

Option Agreement

**Forte Energy NL ACN 009 087
852**

**Element Minerals Australia Pty
Ltd ACN 138 488 909**

 **HEMMING+HART**
LAWYERS

Level 2 / 307 Queen Street, GPO Box 142, Brisbane Q 4001
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Agreement dated

7 August

2009.

Parties

Forte Energy NL ACN 009 087 852 of 36 Outram Street West Perth
Western Australia 6005

Forte Energy

Element Minerals Australia Pty Ltd ACN 138 488 909 of Level 1,
349 Coronation Drive Brisbane QLD 406

Element

Background

- A.** Forte Energy is the exclusive and unencumbered holder of the Tenement.
- B.** Forte Energy wishes to grant and Element wishes to acquire an option to acquire the Tenement on the terms and conditions of this Agreement

Agreement

1. Definitions and Interpretation

1.1 Definitions

In this document:

Act means the *Mineral Resources Act 1989* (Qld) and any act amending or passed in substitution for it and includes all regulations made pursuant to that act.

Agreement means this agreement and its schedules.

Corporations Act means the *Corporations Act 2001* (C'th).

Department means the Department of Natural Resources and Water and any other government department which from time to time is charged with the administration of the Act.

Encumbrance includes:

- (a) any mortgage, charge, pledge or lien, and any security interest or a preferential or adverse interest of any kind;
- (b) a title retention arrangement;
- (c) a right of any person to purchase, occupy or use assets (including under a hire purchase agreement, option, licence, lease, or agreement to purchase);
- (d) a right to set-off or right to withhold payment of a deposit or other money;

- (e) an easement, restrictive covenant, caveat or similar restriction over property (except, in the case of land, a covenant noted on the certificate of title to the land concerned);
- (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist;
- (g) a notice under section 255 of the Income Tax Assessment Act (1936), subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth), or any similar legislation; or
- (h) an interest or power created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power or any other third party right.

Extended Option Fee means \$20,000.

Extended Option Notice means a notice in writing from Element to Forte Energy advising Forte Energy that Element wishes to extend the Option for the Extended Option Period.

Extended Option Period means the period commencing at the end of the First Option Period and ending 6 months after end of the First Option Period.

First Option Fee means \$20,000.

First Option Period means the period commencing on the date of this Agreement and ending 6 months after the date of this Agreement.

Government Authority means any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

GST Act means *A New Tax System (Goods and Services) Act 1999* (C'th).

GST means any tax imposed under the GST Act.

Insolvency Event means a person:

- (a) stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (b) is insolvent within the meaning of section 95A of the Corporations Act;
- (c) fails to comply with a statutory demand (within the meaning of section 459F(1) of the Corporations Act) unless:
 - (i) the debt to which the statutory demand relates is discharged within 15 Business Days of the date of the failure; or
 - (ii) the party demonstrates to the satisfaction of the other party (acting reasonably) that it is able to pay all its debts as and when they become due and payable;
- (d) has an administrator appointed in respect of it;
- (e) has a controller within the meaning of section 9 of the Corporations Act or similar officer appointed to the whole or a substantial part of its assets

or undertaking and that controller or similar officer is not removed within 5 Business Days of the appointment;

- (f) has an order made or a resolution passed for its winding up or dissolution or it enters into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them;
- (g) has any security enforced over, or a distress, execution or other similar process levied or served against, the whole or a substantial part of its assets or undertaking; or
- (h) is subject to any event which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events listed above.

Option means the option to acquire the Tenement granted in clauses 2 and 3 and exercisable in accordance with clause 4.

Option Exercise Notice means a notice in writing from Element to Forte Energy advising Forte Energy that Element exercises the Option.

Option Fee means the First Option Fee and the Extended Option Fee (if Element has complied with clause 3) or one of them, as the context indicates.

Option Period means the First Option Period and the Extended Option Period (if Element has complied with clause 3) or one of them, as the context indicates.

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

Tenement means QLD ML'S 2512, 2761, 2762, 7506, 7507, particulars of which are set out in Schedule 1 of this Agreement.

Tenement Transfer Agreement means the agreement set out in Schedule 2 of this Agreement.

