

**B-1**

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

- and -

PLACER (PNG) PTY. LIMITED  
HIGHLANDS GOLD PROPERTIES PTY. LIMITED  
RGC (PAPUA NEW GUINEA) PTY. LIMITED  
A JOINT VENTURE

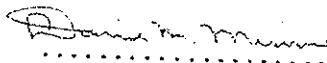
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MINING DEVELOPMENT CONTRACT

FOR THE  
FORGERA PROJECT  
ENGA PROVINCE  
PAPUA NEW GUINEA

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Certified as a true copy of the original  
(incorporating all amendments to date).



..... Date: Oct. 25, 1988  
D.M. Munro,  
Secretary,  
Highlands Gold Company.

APRIL 3, 1989

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APPENDICES

- A. Copy submission letter accompanying proposal for development.
- B. Copy of Minister's letter notifying National Executive Council's approval of proposal for development.
- C. Form of Special Mining Lease.

SCHEDULES

- 1. Description of Goods.

THIS CONTRACT is made this 12<sup>th</sup> day of May 19\_\_ between -

- (1) THE INDEPENDENT STATE OF PAPUA NEW GUINEA (hereinafter called the "State"); and
- (2) PLACER (PNG) PTY. LIMITED (hereinafter called "Placer"), HIGHLANDS GOLD PROPERTIES PTY. LIMITED (hereinafter called "Highlands Gold") and RGC (PAPUA NEW GUINEA) PTY. LIMITED (hereinafter called "RGC PNG") each of which is a company incorporated in Papua New Guinea, the registered office of Placer and Highlands Gold being c/- Blake Dawson Waldron, Mogoru Moto Building, Champion Parade, Port Moresby and the registered office of RGC PNG being c/ - Coopers & Lybrand, Mogoru Moto Building, Champion Parade, Port Moresby (Placer, Highlands Gold and RGC PNG being hereinafter collectively called "the Joint Venturers").

WHEREAS

- A. Commercial deposits of minerals have been discovered in the area of the Prospecting Authority (as hereinafter defined).
- B. The Joint Venturers have carried out the Feasibility Study (as hereinafter defined) on the basis of which they concluded that development of a commercial mining project in the area of the Prospecting Authority should proceed.
- C. There are annexed hereto a copy of Placer's letter of submission on behalf of the Joint Venturers for approval of a proposal for development and of the Minister's letter notifying the Joint Venturers of the approval of the National Executive Council of their submission marked with the letters "A" and "B" respectively.
- D. The Joint Venturers have applied for the Special Mining Lease (as hereinafter defined) and other leases, licences, rights, permits, easements and grants as identified in the Approved Proposal for Development (as hereinafter defined).
- E. Development of a commercial mining project in the area of the Prospecting Authority will be of major economic significance to the people of Papua New Guinea.
- F. The State wishes, subject to the provisions of recital G hereof, to ensure that the development of the commercial deposits of minerals will secure the maximum benefit for, and adequately contribute to the advancement and the social and economic welfare of, the people of Papua New Guinea, including the people in the vicinity of the Joint Venturers' operations, in a manner consistent with their needs and the protection of the environment.

- G. The State wishes to encourage the development of the mining and processing operations upon terms and conditions which, it is anticipated at the time of the execution of this Contract, will secure maximum benefits for the people of Papua New Guinea and secure an appropriate return on investment commensurate with the risks involved to the Joint Venturers.
- H. The State and the Joint Venturers have agreed on a number of matters which are set out in this Contract and wish the matters agreed upon to be an enduring arrangement of national interest.
- I. The State and the Joint Venturers pursuant to the Mining Equity Agreement (as hereinafter defined) have agreed that the State may elect to acquire up to a ten percent participating interest in the Project (as hereinafter defined).

IN WITNESS WHEREOF this Contract has been duly executed by the parties on the  
day of

SIGNED for and on behalf of the )  
INDEPENDENT STATE OF PAPUA NEW )  
GUINEA by IGNATIUS KILAGE, G.C.M.G., )  
Governor-General, acting )  
with and in accordance with the )  
advice of the National Executive )  
Council in the presence of: )

*Ignatius Kilage*  
Governor-General

*[Signature]*

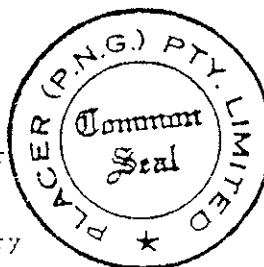
THE COMMON SEAL of PLACER (P.N.G.) )  
PTY LIMITED was hereunto affixed by )  
authority of the Board of Directors )  
in the presence of: )

*[Signature]*

Director

*[Signature]*

Secretary



THE COMMON SEAL of HIGHLANDS GOLD )  
PROPERTIES PTY. LIMITED was hereunto )  
affixed by authority of the Board )  
of Directors in the presence of: )

