

B-2

**FLY IN/FLY OUT AGREEMENT
(PAIAM TOWN DEVELOPMENT)**

BETWEEN

**THE INDEPENDENT STATE OF
PAPUA NEW GUINEA**

THE ENGA PROVINCIAL GOVERNMENT

THE PORGERA DISTRICT LANDOWNERS

**THE PORGERA LOCAL-LEVEL GOVERNMENT
SPECIAL PURPOSES AUTHORITY**

AND

THE PORGERA JOINT VENTURERS

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AGREEMENT

This Agreement is made on this _____ the _____ of _____ 1998

BETWEEN

THE INDEPENDENT STATE OF PAPUA NEW GUINEA (the "State") of the first part; and

THE ENGA PROVINCIAL GOVERNMENT (the "Provincial Government") of the second part; and

THE PORGERA DISTRICT LANDOWNERS (the "Landowners" having the meaning given to that term in the Porgera Agreement) of the third part; and

THE PORGERA LOCAL-LEVEL GOVERNMENT SPECIAL PURPOSES AUTHORITY (PDA) of the fourth part; and

PLACER (PNG) LIMITED ("Placer") of the fifth part; and

HIGHLANDS GOLD PROPERTIES LIMITED ("Highlands") of the sixth part; and

GOLDFIELDS PORGERA LIMITED ("Goldfields") of the seventh part; and

MINERAL RESOURCES PORGERA LIMITED ("MRP") of the eighth part; and

OROGEN MINERALS PORGERA LIMITED ("Orogen") of the ninth part

WHEREAS:

- A. Under Clause 5 of an Agreement entered into by the State and the Provincial Government and the Landowners on the 12th May, 1989 (the "Porgera Agreement") the State agreed to promote the development of an integrated, well serviced and economically developing township, in Porgera, by ensuring the PJV would actively promote the residence of mine operations personnel in the Porgera area.
- B. Under Clause 5 of the Porgera Agreement, the State undertook to ensure the PJV, by the seventh anniversary of the execution of the Agreement would have reduced to an absolute minimum the number of mine operations personnel flying in and out of Porgera, in order to better promote township development, and thus minimise any economic loss to the community due to fly-in/fly-out.

- b) To use its best efforts to assist each of the other Parties hereto to promote and ensure the controlled development of Paiam township; and
- c) To provide maintenance funding to PDA for Paiam Town on an annual basis in accordance with the rate set for an equivalent urban council.

6 PROJECT FUNDING

- a) The State will provide Special Support Grant and Mining Agreement funding through PDA for the Porgera community and the Porgera Valley (which may be presently in arrears) prior to all Parties proceeding with any stage of the Township development. The State will also provide over a period of four consecutive years the sum of K625,000 per year as interest free loans to PADC.
- b) To the extent that the Projects referred to in Clause 3 are not funded from IDP funds or under the Tax Credit Scheme or by the individual governmental authority responsible for the project, the State will cooperate with the Provincial Government and PDA so as to ensure the timely provision to PDA of the requisite funding so as to enable the development of Paiam town in accordance with the Town Plan and over the period contemplated by Clause 3.

7 ESTABLISHMENT OF AN URBAN COUNCIL

Upon receipt of a recommendation from the Provincial Government, the State will facilitate the establishment of an Urban Council to administer the affairs of Paiam Township, once the development of the town has been completed in accordance with this Agreement.

8 SPECIAL SUPPORT GRANT AND MINING AGREEMENT PROJECT FUNDS

The State will develop a scheme to have the amount of any government funds (such as the Special Support Grants) due to PDA paid directly to PDA.

9 LAW AND ORDER

The State agrees to the establishment of a Reserve Constabulary establishment of a minimum of 40 personnel, including two females, and also to the provision of a Police Public Relations Officer to carry out Liaison with the Village courts, Community and District Administrator.

The State shall also increase the number of regular policemen stationed at Porgera to a minimum of thirty (30) and maintain at least that number for the remainder of the life of the Porgera Mine; shall ensure that all such policemen

are suitably experienced and shall ensure that all such policemen are rotated on a not more than three year basis. The State will actively promote the reduction of lawlessness and seek to improve law and order on the Highlands Highway within Enga and in the Porgera Valley.

10 RURAL LOCK-UP

The State shall provide funding for staff, maintenance and infrastructure to build, manage and maintain a Corrective Institution, on a site approved by the Provincial Government, PDA and the Landowners, to hold prisoners for a period of up to six months.

11 EMPLOYMENT OF PJV EMPLOYEE FAMILY MEMBERS

The State shall ensure that any family member of any PJV employee, including those of expatriate employees, resident in Paiam shall be able to legally obtain employment in the Porgera Valley. This may require exemptions for visa regulations, which the State will provide.

12 PURCHASE OF ADDITIONAL URBAN LAND

The State will provide funding for completion of an investigation into the additional land required for Paiam Township and will definitely provide funding as required for the purchase or compulsory acquisition of the necessary lands. Payments will be made in line with the compensation rates used for improvements by the PJV and the Valuer-General's assessment of the value of unimproved land.

13 HIGHWAY CORRIDOR

The State will use its best efforts to provide or procure the provision of a corridor along each side of the existing highway between Kairik and the mine site, which will be free from any form of development, other than community infrastructure approved by PDA.

14 RADIO LICENCE

The State will provide a radio licence for a local radio station to be managed by PMC.

