this Agreement, lawfully in the possession of the recipient of the information through sources other than any of the other Parties;
- (d) if required by law or a stock exchange;
- (e) if strictly and necessarily required in connection with legal proceedings relating to this Agreement;
- (f) if the information is generally and publicly available other than as a result of a breach of confidence; or
- (g) to a financier or prospective financier (or its advisers) of a Party.

### **15.2 Disclosure of Information**

A Party disclosing Confidential Information must use all reasonable endeavours to ensure that persons receiving Confidential Information from it do not disclose the information except in the circumstances permitted in clause 15.1.

### **15.3 Public announcements**

A Party may not make any public announcement relating to this Agreement (including the fact that the parties have executed this Agreement) unless the other Party has consented to the announcement (which must occur within 24 hours of a draft of the announcement being provided to the other Party, otherwise it is deemed to be approved on expiration of that time period), including the form and content of that disclosure unless the announcement would be permitted under the exemption in clause 15.1(f).

#### 15.4 Obligations continuing

The obligations under this clause 15 contain obligations, separate and independent from the other obligations of the Parties and, other than the obligations set out in clause 15.3, remain in existence for a period of three (3) years from the Execution Date, regardless of any termination of this Agreement.

#### 15.5 Exclusivity

The Vendor agrees that prior to the earlier of the End Date or the date that this Agreement is terminated by the Parties in accordance with the terms of this Agreement, the Vendor must ensure that neither it nor any of its employees, officers, agents, consultants or advisers, except with the prior written consent of the Purchaser, directly or indirectly solicit or initiate or enter into any further negotiations or discussions with respect to any expression of interest, offer or proposal by any person other than the Purchaser to acquire its interest in the Company or the Project.

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### 16. DISPUTE RESOLUTION

- (a) If a dispute arises in connection with this Agreement, a party to the dispute must give to the other party or parties to the dispute notice specifying the dispute and requiring its resolution under this clause 16 (**Notice of Dispute**).
- (b) After the receipt of a Notice of Dispute, the parties to the dispute must negotiate in good faith to resolve the dispute.
- (c) If the dispute is not resolved within 21 days after the Notice of Dispute is given to the other party or parties (**First Period**), the dispute is by this clause submitted to mediation. The mediation must be conducted in Western Australia.
- (d) If the parties have not agreed upon the mediator and the mediator's remuneration within 7 days after the First Period:
  - (i) the mediator is the person appointed by; and
  - (ii) the remuneration of the mediator is the amount or rate determined by;  
  
the President of the WA Chapter of the Institute of Arbitrators and Mediators Australia (**President**) or the President's nominee, acting on the request of any party to the dispute.
- (e) The parties must pay the mediator's remuneration in equal shares.
- (f) Each party must pay its own costs of the mediation.
- (g) If the dispute is not resolved within 28 days after the appointment of the mediator (**Second Period**), the Parties will be free to resolve the dispute by any other means they deem fit.

---

## 17. NOTICES

### 17.1 Notices in writing

Each notice authorised or required to be given to a Party shall be in legible writing and in English addressed to the Party's address set out in clause 17.2 (or such other address nominated in accordance with clause 17.3).

### 17.2 Initial address of Parties

The initial address of the Parties shall be as follows:

The Vendor:

Cape Lambert Resources Limited  
18 Oxford Close  
LEEDERVILLE WA 6007

Facsimile: +61 8 9380 9666  
Attention: Mr Tony Sage

The Purchaser:

Stirling Resources Limited  
945 Wellington Street  
WEST PERTH WA 6005

Facsimile: +61 8 9322 7602  
Attention: Mr Tony King

### 17.3 Change of Address

Each Party may from time to time change its address by giving notice pursuant to clause 17.1 to the other Parties.

### 17.4 Receipt of notice

Any notice given pursuant to clause 17.1 will be conclusively deemed to have been received:

- (a) in the case of personal delivery, on the actual day of delivery;
- (b) if sent by mail, two (2) Business Days from and including the day of posting; or
- (c) if sent by facsimile, when a facsimile confirmation receipt is received indicating successful delivery,

but if the delivery or receipt is on a day that is not a Business Day or is after 5.00pm (addressee's time) it is regarded as received at 9.00am on the following Business Day.

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## 18. GST LIABILITY

- (a) Notwithstanding any provision in this Agreement, this clause 18 covers the GST liabilities of the parties in relation to a Taxable Supply made by one party under this Agreement (the **Provider**) to the other party under this Agreement (the **Recipient**).

- (b) The Recipient must pay to the Provider the amount equal to the amount of any GST the Provider is liable to pay on any Taxable Supply made by the Provider under this Agreement (**Provider's Taxable Supply**).
- (c) The Recipient must pay the Provider the amount in respect of GST the Recipient is liable to pay on each Provider's Taxable Supply at the same time and in the same manner as the Recipient is obliged to pay for the Provider's Taxable Supply provided that the Recipient may withhold payment of any amount in respect of GST until the Provider issues the Recipient with a valid Invoice covering the relevant Taxable Supply.
- (d) Unless specific reference is made, the price for each Provider's Taxable Supply provided for by this Agreement does not include GST.

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## **19. NON-ASSIGNMENT**

No Party may assign any or all of its rights and obligations under this Agreement to any person except with the prior written consent of the other Party which consent shall not unreasonably be withheld.

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## **20. FURTHER ASSURANCE**

Each Party shall sign, execute and do all deeds, acts, documents and things as may reasonably be required by the other Party to effectively carry out and give effect to the terms and intentions of this Agreement.

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## **21. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the law from time to time in the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the courts of Western Australia and the courts which hear appeals therefrom.

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## **22. VARIATION**

No modification or alteration of the terms of this Agreement shall be binding unless made in writing dated subsequent to the date of this Agreement and duly executed by the Parties.

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## **23. COSTS**

### **23.1 Stamp Duty**

All stamp duty assessed on or in respect of this Agreement shall be paid 100% by the Purchaser.

### **23.2 Legal Costs**

Each Party shall bear their own legal costs of and incidental to the preparation, negotiation and execution of this Agreement.

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## **24. MISCELLANEOUS**

### **24.1 Enforcement of Provisions**

If any provision of this Agreement is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of

separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.

#### **24.2 Approvals and consents**

If the doing of any act, matter or thing under this Agreement is dependent on the approval or consent of a party, that party may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion, unless this Agreement expressly provides otherwise.

#### **24.3 No merger**

The Vendor Warranties, Purchaser Warranties, undertakings and indemnities in this Agreement will not merge on Settlement.

#### **24.4 Specific performance**

The Vendor acknowledges that monetary damages alone would not be adequate compensation to the Purchaser for the Vendor's breach of obligation to settle the sale of the Vendor Shares under this Agreement and that accordingly specific performance of that obligation is an appropriate remedy.

#### **24.5 Sole Understanding**

This Agreement shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements with respect thereto.

#### **24.6 Counterparts**

This Agreement may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

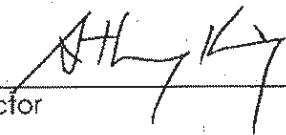
#### **24.7 Time**

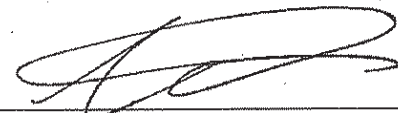
Time shall be of the essence in this Agreement in all respects.



EXECUTED by the Parties as a deed.

EXECUTED BY )  
STIRLING MINERALS LIMITED )  
(to be renamed African Iron Limited) )  
ABN 24 123 972 814 )  
In accordance with the Corporations Act:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director/Secretary

EXECUTED BY )  
CAPE LAMBERT RESOURCES LIMITED )  
ABN 71 095 047 920 )  
In accordance with the Corporations Act: )

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director/Secretary

EXECUTED by the Parties as a deed.

EXECUTED BY  
STIRLING MINERALS LIMITED  
(to be renamed African Iron Limited)  
ABN 24 123 972 814  
In accordance with the Corporations Act:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director/Secretary

EXECUTED BY  
CAPE LAMBERT RESOURCES LIMITED  
ABN 71 095 047 920  
In accordance with the Corporations Act:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director/Secretary

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## **SCHEDULE 1 – VENDOR WARRANTIES**

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### **VENDOR WARRANTIES**

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#### **1. OWNERSHIP AND STRUCTURE**

##### **1.1 Ownership of the Shares**

- (a) As at the Settlement Date, the Vendor Shares will comprise 100% of the issued share capital of the Company.
- (b) The Vendor Shares are fully paid up and have been duly issued and allotted.
- (c) The Vendor is the registered holder and beneficial owner of 100% of the Vendor Shares, which are free of any Encumbrance (other than the Permitted Encumbrance).
- (d) The Vendor is entitled to sell, assign and transfer the full legal and beneficial ownership of the Vendor Shares to the Purchaser on the terms set out in this Agreement (without restriction).
- (e) As at the Settlement Date, the Company will be the registered holder and beneficial owner of 80% of the issued share capital of DMC Iron Congo.