1.2 Interpretation

Unless expressed to the contrary:

- (a) headings and boldings are for convenience only and do not affect the interpretation of this document;
- (b) this document is not to be interpreted against the interests of a party merely because that party proposed this document or some provision in it or because that party relies on a provision of this document to protect itself;
- (c) where an expression is defined anywhere in this document another part of speech or grammatical form of that expression has a corresponding meaning;
- (d) a reference to:
 - (i) an individual or person includes a firm, corporation, incorporated association, and government or statutory body or authority;
 - (ii) the word 'include' or 'including' is to be construed without limitation, whether or not "without limitation" is used;

- (iii) any gender includes all genders;
- (iv) the singular includes the plural and vice versa;
- (v) recitals, clauses, Schedules or annexures are to recitals, clauses, Schedules or annexures of or to this document;
- (vi) a statute, ordinance or other law includes regulations and other statutory instruments made under it and consolidations, amendments and re-enactments of it;
- (vii) money is to Australian currency;
- (viii) this document or another document includes the document as varied or replaced;
- (ix) any party to this document, or any other document or arrangement includes that party's executors, administrators, substitutes, successors and permitted assigns.

2. Grant of Option

2.1 Grant of Option

In consideration of the First Option Fee, Forte Energy grants to Element the Option for the First Option Period.

2.2 Payment of First Option Fee

Element will pay the First Option Fee [upon execution of this Agreement] in the manner directed by Forte Energy in writing.

3. Extension of Option

3.1 Grant of Extension

If Element gives Forte Energy the Extended Option Notice before the end of the First Option Period and pays Extended Option Fee in accordance with clause 3.2, in consideration of the Extended Option Fee, Forte Energy grants Element the Option for the Extended Option Period.

3.2 Payment of Extended Option Fee

If Element gives the Extended Option Notice to Forte Energy, Element will pay the Extended Option Fee to Forte Energy on the day Element gives the Extended Option Notice, in the manner directed by Forte Energy in writing.

4. Option to Purchase

4.1 Option

The Option entitles Element to purchase the Tenement on the terms and conditions of the Tenement Transfer Agreement, subject to the terms and conditions of this Agreement.

4.2 Procedure for exercise of the Option

The Option may be exercised at any time during the Option Period by Element giving Forte Energy the Option Exercise Notice.

4.3 Consequences of exercise of the Option

Upon the exercise of the Option in accordance with clause 4.2, the parties are deemed to have entered into the Tenement Transfer Agreement for the sale and purchase of the Tenement.

4.4 Lapsing of the Option

If Element fails to give Forte Energy an Extended Option Notice in accordance with clause 3 or to exercise the Option in accordance with clause 4.2, this Agreement will (without limiting any rights of the parties arising before termination) be at an end and Forte Energy may retain the Option Fee received from Element before termination of this Agreement.

5. Obligations of Element

5.1 Exploration

During the Option Period Element will undertake exploration on the Tenement and will:-

- (a) meet the minimum expenditure and reporting requirements imposed by the Department in respect of the Tenement;
- (b) pay Tenement rentals as and when they fall due;
- (c) rehabilitate any all environmental disturbance caused by its exploration; and
- (d) otherwise comply with all relevant provisions of the Act in respect of any exploration conducted on the Tenement.

5.2 Element Indemnity

Element indemnifies Forte Energy against all losses, damages, accidents, liabilities, proceedings, claims, costs and expenses which Forte Energy may suffer, incur or sustain in connection with or arising in any way whatsoever out of any of the activities or operations carried out on the Tenement by Element during the Option Period.

6. Warranties by Forte Energy

6.1 Forte Energy warranties

Forte Energy warrants and represents to Element and it is a condition of this Agreement that as at the execution date of this Agreement, during the Option Period and if Element exercises the Option, until completion of the Tenement Transfer Agreement:-