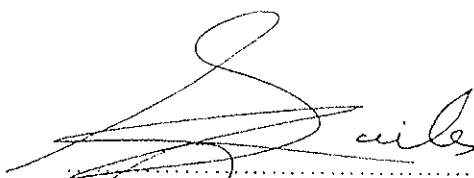
15 INFRASTRUCTURE DEVELOPMENT PROGRAM

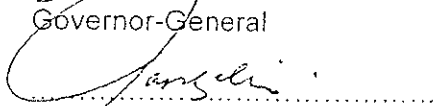
- a) The State accepts and agrees that the development of Paiam Town and the Projects hereinbefore referred to are Relevant Infrastructure for the purposes of Clause 16 of the PSA and the State shall, through its representatives on

- i) If a quorum is not present at any meeting of the Monitoring Committee the meeting shall stand adjourned for seven (7) days and at the reconvened meeting the member or members present shall constitute a quorum.
- j) The representative of the State or, in his absence, the representative of the Provincial Government shall chair each meeting of the Monitoring Committee and has the casting vote in case of a hung vote.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties on _____ day the _____ of _____ 1998.

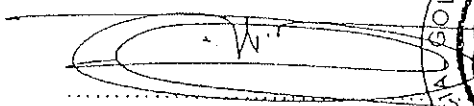
Signed for and on behalf of the Independent State of Papua New Guinea by: **Sailas Atopare GCMG, K.St.J.** Governor-General, acting with and in accordance with the advice of the National Executive Council in the presence of:

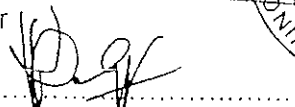


 Governor-General


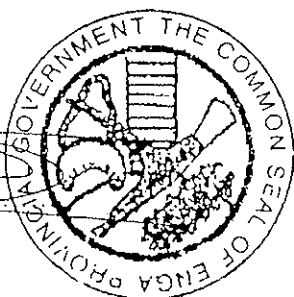
 Witness

Signed for and on behalf of the Enga Provincial Government by: **The Honourable Peter Ipatas, M.P.**, The Governor of the Enga Province acting with and in accordance with the advice of the Enga Cabinet in the presence of:

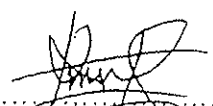


 Governor


 Witness **K. TALYAGA**

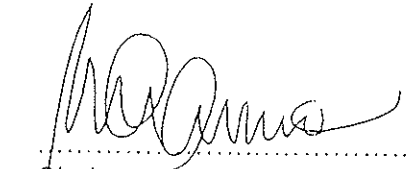


Signed for and on behalf of **The Porgera District Landowners** by the duly elected Chairman of their Association in the presence of:



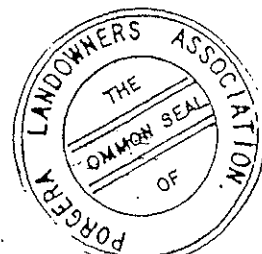
 Witness
JOHN PAWE

 Name

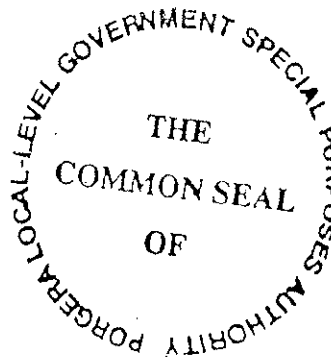


 Chairman
MARSH TERO

 Name



The Common Seal of
Porgera Local-Level Government
Special Purposes Authority
was hereunto affixed by the
Chairman in the presence of:



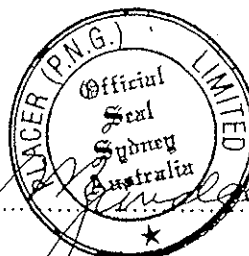
[Signature]
.....
Witness

FRANK TEBEL
.....
Name

[Signature]
.....
Chairman

NIXON MANGHO
.....
Name

The Common Seal of
Placer (PNG) Limited
was hereunto affixed by
the Authority of the Board of Directors
in the presence of:



[Signature]
.....
Secretary

R. C. BARKWICK
.....
Name

[Signature]
.....
Director

D-W. ZANDEE
.....
Name

The Common Seal of
Highlands Gold Properties Limited
was hereunto affixed by
the Authority of the Board of Directors
in the presence of:



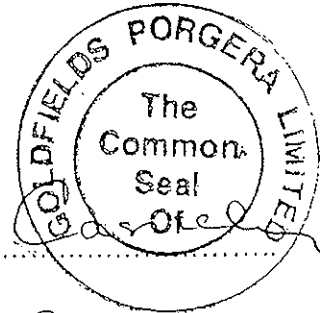
[Signature]
.....
Secretary

CHRISTOPHER TRAWER
.....
Name

[Signature]
.....
Director

R. J. BARKWICK
.....
Name

The Common Seal of
Goldfields Porgera Limited
was hereunto affixed by
the Authority of the Board of Directors
in the presence of:



[Signature]
.....
Secretary

P.
.....
Director

P. G. MATTHEWS
.....
Name

P W CASSIDY
.....
Name

The Common Seal of
Mineral Resources Porgera Limited
was hereunto affixed by
the Authority of the Board of Directors
in the presence of:



[Signature]
.....
Secretary

[Signature]
.....
Director

MELVIN YALAPAN
.....
Name

ILA TEMU
.....
Name

Signed for and on behalf of
~~Orogen Minerals Porgera Limited~~
~~by its duly authorised representative~~
~~The Common Seal of~~
~~Orogen Minerals Porgera Limited~~
was hereunto affixed by
the Authority of the Board of Directors
in the presence of:

[Signature]
.....
Secretary

[Signature]
.....
Director

Nitise
.....
Name

CHARLES W. LEPANI
.....
Name