##### **1.2 Issues of Shares**

- (a) No person is entitled or has claimed to be entitled, to require the Company Group to issue any share capital either now or at any future date (whether contingently or not).
- (b) There are no agreements in force under which any person is or may be entitled to, or has the right to call for the issue of, any shares in the Company Group or securities convertible into or exchangeable for shares in the Company.
- (c) The Company Group has not given, granted or agreed to grant any option or right (whether contingent or not) in respect of its unissued shares.

##### **1.3 Company Group Structure**

- (a) The diagram set out in Schedule 3 accurately depicts the group structure of the Company Group.
- (b) None of the members of the Company Group:
  - (i) is the holder or beneficial owner of any shares or other capital in any body corporate (wherever incorporated) except as described in Schedule 3;
  - (ii) is a member of any partnership or other unincorporated association (other than a recognised trade association); or
  - (iii) has any permanent establishment outside the country in which it is incorporated (other than the offices in Pointe Noire maintained by the Company).

---

## **2. POWER AND AUTHORITY**

### **2.1 Power and Capacity**

The Vendor has full power and authority to enter into and perform its obligations under this Agreement.

### **2.2 Authorisations**

The Vendor has taken all necessary action to authorise the execution, delivery and performance of this Agreement in accordance with its terms.

### **2.3 No Event of Insolvency**

No Event of Insolvency has occurred in relation to the Vendor, nor is there any act which has occurred or any omission made which may result in an Event of Insolvency occurring in relation to the Vendor.

### **2.4 No Legal Impediment**

The entry into and performance of this Agreement and all documents executed pursuant to this Agreement by the Vendor does not constitute a breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking, by which the Vendor is bound.

### **2.5 Incorporation**

- (a) The Company is validly incorporated, organised and subsisting in accordance with the laws of Western Australia.
- (b) DMC Iron Congo is validly incorporated, organised and subsisting in accordance with the laws of Republic of Congo.
- (c) DMC Exploration SA is validly incorporated, organised and subsisting in accordance with the laws of Republic of Congo.

### **2.6 No Trust**

The Vendor enters into and performs this Agreement on its own account and not as trustee for or nominee of any other person.

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## **3. EFFECT OF AGREEMENT**

The entry into and performance of this Agreement and all documentation executed pursuant to this Agreement:

- (a) will not relieve any person of any contractual or other obligation to the Company or entitle any person to re-negotiate the terms or conditions of any such obligation;
- (b) does not and will not conflict with, violate or result in a breach by the Company or the occurrence of an event of default under any agreement or any law, undertaking to or judgment or Court order;
- (c) will not result in any indebtedness, present or future, of the Company becoming due or capable or being declared due and payable before the stated maturity date;

- (d) will not give rise to any contractual or other obligation of the Company to any person or entitle any person to require the performance of or compliance with any existing contractual or other obligation of the Company; and
- (e) will not entitle any person with whom the Company has a contract or arrangement of any kind to terminate that contract or arrangement or to impose less favourable terms on the Company.

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## **4. GENERAL CORPORATE**

### **4.1 Incorporation and Corporate Power**

- (a) The Company:
  - (i) is duly registered, has full corporate power to own its assets and to carry on its Business as now conducted;
  - (ii) has done everything necessary to do business lawfully in all jurisdictions in which its Business is carried on; and
  - (iii) has conducted the Business in compliance with the constitution of the Company.
- (b) DMC Iron Congo:
  - (i) is duly registered, has full corporate power to own its assets and to carry on its business as now conducted;
  - (ii) has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on; and
  - (iii) has conducted the business in compliance with the constitution of DMC Iron Congo.
- (c) DMC Exploration SA:
  - (i) is duly registered, has full corporate power to own its assets and to carry on its business as now conducted;
  - (ii) has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on; and
  - (iii) has conducted the business in compliance with the constitution of DMC Iron Congo.

### **4.2 Statutory Books and Returns**

- (a) The register of shareholders, statutory books and other registers of the Company are up to date and have been properly kept in accordance with all legal requirements. No notice or allegation that any of them is incorrect or should be rectified has been received, and all transfers recorded in the register have been properly stamped.
- (b) All returns, resolutions and other documents which the Company is required by law to file with or deliver to ASIC or the equivalent Governmental Authority have been correctly completed and duly filed or delivered.

- (c) The Company has not received notice of any application or intended application for altering its register of shareholders or any other register which it is required by law to maintain.

#### **4.3 Officers Duly Appointed**

All of the directors and secretaries of the Company have been duly appointed in accordance with the Corporations Act.

#### **4.4 No Name Changes**

The Vendor will not permit the name of the Company or DMC Iron Congo to be changed before Settlement and will not before Settlement consent to the adoption by any other person or company of a name similar to the name of the Company or DMC Iron Congo.

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### **5. THE MANAGEMENT ACCOUNTS**

The Management Accounts disclose a true and fair view of the state of the affairs, financial position and assets and liabilities of the Company as at the Management Accounts Date, and are complete and accurate in all respects.

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### **6. CONTRACTS AND AGREEMENTS AND COMMITMENTS**

#### **6.1 Contracts and Agreements Binding**

To the best of the Vendor's knowledge, information and belief, every Contract and Agreement, instrument or other commitment to which the Company is a party is valid and binding according to its terms and, without prejudice to any other warranty, no party to any such commitment is in material default under the terms of that commitment.

#### **6.2 Material Contracts**

Copies of any contract, transaction, arrangement or liability to which the Company is a party that involves, or likely to involve, obligations or liabilities that, by reason of their nature or magnitude ought reasonably be made known to an intending buyer of the Vendor Shares have been provided to the Purchaser.

#### **6.3 Change of Control**

Other than as notified to the Purchaser prior to the Execution Date, the Company is not a party to any agreement under which any person is entitled, upon a change in control of the Company to:

- (a) terminate that agreement;
- (b) impose or require the adoption of terms that are less favourable to the Company than the current terms; or
- (c) that will, or would reasonably be likely to have a Material Adverse Effect on the Company.

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### **7. PROJECT ASSETS**

#### **7.1 Project Assets**

All of the Project Assets are:

- (a) fully paid for;
  - (b) either the absolute property of the Company Group and clear of all Encumbrances or used by the Company under a contract under which it is entitled to use the assets on the terms and conditions of such a contract; and
  - (c) in the possession of the Company, its agent or nominee,
- except as otherwise identified in this Agreement.

## **7.2 Exploration Permit**

- (a) DMC Iron Congo is the legal and beneficial owner of the Exploration Permit and, in respect of the Company's current 80%, no person has any rights of any nature in respect of the Exploration Permit unless otherwise disclosed in this Agreement.
- (b) To the best of the Vendor's knowledge, information and belief, at Settlement, the Exploration Permit will be free from all mortgages, charges, liens and other Encumbrances of whatsoever nature.
- (c) To the best of the Vendor's knowledge, information and belief, there is no litigation or proceeding of any nature concerning the Exploration Permit, pending or threatened against the Company, DMC Iron Congo, or any other person which may defeat, impair, detrimentally affect or reduce the right, title and interest of the Company or DMC Iron Congo in the Exploration Permit, including any claim seeking forfeiture of the Exploration Permit.
- (d) To the best of the Vendor's knowledge, information and belief, the Exploration Permit has been duly marked off, applied for and granted in accordance with the Mining Code.
- (e) To the best of the Vendor's knowledge, information and belief, the Exploration Permit is in full force and effect and in good standing and not liable to cancellation or forfeiture for any reason.

## **7.3 Plant and Equipment**

- (a) To the best of the Vendor's knowledge, information and belief, all Plant and Equipment:
  - (i) is in good condition having regard to their age; and
  - (ii) is recorded in the books of the Company (in so far as they are considered to be major items of Plant and Equipment).
- (b) The Company has not entered into any hire purchase, leasing or credit sale agreement or sold any items of Plant and Equipment on deferred terms.
- (c) The Company is the legal and beneficial owner of the Plant and Equipment free of Encumbrances.



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## **8. INSURANCE**

### **8.1 Disclosure of Company Insurance**

Schedule 7 accurately details all contracts of insurance and indemnity in force in respect of the property and assets of the Company Group (**Company Insurances**).

### **8.2 Insurance contracts still valid**

The Company Insurances are in force and there is no fact or circumstance known to the Vendor which would lead to any of them being prejudiced or which would permit an insurer to refuse or reduce a claim or materially increase the premiums payable under the policies. None of the Company Insurances will be terminated or cease to have effect as a result of the transactions contemplated by this Agreement.