*[Signature]*

Director

*[Signature]*

Secretary



THE COMMON SEAL of RGC (PAPUA NEW )  
GUINEA) PTY. LIMITED was hereunto )  
affixed by authority of the Board )  
of Directors in the presence of: )

*[Signature]*

Director

*[Signature]*

Secretary





THE INDEPENDENT STATE OF PAPUA NEW GUINEA

MINING ACT, CHAPTER NO. 195

PORGERA SPECIAL MINING LEASE NUMBER 1

I, IGNATIUS KILAGE, G.C.M.G., Governor-General of the Independent State of Papua New Guinea (hereinafter called "the State") by virtue of the powers conferred on me by the Mining Act, Chapter No. 195 (hereinafter called "the Act") and in accordance with the Mining Development Contract between the State and Placer (PNG) Pty. Limited, Highlands Gold Properties Pty. Limited, and RGC (Papua New Guinea) Pty. Limited dated the            day of 1989, (hereinafter called "the Contract") and all other powers me enabling.

HEREBY GRANT to Placer (PNG) Pty. Limited, Highlands Gold Properties Pty. Limited and RGC (Papua New Guinea) Pty. Limited (hereinafter called "the Joint Venturers" which expression shall include their respective successors and assigns) a SPECIAL MINING LEASE (hereinafter called the "Special Mining Lease") over

- (i) all mines, veins, seams, lodes and deposits of gold and silver as are contained in, on, or under that piece of land, being the whole of the land described in the attached description and delineated on the Plan annexed hereto and signed by me for the purpose of identification (hereinafter called the "Land"), AND
- (ii) such other minerals as are combined in the Land with such gold or silver in such a way that they must necessarily be mined in the mining of such gold or silver in, on or under the said Land, AND
- (iii) all limestone, clay minerals, sand, gravel and coarse aggregate in, on or under such Land for use in the development of facilities and infrastructure on the said Land or for such other use or purpose as the Minister responsible for the Act may, from time to time, approve in writing

This and the following 11 pages comprise Annexure "C" referred to in the Mining Development Contract between the Independent State of Papua New Guinea and Placer (PNG) Pty Limited, Highlands Gold Properties Pty Limited and RGC (Papua New Guinea) Pty Limited dated            May 1989.

with the right and liberty to use the said Land for the mining of such gold, silver, minerals, limestone, clay minerals, sand, gravel and coarse aggregate herein mentioned and for such other purposes as may be necessary or desirable for, or ancillary to, such mining including (without limiting the generality of the foregoing) the construction, use and maintenance of all facilities and infrastructure contemplated by the Approved Proposal for Development (as defined in the Contract) as being located thereon.

- To hold the said mines, veins, seams, lodes and deposits for a term of thirty years from the date of publication in the National Gazette of the Notice of this grant with the right to variation or renewal of this Special Mining Lease as provided in the Contract and the Act.

YIELDING and paying therefor a rent of K10 per hectare per annum and paying the royalty on mine products as provided in the Act or such other legislation which may be substituted therefor and

UPON AND SUBJECT TO the provisions of the Contract, the Act and any regulations thereto and the following terms and conditions:

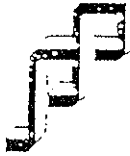
1. Without limiting the obligations imposed on the Joint Venturers by the Act, the Joint Venturers shall compensate the owners of private land which is located within the boundaries of this Special Mining Lease in accordance with the Act and any agreement between the Joint Venturers and the owners of such land, as the case may be.
2. The Joint Venturers shall provide the Department of Minerals and Energy with six monthly reports on any exploration activity carried out on the Land.
3. The Joint Venturers shall construct or provide improvements on the Land, substantially as specified in the Approved Proposal for Development, or as otherwise agreed from time to time between the Joint Venturers and the State.
4. The Joint Venturers shall not, without the consent of the State, which consent shall not be unreasonably withheld, use the Land for any purpose other than that for which it was granted pursuant to the Contract, the Act and the Approved Proposal for Development.
5. This Special Mining Lease, or any renewal thereof, shall terminate on either the expiration of its term or the termination of the Contract whichever occurs first.
6. The Joint Venturers shall use their best efforts to accommodate traditional land uses to the degree that such uses are consistent with efficient and safe mining practices and are compatible with the performance of the Joint Venturers' obligations under the Contract.

7. If the Joint Venturers fail to comply with a requirement of the Minister pursuant to Section 79(3) of the Act, the Minister may resume, without compensation, the area of leased Land specified in the requirement.

- DATED AT PORT MORESBY this *24<sup>th</sup>* day of *May* 1989.