- (a) Forte Energy is and will remain the sole legal and beneficial holder of the Tenement;
- (b) the Tenement is valid, subsisting and in good standing, clear from any Encumbrances;
- (c) Forte Energy has complied on the due date for compliance with each and every obligation whether arising in statute or otherwise, in relation to the Tenement, including all requirements under the Act;
- (d) The Tenements are not subject to forfeiture or cancellation in whole or in part for any reason;
- (e) Forte Energy has not taken any action to surrender the Tenements;
- (f) there are no outstanding or unpaid fees under the Act or any law payable in respect of the Tenements;
- (g) there are no outstanding notices, orders, directions or declarations from or by any Government Authority (including the Environmental Protection Authority and local councils) to Forte Energy in respect of any environmental law applicable to the Tenement;
- (h) the Tenement is not contaminated in such a way as to empower any Government Authority (including the Environmental Protection Authority and local councils) to issue any orders, notices or directions in respect of any applicable environmental law;
- (i) there are no factors affecting the Tenement that will, or would reasonably be likely to, give rise to any material liability under or arising from any act or omission that is a breach of or inconsistent with its obligations under, any environmental laws;
- (j) Forte Energy has not received any notice or information regarding nor, to the best of Forte Energy's knowledge and belief, of any circumstances that would result in a breach of the terms and conditions of grant of the Tenement;
- (k) Forte Energy is not subject to any Insolvency Event and no Insolvency Event is contemplated by Forte Energy;
- (l) all rates, taxes, charges, fees, rental, royalties and penalties assessed or imposed upon the Tenement have been and will be paid, when due;
- (m) there are no facts or circumstances within its knowledge which:
 - (i) will or may be likely to render the Tenement subject to forfeiture;
 - (ii) will or may be likely to materially adversely affect the Tenement or its value; and
- (n) there are no material contracts, arrangements, undertakings or other agreements in force in relation to the Tenement that have not been fully and fairly disclosed to Element in writing.

6.2 Forte Energy indemnity

Forte Energy indemnifies Element against all losses, damages, accidents, liabilities, proceedings, Claims, Losses, Liabilities, costs and expenses which Element may suffer, incur or sustain in connection with or arising in any way whatsoever out of any breach by Forte Energy of any warranty given under this Agreement.

6.3 Mutual Warranties

Each of Element and Forte Energy warrants to the other that:

- (a) Each is duly incorporated and validly exists under the law of its state of registration;
- (b) Each has full corporate power and authority and has undertaken all necessary corporate action to enter into and perform its obligations under this Agreement; and
- (c) This Agreement and obligations under it do not conflict with or result in a breach of or default under any provision of its Constitution or any material term or provision of any agreement or deed or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound.

6.4 Exclusions

To the maximum extent permitted by law, neither party nor their directors, officers, agents, employees or contractors gives any warranties or makes any representations not expressly set out in this Agreement, including without limitation, any warranties or representations as to the value at any time of the Shares.

7. Forte Energy Covenants during the Option Period and after

During the Option Period and if Element exercises the Option, until completion of the Tenement Transfer Agreement, Forte Energy will:

- (a) not assign, mortgage or otherwise deal with the Tenement in any way as to adversely impact on the rights of Element under this Agreement;
- (b) not impede Element's access to and exploration of the Tenement;
- (c) make available to Element all technical and other documentation and information as may reasonably be required by Element for the purposes of undertaking exploration activity on the Tenement; and
- (d) consent and execute all documents and do all things reasonably required by Element to permit Element to register a caveat or similar interest against the Tenement at the Department.

8. Power of Attorney

8.1 Appointment

Forte Energy irrevocably appoints Element as its attorney (**Attorney**) on the following terms:

- (a) The Attorney has the right at any time to:
 - (i) perform and observe the obligations of Forte Energy under this Agreement and the Tenement Transfer Agreement, including without limitation, to execute the Tenement Transfer Agreement and perform Forte Energy's obligations under the Tenement Transfer Agreement;
 - (ii) do everything which in the Attorney's reasonable opinion is necessary or expedient to enable the exercise of any right of Element under this Agreement or the Tenement Transfer Agreement; and
 - (iii) appoint substitutes and otherwise delegate its powers (including this power of delegation).

8.2 Scope of Power of Attorney and consideration

- (a) The power of attorney is granted to secure the performance of the obligations of Forte Energy under this Agreement and the Tenement Transfer Agreement.
- (b) This power of attorney is granted for valuable consideration (receipt and sufficiency of which is acknowledged by Forte Energy) which includes the Option Fee.

8.3 Ratification of Attorney's acts

Forte Energy will from time to time and at all times ratify any exercise of a power by an attorney under this clause.

8.4 Indemnity

Forte Energy indemnifies and will keep Indemnified any attorney against any liability, loss, cost, expense or damage arising from the lawful exercise of any right by the attorney under this power of attorney.

9. Announcements and Confidentiality

9.1 Prior Approval

No public announcement or communication relating to the negotiations of the parties or the subject matter of or the terms of this Agreement may be made or authorised on behalf of any party without the prior approval of the other party unless the announcement or communication is required by law or is made under clause 9.2.