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## **9. TAXATION**

### **9.1 Records**

To the best of the Vendor's knowledge, information and belief, the Company Group has maintained proper and adequate records to enable it to comply in material respects with its obligations to:

- (a) prepare and submit any information, notices, computations, payments and returns required in respect of any Tax Law;
- (b) prepare any accounts necessary for compliance with any Tax Law; and
- (c) retain necessary records as required by any Tax Law,

and such records are accurate in all material respect.

### **9.2 GST**

- (a) Any GST required to be paid by the Company has been imposed, obtained and remitted to the correct revenue authority in accordance with its commitments under the GST legislation. The Company has complied with all of its obligations under the GST legislation and other legislation associated with the introduction of the GST.
- (b) If under or by virtue of any agreement to which the Company is a party, any GST is liable to be paid in connection with any Taxable Supply made by the Company under that agreement, the Company will be entitled to recover from the party required to pay for the Taxable Supply an amount so that after meeting any liability to pay GST the Company retains the same amount as if GST was not payable in connection with the Taxable Supply.

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## SCHEDULE 2 - PURCHASER WARRANTIES

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### PURCHASER WARRANTIES

1. The Purchaser has full power and authority to enter into and perform its obligations under this Agreement.
2. All necessary authorisations for the execution, delivery and performance by the Purchaser of this Agreement have been or will be obtained before Settlement.
3. The entry into and performance of this Agreement and all documents executed pursuant to this Agreement by the Purchaser does not constitute a breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking by which the Purchaser is bound.
4. No Event of Insolvency has occurred in relation to the Purchaser, nor is there any act which has occurred or any omission made which may result in an Event of Insolvency occurring in relation to the Purchaser.
5. The Purchaser is validly incorporated, organised and subsisting in accordance with the laws of its place of incorporation.
6. The Purchaser enters into and performs this Agreement on its own account and not as trustee for or nominee of any other person.
7. The Purchaser has the corporate power to own its assets and to carry on its business as it is now being conducted.
8. This Agreement constitutes a legal, valid and binding obligation on the Purchaser and is enforceable in accordance with its terms (subject to laws generally affecting creditors rights and to principles of equity).
9. In relation to the SMZ Tenements:
  - (a) the Purchaser is the legal and beneficial owner of the SMZ Tenements;
  - (b) no person except the Purchaser has any rights of any nature in respect of the SMZ Tenements (other than the royalty in respect of the SMZ Tenements held by Delta Gold Exploration Pty Ltd as disclosed by the Purchaser to the Vendor prior to the Execution Date);
  - (c) the SMZ Tenements are free from all mortgages, charges, liens and other encumbrances of whatsoever nature;
  - (d) the SMZ Tenements are in full force and effect and in good standing and not liable to cancellation or forfeiture for any reason and the Purchaser is not in breach or contravention of any terms and conditions upon which the SMZ Tenements were granted;
  - (e) there are no agreements or dealings in respect of the SMZ Tenements;
  - (f) there is not in existence any current compensation agreement with the owner or occupier of any land which is subject to the SMZ Tenements nor any royalty arrangement of whatever nature in respect of the SMZ Tenements;

- (g) there are no environmental liabilities relating to or affecting the SMZ Tenements nor are there any circumstances relating to the SMZ Tenements which may reasonably be expected to give rise to future environmental liabilities;
- (h) all information provided to the Vendor in respect of the SMZ Tenements is complete and accurate in all material respects; and
- (i) the SMZ Tenements have been granted in respect of all the ground described in each application, there are no native title agreements relating to the SMZ Tenements and the Purchaser is not aware of any claim or anticipated claim by any Aboriginal person to assert native title of any part of the area covered by the SMZ Tenements.

10. In relation to the Last SMZ Accounts, they:

- (a) disclose a true and fair view of the state of the affairs, financial position and assets and liabilities of the Purchaser as at the balance date disclosed in the Last SMZ Accounts (**SMZ Balance Date**);
- (b) includes all such reserves and provisions for tax as are adequate to cover all tax liabilities (whether or not assessed and whether actual, contingent, deferred or otherwise) of the Purchaser up to the SMZ Balance Date;
- (c) contain adequate provisions in respect of all other liabilities (whether actual, contingent, deferred or otherwise) of the Purchaser as at the SMZ Balance Date and proper disclosure (in note form) of any contingent or other liabilities not included or provided therein; and
- (d) were prepared:
  - (A) in accordance with the relevant accounting standards prescribed by the jurisdiction(s) in which it operates and applied on a consistent basis and without making any revaluation of assets; and
  - (B) in the manner described in the notes to them.
- (e) the cash position of the Purchaser as at 30 November 2010 is as disclosed to the Vendor.

11. All books of accounts and other records of any kind of the Purchaser:

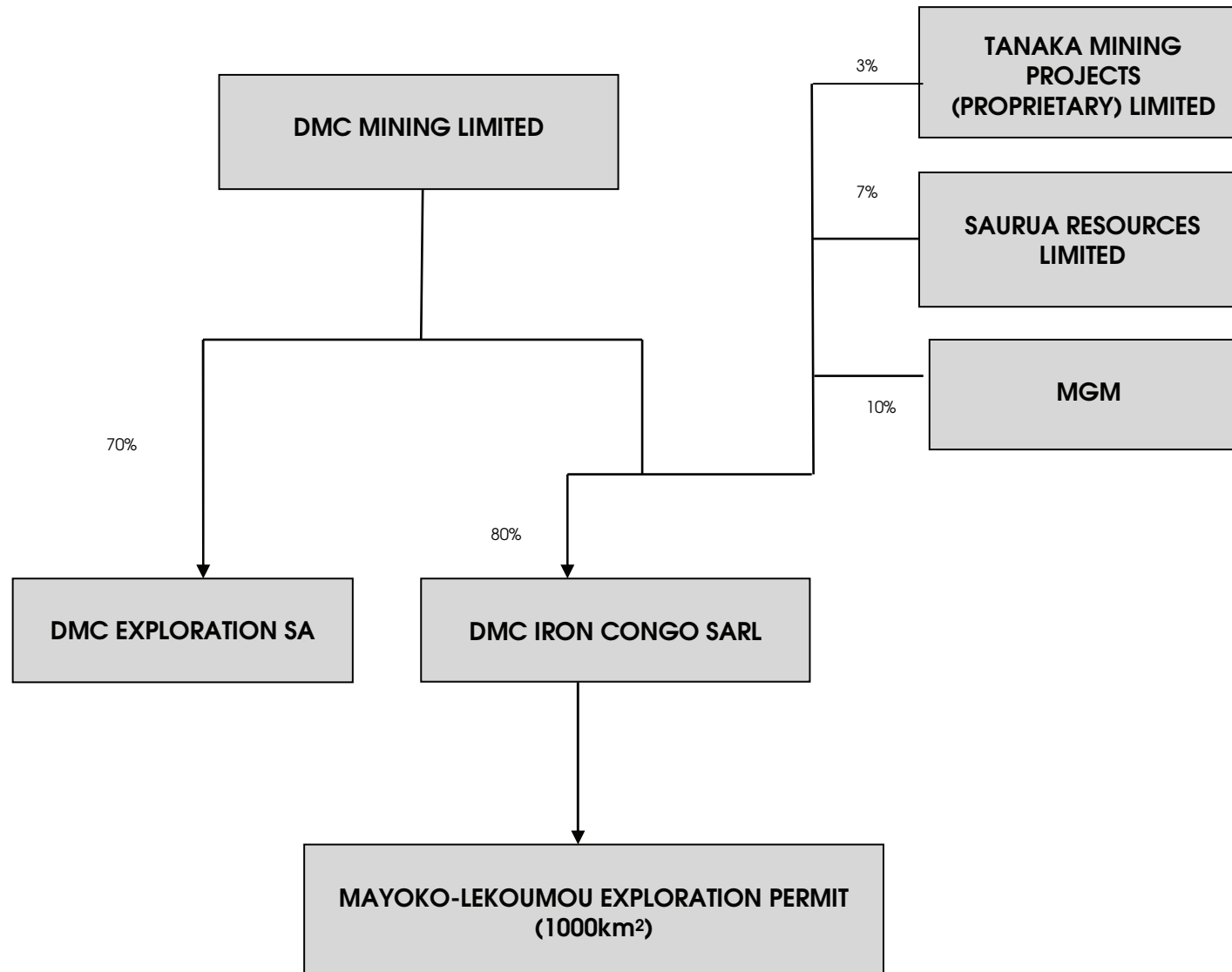
- (a) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
- (b) have not had any material records or information removed from them;
- (c) do not contain or reflect any material inaccuracies or discrepancies; and
- (d) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of the Purchaser and of its assets and liabilities.