SIGNED FOR AND ON BEHALF OF THE  
INDEPENDENT STATE OF PAPUA NEW  
GUINEA by INGNATIUS KILAGE, G.C.M.G.,  
Governor-General, acting with and in  
accordance with the advice of the  
National Executive Council in the  
presence of

) *Ingnatius Kilage*  
)  
) *[Signature]*  
)  
)  
)



PLACER (P.N.G.) PTY LIMITED

9 May 1989

The Secretary  
Department of Minerals and Energy  
PO Box 352  
Konedobu  
Papua New Guinea

Dear Mr Searson

RE: PORGERA PROJECT - PROPOSAL FOR DEVELOPMENT

This letter and the documents listed herein comprise the proposal for development of the Porgera Gold Mine at Porgera in the Enga Province. Two copies of the aforementioned documents, signed on behalf of the Porgera Joint Venturers (the "Joint Venturers") for the purposes of identification, accompany this letter. We ask that one copy of each document be signed by the Minister for Minerals & Energy (the "Minister") for the purposes of identification and returned with the Minister's letter notifying the Joint Venturers of the National Executive Council's approval of their proposal. The documents are:-

(1) Porgera Project Feasibility Study

A feasibility study dated May, 1988 comprising the following:-

- (a) Volume 1 - Geology
- (b) Volume 2 - Mining
- (c) Volume 3 - Metallurgy
- (d) Volume 4 - General Matters
- (e) Volume 5 - Cost Estimates
- (f) Volume 6 - Summary

It should be noted that, as a result of further exploration conducted since the preparation of the feasibility study, further mineable ore reserves have been identified. The effect of this will be to extend the life of the mine described in the feasibility study well beyond the 19 year life projected in the study.

INCORPORATED IN  
PAPUA NEW GUINEA  
DEFENCE FORCE BUILDING  
PORT MORESEY

PORT MORESEY OFFICE  
PO BOX 251 NCG  
TELEPHONE: 21 3504 21 3582  
TELEX: 71389  
FAX: 21 3012

SYDNEY OFFICE  
GOLD FIELDS HOUSE 1 ALFRED STREET,  
SYDNEY COVE N.S.W.  
TELEPHONE (02) 241 1877

G.P.O. BOX 4315  
SYDNEY N.S.W. 2001  
TELEX: PLACER AA 121  
CABLES: PLACER SYC  
FAX: (02) 222 6100

Any contribution of funds sought from the Joint Venturers shall be provided from the Community Grant.

3. Subject to the fish being available at reasonable prices, the Joint Venturers will periodically purchase fish caught from Lake Murray to serve to their employees residing at construction camps and the Suyan townsite.

E LAW AND ORDER

1. The State will increase the police staffing level at Porgera to 13 officers once the new police station and associated housing now being constructed with funds provided jointly by the Joint Venturers and the State is completed.
2. The Joint Venturers will assist, to an extent to be agreed, in funding the stationing of a Mobile Squad at Porgera on a permanent basis.

F EMPLOYEE COMMUTING

The Joint Venturers agree to undertake measures to minimise employee commuting by air other than for commencement and termination of employment, recreation leave, emergency leave, compassionate leave, sick leave and the conduct of normal Joint Venture business, by the seventh anniversary of the signing of the Mining Development Contract. To reduce commuter activities as far as reasonably practicable in the interim, the Joint Venturers agree:-

1. to include in all advertisements for operations employees the following information:-
  - (a) that accommodation will be provided for married employees who desire to have their families reside at Suyan or any other townsite developed by the Joint Venturers, provided that the employee has completed a minimum probationary period of 6 months and has a salary level equivalent to Grade 12 or above (subject to periodic review by the Joint Venturers).

- (b) that annual leave airfares will be provided for all family members to their place of recruitment.
- 2. (a) subject to qualifications and experience, to give preference to applicants for employment who wish to reside at Porgera.
- (b) where financial assistance is offered to Joint Venture employees to acquire or build their own house, to offer such assistance for those wishing to do so at Porgera on significantly more favourable terms.
- 3. to provide detailed reports to appropriate Government Agencies regarding the progress made towards reducing employee commuting activities within 60 days of the third and subsequent anniversaries of the signing of the Mining Development Contract.

The construction of the Project will proceed in accordance with the construction schedule contained in Volume 6 of the Feasibility Study.

We trust this proposal satisfies the requirements of the Department of Minerals and Energy and is given favourable consideration by the National Executive Council.

We will await your earliest advice regarding approval of the Project and the completion of formal documentation.

Yours sincerely



V.V. BOTTTS  
PROJECT MANAGER  
PORGERA JOINT VENTURE

W/Enclosures

This and the preceding 7 pages comprise Annexure "A" referred to in the Mining Development Contract between the Independent State of Papua New Guinea and Placer (PNG) Pty Limited, Highlands Gold Properties Pty Limited and RGC (Papua New Guinea) Pty Limited dated 12~~th~~ May 1989.