9.2 Disclosure to officers and professional advisers

A party may disclose anything in respect of this Agreement or the terms of the sale of the Tenement:

- (a) to its officers, professionals and Related Bodies Corporate but it must use its best endeavours to ensure that all matters disclosed are kept confidential; or
- (b) pursuant to any ASX Listing Rule or in any Disclosure Document issued pursuant to Chapter 6D of the *Corporations Act 2001* (C'th).

10. General

10.1 Notices

Any notice or other communication to a party under this document must be in writing and delivered personally, sent by prepaid mail, or sent by facsimile transmission to the recipient at the address or the facsimile number appearing in this clause or such other address or facsimile number as the recipient may have notified to the sender.

Forte Energy:

Attention: The Managing Director
Address: 36 Outram Street West Perth Western Australia 6005
Facsimile: 08 9322 4073

Element:

Attention: Hemming + Hart (Brent Van Staden)
Address: 2/307 Queen Street, Brisbane Qld 4000
Facsimile: 07 3221 3068

A notice is deemed to be received:

- (a) if delivered personally, on the date of delivery;
- (b) if sent by prepaid post, 5 Business Days after posting; and
- (c) if sent by facsimile transmission, on receipt by the sender of a facsimile transmission report confirming receipt.

10.2 Counterparts

This document may be executed in any number of counterparts and all counterparts taken together will be deemed to be a single instrument.

10.3 Confidentiality

- (a) The terms and conditions of this document and all negotiations between the parties relating to the subject matter of this document are confidential.
- (b) A party must not make any public disclosure, communication or announcement about this document except with the prior written consent of the other party or to comply with accounting, legal, stock exchange or other regulatory requirements.

10.4 Costs

Each party will pay its own costs relating to the preparation, negotiation and performance of this document.

10.5 Goods and Services Tax

The Option Fee is inclusive of GST and Forte Energy is responsible for any GST levied in relation to this Agreement.

10.6 No Merger

The rights and obligations of the parties, including any indemnities, do not merge on completion of any transaction contemplated by this Agreement.

10.7 Waiver

- (a) A failure or delay in exercise, or partial exercise, of a right, power, authority, discretion or remedy arising from a breach of or default under this document, does not result in a waiver of that right, power, authority, discretion or remedy.
- (b) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this document or default under this document as constituting a waiver of that right, power, authority, discretion or remedy.

10.8 Further Assurance

All parties must do all things reasonably necessary to give full effect to this document and the transactions contemplated by this document.

10.9 Severability

If any part of this document is, or becomes, legally invalid or unenforceable, the remainder of this document subsists and remains enforceable.

10.10 Entire Understanding

This document contains the entire agreement between the parties. All representations or agreements, whether oral or in writing made prior to the date of this document and relating to any matter dealt with in this document are merged in this document and do not have any effect from the date of this document.

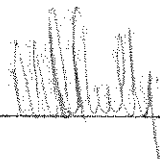
10.11 Governing Law

- (a) This document is governed by the law of Queensland.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Queensland and waives any objection to the venue of any legal process on the basis that the process has been brought in any inconvenient forum.

10.12 Assignment

A party may not assign its rights under this document without the consent of all other parties.

Executed by
Forte Energy NL ACN 009 087 852
by:

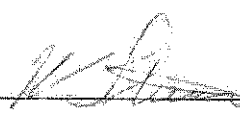
A Director 

A Full name of Director 

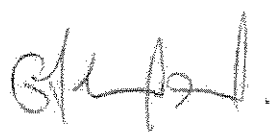
A Director/Secretary 

A Full name of Director/Secretary 

Executed by
Element Pty Ltd ACN 138 488 909 by:

A Director 

Neil Francis Stuart
A Full name of Director

A Director/Secretary 

Paul Anthony Crawford
A Full name of Director/Secretary

Schedule 1

The Tenement

ML 7506	Millenium 1
ML 7507	Millenium 2
ML 2512	Rita Margaret
ML 2761	This Time Maybe
ML 2762	Federal

Schedule 2

Tenement Transfer Agreement

Tenement Transfer Agreement

**Forte Energy NL ACN 009 087
852**

**Element Minerals Australia Pty
Ltd ACN 138 488 909**

 **HEMMING-HART**
LAWYERS

Level 2 / 307 Queen Street, GPO Box 142, Brisbane Q 4001
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Parties **Forte Energy NL ACN 009 087 852** of 36 Outram Street West Perth
Western Australia 6005