12. Every material contract, instrument or other commitment to which the Purchaser is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of that commitment or contract.
13. Any contract, instrument or other commitment between the Purchaser, Max Capital, Grange Consulting and any other providers of consulting services (subject to payment for all outstanding fees accrued up to the Settlement Date as disclosed to the Parties prior to Settlement).
14. Upon resignation of the Current SMZ Directors (to have affect from the Settlement Date), none of the Current SMZ Directors will have any Claim of any kind whatsoever against the Purchaser by way of compensation or entitlement for loss of office including (without limitation) in respect of his legal entitlements to accrued long service leave and annual pay (if any).
15. The Purchaser and its directors are not the subject of any investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened.
16. The Purchaser and its directors are not in material breach of any provision of any relevant laws.
17. The Purchaser has provided all filings required to be lodged with ASX, the ATO, ASIC and all other regulatory and governmental bodies prior to the Execution Date have been (and prior to the Settlement Date will be) filed.

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**SCHEDULE 3 – COMPANY GROUP STRUCTURE**

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## SCHEDULE 4 – PLANT AND EQUIPMENT

### Part A: Company (as at 30 June 2010)

| Date acquired | Description   | Location |
|---------------|---|----------|
|               | <b>OFFICE FURNITURE AND EQUIPMENT</b>                 |          |
| 17-Aug-07     | Dell OptiPlex 745 Minitower                           | Perth    |
| 6-Feb-08      | GLO30: AO- Dell OptiPlex 755 Minitower (Ser# 6TK5X1S) | Perth    |
| 6-Feb-08      | HP A3 Printer   | Congo    |
| 6-Feb-08      | Brother printer plus 2 connections cable              | Congo    |
| 7-Mar-08      | Canon Printer IP90 & Cartridges                       | Congo    |
| 14-Apr-08     | Dell Latitude Intel Core duo Proc                     | Congo    |
| 17-Apr-08     | Dell OptiPlex 755 w/ Intel Core Dou (Ser# 14Z9T1S)    | Perth    |
| 25-Apr-08     | Tele Philips  | Congo    |
| 25-Apr-08     | Fridge Westpoint                                      | Congo    |
| 25-Apr-08     | Gas Cooker  | Congo    |
| 08-May-08     | SDMO 22KVA Generator                                  | Congo    |
| 08-May-08     | SDMO Installation & Accessories                       | Congo    |
| 23-May-08     | HP DX2250 Desktop Computer                            | Congo    |
| 23-May-08     | Dell 1815 Laser Printer/scanner/copier                | Congo    |
| 29-Jul-08     | Electric Comb Binder                                  | Perth    |
| 6-Aug-08      | Dell Computers - (Laptop)                             | Perth    |
| 13-Aug-08     | Polycom Soundstation Wireless                         | Perth    |
| 5-Sep-08      | Water filtration unit                                 | Congo    |
| 1-Feb-09      | New Server Equipment                                  | Perth    |
| 23-Apr-08     | Angle Table   | Congo    |
| 25-Apr-08     | Big Cupboard w/ 2 glass doors                         | Congo    |
| 28-Apr-08     | Table & furniture Pointe Noire                        | Congo    |
| 16-May-08     | Office Table Pointe Noire                             | Congo    |
| 1-Aug-08      | Desk Workstation - Aldo                               | Perth    |
| 5-Sep-08      | Table & cupboard, Office table & swivel chairs        | Congo    |
| 23-Jun-08     | Curtains & Interior Decor                             | Congo    |
|               |   |          |
|               | <b>PLANT AND EQUIPMENT</b>                            |          |
| 9-Feb-08      | 6KVA Genset   | Congo    |
| 16-Apr-08     | Density Scale 7 Compasses                             | Congo    |
| 3-Jul-08      | 3m x 3m Chopper Tent & 5m x 10m Framed Tent           | Congo    |
| 21-Jul-08     | 1000 litre Water Tank                                 | Congo    |
| 28-Jul-08     | DSTV Satellite Dish & Installation                    | Congo    |
| 30-Sep-08     | 120 Flexible hose                                     | Congo    |
|               |   |          |

**Part B: DMC Iron Congo (as at 30 June 2010)**

| <b>Date acquired</b> | <b>Description</b>                                |
|----------------------|---|
|                      | <b>INDUSTRIAL EQUIPMENT AND TOOLS</b>             |
| 18/05/2009           | Cubitainer 1000L plastic                          |
|                      |   |
|                      | <b>COMPUTER EQUIPMENT</b>                         |
| 23/11/2009           | Hard Drive  |
| 25/02/2010           | Imprimante Dell 968                               |
| 13/03/2010           | PC Dell 18.5"LCD Wide E1910H                      |
| 12/04/2010           | Dell Computer                                     |
| 10/05/2010           | Ordinateur portable DELL                          |
| 20/08/2008           | PC ACER EXTENSA                                   |
| 30/01/2009           | PC Dell D630 C2D T8 8300                          |
| 1/02/2009            | PC Sony   |
| 17/02/2009           | Converter   |
| 1/04/2010            | carte TELY5 II-48289025                           |
| 1/04/2010            | Equipement Network WIFI Vsat-Mayoko               |
| 1/04/2010            | Electrical protection Internet Vsat- Mayoko       |
| 1/04/2010            | VSAT antenna- Internet Mayoko                     |
|                      |   |
|                      | <b>OFFICE FURNITURE AND EQUIPMENT</b>             |
| 23/11/2009           | Office chair (1)                                  |
| 18/12/2009           | Office chair (10)                                 |
| 14/01/2010           | Office chair (4)                                  |
| 1/01/2010            | Ampli DVD Ambisound                               |
| 19/02/2010           | Congelateur                                       |
| 25/02/2010           | Surpresseur                                       |
| 28/02/2010           | Fontaine a eau                                    |
| 28/02/2010           | Table a manger                                    |
| 18/10/2008           | Groupe electrogène KIPPOR 3 KVA                   |
| 13/01/2009           | Regulator 1 KVA                                   |
| 30/10/2009           | Saw Chain   |
| 20/11/2009           | Extinguisher                                      |
| 18/12/2009           | Generator SDMO                                    |
| 1/06/2010            | Extinguisher                                      |
| 1/03/2009            | Armchair for office BZV                           |
| 1/03/2009            | Chair for office BZV                              |
| 1/03/2009            | Board office BZV                                  |
| 31/03/2009           | Conference table                                  |
| 27/05/2010           | Reception cote                                    |
| 21/05/2010           | chaise Fixco NR chromée                           |
| 4/06/2010            | Bureau A221ME                                     |
| 4/06/2010            | Caisson 1T1DS A414ME                              |
| 4/06/2010            | Fauteuil Polbrio Roulettes                        |
| 4/06/2010            | Table de réunion ronde K229CI                     |
| 4/06/2010            | chaise Fixco NR chromée                           |
| 4/06/2010            | Caisson Metal INKASS3 GT                          |
| 21/05/2010           | Curtains for new office                           |
|                      |   |
|                      | <b>CAMP / HOUSING - FURNITURE &amp; EQUIPMENT</b> |
| 6/10/2008            | Frigo BEKO LARDER 1 porte                         |
| 6/10/2008            | Congélateur Wespoint                              |



|            |                              |
|------------|------------------------------|
| 31/10/2008 | Congélateur Westpoint        |
| 12/01/2009 | Equipement of water pressure |
| 21/01/2009 | Frizer Westpoint             |
| 11/04/2009 | Baby bed                     |
| 30/04/2009 | Cooker Westpoint             |
| 1/04/2010  | Split system westpoint       |
| 1/06/2010  | Congelateur Westpoint        |
| 1/06/2010  | Frigo Westpoint              |
|            |                              |
|            | <b>MOTOR VEHICLES</b>        |
| 2/01/2009  | Toyota Land Cruzer           |
| 19/11/2009 | Toyota 4X4                   |
|            |                              |

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**SCHEDULE 5 – CONTRACTS AND AGREEMENTS**

---

**Part A: Company**

| <b>Description</b>                         | <b>Parties</b>   | <b>Date</b>     |
|--|--|-----------------|
| Shareholders Agreement                     | DMC Mining Limited<br>Tanaka Mining Projects (Proprietary) Limited<br>Project Management International Limited | 7 December 2007 |
| Deed of Variation – Shareholders Agreement | DMC Mining Limited<br>Tanaka Mining Projects (Proprietary) Limited<br>Project Management International Limited | 4 May 2010      |
| Facilitation Agreement                     | DMC Mining Limited<br>Tanaka Mining Projects (Proprietary) Limited<br>Project Management International Limited | 7 December 2007 |

**Part B: DMC Iron Congo**

| <b>Description</b>                 | <b>Parties</b>                                   | <b>Date</b>      |
|------------------------------------|--|------------------|
| Memorandum of Understanding - Rail | DMC Iron Congo<br>Chemin de Fer Congo-Ocean      | 25 February 2009 |
| Memorandum of Understanding - Port | DMC Iron Congo<br>Port Authority of Pointe Noire | 15 May 2009      |

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**SCHEDULE 6 - MANAGEMENT ACCOUNTS**

---

**Consolidated profit and loss statement of DMC Mining Limited and DMC Iron Congo SARL  
for the 3 months ended 30 September 2010**

|                                      | \$               |
|--------------------------------------|------------------|
| Revenue                              | -                |
| Other income                         | 7,423            |
| Accounting & administration expenses | (180,883)        |
| Occupancy costs                      | (41,414)         |
| Compliance & regulatory costs        | (9,442)          |
| Employee benefits                    | (46,800)         |
| Directors fees                       | (21,869)         |
| Finance costs                        | (5,687)          |
| Foreign exchange gains / (losses)    | (43,427)         |
| Impairment losses                    | (177,708)        |
| Net loss                             | <u>(519,807)</u> |

**Consolidated balance sheet of DMC Mining Limited and DMC Iron Congo SARL as at 30 September 2010**

|                                      | \$                       |
|--------------------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                |                          |
| Cash at bank                         | 222,257                  |
| Trade and other receivables          | 80,517                   |
|                                      | <u>389,674</u>           |
| <b>NON CURRENT ASSETS</b>            |                          |
| Property, plant & equipment          | 267,199                  |
| Capitalised exploration expenditure  | 16,190,623               |
|                                      | <u>16,457,822</u>        |
| <b>TOTAL ASSETS</b>                  | <b>16,847,496</b>        |
| <b>CURRENT LIABILITIES</b>           |                          |
| Trade and other payables             | 298,686                  |
| Provisions                           | 4,513                    |
|                                      | <u>303,199</u>           |
| <b>TOTAL LIABILITIES</b>             | <b>303,199</b>           |
| <b>NET ASSETS</b>                    | <b><u>16,544,297</u></b> |
| <b>EQUITY</b>                        |                          |
| Issued capital                       | 20,127,475               |
| Option reserves                      | 8,964,539                |
| Foreign currency translation reserve | 257,557                  |
| Retained earnings                    | (12,805,274)             |
|                                      | <u>16,544,297</u>        |

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**SCHEDULE 7 - COMPANY INSURANCES**

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**Part A: Company (covered under the insurance policies of Cape Lambert Resources Limited)**

| <b>Company</b>                           | <b>Details of Insurances</b>               |
|--|--|
| QBE Insurance (Australia) Ltd            | Workers' Compensation Insurance            |
| Vero Insurance Ltd                       | Public Liability Insurance                 |
| Chubb Insurance Company of Australia Ltd | Corporate Travel Insurance                 |
| Insurance Commission of WA               | Workers Compensation - Industrial Disease  |
| Vero Insurance Ltd                       | Directors and Officers Liability Insurance |

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## **SCHEDULE 8 - LEASES**

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### **Part A: Company**

#### **Sublease of office space at Level 1, 2 Ord Street, West Perth, Western Australia**

|                   |   |
|-------------------|---|
| Head Tenant       | Perth Clinic Pty Ltd  |
| Landlord          | Cape Lambert Resources Limited  |
| Commencement date | 1 September 2009  |
| Period            | Month to month with 30 days written notice by either party to terminate |
| Base rent         | \$4,078.80 (plus GST) per annum   |

#### **Sublicence fee for car parking bay at Level 1, 2 Ord Street, West Perth, Western Australia**

|                     |   |
|---------------------|---|
| Head Tenant         | Perth Clinic Pty Ltd  |
| Landlord            | Cape Lambert Resources Limited  |
| Commencement date   | 1 September 2009  |
| Period              | Month to month with 30 days written notice by either party to terminate |
| Licence fee per bay | \$3,240.00 (plus GST) per annum   |

### **Part B: DMC Iron Congo**

#### **Lease of office space located on Cote Sauvage, Pointe-Noir, Republic of Congo**

|                   |   |
|-------------------|---|
| Lessor            | Mr Andre Mouele                         |
| Commencement date | 15 May 2010                             |
| Period            | 12 months, renewable by tacit agreement |
| Rent              | 5,000.000 CFA Francs per month          |

#### **Lease of office space located in Socoprise, Pointe-Noir, Republic of Congo**

|                   |  |
|-------------------|--|
| Lessor            | Mr Emile Miabiala                            |
| Commencement date | 1 March 2008 (last renewed on 15 March 2010) |
| Period            | 12 months, renewable by tacit agreement      |

Rent

1,450,000 CFA Francs per month

---

**SCHEDULE 9 – LAST SMZ ACCOUNTS**

---

**Consolidated Statement of Financial Position  
As at 30 September 2010**

|  | \$               |
|--|------------------|
| <b>ASSETS</b>                          |                  |
| <b>Current Assets</b>                  |                  |
| Cash and cash equivalents              | 6,295,489        |
| Trade and other receivables            | 29,476           |
| Financial assets                       | 757,052          |
| <b>Total Current Assets</b>            | <u>7,082,017</u> |
| <b>Non-Current Assets</b>              |                  |
| Deferred Tax Asset                     | 81,467           |
| Exploration and evaluation expenditure | 427,755          |
| <b>Total Non-current Assets</b>        | <u>509,222</u>   |
| <b>TOTAL ASSETS</b>                    | <u>7,591,239</u> |
| <b>LIABILITIES</b>                     |                  |
| <b>Current Liabilities</b>             |                  |
| Trade and other payables               | 36,777           |
| Provisions                             | 23,589           |
| <b>Total Current Liabilities</b>       | <u>60,366</u>    |
| <b>Non Current Liabilities</b>         |                  |
| Deferred Tax Liability                 | 128,327          |
| <b>Total Non Current Liabilities</b>   | <u>128,327</u>   |
| <b>TOTAL LIABILITIES</b>               | <u>188,693</u>   |
| <b>NET ASSETS</b>                      | 7,402,546        |
| <b>EQUITY</b>                          |                  |
| Issued Capital                         | 6,695,130        |
| Retained Earnings                      | 707,416          |
| <b>TOTAL EQUITY</b>                    | <u>7,402,546</u> |



**Consolidated Statement of Comprehensive Income  
For the 3 months ended 30 September 2010**

|  | <b>\$</b>      |
|--|----------------|
| Revenue  | -              |
| Other income   | 497,762        |
| Employee and director benefits expense   | (30,324)       |
| Shareholder relations expense  | (18,926)       |
| Interest & finance expense   | (15,948)       |
| Other expenses   | (26,852)       |
| <b>Total Comprehensive Income for the 3 months ended<br/>30 September 2010</b> | <b>405,712</b> |

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**ANNEXURE A: DEFERRED CONSIDERATION DEED**

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**STIRLING MINERALS LIMITED**  
**(to be renamed African Iron Limited)**  
**ABN 24 123 972 814**  
**(African Iron)**

**AND**

**CAPE LAMBERT RESOURCES LIMITED**  
**ABN 71 095 047 920**  
**(Cape Lambert)**

---

**DEFERRED CONSIDERATION DEED – MAYOKO IRON ORE  
PROJECT**

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THIS DEED is made the

day of

2010

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## BETWEEN

---

**STIRLING MINERALS LIMITED** (to be renamed African Iron Limited) (ABN 24 123 972 814) of 945 Wellington Street, West Perth, Western Australia (**African Iron**);

AND

**CAPE LAMBERT RESOURCES LIMITED** (ABN 71 095 047 920) of 18 Oxford Close, Leederville, Western Australia (**Cape Lambert**).

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## RECITALS

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- A. Cape Lambert and African Iron are the parties to the Sale Agreement.
- B. The Sale Agreement requires that Cape Lambert and African Iron enter into this Deed.
- C. This Deed details the terms on which African Iron will pay the Deferred Consideration to Cape Lambert.

**AGREED** as follows:

---

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

In this Deed unless the context otherwise requires:

**Bank Guarantee** is defined in clause 7.1.

**Business Day** means a day on which trading banks are open for business in Perth, Western Australia.

**Deed** means the deed constituted by this document and includes the recitals.

**Deferred Consideration** means the payments set out in clause 3.1 payable on the Iron Ore Product shipped from the Project.

**Annual Production Plan** means the annual mining, processing and shipping plan in respect of the Project (to be reviewed annually).