Forte Energy

Element Minerals Australia Pty Ltd ACN 138 488 909 of Level 1,
349 Coronation Drive Brisbane QLD 406

Element

Background

- A. Forte Energy is the exclusive and unencumbered holder of the Tenement.
- B. Forte Energy granted Element the Option to acquire the Tenement on the terms and conditions of this Agreement.
- C. Element has exercise the Option and accordingly Forte Energy sells and Element acquires the Tenement on the terms and conditions of this Agreement.

Agreement

1. Definitions and Interpretation

1.1 Definitions

In this document:

Act means the *Mineral Resources Act 1989* (Qld) and any act amending or passed in substitution for it and includes all regulations made pursuant to that act.

Agreement means this agreement and its schedules.

ASX means the Australian Securities Exchange of ASX Limited.

Approvals means all regulatory approvals required by the Department to enable the transfer of the Tenement from Forte Energy to Element pursuant to the terms of this Agreement.

Business Day means a day other than a Saturday, Sunday, or public or bank holiday in Brisbane, Queensland.

Cash means:

- (a) \$20,000 if Element has not paid the Extended Option Fee pursuant to the Option Agreement; or
 - (b) Nil, if Element has paid the Extended Option Fee pursuant to the Option Agreement.
-

Claim means any rights, Liabilities, Losses, entitlements, costs, remedies, actions, suits, proceedings, demands, claims and causes of action or actions, whether fixed or unascertained, actual or contingent, however arising and whether in existence at present or existing or arising in future, including without limitation, a claim for rectification of any document on any grounds and any claim for loss, damages or compensation of any nature and on any grounds.

Completion means the completion of this agreement in accordance with clause 6.

Completion Date means the later of 90 days after the valid exercise of the Option by Element pursuant to the Option Agreement.

Consideration has the meaning given in clause 4.1.

Corporations Act means the *Corporations Act 2001* (C'th).

Department means the Department of Natural Resources and Water and any other government department which from time to time is charged with the administration of the Act.

Effective Date means the date Element validly exercises the Option in accordance with the Option Agreement.

Element Limited means Element Minerals Limited ACN 138 468 756.

Encumbrance includes:

- (a) any mortgage, charge, pledge or lien, and any security interest or a preferential or adverse interest of any kind;
- (b) a title retention arrangement;
- (c) a right of any person to purchase, occupy or use assets (including under a hire purchase agreement, option, licence, lease, or agreement to purchase);
- (d) a right to set-off or right to withhold payment of a deposit or other money;
- (e) an easement, restrictive covenant, caveat or similar restriction over property (except, in the case of land, a covenant noted on the certificate of title to the land concerned);
- (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist;
- (g) a notice under section 255 of the Income Tax Assessment Act (1936), subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth), or any similar legislation; or
- (h) an interest or power created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power or any other third party right.

Extended Option Fee has the meaning given in the Option Agreement.

Government Authority means any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

GST Act means *A New Tax System (Goods and Services) Act 1999* (C'th).

GST means any tax imposed under the GST Act.

Insolvency Event means a person:

- (a) stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (b) is insolvent within the meaning of section 95A of the Corporations Act;
- (c) fails to comply with a statutory demand (within the meaning of section 459F(1) of the Corporations Act) unless:
 - (i) the debt to which the statutory demand relates is discharged within 15 Business Days of the date of the failure; or
 - (ii) the party demonstrates to the satisfaction of the other party (acting reasonably) that it is able to pay all its debts as and when they become due and payable;
- (d) has an administrator appointed in respect of it;
- (e) has a controller within the meaning of section 9 of the Corporations Act or similar officer appointed to the whole or a substantial part of its assets or undertaking and that controller or similar officer is not removed within 5 Business Days of the appointment;
- (f) has an order made or a resolution passed for its winding up or dissolution or it enters into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them;
- (g) has any security enforced over, or a distress, execution or other similar process levied or served against, the whole or a substantial part of its assets or undertaking; or
- (h) is subject to any event which, under the law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events listed above.

Liabilities means all liabilities, Losses, damages, outgoings, costs and expenses of whatever description and **Liability** shall be construed accordingly.