**DMC Iron Congo** means DMC Iron Congo SARL incorporated in Republic of Congo and with its registered office being Parcelle 288, Quartier Socoprise, Point-Noire, Republic of Congo.

**DMC Mining** means DMC Mining Limited (ABN 38 121 513 620).

**DSO** means direct shipping hematite iron ore (lump or fines).

**Expert** is defined in clause 6.1.

**Exploration Permit** has the meaning ascribed to it in the Sale Agreement and any subsequent permit granted to African Iron (or entities controlled by African Iron) derived from the area presently comprising the Exploration Permit.

**Iron Ore Product** means DSO, beneficiated hematite fines (sinter fines) and magnetite concentrates or any other iron ore products (for example blast furnace feed pellets) derived from the Iron Ore Product.

**Mine Development** means the location, opening and development of mines and all activities necessary, expedient, conducive or incidental thereto including without limitation pre-stripping and the removal and disposal of over-burden and waste.

**Mining Code** means the applicable mining laws in the RoC (or any amendment or statutory replacement of that Code) and includes regulations and orders made under that Code.

**Mining Operations** means commercial mining operations and all activities necessary, expedient, conducive or incidental thereto including without limitation:

- (a) Mine Development; and
- (b) the weighing, sampling, assaying, mining, extraction, crushing, refining, treatment, transportation, handling, storage, loading and delivery of Iron Ore Product produced from the Project.

**Party** means a party to this agreement and **Parties** has a corresponding meaning.

**Project** means the project known as the Mayoko Iron Ore Project in the RoC which, as at the date of this Deed, is comprised of the Exploration Permit or over any exploration permit or mining permit granted in the future to African Iron (or entities controlled by African Iron) over all or any of the area presently the subject of the Exploration Permit.

**Project Area** means the area of the Exploration Permit as at the date of this Deed.

**Quarter** means a calendar quarter.

**Related Body Corporate** has the meaning given to it in the Corporations Act 2001.

**RoC** means Republic of Congo.

**Sale Agreement** means the agreement titled "Share Sale Agreement" between African Iron and Cape Lambert entered into on or about the date of this Deed.

**Security Amount** means an amount equal to the Deferred Consideration payment estimated to be payable for the first Quarter following commencement of Mining Operations as set out in the Annual Production Plan and as amended for subsequent Quarters based on the shipment of Iron Ore Product as set out in the Annual Production Plan.

**Security End Date** means six (6) months from the date the last cargo of Iron Ore Product (produced from the Project) is shipped from the port due to the permanent closure of Mining Operations. For the avoidance of doubt, the Security Amount will remain in place in the event of the temporary cessation of Mining Operations or the placement of the Project on care and maintenance.

**Security Start Date** means:

- (a) the date of commencement of Mining Operations; or
- (b) 10 Business Days after Cape Lambert provides notice in accordance with clause 7.6(a).

## 1.2 Interpretation

In this Deed unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) an obligation or liability assumed by, or a right conferred on, 2 or more Parties binds or benefits all of them jointly and each of them severally;
- (c) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (e) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Deed and a reference to this Deed includes any schedule, exhibit or annexure to this Deed;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning; and
- (j) a reference to **\$** or **dollar** is to Australian currency.

---

## 2. CONDITION PRECEDENT

### 2.1 Condition

This Deed is subject to and conditional upon settlement of the Sale Agreement (**Condition**).

### 2.2 Best Endeavours

Each Party must use their best endeavours and co-operate with the other Party to procure the satisfaction of the Condition in a timely manner.



## 2.3 Satisfaction or Waiver

The Parties acknowledge that if the Condition is not satisfied (or waived) on or before 28 February 2011 (or a further extended date as agreed) this Deed shall be at an end and of no force or effect.

---

## 3. DEFERRED CONSIDERATION

### 3.1 Agreement to pay Deferred Consideration

- (a) Subject to satisfaction of the Condition, and with effect from commencement of Mining Operations at the Project, African Iron shall pay to Cape Lambert a deferred consideration payment equal to \$1.00 (adjusted from time to time in accordance with clause 3.1(c)) per dry tonne (**DMT**) of Iron Ore Product shipped from the Project (**Deferred Consideration**).
- (b) For the purposes of calculating the amount of the Deferred Consideration:
- (i) the Deferred Consideration shall be payable on the final weight of Iron Ore Product shipped as determined by the discharge port draft survey or other industry acceptable means to determine wet metric tonnes (**WMT**);
  - (ii) the moisture content of the Iron Ore Product shall be determined by sampling in accordance with International Standard ISO 3082:2009 (Iron Ores – Sampling and sample preparation procedures) and the moisture content then determined in accordance with International Standard ISO 3087:1998 (Iron Ores – Determination of moisture content of a lot) (or any amendments or replacement of these standards); and
  - (iii) DMT shall be determined in accordance with the following formula:  
$$DMT = WMT \times (100 - \% \text{ moisture})$$
- (c) The Deferred Consideration payable in any given Quarter shall be indexed in accordance with the Consumer Price Index (all groups) for Western Australia from the first day of the second year after the date of this Deed (**Yearly Adjustment**) with the Yearly Adjustment payable from the next Deferred Consideration payment.
- (d) In the event that Cape Lambert disputes the amount of a Deferred Consideration payment it must give written notice to African Iron within 20 Business Days of receipt of such payment in accordance with the principles set out in clause 5. If the Parties are unable to resolve the dispute within 30 Business Days of the notice being given the dispute must be referred to an Expert for determination in accordance with the principles set out in clause 6.
- (e) In addition to the Bank Guarantee and the caveat referred to in clause 8, at Cape Lambert's election, African Iron's obligations pursuant to this Deed may be secured by a charge, mortgage or applicable form of security registrable in RoC or Australia (as the case may be) over the

Exploration Permit (and over any exploration permit or mining permit granted in the future to African Iron (or any entity controlled by African Iron) over all or any of the area presently the subject of any or all of the Exploration Permit), African Iron, DMC Mining or DMC Iron Congo.

### **3.2 Timing of Payments**

- (a) Deferred Consideration payments are payable quarterly by African Iron on the date that is 45 days after the last day of the Quarter in which the Deferred Consideration payment has been calculated in accordance with clause 3.1.
- (b) African Iron will pay the Deferred Consideration payment directly to an account nominated in writing by Cape Lambert.
- (c) Over payments and under payments of Deferred Consideration shall be adjusted in the Deferred Consideration payable in the subsequent Quarter.

---

## **4. RECORDS, REPORTING AND UNDERTAKING**

### **4.1 Reporting**

Reporting by African Iron will be as follows:

- (a) each payment of the Deferred Consideration shall be accompanied by a statement from African Iron setting out in detail the reconciliation of that Deferred Consideration payment supported by mine production quantities for the Quarter, mine stockpile movements for the Quarter, rail shipments for the Quarter, post stockpile movements for the Quarter and cargoes of Iron Ore Product produced from the Project shipped from the port for the Quarter; and
- (b) promptly after the end of each financial year African Iron must deliver to Cape Lambert a certificate signed by African Iron's managing director or chief executive officer (as the case may be) that the calculation and payment of the Deferred Consideration for the year have been in accordance with this Deed.

### **4.2 Proper Records**

African Iron will ensure that proper records are kept for all Mining Operations on the Project. Such records shall be established and maintained in accordance with Australian Accounting Standards, or where there is no appropriate Australian Accounting Standard, in accordance with good mining industry practice.

### **4.3 Availability of Records**

Once the Deferred Consideration commences to be payable, African Iron will ensure that the records which relate to the calculation and payment of the Deferred Consideration are available for reasonable periods between 9.00am and 5.00pm each Business Days at African Iron's Australian business premises:

- (a) for inspection by Cape Lambert, (at Cape Lambert's cost and upon reasonable prior written notice), not more frequently than quarterly; and

- (b) for review by Cape Lambert's external accountants, legal advisors, mining, metallurgical and logistics consultants (**Consultants**) (at Cape Lambert's cost and upon reasonable prior written notice), not more frequently than annually.

#### 4.4 Request for Further Details

- (a) Cape Lambert may request from African Iron further details of the matters contained in the statement or calculation under clause 4.1 and African Iron shall promptly provide such additional information as may reasonably be requested by Cape Lambert.
- (b) Cape Lambert shall be entitled to have its Consultants inspect the Project and Mining Operations on an annual basis for the purpose of verifying the calculation of the Deferred Consideration payment(s). The annual inspection shall be at Cape Lambert's cost and on reasonable notice African Iron.

#### 4.5 Warranty by African Iron

African Iron warrants that it will not enter into any agreement for the sale or processing of Iron Ore Product produced from the Project unless that agreement requires the purchaser/processor (as appropriate) of the Iron Ore Product produced from the Project to provide African Iron with such information as African Iron requires in order to make the calculation referred to in clause 4.1.

---

### 5. AUDIT

- (a) Cape Lambert may by written notice to African Iron within 20 Business Days after receipt of the Deferred Consideration payment under clause 3, cause an audit to be carried out in relation to the calculation of the amount of Deferred Consideration payable (**Audit Notice**).
- (b) Upon receipt of the Audit Notice, African Iron must allow such auditor access to all required information and to enter upon the Project to conduct the Audit and the results of the Audit must be made available to both Parties.
- (c) If the Audit does not reveal a discrepancy either in African Iron's calculation of the Deferred Consideration payment or in any input into the calculation of the Deferred Consideration payment, then the reasonable costs of the audit will be borne by Cape Lambert.
- (d) If the Audit reveals a discrepancy either in African Iron's calculation of the Deferred Consideration payment or in any input into the calculation of the Deferred Consideration payment, and:
  - (i) such discrepancy is accepted by African Iron or upheld by the Expert in accordance with clause 6, then the reasonable cost of that Audit will be borne by African Iron; or
  - (ii) such discrepancy is not accepted by African Iron and is not upheld by the Expert in accordance with clause 6, then the reasonable cost of that Audit will be borne by Cape Lambert.
- (e) If the Audit reveals a discrepancy either in African Iron's calculation of the Deferred Consideration payment or in any input into the calculation

of the Deferred Consideration payment, then Cape Lambert must give notice to African Iron (**Discrepancy Notice**) so that either Party can arrange a meeting within not less than 10 Business Days after the Audit results have been provided to African Iron to discuss any discrepancies or miscalculations and both Parties must negotiate in good faith to resolve any dispute between them.

- (f) If both Parties cannot agree as to the Deferred Consideration payable within 30 Business Days of service of the Discrepancy Notice, then either Party may request by notice that the dispute be resolved by an Expert whose decision will be final and binding except in the case of manifest error or fraud.
- (g) If the Expert:
  - (i) upholds African Iron's original calculation of the Deferred Consideration payment, then the reasonable cost of that Expert will be borne by Cape Lambert; or
  - (ii) does not uphold African Iron's original calculation of the Deferred Consideration payment, then the reasonable cost of that Expert will be borne by African Iron and the adjustment to the Deferred Consideration payment will be made with the next Deferred Consideration payment after the Expert's decision in accordance with clause 3.2(c).

---

## **6. EXPERT DETERMINATION**

### **6.1 Appointment of Expert**

An independent expert is to be chosen by agreement between the Parties, or failing agreement, within 14 Business Days by the President from time to time of the Australasian Institute of Mining and Metallurgy (**Expert**).

### **6.2 Rules**

In relation to the making of a determination by an Expert:

- (a) each Party may at its own cost be represented by a legal practitioner or any other representative;
- (b) each Party is to make a written submission to the Expert, with a copy to the other Party, as to its contentions in relation to the issue;
- (c) each Party is to make a written response to the submission of the other Party, with a copy to be provided to the Expert;
- (d) after receiving the Parties' submissions and responses, the Expert may request further submissions or information from the Parties or either of them;
- (e) the Expert is not bound by the rules of evidence or the rules of natural justice;
- (f) the Expert must make his determination independently;
- (g) the Expert may make his or her own inquiries with regard to the issue, but the Expert is to advise the Parties as to the results of those inquiries and

allow the Parties to make further submissions with regard to the results of those inquiries before making a determination;

- (h) the Expert is to proceed with the determination with all reasonable expedition and use his best endeavours to make his determination within 30 Business Days of the date of his appointment; and
- (i) the Expert must deliver a signed copy of his determination to each of the Parties.

### **6.3 Determination is Final**

A determination made by an Expert under this clause is to be final in relation to the matter in issue and binding on both Parties.

### **6.4 Not acting as Arbitrator**

In making a determination under this clause, an Expert will not act as an arbitrator.

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## **7. BANK GUARANTEE**

### **7.1 Provision of Bank Guarantee**

On or before the Security Start Date, African Iron must provide Cape Lambert with a bank guarantee (or other form of security suitable to Cape Lambert) for the Security Amount to secure on demand and without reference to African Iron, the performance of African Iron's obligations to pay any Deferred Consideration amounts owing to Cape Lambert under this Deed (**Bank Guarantee**).

### **7.2 Requirements of Bank Guarantee**

Unless otherwise specified by Cape Lambert, the Bank Guarantee must be:

- (a) given by a bank acceptable to Cape Lambert;
- (b) irrevocable;
- (c) unconditional; and
- (d) otherwise on terms acceptable to Cape Lambert.

### **7.3 Maintenance of Bank Guarantee**

- (a) African Iron must ensure that the Bank Guarantee is continuously maintained in full force and effect until the Security End Date.
- (b) If Cape Lambert draws on the Bank Guarantee, African Iron must immediately provide to Cape Lambert further security to ensure that the total amount secured by the Bank Guarantee held by Cape Lambert is at least equal to the Security Amount.

### **7.4 Right to Draw on Bank Guarantee**

- (a) Cape Lambert may draw on the Bank Guarantee in satisfaction of any of the following amounts:

- (i) amounts owing by African Iron to Cape Lambert under this Deed;
  - (ii) the amount of any costs incurred or losses suffered by Cape Lambert as a result of a failure by African Iron to comply with its obligations under this Deed; or
  - (iii) the reimbursement of any costs incurred or losses suffered by Cape Lambert as a result of a failure by African Iron to comply with its obligations under this Deed.
- (b) Cape Lambert may not exercise its rights under clause 7.4(a) unless:
- (i) it has given African Iron a written notice of the amount owing; and
  - (ii) African Iron has not paid the amount owing within 10 Business Days of receiving the notice.
- (c) The exercise of Cape Lambert's rights under clause 7.4(a) does not limit any of its other rights against African Iron.

## **7.5 Return of Security**

- (a) Cape Lambert must return the Bank Guarantee, or the amount remaining (if any) after drawdown under the provisions of clause 7.4(a), to African Iron on the earlier to occur of the following:
- (i) the Security End Date; or
  - (ii) 10 Business Days after the termination of this Deed.
- (b) Clause 7.5(a) does not apply if Cape Lambert is entitled to make a claim on the Bank Guarantee. In that event, Cape Lambert must return the Bank Guarantee once all outstanding claims have been finalised.

## **7.6 Change in Circumstances**

- (a) At any time during the term of this Deed, Cape Lambert may ask African Iron to provide a new, or substitute, Bank Guarantee for an amount greater than or less than the Security Amount, taking into account the following factors:
- (i) any material change in the financial strength of African Iron (including any change upon assignment of African Iron's rights under this Deed);
  - (ii) the remaining payments owing to Cape Lambert by African Iron under this Deed; and
  - (iii) any material change to the rate of shipment of Iron Ore Product produced from the Project as set out in the Annual Production Plan.
- (b) Cape Lambert must act reasonable in making a request under clause 7.6(a).

- (c) African Iron must comply with a request under clause 7.6(a) within 10 Business Days or receiving the request.
- (d) If there is a dispute between the Parties about the rights and obligations of the Parties under this clause 7.6, the provisions of clause 6 shall apply.

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## 8. CAVEATS

### 8.1 Lodging of Caveats and Other Security

Cape Lambert will be entitled to lodge a caveat or caveats (or such other form of security recognised in RoC) against the Exploration Permit pursuant to the Mining Code (**Exploration Permit Security**) and a mortgage or charge and such Exploration Permit Security will remain in force for so long as the rights of Cape Lambert under this Deed remain undischarged by African Iron (whether such rights are actual, prospective or contingent). Cape Lambert will be entitled to lodge a copy of this Deed with the Exploration Permit Security.

### 8.2 Consent

African Iron consents to Cape Lambert registering the Exploration Permit Security against the Exploration Permit for the purposes of this clause 8.

### 8.3 Co-operation by Cape Lambert

Despite anything in this clause 8, Cape Lambert will co-operate with African Iron's reasonable requests in relation to uplifting or withdrawal of the Exploration Permit Security to allow for:

- (a) proper administration of the Exploration Permit;
- (b) registration of security interests by African Iron's project financier(s).