Loss means any damage, loss, liability, cost or expense, including any indirect or consequential loss, loss which results from some supervening event or special circumstance, loss of profit or revenue or opportunity or economic loss, suffered or incurred by the person, however it arises.

Option has the meaning given in the Option Agreement.

Option Agreement means the agreement having that name executed by and between Element and Forte Energy granting Element an option to acquire the Tenement on the terms and conditions of this Agreement.

Option Fee has the meaning given in the Option Agreement.

Option Period has the meaning given in the Option Agreement.

Quotation means the quotation of the Shares on ASX.

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

Shares has the meaning given in clause 4.1(b).

Tenement means QLD ML'S 2512, 2761, 2762, 7506, 7507, particulars of which are set out in Schedule 1 of this Agreement.

Value means the 5 day volume weighted average price of the Shares quoted on ASX, calculated over the 5 trading days preceding Completion or if the Shares are not Quoted during that period, the price of the Shares in any disclosure document dated after the date of this Agreement for the initial public offering of the Shares.

1.2 Interpretation

Unless expressed to the contrary:

- (a) headings and boldings are for convenience only and do not affect the interpretation of this document;
- (b) this document is not to be interpreted against the interests of a party merely because that party proposed this document or some provision in it or because that party relies on a provision of this document to protect itself;
- (c) where an expression is defined anywhere in this document another part of speech or grammatical form of that expression has a corresponding meaning;
- (d) a reference to:
 - (i) an individual or person includes a firm, corporation, incorporated association, and government or statutory body or authority;
 - (ii) the word 'include' or 'including' is to be construed without limitation, whether or not "without limitation" is used;
 - (iii) any gender includes all genders;
 - (iv) the singular includes the plural and vice versa;
 - (v) recitals, clauses, Schedules or annexures are to recitals, clauses, Schedules or annexures of or to this document;
 - (vi) a statute, ordinance or other law includes regulations and other statutory instruments made under it and consolidations, amendments and re-enactments of it;
 - (vii) money is to Australian currency;
 - (viii) this document or another document includes the document as varied or replaced;

- (ix) any party to this document, or any other document or arrangement includes that party's executors, administrators, substitutes, successors and permitted assigns.

2. Condition Precedent

2.1 Condition Precedent to Agreement

This Agreement is subject to the condition precedent that Element validly exercises the Option in accordance with the terms and conditions of the Option Agreement.

2.2 Effect of non-fulfilment

If Element elects not to validly exercise the Option in accordance with the terms and conditions of the Option Agreement, this Agreement will not come into operation.

3. Purchase and Sale

Subject to clause 2, Forte Energy as beneficial owner agrees to sell and Element agrees to buy the Tenement for the Consideration, free from any Encumbrances with effect from Completion.

4. Payment of Consideration

4.1 Nature of Consideration

The consideration (**Consideration**) that will be paid by Element on Completion, is the following:

- (a) The Cash, in the manner directed by Forte Energy in writing; and
- (b) At the election of Element, either:
 - (i) The issue of the following fully paid ordinary shares (**Shares**) to Forte Energy:
 - A. If Element Limited has been admitted to the Official List of ASX and its shares are Quoted by the Completion Date, fully paid ordinary shares in Element Limited to the value of \$160,000, valued in accordance with the Value; or
 - B. If Element Limited has not been admitted to the Official List of ASX and its shares are not Quoted by the Completion Date, fully paid ordinary shares in Orocobre Limited ACN 112 589 901 to the value of \$160,000, valued in accordance with the Value,in either case with a holding statement reflecting the allotment and issue of the Shares to be sent by Element to Forte Energy within 7 days of Completion or as soon as practicable thereafter; or
 - (ii) \$160,000.

4.2 Warranty

Element warrants that it will be able to procure the issues of Shares as required under clause 4.1(b)(i).

5. Title and Risk

Title to and risk in the Tenement will pass from Forte Energy to Element on and from Completion.

6. Completion

6.1 Date for Completion

Completion must take place at the offices of Element's solicitors at 12.00 pm Brisbane time on the Completion Date.