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## 9. PRODUCTION OBLIGATIONS

- (a) In the event that African Iron acquires, merges, sells, assigns or transfers the whole or any part of the Project with, or into, another iron ore project (**New Project**) and mines the Exploration Permit in conjunction with the New Project, by execution of this Deed African Iron undertakes to Cape Lambert that:
  - (i) at least half (or such other amount as agreed by Cape Lambert) of African Iron's annual Iron Ore Product shall be derived from the Project provided that the Mining Operations at the Project are capable of producing half of the annual Iron Ore Product, the Deferred Consideration shall be paid based on the shipped Iron Ore Product derived from the Project and reported in accordance with clause 4.1;
  - (ii) in the event that half of African Iron's annual Iron Ore Product is not derived from the Project and the Mining Operations at the Project is capable of producing half of the annual Iron Ore Product, half of African Iron's annual Iron Ore Product shall be deemed to be derived from the Project, the Deferred Consideration payable shall be calculated as though half of the annual Iron Ore Product shipped was derived from the Project;



- (iii) in the event that half of African Iron's annual Iron Ore Product is not derived from the Project and the Mining Operations at the Project are not capable of producing half of the annual Iron Ore Product, the Deferred Consideration shall be paid based on the shipped Iron Ore Product derived from the Project and reported in accordance with clause 4.1.
- (b) For the purposes of complying with clause 9(a), the proportion of Iron Ore Product derived from the Project is to be measured via a calibrated and certified weighbridge or, in the absence of such a weighbridge, a mechanism agreed by the Parties at the point of rail.
- (c) The total Iron Ore Product derived from the Project exported by African Iron in relation to the Project and any New Project must be made available to Cape Lambert upon request.

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## 10. ASSIGNMENT

### 10.1 Assignment by African Iron

- (a) With the exception of an assignment to a Related Body Corporate as permitted under clause 10.2, African Iron must not sell, assign, transfer or part with any legal or beneficial interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo to any person or otherwise allow any person to obtain any legal or beneficial interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo without the prior written consent of Cape Lambert which consent must not be unreasonably withheld or delayed unless African Iron first obtains from such person (**Assignee**) a deed of covenant (to be prepared by African Iron's solicitors at the cost of African Iron) in favour of Cape Lambert under which the Assignee covenants to:
  - (i) assume and discharge all of the obligations of African Iron to Cape Lambert pursuant to this Deed in so far as they relate to the interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo to be acquired by the Assignee;
  - (ii) do all such things and execute all such documents as may be necessary or desirable to give full effect to all of the transactions contemplated by the deed of covenant; and
  - (iii) require any person who would be its Assignee (as defined in this clause) to execute a similar deed of covenant in favour of Cape Lambert, including a provision similar to this clause, to the intent that all subsequent Assignees of an interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo will be required to enter into such deeds of covenant with Cape Lambert.

### 10.2 Assignment by African Iron

- (a) African Iron may sell, assign, transfer or part with any of its rights under this Deed or any legal or beneficial interest in the Project or the Exploration Permit to a Related Body Corporate provided the assignee enters into a deed of covenant (to be prepared by African Iron's solicitors at the cost of African Iron) under which it agrees to comply with the terms of this Deed. If African Iron wishes to sell, assign, transfer



or part with all or part of its rights under this Deed or any legal or beneficial interest in the Project or the Exploration Permit to a bona fide purchaser (not being a Related Body Corporate) then it must first notify Cape Lambert of the proposed assignment stating:

- (i) the name of the prospective purchaser;
  - (ii) the consideration (which must be a cash purchase price); and
  - (iii) the terms and conditions of the proposed assignment.
- (b) Cape Lambert will then have a period of 30 days within which to elect to purchase the rights offered for sale at the same value and on the same terms and conditions (**Pre-Emptive Right**).
- (c) If Cape Lambert does not exercise this pre-emptive right then African Iron may assign the right to the third party within a period of 30 days from the expiry of Cape Lambert's 30 day election period provided that the proposed assignee enters into a deed of covenant (to be prepared by African Iron's solicitors at the cost of African Iron) in favour of Cape Lambert under which the Assignee covenants to:
- (i) assume and discharge all of the obligations of African Iron to Cape Lambert pursuant to this Deed in so far as they relate to the interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo to be acquired by the Assignee;
  - (ii) do all such things and execute all such documents as may be necessary or desirable to give full effect to all of the transactions contemplated by the deed of covenant; and
  - (iii) require any person who would be its Assignee (as defined in this clause) to execute a similar deed of covenant in favour of Cape Lambert, including a provision similar to this clause, to the intent that all subsequent Assignees of an interest in the Project, the Exploration Permit, DMC Mining or DMC Iron Congo will be required to enter into such deeds of covenant with Cape Lambert.
- (d) If African Iron does not complete the assignment within such period, then the Pre-Emptive Right shall continue to apply.

### 10.3 Assignment by Cape Lambert

- (a) Cape Lambert may assign all or part of its rights under this Deed to a Related Body Corporate provided the assignee enters into a deed of covenant (to be prepared by Cape Lambert's solicitors at the cost of Cape Lambert) under which it agrees to be bound by and observe the provisions of this Deed.
- (b) Cape Lambert may not assign all or part of its rights under this Deed (**CFE Assignment**) unless the assignee (**CFE Assignee**) executes a deed of covenant (to be prepared by Cape Lambert's solicitors at the cost of Cape Lambert) in favour of African Iron whereby the CFE Assignee covenants in favour of African Iron to be bound by and observe the provisions of this Deed.

- (c) Upon the due execution by the CFE Assignee and the delivery to African Iron of the deed of covenant referred to in clause 10.3(b), Cape Lambert will be released and discharged from all obligations arising out of this Deed after the execution and delivery of that deed.

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## **11. COSTS**

### **11.1 Stamp Duty**

African Iron will pay the stamp duty and registration fees on this Deed and all incidental documents.

### **11.2 Legal Costs**

The Parties will bear their own legal costs of and incidental to the preparation and execution of this Deed.

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## **12. NOTICES**

### **12.1 Requirements for Notice**

Each notice authorised or required to be given to a Party shall be in writing and may be delivered personally or sent by properly addressed and prepaid mail or facsimile in each case addressed to the Party at its address set out in clause 12.2, or as the case may be to such other address as it may from time to time notify to the other Parties pursuant to clause 12.3.

### **12.2 Address of Parties**

The initial address of the Parties shall be as follows:

In the case of African Iron:

Level 1, 2 Ord Street  
West Perth WA 6008  
Facsimile: +61 8 9322 2631  
Attention: Mr Joe Ariti

In the case of Cape Lambert:

18 Oxford Close  
LEEDERVILLE WA 6007  
Facsimile: +61 8 9380 9666  
Attention: Mr Tony Sage

### **12.3 Change of Address**

Each Party may from time to time change its address by giving notice pursuant to clause 12.1 to the other Parties.

### **12.4 Receipt of Notice**

Any notice given pursuant to clause 12.1 will be conclusively deemed to have been received:

- (a) in the case of personal delivery, on the actual day of delivery if delivered prior to 5 pm (Perth time) on a Business Day or on the next

following Business Day if delivered after 5 pm (Perth time) on a Business Day or on a day other than a Business Day;

- (b) if sent by mail, on the second clear Business Day after the day of posting; or
- (c) if sent by facsimile, on the day the facsimile was sent by clear transmission.

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### 13. **GST**

- (a) For the purposes of this clause:

"**Consideration**" has the same meaning as in the GST Act but does not include the GST amount payable;

"**GST**" means a tax, import or duty on goods or services or other things introduced by the Commonwealth of Australia or any State of Australia or any similar tax;

"**GST Act**" means A New Tax System (Goods and Services Tax) Act 1999;

"**Supply**" has the same meaning as in section 9.10 of the GST Act; and

- (b) Any Supply pursuant to or arising out of this Deed shall be upon the basis that the Consideration for that Supply is increased by the amount of GST payable.
- (c) The Parties shall duly comply with all GST obligations.

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### 14. **GOVERNING LAW**

This Deed shall be governed by and construed in accordance with the laws of the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the Courts of that State and of all Courts competent to hear appeals therefrom.

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### 15. **VARIATIONS**

No modification or alteration of the terms of this Deed shall be binding unless made in writing dated subsequent to the date of this Deed and duly executed by the Parties.

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### 16. **MISCELLANEOUS**

#### 16.1 **Severance**

If any provision of this Deed is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement without regard to the invalid provision shall be and continue to be valid and forceful in accordance with their terms.

#### 16.2 **Entire Deed**

This Deed shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements with respect thereto.

### **16.3 Counterparts**

This Deed may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

### **16.4 Time**

Time shall be of the essence in this Deed in all respects.

**EXECUTED** by the Parties as a deed.

**EXECUTED BY** )  
**STIRLING MINERALS LIMITED** )  
**(to be renamed African Iron Limited)** )  
**ABN 24 123 972 814** )  
in accordance with the Corporations Act:

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Director

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Director/Secretary

**EXECUTED BY** )  
**CAPE LAMBERT RESOURCES LIMITED** )  
**ABN 71 095 047 920** )  
in accordance with the Corporations Act: )

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Director

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Director/Secretary