6.2 Delivery of Documents by Forte Energy

At Completion Forte Energy must give to Element the following information and documents executed by Forte Energy (whether in electronic or any other form):

- (a) a duly executed form of transfer in respect of the Tenement prepared pursuant to the Act capable of immediate registration by the Department;
- (b) if an instrument of title in respect of the Tenement has been issued pursuant to the Act, the instrument of title;
- (c) all compensation and other agreements relating to the Tenement in its possession or control;
- (d) all technical, financial and other documents held Forte Energy in relation to the Tenement;
- (e) any other documentation that may reasonably be required by Element for the purposes of obtaining the Approvals; and
- (f) any documents of title to or documents and information concerning the Tenement.

6.3 Element Obligations

On Completion Element must pay the Consideration in accordance with clause 4.

6.4 Interdependence

The obligations of each of the parties under this clause 6 are interdependent and Completion will not occur unless all of the obligations of the respective parties under this clause 6 are complied with in full.

7. Forte Energy Post Completion Obligations

Forte Energy will:

- (a) Comply with its obligations under the Option Agreement that continue to apply after exercise by Element of the Option; and
- (b) At all times assist Element and do all things reasonably within its power and control and provide all necessary information to assist Element to obtain the Approvals, including executing any documents, forms or deeds reasonably required by Element for that purpose.

8. Failure to obtain Approvals and Quotation

If the Approvals are not granted within 12 months of Completion, at the election of Element:

- (a) This Agreement will terminate and each party must restore the other party to its position prior to this Agreement; or
- (b) Forte Energy will continue hold the Tenement on bare trust for Element, provided that Forte Energy must continue to prove Element with all reasonable assistance to obtain the Approvals.

9. Warranties

9.1 Forte Energy warranties

Forte Energy warrants and represents to Element that as at the Effective Date and until Completion:-

- (a) Forte Energy is and will remain the sole legal and beneficial holder of the Tenement;
- (b) the Tenement is valid, subsisting and in good standing, clear from any Encumbrances;
- (c) Forte Energy has complied on the due date for compliance with each and every obligation whether arising in statute or otherwise, in relation to the Tenement, including all requirements under the Act;
- (d) The Tenement is not subject to forfeiture or cancellation in whole or in part for any reason;
- (e) Forte Energy has not taken any action to surrender the Tenement;
- (f) there are no outstanding or unpaid fees under the Act or any law payable in respect of the Tenement;
- (g) there are no outstanding notices, orders, directions or declarations from or by any Government Authority (including the Environmental Protection Authority and local councils) to Forte Energy in respect of any environmental law applicable to the Tenement;

- (h) the Tenement is not contaminated in such a way as to empower any Government authority (including the Environmental Protection Authority and local councils) to issue any orders, notices or directions in respect of any applicable environmental law;
- (i) there are no factors affecting the Tenement that will, or would reasonably be likely to, give rise to any material liability under or arising from any act or omission that is a breach of or inconsistent with its obligations under, any environmental laws;
- (j) Forte Energy has not received any notice or information regarding nor, to the best of the Forte Energy's knowledge and belief, of any circumstances that would result in a breach of the terms and conditions of the grant of the Tenement;
- (k) Forte Energy is not subject to any Insolvency Event and no Insolvency Event is contemplated by Forte Energy;
- (l) all rates, taxes, charges, fees, rental, royalties and penalties assessed or imposed upon the Tenement have been and will be paid, when due;
- (m) there are no facts or circumstances within its knowledge which:
 - (i) will or may be likely to render the Tenement subject to forfeiture;
 - (ii) will or may be likely to materially adversely affect the Tenement or their value ; and
- (n) there are no material contracts, arrangements, undertakings or other agreements in force in relation to the Tenement that have not been fully and fairly disclosed to Element in writing.

9.2 Forte Energy indemnity

Forte Energy indemnifies Element against all losses, damages, accidents, liabilities, proceedings, Claims, Losses, Liabilities, costs and expenses which Element may suffer, incur or sustain in connection with or arising in any way whatsoever out of any breach by Forte Energy of any warranty given under this Agreement.

9.3 Mutual Warranties

Each of Element and Forte Energy warrants to the other that:

- (a) Each is duly incorporated and validly exists under the law of its state of registration;
- (b) Each has full corporate power and authority and has undertaken all necessary corporate action to enter into and perform its obligations under this Agreement; and
- (c) This Agreement and obligations under it do not conflict with or result in a breach of or default under any provision of its Constitution or any material term or provision of any agreement or deed or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound.

9.4 Exclusions

To the maximum extent permitted by law, neither party nor their directors, officers, agents, employees or contractors gives any warranties or makes any representations not expressly set out in this Agreement, including without limitation, any warranties or representations as to the value at any time of the Shares.

10. Announcements and Confidentiality

10.1 Prior Approval

No public announcement or communication relating to the negotiations of the parties or the subject matter of or the terms of this Agreement may be made or authorised on behalf of any party without the prior approval of the other party unless the announcement or communication is required by law or is made under clause 10.2.

10.2 Disclosure to officers and professional advisers

A party may disclose anything in respect of this Agreement or the terms of the sale of the Tenement:

- (a) to its officers, professionals and Related Bodies Corporate but it must use its best endeavours to ensure that all matters disclosed are kept confidential; or
- (b) pursuant to any ASX Listing Rule or in any Disclosure Document issued pursuant to Chapter 6D of the Corporations Act.

11. General

11.1 Notices

Any notice or other communication to a party under this document must be in writing and delivered personally, sent by prepaid mail, or sent by facsimile transmission to the recipient at the address or the facsimile number appearing in this clause or such other address or facsimile number as the recipient may have notified to the sender.

Forte Energy:

Attention: The Managing Director
Address: 36 Outram Street West Perth Western Australia 6005
Facsimile: 08 9322 4073

Element:

Attention: Hemming + Hart (Brent Van Staden)
Address: 2/307 Queen Street, Brisbane Qld 4000
Facsimile: 07 3221 3068

A notice is deemed to be received:

- (a) if delivered personally, on the date of delivery;
- (b) if sent by prepaid post, 5 Business Days after posting; and
- (c) if sent by facsimile transmission, on receipt by the sender of a facsimile transmission report confirming receipt.

11.2 Counterparts

This document may be executed in any number of counterparts and all counterparts taken together will be deemed to be a single instrument.

11.3 Confidentiality

- (a) The terms and conditions of this document and all negotiations between the parties relating to the subject matter of this document are confidential.
- (b) A party must not make any public disclosure, communication or announcement about this document except with the prior written consent of the other party or to comply with accounting, legal, stock exchange or other regulatory requirements.

11.4 Costs

Each party will pay its own costs relating to the preparation, negotiation and performance of this document.

11.5 Goods and Services Tax

The Consideration is inclusive of GST and Forte Energy is responsible for any GST levied in relation to this Agreement.

11.6 No Merger

The rights and obligations of the parties, including any indemnities, do not merge on completion of any transaction contemplated by this Agreement.

11.7 Waiver

- (a) A failure or delay in exercise, or partial exercise, of a right, power, authority, discretion or remedy arising from a breach of or default under this document, does not result in a waiver of that right, power, authority, discretion or remedy.
- (b) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this document or default under this document as constituting a waiver of that right, power, authority, discretion or remedy.

11.8 Further Assurance

All parties must do all things reasonably necessary to give full effect to this document and the transactions contemplated by this document.

11.9 Severability

If any part of this document is, or becomes, legally invalid or unenforceable, the remainder of this document subsists and remains enforceable.

11.10 Entire Understanding

This document contains the entire agreement between the parties. All representations or agreements, whether oral or in writing made prior to the date of this document and relating to any matter dealt with in this document are

merged in this document and do not have any effect from the date of this document.

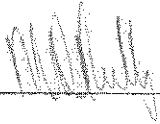
11.11 Governing Law

- (a) This document is governed by the law of Queensland.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Queensland and waives any objection to the venue of any legal process on the basis that the process has been brought in any inconvenient forum.

11.12 Assignment

A party may not assign its rights under this document without the consent of all other parties.

Executed by
Forte Energy NL ACN 009 087 852 by:

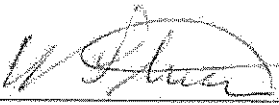
▲  _____
Director

▲  _____
Director/Secretary

▲ Mark David Redun
Full name of Director

▲ Murray Robert Wylie
Full name of Director/Secretary

Executed by
Element Minerals Australia Pty Ltd
ACN 138 488 909 by:

▲  _____
Director

▲  _____
Director/Secretary

▲ Neil Francis Stuart
Full name of Director

▲ Paul Anthony Crawford
Full name of Director/Secretary

Schedule 1

The Tenement

ML 7506	Millenium 1
ML 7507	Millenium 2
ML 2512	Rita Margaret
ML 2761	This Time Maybe
ML 2762	Federal